

Business Intelligence Journal

Volume 1 – Number 1 – July 2008 – Semiannual Publication
Published by the Business Intelligence Service
Secured Assets Yield Corporation Limited (London, UK)

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Business Intelligence Journal

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<http://www.saycocorporativo.com/saycouk/BIJ/journals.html>

ISSN 1918-2325

Business Intelligence Journal

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Three types of manuscripts may be submitted:

Regular Articles: These should describe new and carefully confirmed findings, and research methods should be given in sufficient detail for others to verify the work. The length of a full paper should be the minimum required to describe and interpret the work clearly.

Short Communications: A Short Communication is suitable for recording the results of complete small investigations or giving details of new models, innovative methods or techniques. The style of main sections need not conform to that of full-length papers. Short communications are 2 to 4 printed pages (about 6 to 12 manuscript pages) in length.

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Regular Articles

All portions of the manuscript must be typed double-spaced and all pages numbered starting from the title page.

The **Title** should be a brief phrase describing the contents of the paper. The Title Page should include the authors' full names and affiliations, the name of the corresponding author along with phone, fax and e-mail information. Present addresses of authors should appear as a footnote.

The **Abstract** should be informative and completely self-explanatory, briefly present the topic, state the scope of the work, indicate significant data, and point out major findings and conclusions. The Abstract should be 100 to 200 words in length. Complete sentences, active verbs, and the third person should be used, and

the abstract should be written in the past tense. Standard nomenclature should be used and abbreviations should be avoided. No literature should be cited.

Following the abstract, about 3 to 10 **key words** that will provide indexing references to should be listed.

A list of non-standard **Abbreviations** should be added. In general, non-standard abbreviations should be used only when the full term is very long and used often. Each abbreviation should be spelled out and introduced in parentheses the first time it is used in the text.

The **Introduction** should provide a clear statement of the problem, the relevant literature on the subject, and the proposed approach or solution. It should be understandable to colleagues from a broad range of disciplines.

Materials and methods should be complete enough to allow possible replication of the research. However, only truly new research methods should be described in detail; previously published methods should be cited, and important modifications of published methods should be mentioned briefly. Capitalize trade names and include the manufacturer's name and address. Subheadings should be used. Methods in general use need not be described in detail.

Results should be presented with clarity and precision. The results should be written in the past tense when describing author's findings. Previously published findings should be written in the present tense. Results should be explained, but largely without referring to the literature. Discussion, speculation and detailed interpretation of data should not be included in the Results but should be put into the Discussion section.

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this and in past studies on the topic. State the conclusions in a few sentences at the end of the paper. The Results and Discussion sections can include subheadings, and when appropriate, both sections can be combined.

The **Acknowledgments** of people, grants, funds, etc should be brief.

Tables should be kept to a minimum and be designed to be as simple as possible. Tables are to be typed double-spaced throughout, including headings and footnotes. Each table should be on a separate page, numbered consecutively in Arabic numerals and supplied with a heading and a legend. Tables should be self-explanatory without reference to the text. The details of the research methods should preferably be described in the legend instead of in the text. The same data should not be presented in both table and graph form or repeated in the text.

Figure legends should be typed in numerical order on a separate sheet. Graphics should be prepared using applications capable of generating high resolution GIF, TIFF, JPEG or PowerPoint before pasting in the Microsoft Word manuscript file. Tables should be prepared in Microsoft Word. Use Arabic numerals to designate figures and upper case letters for their parts (Figure 1). Begin each legend with a title and include sufficient description so that the figure is understandable without reading the text of the manuscript. Information given in legends should not be repeated in the text.

References: In the text, a reference identified by means of an author's name should be followed by the date of the reference in parentheses. When there are more than two authors, only the first author's name should be mentioned, followed by 'et al'. In the event that an author cited has had two or more works

published during the same year, the reference, both in the text and in the reference list, should be identified by a lower case letter like 'a' and 'b' after the date to distinguish the works.

Examples:

Smith (2000), Wang et al. (2003), (Kelebeni, 1983), (Usman and Smith, 1992), (Chege, 1998; Chukwura, 1987a,b; Tijani, 1993, 1995), (Kumasi et al., 2001)

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Examples:

Papadogonas TA (2007). The financial performance of large and small firms: evidence from Greece. *Int. J. Financ. Serv. Manage.* 2(1/2): 14 – 20.

Mihiotis AN, Konidaris NF (2007). Internal auditing: an essential tool for adding value and improving the operations of financial institutions and organizations. *Int. J. Financ. Serv. Manage.* 2(1/2): 75 – 81.

Gurau C (2006). Multi-channel banking in Romania: a comparative study of the strategic approach adopted by domestic and foreign banks *Afr. J. Financ. Serv. Manage.* 1(4): 381 – 399.

Yoon CY, Leem CS (2004). Development of an evaluation system of personal e-business competency and maturity levels *Int. J. Electron. Bus.* 2(4): 404 – 437.

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BRAZIL AND THE FREE TRADE AREA OF THE AMERICAS (FTAA)

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Abstract

This document discusses Brazil and the Free Trade Area of the Americas (FTAA). Since the FTAA is only a proposed agreement and trade apparatus at the moment, NAFTA is used as a working model and its influence on and benefit for Mexico and that country's economy. Various trade structures and associations are briefly examined relative to the potential impact of the FTAA for Brazil and South America. The benefits and the negatives of a potential FTAA are developed and several impediments to its further adoption in the region and by Brazil specifically are examined.

INTRODUCTION

Brazil has long been a highly populated and growing nation within South America. However, it generally has not been recognized for its substantial positioning in the world market or its cultural strength among Latin American people. In the 1990s, however, Brazil began to be recognized as a significant inclusion in the world market because of its collaboration in creating the Mercosur agreement with other South American countries. As Mercosur began to be realized the United States offered the Free Trade Agreement of the Americas (FTAA) with the intention that it would have the same results for Brazil that NAFTA had for both Canada and Mexico. Yet, the leaders of Brazil believed by that time that they could demonstrate their independence from Western ideologies and form their own trade bloc with nations of a similar philosophy. Therefore, Mercosur was born.

Mercosur promised to be a tool that would allow countries within South America to have the economic strength to rival Western and European nations, as well as growing Asian markets. In Mercosur the founders sought to support one another, extend trading freedoms to one another and become a bloc that was desired to be traded with. By the late 1990s, however, it became evident that this was not in the immediate future for Mercosur, as the Brazilian economy tumbled and all of the member nations felt the impact of the decrease in the value of the Brazilian real.

As time elapsed tensions that had existed previous to the Mercosur agreement, as well as new clashes became evident. Consequently the trading bloc

continued to decrease in its ability to realize its intended future. Therefore, Venezuela was allowed to become a full member of the bloc in 2006. Once again Mercosur members asserted that the trading bloc would be successful, relying on the multi-million dollar strength of the Venezuelan economy and the word of its leader, Hugo Chavez. Yet, it was apparent that Chavez was not only concerned with trade in Mercosur, he was concerned with the political statements that could be made against the United States. Chavez not only publicly condemned the United States president, he made every effort to secure an alliance with Fidel Castro, a constant enemy of the United States for decades. The actions of Chavez did not ultimately have the affect on Mercosur in the manner that Brazil and the other member nations had visualized. Instead Chavez brought about even greater criticism and suspicions, especially in light of his open support of Iran.

At the current time Mercosur has made no progress in its efforts to become a significant trading bloc within the global community. Moreover, Mercosur has continued to experience a reduction in its economic stability and a constant unrest among its members. The recent summit of Mercosur, intended to address these issues, only identified plans for additional growth, which has historically been demonstrated as a negative approach to resolving the issues that impact Mercosur.

For countries such as Brazil, Mercosur was intended to alter the economic future of the nation, increase internal stability and begin a path toward a prosperous future. It is evident that in the current conditions experienced through Mercosur these visions will not be realized. However, the FTAA, modeled after the successful North American Free Trade

Agreement, provides a secure foundation for trade that is future focused and that has the ability of opening trading paths throughout the world.

BACKGROUND OF THE FTAA

The Free Trade Area of the Americas (FTAA) was created following the implementation of the North American Free Trade Agreement (NAFTA) and was intended to bring free trade to all members of the global community. The chart below indicates the countries that are connected to the FTAA and the future of free trade.

Nations Participating in FTAA Process:

Antigua, Argentina, Bahamas, Barbados, Belize, Bolivia, Barbuda, Brazil, Canada, Chile, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Saint. Kitts and Nevis, Saint Lucia, Saint Vincent, Surinam, Trinidad & Tobago, USA, Uruguay and Venezuela.

The concept supporting the FTAA was initiated in 1994 at the Summit of the Americas in Miami, Florida ("Free Trade Area", 2006, sec. 1). The Summit included members of 34 countries that began negotiations related to free trade after it became apparent that while NAFTA was beneficial to some countries, it did not serve to open free trade to the entire global community. FTAA was intended to resolve that issue. The Summit participants believed that in FTAA there would eventually be trade between nations which was not restricted and that allowed every nation to participate. In order to achieve this goal

the members of the Summit created the Miami Summit Declaration of Principles, a plan that would allow for ministers or representatives of each nation to begin "taking a series of concrete initial steps to achieve the Free Trade Area of the Americas" ("Free Trade Area", 2006, sec. 1). Consequently these representatives set about making preparations for the FTAA, with meetings in Denver, Catagene, Belo Horizonte and San Jose, Costa Rica ("Free Trade Area", 2006, sec. 1). By the time of the last meeting of ministers in Costa Rica the ministers had paved the way for the Second Summit in 1998 that took place in Chile.

The Second Summit of the FTAA required negotiations between governments in order to ensure that the final agreement would take into consideration the needs and future of all nations. In order to achieve this goal the Summit members concluded that financial issues connected to each country, as well as population size had to be considered. Furthermore, the Summit members determined that specific objectives had to be met in creating the FTAA document. These goals included:

- Raising living standards of each population.
- Improving working conditions.
- Protecting the environment. ("Free Trade Area", 2006, sec. 1).

The Second Summit led to additional meetings of the nation's ministers in which the ministers developed policies toward trade, populations, negotiations within the markets, commercial exchange and customs ("Free trade Area", 2006, sec. 2). The development of these policies resulted in the first draft of the FTAA being written and publicly published, which was an

unforeseen step in the process. However, by publicly allowing the members of all nations to comprehend the FTAA in its entirety throughout the process the ministers believed that they would be capable of demonstrating their good will toward each nation and their ethical intentions in drafting the FTAA (“Free Trade Area”, 2006, sec. 2).

By 2002 the ministers also created the Hemispheric Cooperation Program (HCP) in which those countries that were economically disadvantaged would be taken into consideration in the free trade agreement and allowed the opportunity to fully participate in trade with other nations. This document was conceived because of the global concern that free trade would only benefit large multi-million dollar corporations and eventually cause the small business owner to leave the business community. This was because what was learned through NAFTA was that only those corporations that had the financial backing and economic base to advance in the technological and knowledge levels were capable of truly competing in the globalized market. Many companies that attempted to be part of that competition ended up having to either revert back to participating only in local markets or closing their businesses because of the extensive costs in competing globally. These businesses learned that with the opening of markets under free trade, the technology that had been unknown to some nations and the skills that had been acquired by people within some markets were exceedingly more advanced than had been previously understood. Therefore, when free trade commenced it became evident to many corporations that they had to invest extensively in their companies in order to become as technologically

advanced and skilled as other companies. Failing to accomplish this feat would mean that consumers would take their business elsewhere and that the companies would ultimately loose in the business competition anyway. The leaders connected with FTAA wanted to ensure that this was not the result of signing the free trade agreement and that small business owners would still have the opportunity to compete without running the risk of loosing their companies. The HCP was intended to support this intention. Additionally, the Directives for the Treatment of the Differences in the Levels of Development and Size of Economies allowed for added support of this approach to the FTAA and weaker businesses economically (“Free Trade Area”, 2006, sec. 3).

The FTAA was intended to be completed and implemented globally by the close of 2005. The ministers connected to the FTAA stated:

We, the Ministers, reaffirm our commitment to the successful conclusion of the FTAA negotiations by January 2005, with the ultimate goal of achieving an area of free trade and regional integration. The Ministers reaffirm their commitment to a comprehensive and balanced FTAA that will most effectively foster economic growth, the reduction of poverty, development, and integration through trade liberalization (“Free Trade Area”, 2006, sec. 4).

The ministers also concluded that there was a need for understanding that all issue pertaining to different nations could be addressed within the FTAA. In order to ensure that all countries were adequately

represented by the FTAA, therefore, the ministers called for nations to enter negotiations with the authors of the FTAA as a means of successfully addressing the concerns of national leaders and ensuring that all people were equally supported under the FTAA ("Free Trade Area", 2006, sec. 3). The ministers referred to these concerns as "rights and obligations" and they included a focus on such areas as agriculture, government procurement and property ("Free Trade Area", 2006, sec. 3). It was, however, stipulated that these negotiations would conclude in September of 2004 in order for the FTAA leaders to be capable of completing their mission in a timely manner.

By 2005, however, it had become painfully obvious that the deadline for passage of the FTAA would not be realized. This was because of several factors that centered on disagreements between national leaders and the "zone" that would represent the free trade countries connected to the agreement. According to Clendenning (2005) the FTAA lost the significance that it initially had when leaders such as President Luiz Inacio Lula da Silva of Brazil insisted that the FTAA would not support their national economic and population needs (para. 5). Da Silva further made it known that he believed that the United States was forcing other nations to conform to its trade policies and that it was more important for Brazil to strengthen its trading relationships with its "neighbors" than to consider trade beyond that realm, which was not beneficial to Brazil (Clendenning, 2005, para. 5). Clendenning (2005) stated that "involved in the issues that were connected to FTAA was the desire of the United States to have protection for American farmers, and Brazil's insistence on property rights" (para. 6). When it

became evident that Brazil and the other nations that supported it were not going to proceed with negotiations, Clendenning (2005) reported that the United States had plans to enter into individual trade agreements with other nations as a means of implementing FTAA and ignoring the lack of participation in free trade by Brazil and its counterparts in South America.

The opposition to the FTAA has not only existed in South American nations, but is evident in the United States as well. Jasper (2004) contends that the opposition exists because of the belief that the creators of the FTAA document have the intention of building an international plan that would override the governments and national independence of all nations under the umbrella of the FTAA (p. 21). Jasper (2004) states that the ministers of the FTAA have prepared plans that would allow the FTAA governing body to preside "over such issues as environment, labor, wages, health care, education, foreign aid, welfare, housing, taxation, investment, agriculture, narcotics control, immigration, border control, counter-terrorism" (p. 21). Essentially, this would mean that all elements of society in the countries that participate in FTAA would cease to be governed by their own constitutions and cultural beliefs, but rather would be subjected to the governance of an international board that would control the lives of people within each nation signing the FTAA agreement (Jasper, 2004, p. 21). Jasper (2004) voices his thoughts that the scope of the FTAA is challenged because it impacts the sovereignty of nations and the identity of populations that have struggled to create their own way of life and their own cultural independence (p. 21). If FTAA is ever implemented, it is believed, there will be a new rule within these nations that obliterates sovereignty

and provides for world domination by powers unknown (Jasper, 2004, p. 21).

Block (2003) stipulates, however, that the FTAA does not infringe upon the sovereignty of nations, it serves to protect them in respect to every element of life that may be connected to free trade and overcome possible barriers to an open market that may exist in the future (p. 501). Block (2003) believes that many of those that are in opposition to the FTAA are not realistically viewing the document and are casting what they have read aside because their views are not the dominant concerns of the FTAA (p. 501). Consequently some nations insist that the FTAA favors other nations, such as the United States, when in reality the FTAA favors no particular nation, rather a philosophy that people in each country must be protected (Block, 2003, p. 501). This is evident, according to Block (2003) when it is considered that if issues such as the environment are not protected under FTAA, trading countries may elect to take advantage of natural resources that are not their own, but that have no policies provided for in the international documentation (p. 501). Block (2003) states:

Much is at stake. Latin America is a veritable treasure trove of ecological bounty, though its marine and terrestrial ecosystems face a host of threats, including unsustainable harvesting practices and destructive land-use patterns, respectively. The potential impacts of free trade on these ecological assets have been inadequately studied as countries train their scarce research resources on predicting economic outcomes in specific sectors or product areas (p. 501).

Block (2003) continues with his argument in favor of the FTAA by contending that the global community is failing to comprehend the true expanse of knowledge, profit and sense of community that can be achieved through a widespread free trade document (p. 501). Those nations that do understand these benefits are consistently attempting to enter into trade agreements with other countries on a smaller scale and ensure that they take part in gaining some of these benefits. However, if free trade between all nations was possible, the agreements that blocked trade from some nations, while supporting others would be a thing of the past and all of society would be capable of knowing the expanse of the positive outcomes that would result (Block, 2003, p. 501). Block (2003) believes that to comprehend the possibilities associated with free trade success requires the individual to examine the history of NAFTA and the economic growth that has existed for the countries that have participated in that agreement (p. 501).

The conflicting beliefs associated with FTAA have continued to prevent the passage of the free trade agreement. Brazil's adamant opposition to the agreement has led other nations to cast aside the possibility of a global free trade policy and caused the citizens of many nations to question the validity of the agreement because of the belief that it will negatively impact populations. Yet, it is also evident that there are researchers and professionals that believe that the opposition to FTAA is unfounded and that the arguments against it have caused the FTAA to be taken out of context because of the desire of some leaders to control the scope of the agreement. It is contended, therefore, that an examination of available research will be capable of demonstrating

that the FTAA is a positive step in the process of free trade throughout the globe and that all nations, including Brazil, would benefit from the implementation of FTAA. In order to provide evidence that supports this theory an examination of Mexico in relation to the North American Free Trade Agreement will be conducted. Furthermore, a review of the literature pertaining to the key elements argued in relation to FTAA will be conducted. These elements will include:

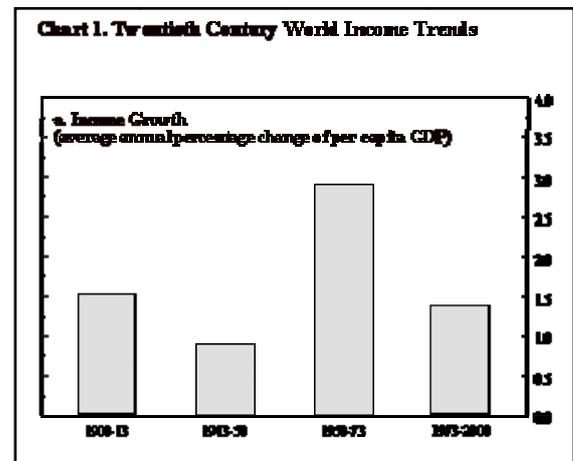
- Globalization.
- Economic History of the Americas.
- Trade Models.
- NAFTA goals.
- Factors Affecting Brazil.
- Arguments in Favor of FTAA.
- Arguments Opposing FTAA.

GLOBALIZATION

Globalization is often described as the economic model for the 21st century. Many analysts who describe it employ the concept of integration with several key words such as culture, economy, infrastructure, and the free market (Globalization, 2005). Culture is viewed as an integral element of globalization because globalization tends to blur delineations between cultural groups. Economy is significant to the realm of globalization because globalization appears to create a separation of classes that support the wealthy within society and ignore those that are impoverished. Infrastructures are an important aspect of globalization because the mechanisms of communication, transportation, and knowledge support it. Furthermore, infrastructure encompasses the technological scope of society and business that continue to advance in vast

degrees throughout the global community. In a broader sense, Friedman (2000) proposes that globalization is more than a simple integration of international functionality, but rather a completely new geo-political paradigm in the way that the Cold War was a geo-political paradigm governing, to some degree, all decisions: political, economic, and social (sec. 1).

To some theorists globalization is concerned primarily with the economic conditions of nations. According to the International Monetary Fund globalization in this respect has been a continual fact since the beginning of trade between nations, or for hundreds of years ("Globalization Threat", 2002, sec. 2). In the twentieth century the income growth of populations demonstrates the world income trends. These trends coincide with eras of prosperous global trade and display evidence that when trade was high, income levels increased as well.



Retrieved from the International Monetary Fund,
<http://www.imf.org/external/np/exr/ib/2000/041200.htm#chart1a>

According to the International Monetary Fund the beginning of the twentieth century was plagued by war and

nations refused to conduct international trade. Therefore, the primary means of trade became local or national, with international trade generally coming to a halt (“Globalization Threat”, 2002, sec. 3). As a result of this lack of trade the income levels of populations decreased significantly. Yet, by the 1950s income levels increased as trade on an international basis continued to become more common. By the 1970s the continuing wars that plagued nations also impacted the economic growth of the population, remaining instrumental in the declining economic prosperity of people throughout one generation.

The changing growth of the economy impacted the social order as well. The International Monetary Fund states that when there was evidence of widespread growth those that were positively impacted by this growth were those that were least in need of financial prosperity (“Globalization Threats”, 2002, sec. 3). Additionally, those that were in need of financial gain in each country fell further behind in class and become more impoverished than ever before. This state has a great deal to do with the inclusion of data from developing countries in relation to the economic conditions of nations. Since the 1970s, for example, there are many nations that were once considered Third World countries that have altered their financial conditions altogether. This is particularly true of Asian countries. However, in other nations the gap between prosperity and poverty has increased. The IMF contends that this is because of four specific factors. These factors include:

- **Trade:** Some nations have trade that has allowed them to become more competitive in the world market. Other nations have

suffered because the main source of trade that they have traditionally produced has declined in demand throughout the globe. This is especially true in relation to Third World nations that produce food products.

- **Capital Movements:** Capital movements are comprised of the flow of capital within nations, between nations and among investors in business. Because of the continual changes in the global community capital movements have also changed. For example, investors that existed primarily in some industries have changed their investing practices and migrated toward emerging industries in some cases. Furthermore, the issues that have impacted some nations in certain periods of time have altered the capital movement within countries and national abilities to conduct trade with other nations.
- **Movement of People:** The twentieth century has seen a change in population in regard to the migration of workers to more prosperous nations, as well as the outsourcing of work to countries that have become hubs of economic growth because of the lower cost of conducting business in these regions. With the constant movement of populations across the globe there has been difficulty in determining the exact economic condition of nations or how the migration of people to other locations will impact each country over time.
- **Knowledge and Technology Spread:** As globalization has

occurred there has been a continuous exchange of knowledge and technology. This exchange has impacted all major industries in the manner that production occurs, technology influences delivery of service and methods that are used in business operation.

It is evident, therefore, that the economic conditions that have occurred because of globalization have also impacted the social conditions that are realized by all societies. However, these two factors cannot be fully understood without comprehending the political elements that are present with the existence of globalization.

Politics influence globalization through each nation demanding to maintain sovereignty and the political beliefs that have founded the country. The IMF concludes that what many political entities fail to realize is that this sovereignty is only threatened when there are internal national issues that affect the national stability ("Globalization Threats", 2002, sec. 6). Furthermore, the manner in which a nation is capable of controlling its economic conditions and the restraints or freedoms placed on business will alter the positive outcomes possible in a globalized society. Politicians, however, have a tendency to believe that it is because of globalization that their nations suffer from financial strain, when it generally other factors that are unique to a particular country that are the cause of economic distress ("Globalization Threats", 2002, sec. 6).

In the current political climate surrounding the FTAA

politics is playing a significant role in placing blame on the FTAA itself, as well as on other political factions for the

failure of free trade to assist in a nation's economic prosperity. However, when it is considered that outside sources in a free trade society are traditionally not the cause of financial loss or devastation, these political arguments cannot be supported, as the evidence indicates.

ECONOMIC HISTORY IN SOUTH AMERICA:

Brazil in the Twentieth and Twenty First Centuries

The economic interaction of the West with Central and South America extends back to the colonial period following the regions discovery by European explorers in the 14 and 1500s. Since then, the economic history of Central and South America has been one of exploitation by and independence from European markets. While considerable economic interaction still occurs between these former colonies and their European founders, such as Brazil and Portugal, Central and South America have progressively sought to achieve economic independence and solvency based on their own development models. It should be noted, however, that the historical background of countries such as Brazil differs economically from other Latin American countries, such as Mexico. This is because of the nation's interaction with other societies and the geographic placement of the nation in relation to its neighboring countries.

Levine (1999) states that Brazil "had always been linked to international conditions" through royalty, the gold rush and foreign investment (p. 86). In the early part of the twentieth century, however, there was a disruption of trade, which included the difficulty for Brazil of receiving manufacturing tools required for

industrial operations. While Brazil had relied on France and England for economic support, these countries could no longer provide assistance to the nation and the United States minimally attempted to aid Brazil with capital investments (Levine, 1999, p. 85). This period of financial hardship did not last long, nevertheless, because industrialization throughout Brazil continued to expand, leading to the “most rapid economic growth in Brazilian history” (Levine, 1999, p. 85). Brazil, Argentina and Chile had increased the prices of their exports significantly for “agricultural and mineral exports”, with Brazil realizing a surge in its income from coffee (Levine, 1999, p. 85). As this occurred, investments in other Brazilian goods increased, although the wages paid to labor in the nation plunged. This was because of a constant immigration to Brazil by workers, which was supported by the Brazilian upper class. At the time women and immigrants were the preferred laborers because this societal groups were willing to accept wages that were far below the average wage, allowing for the profits of Brazil’s wealthy to climb. Yet, the issue of wages and working conditions became a continuing battle for Brazil, as unions attempted to be organized and the wealthy quickly moved to disband would-be unions through violent retaliation (Levine, 1999, p. 87). There was a definite separation between the wealthy and the poor at this time in the nation, with the wealthy repeatedly widening the gap between the have and have-nots and the hierarchy of the nation supporting the methods of control over the poor through violence as necessary in order to maintain economic stability (Levine, 1999, p. 85).

By 1917 Brazil elected to “declare war on Imperial Germany and join the Entente

powers” (Levine, 1999, p. 91). Levine (1999) states that this action was intended to increase the “stature” of Brazil through the nation’s support of allied countries with supplies that were greatly needed. According to Levine (1999) the move of Brazil to align itself with allied forces was essentially a method of competing with Argentina, a nation that had become increasingly wealthy and that had consistently received support from England (p. 91).

Between 1922 and 1927 the country experienced political and economic unrest, which culminated in the civilians within the country rebelling against societal norms that had placed the vast majority of the population in extreme poverty. By 1927 such revolts were banned by law and there were national policies against communism in the nation. The uprising of the people only became more intense after Getulio Dornelles Vargas became provisional president in 1930. Vargas believed that by eliminating surplus stocks of coffee prices could be increased and the economic conditions that were affecting many within Brazil could be alleviated (Levine, 1999, p. 100). Eventually the unrest within the nation became so extensive, however, that Vargas made himself the nation’s dictator and prevented the existence of political opposition to his governmental control. By the onset of World War II that the financial conditions were again enhanced because of Brazil’s consistent relationship with the United States and the latter country’s need for Brazilian products to support the war effort. In 1945, however, a “military coup d’etat...forced Vargas to resign” (“History”, n.d.).

In the following decade the social unrest because of economic strife related to the poor continued. Juscelino

Kubitschek had been elected president and under his control of the government there appeared to be hope that the economic future of the country would grow. Juscelino Kubitschek had developed an economic plan that included \$150 million in bank loans from the United States and a new capital in the nation, Brasilia ("History", n.d.). According to Levine (1999), Kubitschek wanted to ensure that the nation was capable of growth without foreign investment, that was a significant factor in industry at the time (p. 123). Kubitschek also intended to create a democratic government within Brazil, believing that this would alter the plight of the poor and strengthen Brazil internally. However, by the time that Kubitschek left office Brazil was impacted by "foreign debt and labor unrest" that indicated that his plans had not resulted in the outcomes that he had intended (Levine, 1999, p. 123).

The dire financial concerns of Brazil in relation to its impoverished population, foreign investment and national debt continued throughout the 1960s and 1970s with the government relaxing its control over the population and then increasing it through military leadership in an effort to find a model of government that would be effective in changing the economic challenges that existed (Levine, 1999, p. 125). Despite changes in government ideologies and political reforms there was nothing that appeared to alter the issues that were ongoing throughout the nation ("History", n.d.). It should be noted, however, that the economic prosperity of Brazil in relation to the wealthy had not been hindered throughout this course in history, demonstrating that Brazil was a nation in consistent economic conflict between social classes and that internal

unrest remained the nation's most significant issue.

By the 1990s the economic conditions that were negatively impacting Brazil appeared to be changing, as Fernando Henrique Cardoso took the presidential office. Despite the extensive political corruption that was believed to have occurred under Cardoso, Brazil "joined Argentina, Paraguay, and Uruguay in the formation of the Southern Cone Common Market (MERCOSUR)" ("History", n.d.). Additionally, Cardoso worked to create policies on land ownership, rights of Natives and "infrastructure" projects aimed at altering the economic conditions of the people ("History", n.d.).

It was during the 1990s that Brazil's government began to become involved in other forms of trade, primarily because of the low natural resources that supplied energy to the country. The need for energy in Brazil and Chile caused North American and European countries to invest in natural gas pipelines that were to create an energy "network" in Latin America (Energy", 1995, sec. 1). Yet, the investors were not restricted to these nations, as Argentina, Peru and Bolivia were "rich in natural gas" and stood to profit immensely from the energy trade ("Energy", 1995, sec. 1). The energy trade, however, became complicated when each of the nations involved began to demand certain conditions related to the trade. This included the insistence of the Bolivian government that all interested bidders desiring to provide needed services in the project have a "net worth of \$500 million" ("Energy", 1995, sec. 1).

This project alone demonstrates that each country within the scope of the energy crisis was affected in varying ways. Chile and Brazil, for example, were struggling to provide the energy needs of

their nation, while Bolivia was rich with natural energy and stood to profit extensively from its dispersment to other nations. Additionally, Bolivia began making demands on the energy market and those that wanted to participate in trade. This evidence supports the contention of the IMF that free trade is impacted by both the issues that pertain exclusively to nations and the factors that affect trade itself. In this case it was not the desire for free trade to occur or the need for free trade that was negatively impacting the situation, it was the conditions and issues associated with the trade that affected the process of trade. Additionally, the trade issues that existed through energy express the continued dilemmas that plague nations under the Mercursor agreement, with constant disagreements and struggling for power being evident.

The issue of energy in relation to Brazil became apparent again in 2001 when Cardoso and Chavez, Brazilian and Venezuelan leaders, sought to create a "high voltage power line" between Venezuela and Brazil (Easton, 2001, para. 1). The theory behind the project was that trading energy resources between the two countries would assist the Brazilian people with their energy needs and provide additional income for Venezuela. However, neither of the national leaders made an attempt to discuss the issue with environmentalists in the region of the indigenous people that lived in the areas where the power line was being constructed. This led to significant social rebellion against the project and the destruction of the power line on at least two separate occasions. Easton (2001) stated:

Indigenous leaders say the government acted illegally when it not only failed to

consult them about the \$400m project's environmental and social impact but subjected opponents to physical threats and violence (para. 5).

Furthermore, Levine (1999) states that this project would have devastated the ecosystem of Brazil, providing evidence that the government was not considering the environment, but rather the financial gain that would result is the project had been successful (p. 169).

The conditions surrounding this agreement between the leaders of Brazil and the Venezuelan government indicate that Brazil has faced continued difficulties in relation to free trade that are unique to the nation. These difficulties have continuously impacted the economic stability of the country and have challenged the Brazilian people throughout history to attempt to find leadership that can provide an answer to its tattered economic state. Therefore, while the Brazilian government may state that FTAA intends to strip the nation of its sovereignty, the data of the IMF is supported by the research that indicates that internal issues have consistently impacted Brazil and that under Brazil's current trade agreement the internal strife of the country has not been decreased.

TRADE MODELS

NAFTA.

The North American Free Trade Agreement (NAFTA) has been a successful contractual agreement between the nations of Mexico, the United States

and Canada. NAFTA has been instrumental in creating an open trade between these countries that increases societal relations and allows for increased profits for industry. The results to date of the NAFTA agreement on the three nations is demonstrated in the chart below.

United States	Mexico	Canada
38% economic growth	30% economic growth	30.9% economic growth
U.S. exports to Mexico: \$46.5 billion	Mexican exports to the U.S.: \$138 billion	Canada's overall exports to partnering nations increased by 104%
U.S. exports to Canada: \$87.8 billion	Mexican exports to Canada: \$8.7 billion	Productivity increase: 23%
Productivity increase: 28%	Productivity increase: 55%	Export trades due to NAFTA increase by over 87%
Income gains and tax cuts valued at \$930 per household	Wages in export companies rose 37%	Foreign Direct Investment increased 36%
	Agricultural trade rise 125% from Mexico to the United States	

Information retrieved from United States Trade Representative, http://www.ustr.gov/Document_Library/Fact_Sheets/2004/NAFTA_A_Decade_of_Success.html

As demonstrated, all three of the NAFTA nations have seen a profit increase in various sectors because of the free trade agreement that was implemented. It is because of these vast benefits that NAFTA has been viewed as a model trade agreement for other countries that have considered a pact with other countries. While other trade agreements have been implemented between nations, no other free trade agreement has the proven record that is associated with NAFTA.

CAFTA-DR or the The Central America-Dominican Republic-United States Free Trade Agreement is a trade agreement between the U.S., Costa Rica,

El Salvador, Guatemala, Honduras, Nicaragua, and the Dominican Republic, signed into law in the United States in 2005. To date it has been approved in all participating nations except Costa Rica ("U.S.-CAFTA", 2007). The United States Export Portal states:

In addition to tariff reduction, CAFTA-DR provides new market access for U.S. consumer and industrial products and agricultural products. It also provides unprecedented access to government procurement in the partner countries, liberalizes the services sectors protects U.S. investments in the region, and strengthens protections

for U.S. patents, trademarks, and trade secrets. The Agreement covers customs facilitation and provides benefits to small and medium-sized exporters. Provisions are also included that address government transparency and corruption, worker rights, protection of the environment, trade capacity building, and dispute settlement ("U.S.-CAFTA, 2007).

This trade agreement is considered at this time to be the second largest foundation for trade in the world, outside of the export agreement between the United States and Mexico ("U.S.-CAFTA", 2007). Although there has been hesitation from some of the countries to participate in this trade agreement, the future of CAFTA appears to be strong and promising for each country that participates in the free trade that has been established in the document.

Mercosur is a regional trade agreement developed by Brazil, Argentina, Uruguay, and Paraguay as a method to develop the emerging markets among Latin American countries without the domination and influence of larger developed nations such as the United States. Mercosur has not been as effective as it could have been because of the collapse of the Argentine economy beginning in 1999 (Baer, 2001). However, using Mercosur as a foundation, the members of the free trade alliance believe that in the future they will be capable of developing their own economy, such as is evident within the European Union. This, they believe, will occur through the strength of Mercosur.

Another regional trade agreement, AFTA or the Andean Free Trade Agreement, has never been ratified by any party but was intended to be comprised of Columbia, Peru, Ecuador, and Bolivia.

Therefore, while NAFTA has been successful some of the other regional trade agreements have seen limited success because of their equally limited scale.

NAFTA Goals

Of the free trade agreements in existence today NAFTA appears to be the most successful because of its proven benefits to each member nation. Murphy (2004) pointed out that NAFTA was ground-breaking both for its visionary approach to expanded trade relationships and for its unique integration into the signatory countries' sovereignty (para.34).

Given NAFTA's decided benefit across the North American continent in terms of free trade and the economic benefits that accompany this open door policy, it is important to detail some of the precise methods in which the relevant economies have benefited. Murphy (2004) contends further that, although some degree of national sovereignty must be subjugated to free-trade agreements such as NAFTA, NAFTA is but a definitive extension of globalization and has only increased transnational cash flows between the participating economies (Murphy, 2004).

Effects on Mexico: Macroeconomic Considerations.

Mexico's economy is a study in contrast. It recently attained a \$1.067 trillion GDP and a 30% growth rate through 2005 (Mexico, 2006). While trade with both the US and Canada has effectively tripled over the last decade following its ratification of NAFTA, Mexico's per capita income is only a quarter of the United States' per capita income and shows no inclination to

increase substantially over the next decade. Mexico's economy is divided largely between 3.8% agriculture, 25.9% industry, and 70.2% services with more than 40m in its large labor force (Mexico, 2006). With more than 40% of its population living below internationally recognized poverty lines, Mexico's economy is problematic at best because of the impact that free trade has on the nation overall and the lack of growth it provides for the average citizen. Yet, considering its ever expanding trade relationships and its growing economic activity, Mexico faces a real opportunity to enter the market at a time when growth prospects are strong in the mid to long-term. This could mean a significant change in the opportunities that are available for the Mexican citizens, dependent on the political environment of the nation, which has historically been volatile.

Political

Mexico's political environment is infamous for its corruption and somewhat dubious election processes. It is currently experiencing considerable internal strife over its most recent Presidential elections in which the conservative candidate, Felipe Calderon, was accused by the challenger, Manuel Obrador, of election and voting fraud (Fraud, 2006). Yet, such political strife has a long precedent in Mexico. It was only in 2000 that a candidate from outside the dominant Institutional Revolutionary Party or the PRI, which ruled Mexico since its independence from Spain in 1810 existed (Mexico, 2006). Mexico operates under a federal republic system of government and the country is divided into 31 states. The current President is Felipe Calderon as of December of 2006. The Mexican

governmental structure is not dissimilar to the United State's system in that it maintains three distinct divisions of government: an executive, a legislative, and a judicial branch (Mexico, 2006). Additionally, its legislature is a bi-cameral organization separated into a National Congress and a Senate. Mexico has numerous political parties dominated by the PRI, has various unions and special interests, and is a member of the World Trade Organization (WTO) as well as the North American Free Trade Association (NAFTA).

Labor

The Mexican population exceeds 107 million people, with a vast labor force that has historically been struggling for higher wages, acceptable working conditions and worker rights. Only two months after the new president took office the labor unions, peasant leagues, indigenous organizations and political parties have voiced their unrest with labor conditions in the nation by protesting in the thousands ("Massive", 2007, sec. 1). In the nation there are in excess of 150 labor organizations, each representing different groups or concerns within society in relation to employment. The most significant issue for these factions is the economic stability of the labor force, which is in a constant state of change. An example of this exists in the millions of youth that are entering the job market. It is estimated that only 3 in 10 of these potential workers will be able to locate adequate employment in the nation and that the remainder of this population will be forced to develop an income by alternative means ("Massive", 2007, sec. 4). This creates a significant dilemma for government officials, who must act in order to remain in power and to discover

methods that will resolve the labor issues that continue to rise. It is evident that in the case of Mexico, the government has not taken full advantage of the employment opportunities that could be developed through NAFTA as a means of meeting job need within the nation. Yet, there are other factors that inhibit many Mexican officials from increasing free trade, to include environmental concerns.

Environment.

The risk to Mexico's environment exists because of lax regulations protecting the nation's resources. The environment is further affected by industries, political factions and residential areas that all have a stake in where and how industry will operate. Where there are more wealthy populations the citizens have the ability to fight for environmental issues. However, in locations where there is a large population of poor, this is not the case. Therefore, since the majority of the nation exists in poverty, the environment is a constant concern for the people that call Mexico home. Finco and Hepner (1999) state

Assumptions about vulnerability...must take into account entirely different cultural factors on the Mexican side of the border (para. 1).

In other words, the regulatory requirements for industry that exist in the United States and elsewhere do not necessarily apply to Mexico and it is for this reason that NAFTA and the growing interest in industry in the nation is impacting the environment to such a significant degree.

It is apparent that the environment, political entities and labor have an important impact on the success that is felt

by Mexico because of the North American Free Trade Agreement. Despite the issues that internally plague the nation, however, it is also evident that Mexico has benefited to a great extent because of the free trade that exists with the United States and Canada. If it were possible for the Mexican government to develop a plan of action that would alleviate the issues that are consistently preventing the nation from discovering all of the benefits of NAFTA, Mexico could potentially be one of the most prosperous countries in the 21st century, as is evidence by the growth rate of the nation.

Brazil: Mercosur.

Mercosur originally found a basis for existence in 1986 with "economic cooperation between Argentina and Brazil" ("EU", 2007, sec. 1). Through this relationship the two countries believed that they could create a "common market and customs union" that would benefit the citizenry ("EU", 2007, sec. 1). The Treaty of Asuncion was the first document that established the intent of these nations. The Treaty of Ouro Preto of 1994 then renewed this relationship and began a "transition phase" of the agreement between the countries that supported the foundation of the modern Mercosur agreement. Mercosur is the free trade agreement between Brazil, Argentina, Uruguay, and Paraguay, which formally accepted Venezuela into its membership in July of 2006. Chile and Bolivia became associate members in 1996, with a "political Mersocur" being established ("EU", 2007, sec. 1). Other associate members of Mersocur include Peru, Colombia and Ecuador. With the election of new presidents in both Brazil and

Argentina in 2003 the political strength of Mercosur as an independent trading market grew. This was because the political influence that these leaders carried into Mercosur allowed the formation of a dispute settlement court and the expansion of its membership.

The purpose of the Mercosur agreement was for the countries involved to form their own trading alliance as a means of responding to the trading strengths of the United States and the European Union. The countries, therefore, desired independence in their trading efforts, as well as development of their own power within the global market. The intent of the agreement was also to create:

- 100% elimination of all internal tariffs and non-tariff barriers.
- Implement common external tariffs.
- Harmonize sectoral policies among member countries.
- Utilize trade creation versus trade diversion. (“Critical”, n.d., sec. 1).

Venezuela’s membership expanded the market to approximately 250 million people with more than \$1 trillion worth of combined output (Oppenheimer, 2006). This was because of two primary factors. Venezuela has been the “fifth largest oil producing country in the region” and a significant distributor of natural gas (“Venezuela”, 2005; Harman, 2006, para. 13). Therefore, the inclusion of Venezuela into Mercosur promised to be a tremendous boost to the future of the nations that took part in the agreement. Although there were many governmental and political factions that believed that Venezuelan involvement in Mercosur would adversely affect the trade pact,

Brazilian leaders felt that they had made enough progress with trade in relation to the European Union (EU) that controversy would not be an issue. However, The involvement of Venezuela has created tensions between the members of Mercosur and other nations, as well as tensions among Mercosur members themselves.

Within Mercosur there is a concern that Venezuelan President Hugo Chavez has exceeded his authority within the Mercosur by instigating tensions between the United States and Venezuela, which reflects on the Mercosur members as well. In 2007 Chavez reportedly stated:

President Bush should be tried for 'war crimes' in relation to the Iraq war. He showed further disdain for Mr. Bush, saying he was unfit to manage 'even a Little League baseball team' (Romero, 2007, sec. 1).

These comments were in response to Bush’ concern for Chavez’ control of Venezuela and the leader’s support of Iran. At a time when the Iraq war and tensions between the U.S. and Iran are such a significant concern to the United States, however, Chavez elected to publicly voice his contempt for the United States and its President, regardless of the affects that such actions would have on Mercosur. Chavez then continued to comment, stating that President Bush was believed by Chavez to be “the devil” himself (Romero, 2007, sec. 1).

These statements and the sentiment that has been apparent behind them have not stopped the United States from continuing with a push to negotiate a trade agreement with Brazil, Uruguay, Colombia and Guatemala, as well as strengthen its trade

alliance with Mexico (“Only”, 2007). Early this year President Bush will travel and meet with leaders from each of these countries, with Chavez now proclaiming that he will make the same visits in March. Of Bush’s visit, Argentinean officials stated that they had no control over Chavez and his methods of operation. Yet, they further proclaimed that Chavez did not prevent them from acting on their own either (“Only”, 2007).

To increase the tensions that have been caused by Chavez, the Venezuelan President met with Fidel Castro of Cuba in 2006 to begin negotiations related to trade with Castro’s country. Castro hailed this opportunity as a means to prevent the impact of U.S. embargos against Cuba and respond to the actions taken by the United States in a retaliatory manner (Hearn, 2006, p. A05). Chavez supports Castro’s beliefs and feels that by gaining Cuba as an ally in trade he will be capable of power within the free trade market that will ultimately devastate the United States and prevent the nation’s control over Latin American countries (Hearn, 2006, p. A05). However, Hearn (2006) states that this blatant action on the part of Chavez is quickly becoming a concern of Brazil (p. A05). This is because while the intent of Mercosur was to bring about economic independence for Latin American countries, it was not to create a situation in which trading partners were warring against one another and building international tensions that would destroy any progress that was made (Hearn, 2006, p. A05). Therefore, Hearn (2006) contends that ultimately the only recourse for Brazil may be to either withdraw from Mercosur or attempt to force Chavez from his position (p. A05).

The issues surrounding the Mercosur agreement are not exclusive to Chavez,

however. Since the inception of Mercosur the participating countries have witnessed changes in their economy that have had the opposite affects that were intended through their free trade agreement. In 2006 Brazilian President Luiz Inacio Lula da Silva pleased with Mercosur nations for “patience...in difficult times” (“Brazilian”, 2006). These difficult times are centered on issues such as the environment. Uruguay allowed companies within its nation to construct paper mills along the border of Uruguay and Argentina. However, Argentinean officials believe that this construction will cause mass pollution and contaminate the waterways permanently (“Brazilian”, 2006). According to Lula da Silva these issues were in existence prior to the signing of the Mercosur agreement and they are still affecting the member’s ability to negotiate successfully.

Yet, Uruguay and Paraguay both are beginning to suggest that Brazil and Argentina are making decisions in relation to Mercosur that benefit only these larger nations, while ignoring the needs of the smaller nation members (“Brazilian”, 2006). The Brazilian president believes that these types of disagreements within Mercosur are the ones that require “patience” because not all members are likely to experience growth at the same rate, or with the same magnitude (“Brazilian”, 2006).

The Brazilian president not only has concerns related to disagreements between Mercosur nations, the value of the Brazilian real is also in question. Prior to the inclusion of Venezuela in the Mercosur agreement, Brazil was the largest of the trading partners within the Mercosur nations. Brazil presented an economy from its gross domestic product (GDP) “twice the size” of other member nations

(“Real”, 2006). However, in 1999 the value of the Brazilian real dropped by 40%, impacting all of the Mercosur nations negatively. Southwestern Economics states:

The drop in Brazil's prices as a result of its devaluation had widespread impact on the other economies. Argentina, the region's largest beef producer, is now importing beef from Brazil and Uruguay's exports of textiles, wools, and grains to Brazil have dropped by 20 percent. Argentina is claiming that Brazilian steel producers are dumping steel in their country. Brazil's Mercosur partners have asked Brazil for concessions on some trading issues, something Brazil is reluctant to do (“Real”, 2006).

Perhaps the most devastating of the issues that affect countries in the Mercosur bloc is evident in Uruguay. After the devaluation of the Brazilian real Uruguay was impacted through:

- 17% decrease in the GDP.
- Per capita GDP reduction from \$6,800 to \$3,500.
- Severe drought.
- Conflicts with Argentina.
- Increased national debt.
- Banking crisis/closing of banks.
- Lack of budget discipline.
- Falling tax revenues.
- Devaluation of the peso. (Amy, 2006).

Although the Brazilian real first began impacting the members of the Mercosur in the later 1990s, the affects that were realized by Uruguay have continued. The only assistance that Uruguay has had

during this financial strife was provided by “international banking institutions” and the United States, exceeding \$4 billion (Amy, 2006). Although this assistance aided the country with its financial debt, it was not successful in altering the increase in Uruguay’s poverty rate to 15%, or its increase in citizen immigration to other nations, such as the United States.

It is believed that the issues facing Uruguay at this time will be altered when transportation through Uruguay is constructed, as Uruguay sits amidst the center of the Mercosur countries and is considered a “gateway” for all transportation needs of these nations (Amy, 2006). Yet, until such time as this occurs the financial hardships that plague Uruguay will continue and a resolution to their concerns will require collaboration on the part of all Mercosur members.

The possibility of this occurring seems unlikely, however, following the most recent summit meeting of the Mercosur members (“Mercosur Summit”, 2007) . According to the member nations the summit identified and discussed issues pertaining to assistance to other nations, the need for Mercosur to consider participation by all Latin American countries, regardless of their geographic location and the increase in developing nations participating as Mercosur partners in the bloc (“Mercosur Summit”, 2007) . Yet, the economic troubles and the conflict between those nations that is already evident were not discussed and a vision of how the Mercosur members intended to alter the future of these nations remains unclear.

Since 1991 Mercosur has been in continued negotiations with the European Union (EU) to form a free trade agreement. However, the main obstacle in signing the agreement appears to be

because of the agricultural concerns that exist in both nations (“Eyes”, 2006). The European Union desires to protect its own farming community by placing restrictions on the amount of imports that it will allow, while the Mercosur members want unlimited trade available to them in order to alter their financial crisis. Brazil has been the primary country that has prevented the signing of a free trade agreement with the EU, as Brazil is also consistently looking to the FTAA and the United States as an alternative trading partner in relation to agriculture. It is believed that because Brazilian members have had the opportunity to sign either the

FTA with the EU or the FTAA with the United States on several occasions, but has not, that Brazil is attempting to force leaders of both countries to make concessions that will allow for greater profit for the members of Mercosur (“Eyes”, 2006). However, because both the EU and the United States have strict policies protecting agricultural workers in their respective nations, there is little chance that this will occur.

It is evident that the issues with Mercosur are numerous. The chart below summarizes the positive and negative factors connected to the Mercosur trading bloc at the present time.

Positive Factors	Negative Factors
<p>According to the trading partners Mercosur should prevent dominant nations from affecting trade with Latin American countries.</p> <p>Mercosur promises the possibility of economic stability for its member countries.</p> <p>Mercosur promises the possibility of internal national stability for citizens.</p> <p>Mercosur members believed that with the inclusion of Venezuela as a trading partner Mercosur would be a stronger trading bloc.</p> <p>Brazil believed that by insistence upon freer agricultural policies between the EU and the US that Mercosur would ultimately benefit.</p>	<p>Dominant nations, as defined by Mercosur, continue to operate trading partnerships with success, regardless of Mercosur’s existence.</p> <p>To date all of the member countries, with the exception of Venezuela, have had moderate to severe financial difficulties.</p> <p>To date member countries are experiencing horrific economic conditions and an increase in poverty rates, as well as labor issues.</p> <p>The inclusion of Venezuela in the Mercosur membership continues to impact the stability of Mercosur throughout the globe.</p> <p>Neither the EU or the US intends to change its regulations protecting agricultural interests in their nations.</p> <p>Mercosur is considered a failure by many within the economic, trading and global community.</p>

The chart summary indicates that the issues associated with Mercosur at the present time are extensive. Furthermore, it is evident that all of the positive factors that could be evident in the free trade agreement are based on possibilities, not on actual results. This leads to the realization that at this time countries such as Brazil must alter their plans for trade and that the most effective manner in accomplishing this is to reconsider aligning the trading bloc with the FTAA.

Future of the FTAA

The future of the FTAA is highly in doubt. Latin America's recent resurgence of socialist leaning governments, led by Venezuela's Chavez, has meant that there is less interest in creating such a multi-lateral trading bloc led by the U.S.

For Brazil, the FTAA is problematic as well. With Bolivia recently coming under socialist leadership and nationalizing its petroleum industry, Brazil is under added pressure to avoid further bilateral or multi-lateral trade relationships with the United States.

However, the future of the FTAA can be altered through a realistic understanding of the issues that are plaguing Mercosur and a focus on the intentions of Mercosur members countries when the trading bloc initially began.

Roadblocks to Progress.

Politically, the primary roadblock against the FTAA gaining wider acceptance in the region is Venezuela's active denunciation of it. However, there are considerable internal barriers to its acceptance within Brazil as well.

Most economists believe the wider FTAA holds more promise for the South American member states than does the regional Mercosur or similar agreements that may result. The FTAA would expand the potential markets for industry competitors throughout South America allowing for greater leverage of comparative advantage. However, other analysts believe that the FTAA ultimately benefits the largest member states and leaves the smaller member countries with no obvious benefit (Oppenheimer, 2006). This last criticism has been directed at both the FTAA and regional agreements

and seems to be an issue related to any trade agreement regardless of context. In fact, the issue with control of the larger nations over the less prosperous ones has already become an issue in the Mercosur bloc.

While most analysts presumed that Lula da Silva would embrace the FTAA concept more following his re-election, if successful, the opposite has been true. Lula has prioritized Mercosur and openly stated that establishing greater regional relationships with other South American countries is his priority currently (Oppenheimer). However, the changing issues that are affecting Mercosur at this time are causing Da Silva to realize that some of the alliances that have been formed are detrimental to the existence of the trading bloc.

With Brazil's withdrawal of support, the FTAA holds little chance of regional acceptance beyond the support of some of the region's smaller markets. Additionally, the Bush administration's recent loss of the support of Congress virtually assures that the FTAA will go nowhere for at least the next two to three years. Yet, Hirst (2004) contends that this viewpoint may change if certain considerations are made in relation to alliances between Brazil and the United States (p. 75). According to Hirst (2004) the United States is equally responsible for the tensions that have existed between Brazil and the U.S. because of the inability of United States officials to recognize Brazil as a strength within the globe (p. 75). In the past the significance of countries such as China, India and Mexico have consistently been apparent in relation to trade. However, although Brazil has one of the largest populations and has been economically strong, the U.S. has failed to acknowledge the country as instrumental in the future of

world trade. Hirst (2004) suggests that it was not until Brazil ventured out on its own to form Mercosur that attention was finally given to any extent to the nation (p. 75). By this time, however, Brazil had developed its own independent nature and perspective of detaching itself from Western ideals. Therefore, Hirst (2004) suggests that the future of FTAA is quite dependent on how the United States embraces Brazil at this point in time and recognizes it as an important factor in the globalized market (p. 75). Additionally, it is believed that if the United States were to gain support from Brazil the other nations in South America that have become members or associate members of Mercosur would likely reconsider their position in relation to the FTAA as well.

Macroeconomic

During the late 1960s a stable of new reform-minded individuals came to wield a substantial amount of financial and economic influence in the government of Brazil. These individuals, led by the new Finance Minister, Delfim Neto, instituted some economic reforms that appeared to lead Brazil in the right direction to capitalize on its economic strengths and to reduce the massive inflationary pressures that had plagued it during the modern era (Robock, 1975). However, because of continued political instability and international pricing pressures on the overall economy, Brazil was not able to curb its runaway inflation for any appreciable amount of time. This economic profile is important because it is difficult to upgrade and expand a country's infrastructure with a view to economic growth if inflationary pressures act to curb foreign direct investment as well as internal investment. Currently Brazil's economy revolves around extensive

agricultural development, a growing industrial base, and preservation of its remaining rain forests. Brazil is South America's leading economy and has a huge labor pool that has allowed it to compete internationally as a manufacturing base as its infrastructural development improves. By the new millennium Brazil had fallen several places in the ranking of the world's biggest economies coming in two places behind one of its main emerging market rivals, China (Baer, 2001, p.129). This fall has been due to a sluggish average GDP growth over the last few years that coincided with a fall in the value of the real. However, the improved growth picture for 2006 could boost its ranking. Brazil fell several places in the country ranking in the World Economic Forum's Global Competitiveness Report 1999-2000 because of high interest rates, heavy corporate tax burdens and a private-sector that is replete with difficulties regarding financing and private funding (Baer, 2001, p.141).

Political

Brazil's political environment has been one of upheaval and turmoil as well as stability. This periodic instability has led to difficulty in achieving a unified strategy for economic growth founded on a sound infrastructure that would support the degree of foreign investment and trade that Brazil requires in order to fully capitalize on its massive labor market and its unique relationship with Europe and Asia as well as its geographic proximity to the United States (Baer, 2001, pp.2-14).

Labor

Brazil's labor force is comprised of 53% of workers in the services sector,

25% in industry and 23% in agriculture (“Labor”, 2006). There is currently an estimated 7% unemployment rate and there are three primary labor unions that focus on the needs of all Brazilian workers.

These unions include Workers' Unitary Central, the Workers' General Confederation (CGT), and the Forca Sindical (FS) (“Labor”, 2006). Although labor laws in Brazil have been inacted by the government, in the year 2000 alone there were over 84 labor strikes, a number that continues to grow as the years pass. The primary concern for workers in Brazil is wages, with many in the nation living at or below the poverty line. This issue also reflects the constant concerns by citizens in the nation for higher wages and better working conditions, as is evidenced by the issues facing Mexico at this time.

Environment

Because of Brazil's massive population, currently at 188m and growing, the environment in the country has suffered greatly from over-development. In particular, Brazil's rainforest which comprises most of the Amazon River basin is under constant threat from slash and burn destruction and ongoing agricultural uses for its freshwater supplies have removed vital water resources for the rainforest as well. This factor connected to Brazil mirrors the issues that exist within Mexico because of a lack of national regulations that protect the environment from unwanted destruction. Since this type of devastation has existed throughout the history of the nation, instituting new policies that all people will abide by at this time is difficult to accomplish.

The internal issues facing Brazil are comparable to those currently existing in

the nation of Mexico. Labor concerns of the populations, environmental issues that are plaguing society, political unrest and the national economy all are reflected in the facts associated with Brazil and Mexico. However, because of trade that has been possible through NAFTA the issues that face Mexico at this time have the potential for change, if the political factions within the nation will begin to alter the conditions that face the people through the economic increase evident within NAFTA. Brazil, on the other hand, does not have the same economic growth potential because of the consistent issues that not only affect Brazil's internal integrity, but because of the external pressures that block the economic prosperity of the future.

CONCLUSION

Jaguaribe and Vasconcelos (2003) contend that Brazil is in a position that leads its future to be determined by both internal and external factors (p. 210). These two factors are first influenced by the need for modernization in its social political and international relations. Jaguaribe and Vasconcelos (2003) suggest that the current methods of functioning within Brazil are viewed as “backwards” in many modern economies and it will not be until Brazil begins to adopt some of the diplomacy that is seen throughout these nations that it will be considered a major contender in the global marketplace (p. 210). Jaguaribe and Vasconcelos (2003) believe that this is true of most of the nations participating in Mercosur, but that do not have the potential of Brazil in the coming years (p. 210). Yet, Jaguaribe and Vasconcelos (2003) also believe that in order for Brazil to have a long lasting future within the global economy the

changes in regard to modernization need to occur immediately and when this takes place Brazil will be capable of functioning with various trading partners in enhance its future, regardless of the actions that are taken elsewhere within Mercosur (p. 210). Change at this juncture is significant because as Brazil considers trade, modernization and its future, the world continues to evolve. If Brazil does not institute change now, the ability of the nation to catch up to further developments in technology, ideology and trade will be lost. Furthermore, it is important for Brazilian leaders to realize that all nations that succeed within the world are capitalistic societies and that this is a fact that Mercosur and its partnering nations will not change (Jaguaribe & Vasconcelos, 2003, p. 210). This is not to suggest that Brazil must loose its cultural identity of its political or social beliefs, but rather that it must learn to function in trade with nations that are not constructed under Brazilian ideas and with Brazilian philosophy. In addition to the capitalistic perspective that is dominant in the world, there are also advancements in technology and economic growth that exist in all nations. Regardless of the strength or weakness of any nation in the global market, this will continue to be the case and cannot be controlled by other nations, however wealthy they may be. What will change, however, is the manner in which trade is conducted and in which technology serves humanity. Jaguaribe and Vasconcelos (2003) suggest that while Brazil is struggling to move all trading partners into one form of operation the growth in economic stability and technological advance is occurring around the nation and Brazil is missing an opportunity to learn from these realities and change toward a successful future (p. 210). Yet, Jaguaribe and Vasconcelos

(2003) contend that Brazil must begin change with internal revitalization throughout its civilization and in the mindset of its people and that through a complete focus on the goals of the nation Brazil will be capable of reaching its intended objective or becoming a major trading partner across the globe (p. 210). Jaguaribe and Vasconcelos (2003) State:

As Brazil's international importance grows, and as she is led to take a larger part in the solution of global issues (as well as in the maintenance of peace and security), the demands will increase for the redefinition of certain principles of the diplomatic action. These principles, while keeping their essence, will have to be updated in light of the evolution of international relations. Those demands are already present in the preventive action proposals, in the temptation to use military force with low risks due to the evolution in technology, in the assertion of certain universal values, which should be respected world-wide, and in the pressure from public diplomacy and the media to take decisive action (p. 210).

However, "decisive action" cannot occur when there is complete unrest internally and externally within the nation of Brazil. It is evident from the research that a significant portion of the unrest that exists for this nation, as well as for all nations within Mercosur, is the instability of the free trade pact that was intended to alter the lives of millions for the better. The instability exists because of the issues that have plagued these nations previous to Mercosur and because of its existence. However, these issues also exist because of the insistence that each nation be focused upon for its cultural and economic participation, which is slowly being eroded in light of the political concerns that are developing in Mercosur. Political

concerns have caused member countries to dispute one another, face economic hardships and endure endless condemnation because the original intent of Mercosur is not being realized. Nevertheless, because these political concerns continue to escalate it is doubtful that Mercosur will be capable of overcoming their significance and return to a trading bloc that supports all members with integrity and a concern for unilateral success.

While the Mercosur members have the opportunity of signing a free trade agreement with the European Union, it is evident that the difficulties that exist within Mercosur at this time will not lead to a positive resolution of the issues that need to be addressed in connection with trade. This is because Mercosur members are not united in their goals or resolved as to their intent in the outcomes of trade. Furthermore, some nations are not as focused on trade as they are on making political statements that may lead Mercosur members in a direction that they had not intended on in the beginning – worldwide conflict.

Mexico was once considered a nation that had no hope of change, with its political upheaval, labor issues and poverty rate. Yet, Mexico's involvement in NAFTA has laid a path for the country to overcome internal strife and change the course of the nation for the future, if leaders will recognize the opportunities that exist. The FTAA offers that same possibility to Brazil and all nations connected to Mercosur, when political barriers do not prevent members from making decisions that will change the lives of citizens and begin a new age of growth in national economies. As the research indicates, because the FTAA is based on the model of NAFTA, success for Brazil

and other nations is almost assured. Therefore, due to the failure and instability of Mercosur, the successful record connected to NAFTA and the opportunity that exists through FTAA it is apparent that Brazil and all nations associated with Mercosur should reconsider their trading alliances and enter the FTAA trading bloc.

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THE EFFECTS OF MEDITATION ON EXECUTIVES' PERFORMANCE IN BUSINESS ORGANIZATIONS

INVOLVING STRESS LEVELS, CHANGE ASSIMILATION, CONFLICT MANAGEMENT AND LEADERSHIP

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Abstract

In the last four decades, evidence has accumulated addressing effects of transcendental meditation (Meditation) as an influential factor on stress reduction, assimilation of changes increase, conflict management capabilities development and leadership performance enhancement. Drawing from this, a combined meditation practice was designed in order to seek for evidence which may present a relation between meditation practice and four research variables' behaviour: stress reduction, change assimilation, conflict management and leadership performance.

INTRODUCTION

In the last four decades, evidence has accumulated addressing effects of transcendental or mindfulness meditation (meditation) as an influential factor on stress reduction, assimilation of changes increase, conflict management capabilities development and leadership performance.

Extensive research refers to meditation as a strong source of stress diminishing at work (Frey, D.R., 1974; Bruning, N.S. & Frew D.R., 1985; Narayanan, J. & Moynihan, L, 2006).

Results obtained as evidence from research works, point towards meditation as a powerful tool used to trigger changes assimilation increase and conflict management capabilities development (Warshal, D., 1980; Alexander, C.N. et al., 1991; Chen G.M. and Ringo Ma, 2001; Travis, F., 2002; Davis, J., 2006).

Additionally, evidence presenting empathy and compassion as outstanding enhancers on leadership performance by dramatically reducing “power stress” defined by McClelland D.C., Ross, G., & Patel, V. (1985), has been produced in the last years (Boyatzis, R.E., Smith, M.L. & Blaize, N., 2006).

Scientific evidence on affective neuroscience stress the fact that systematic training of the mind for the cultivation of happiness, and the genuine inner transformation by deliberately selecting and focusing on positive mental states and challenging negative mental states, is possible because of the very structure and function of the brain as the wiring of our brains is not static, not irrevocably fixed. This has been confirmed by using neuroimaging methods to prove changes in patterns of activation and transmitter function that might be produced by the

systematic practice of techniques such as meditation that are designed to promote the cultivation of positive affect (Davidson, R.J., 2004).

Extensive literature can be accessed, in which specific meditation methods are appointed as effective processes for the purpose of generating compassion within human beings’ minds and performance (Humphreys C., 1973; Rimpoché, S., 1992; Trungpa, C., 1998; Capriles, E., 2000; Gyatzo, T., 2001).

CONSIDERATIONS

Previous evidence of meditation practice effects on different aspects related to business management performance has been gathered at short-term studies linked to meditation practicing, nine weeks at the most, therefore providing limited evidence which needs to be confirmed through results derived from practice submitted to longer periods of time (Frey, D.R., 1974; Davidson R.J. et al, 2003).

If any, very little collaboration from organizational structures has been included within previous studies’ development, which derives onto extremely limited control and evidence on meditation practice’s effects and consequences related to organizations’ performance.

As previous studies focused solely on individual participants development, organizations’ participation was practically left aside; therefore, a link between evidence based knowledge generated has not been seriously taken into consideration by business organizations to gain long term benefits from results.

Meditation practice’s methodology applied within previous studies is vaguely defined, failing to provide sufficient evidence on what exactly has to be implemented by organizations in order to

achieve similar results to those revealed within previous studies, in order to improve their HR development programs on the long term (Frey, D.R., 1974; Bruning, N.S. & Frew D.R., 1985; Narayanan, J. & Moynihan, L, 2006; Slagter, H.A, et al, 2007).

METHODS

Drawing from this a combined meditation practice was designed, as further on described, in order to seek for evidence which may present a relation between meditation practice and four research variables' behaviour: stress reduction, change assimilation, conflict management and leadership performance.

The following research questions were considered for configuring the study profile towards gathering enough and serious scientific evidence from its development, which eventually could be conveniently used by organizations to enhance HR development programs on the long term.

By practicing a combined meditation technique specifically designed to focus attention and to cultivate compassion, applied on executives who work for business organizations:

Could stress levels, including work and power stress, be diminished?

Could changes implemented in organizations become better assimilated?

Could conflict management in organizations be improved?

Could leadership performance in organizations become enhanced?

Overview

The study was designed to take place during a period of 20 weeks, scheduling two formal meditation practice sessions every week, during 60 minutes of practice

per session, programming no activity during one Easter holidays week; first session would be scheduled on January 8, 2008 and last session on May 30, 2008; formal meditation practice sessions were programmed every Tuesday and Thursday from 6 pm to 7 pm, at suitable facilities and under guidance of expert instructors, applying two combined meditation techniques further on described for (i) attention focusing development, and (ii) mind introspection oriented towards cultivation of compassion; additionally, participants would be instructed to practice by themselves at home every day for at least 20 minutes, following the meditation technique learned for attention focusing development purposes, as well as during everyday, when possible, following the meditation technique learned for cultivation of compassion.

Meditators Group – Individuals, who would be included as meditators in the study, should meet specific selection criteria, and participants' selection was to be performed directly by companies they work for, and would be assigned to this special in-house study as part of company's HR development program.

Co-Workers Group (Control Group 1) – Companies involved in the study development would provide a second group of individuals, presenting a similar profile to those to be included as meditators, in order to gather a control group to raise useful information to confirm evidence on meditation effects obtained from participants' practice.

Evaluators (Control Group 2) –In order to provide information on variables, which evaluation at control points could imply any doubt on participants' judgement objectivity, an evaluation group was to be appointed by companies, by designating participants' direct bosses as evaluators

and, additionally in some cases on which companies decided to do so, they also would designate participants' co-workers, who should not be involved in the study as members of Control Group 1, to assist the project on this purpose.

Meditation practice methodology was carefully selected and designed by specialists' instructors and thoroughly described to establish a properly defined technique, susceptible to become reproduced and applied by companies, in case results came out to be worth it for them.

Research Instruments – Three different questionnaires were designed as research instruments, to be applied at six control points during the study: (i) One of these was meant to gather information from participants, regarding only one variable's behaviour, (ii) Another identical one, was meant to raise information from members of Control Group 1 on the same variable's behaviour which Participants were answering to, and (iii) Another questionnaire was designed to be answered by members of Control Group 2, meant to gather information related to the remaining three research variables included in the study, evaluating Participants' as well as Control Group 1 members' behaviour and capabilities observed by Evaluators at certain control points along the study's development.

Control Points – In order to measure and register results every month, 6 Control Points were scheduled during the study development, starting with an a priori evaluation, right before meditation practice's kick off deadline on January 8; after this, other 4 evaluations would take place subsequently on the first session of February, March, April and May, and a final evaluation will be executed on May 30th.

Funding – Full funding for the project was provided by the Business Intelligence Research Centre, a research entity managed by Secured Assets Yield Corporation Limited, an investment banking firm based in London, UK, through its Mexican operation's Business Intelligence Research Centre after project's budget approval. These funds included taking care of project's planning and preparation, human resources salaries, project's expenses, space leasing and any other required materials to go ahead with the project design and development.

Hypotheses

Based on evidence accumulated along the last four decades of research on existing relation between meditation and compassion and the four primary research variables to be included in the study (executives' work and power stress levels, executives' capabilities on changes assimilation, executives' performance on conflict management, and executives' leadership performance), four primary research hypotheses were to be explored:

H1 – Meditation practice is positively related to executives' stress experienced levels reduction.

H2 – Formal practice of meditation is positively related to the development of changes assimilation capability on executives' performance in business organizations.

H3 – Gains in executives' capabilities to manage conflicts within business organizations environment increase as the practice of meditation oriented towards cultivating compassion is introduced.

H4 – Gains in executives' leadership performance within business organizations increase by introducing formal practice of meditation oriented to develop compassion.

Meditation practice

In order to present a comprehensive view of meditation practices techniques applied in the study, a definition of meditation, as this term should be understood for this study's purpose, and a description on procedures followed towards achieving this study's goals is further on provided.

As meditation practice has declined over time, this word's meaning has become quite vague. For many years now, especially within western civilization, this word has been used to describe practically any sort of mind culture or spiritual project, including actions like reading, thinking, speaking or listening; it has been used to refer things completely different one to other, like mental relaxation, awaken dreams, free association of ideas and even autohypnosis.

Meditation definition and methodology selection – For this research project's purposes, Meditation is understood as originally known in traditional Buddhist meditation, referring to specific mental practice's exercises and precise techniques to focus attention and to purify the mind, consisting of two steps: (i) Attention focusing in an object (usually called as *Anapana* or *Samatha* meditation), and (ii) Introspective meditation by performing observation of reality with equanimity (usually called as *Vipassana* meditation), and by cultivating compassion applying similar procedures to those described within extended referred literature for this specific purpose (Humphreys, Ch., 1973; Trungpa, Ch., 1995).

Attention focusing meditation: By practicing *Samatha* meditation technique we seek to train practitioners' minds on attention focusing in an object (in this case the object will be the breathing process),

as extensively described within technical literature (Trungpa, Ch. 1995), and turn them into a sharp tool to develop proper capabilities to access the *Vipassana* meditation technique process. This first meditation stage will be practiced by participants during 20 minutes every session, before starting *Vipassana* meditation technique as stage two on every session; additionally, participants will be instructed to practice *Samatha* meditation at one daily session of 20 minutes, by themselves at home, when not attending to formal guided sessions.

Regarding attention focusing meditation, using breathing as the object attention will be focused at, has to take into consideration that this is not a breathing exercise meant to control breathing, but an exercise involving attention focused on the act of breathing without manipulating the act itself, just observing it for as long as possible without letting any distraction to deviate attention from this object.

This technique must be practiced in a quiet room, where attention distractions should be avoided as much as possible, where meditators sit down on a straight but comfortable position with their eyes closed. Attention is focused on the natural happening of breathing as it may be at the time (long or short, light or heavy, rough or soft, etc.) and, specifically focusing attention on breath coming in and going out through the nose's windows.

As easy as it may seem, this practice is extremely difficult, because as we start focusing attention on the breathing process, a number of thoughts, feelings, images, etc. will almost immediately arise deviating attention towards them; when this happens, meditator's attention must not hook to these thoughts; they must just let them go and shall come back focusing

attention on the breathing process, as many times as necessary during the 20 minutes period of time established for the study's practice.

Introspective meditation: By practicing *Vipassana* meditation we seek to train practitioners' minds on generating compassion feelings to others, which we assume will derive into a change of participants' attitude improving proactive involvement of individuals on every activity related to working with others, as we presume they will be able to better understand why people does things in a certain way and work with them seeking for their wellbeing, instead of opposing to them as a result of self-centred attitudes (Gyatzo, T., 2001).

It is mandatory to understand, at this point, that feeling compassion to others does not mean acting to satisfy their wishes, but wishing and working to seek for their wellbeing and development, being aware of our own situation and limitations within a certain life and job condition.

The introspective meditation chosen technique implies visualization practice during formal sessions, scheduled twice a week for 35 minutes periods on each session, starting after practicing attention focusing meditation technique during the first 20 minutes of every formal session.

Visualization practice at every formal session will be divided by three sub-sessions under guidance of meditation instructor: (i) first sub-session will take place during the first 10 minutes following attention focusing meditation practice, and will consist of visualizing participants' most beloved person performing a number of activities; (ii) second sub-session will take place during the following 10 minutes; practice would consist of participants mentally choosing a person, whose emotions from participant's relation

to the chosen person could be consider as irrelevant; then participant must visualize the face of participant's most beloved person on this person's head while this "emotionally irrelevant" individual performs a number of activities; and (iii) third and last sub-session of every formal session will take place during the following 15 minutes; practice would consist for participants choosing a person, whose emotions from participant's relation to the chosen person could be consider of aversion, hate, wrath or dislike; then participant must visualize the face of participant's most beloved person on this person's head while this "emotionally averse" individual performs a number of activities.

Instructor would properly guide participants on specific details on each visualization practice, would allow one to two relaxation minutes between each sub-session and would instruct participants to practice this technique frequently every day, especially when facing any situation that could start generating aversion feelings against others.

Posture and dressing code – As meditation would be practiced by western first timers' practitioners; it was decided to include suitable western traditional chairs to favour a more comfortable meditation posture, instead of traditional meditation cushions used for these purposes by experienced practitioners.

Meditators were instructed to sit down on the chairs, as close as possible to the edge of the seat, maintaining a straight position for the back by aligning the spine and the neck; facing the instructor and keeping their eyes closed gently, with their hands resting comfortably on their thighs; by keeping a straight position for the spine and the neck it is not meant to become uncomfortably rigid but just straight,

letting the rest of the body (shoulders, elbows, etc.) to hang and relax. Once this posture was adopted, meditators should avoid any sort of movement as long as the practice lasts.

As most participants would come to the practice straight from their work places, any special dressing code was avoided, though shoes, belts, ties and any other dressing accessory which could make meditators uncomfortable during practice, should be placed in the lockers outside of the meditation room.

Meditation facilities: Meditation work was planned to be developed within suitable facilities, at a meditation teaching centre conveniently located in the central area of Mexico City at the Napoles neighbourhood, close to public transportation facilities and surrounded by a wide number of in-town roads; this would allow participants to access from any spot within Mexico City's metropolitan area as easy and fast as it can be done, taking into consideration traffic complications in this city. Collaborating companies located far from meditation facilities, would have to grant allowance for participants to leave work on Tuesday and Thursday at around 5 p.m. Facilities included car parking service in a safe car park by the meditation centre, reception service including participants' session register, an individual locker assigned to each meditator for uncomfortable wearing accessories, handbags, briefcases, laptops, coats and shoes storage, and regular meditation centre's services.

Instructors – Two instructors were chosen to guide meditation practice's formal sessions and to coach participants on private sessions, for questions answering and doubts solving after formal practice sessions termination. Every formal practice session would be guided

by only one of the coaches, and the other one would provide coaching to participants on private sessions after sessions. Both instructors were experienced long term meditators, each one with over 8 years of daily practice on Buddhist meditation and strong theoretical knowledge on Buddhist philosophy.

Written Guide – Participants would receive a written guide containing detailed information on the project's profile, purposes, goals, methodology and procedures; detailed description on their role as participants, highlighting relevance about their participation, as well as detailed description of meditation practice's techniques to be applied during the development of the study and description of instructors and coaches' roles.

Business organizations' collaboration

In order to achieve the study purposes, a mandatory condition would be gaining companies collaboration and involvement, agreeing to back the research project on regard of the following activities:

Admitting the project as an in-house study, taking into consideration this could provide useful information to improve their internal HR development programs.

Selecting ad hoc individuals to take part as participants to the project; each one of them should meet participants' profile criteria.

Obtaining commitment from participants' bosses, in order to provide participants with convenient back up on study's demands regarding time availability and disposition to practice.

Selecting suitable individuals, who present similar profiles to those of participants, in order to integrate a Co-Workers' control group for research

variables' behaviour evolution comparison purposes to that shown by Meditators during the study's development.

Obtaining commitment from participants' and control group individuals' bosses and selected co-workers, to accurately complete monthly evaluation instruments on research variables' behaviour regarding about Meditators and control group individuals' practice.

Accepting commitment to avoid submitting individuals included in the Meditators group of participants in any other HR development programme different to the one established within the study's methodology for as long as the study lasted.

In order to achieve this, a project prospectus was prepared, containing extensive disclosure on information about the project's profile, goals, hypotheses, methodology, potential benefits to the companies, and disclaimer on funds provision to the project exclusively from the Business Intelligence Research Centre; collaboration and confidentiality agreements drafts were also included as attachments to the project's prospectus.

A list of 208 suitable companies, located within the Mexico City's metropolitan area, was elaborated, including business organizations from different industries (none government institutions or departments were included), which withhold a current employee base of between 50 and 1000, working for them within the above mentioned metropolitan area.

For project's prospectus presentation purposes, and after making contact by telephone with 136 of them, this list was cut down to 68 companies which HR managers or directors mentioned to be interested on taking part in the study and

agreed to schedule appointments for prospectus presentation purposes.

Between October and December 2007, project prospectus was presented to 62 companies' HR managers or directors, and 27 of them formally agreed, on behalf of their organizations, on taking part in the study and actually executed collaboration and confidentiality agreements to submit their organizations' commitment in the study to the project's methodology requirements compliance.

These 27 companies develop their business activities within the following industries: Insurance, personnel hiring and training, automobiles retailers, tires and spear parts, advertising, hardware manufacturing, hospitality and entertainment, real estate development and sales, home equipment manufacturing, consumer products production, retailing, security services, pharmaceutical products manufacturing, telecommunication services, financial services, software design and development, media services, textile manufacturing, courier services, mining and steel production. All of them are considered on basis of withholding a workforce within a range from 75 to 1000 employees, with operations established in the Mexico City's Metropolitan Area.

As a result of this, companies performed recruitment among their executives, managers and leaders to specifically select 65 participants to be enrolled in meditation practice whose profile met the study's requirements, further on explained, as well as 65 members of the Control Group 1 whose profile should be similar to those of Meditators, and 40 bosses and co-workers of participants, whose intervention in the study would consist on observing and registering measures on research variables' behaviour at every control point on

Meditators and Control Group 1 members during the study's development.

Meditators group

Participants were chosen to meet the following criteria: Project's development was designed to include executive, management and leadership positions level individuals as participants, living and working within Mexico City's metropolitan area under highly stressful conditions, regardless of age, sex or marital condition. Not having previous meditation practice's experience and not being under any psychotropic medicament treatment were required as mandatory conditions. For the study's purposes, individuals living within the 20 million inhabitants' metropolis of Mexico City would meet both: criteria requirement and convenient distance from meditation practice's centre location.

Besides considering desirable individuals' profile criteria, selection and recruitment process developed by companies, it was took into consideration the fact that, participants had to be chosen among individuals showing a clean personal record sheet on attendance and responsibility towards their job commitments.

As a result of previously described recruitment process, companies submitted a total number of 76 profiles on selected individuals who should be considered as candidates to become participant meditators in the study. After these 76 individuals' profiles analysis and evaluation, and though research facilities and data processing infrastructure was established to manage up to 65 participants, only 57 of these individuals were finally qualified as suitable to become participants in the study, by

conveniently meeting required criteria, desirable attitude and disposition.

Additionally, companies agreed to avoid including these individuals in any other HR development course, seminar or event, different to the study's designed meditation practice for as long as the study would take place.

A letter of commitment to formally comply with participation requirements during the study was executed by these 57 individuals, which included an Addendum consisting of the Written Guide for Participants, mentioned above, prepared to provide sufficient information to meditators to enhance their meditation practice during the study process; the letter was addressed to participants' employers and to the Business Intelligence Research Centre representatives in Mexico City.

Within this participant group of 57 individuals, the average position level in organizations was at executive level, average income level was ranked between 36 and 72 thousand dollars a year, average academic level was of graduate (Bachelor degrees), average age was 39, 36 were male and 38 were married (Refer to Addendum 1, Table I).

Protocol

Established protocol for this research process implied instructing participants to avoid any alcohol or any psychotropic drug consumption during a previous period of 24 hours to formal meditation sessions starting time, and any caffeine or nicotine containing substance during a minimum period of 3 hours before sessions starting time.

Control group 1 – Co-Workers

Individuals who would take part in the study as members of this control group should meet analogue criteria to the one required from participant meditators but in this case companies were asked to, at their own best interest, introduce their own selection parameters on designating control group participant co-workers, additionally to those parameters used for meditators recruitment; in some cases they preferred to choose individuals subjected to traditional in-house HR development programmes on leadership or motivation, in order to be included as members of Control Group 1; on other cases they just did not discriminate individuals by any other criteria, but the one applied for the study's purpose.

In any case, companies were asked to provide as many members for Control Group 1, as they had provided for meditation practice participants. Therefore, 57 individuals' profiles were submitted by companies and admitted as suitable for the study's purposes as members of Control Group 1.

As it was done with participants, a letter of commitment to formally comply with participation requirements during the study was executed also by these 57 individuals, which included a detailed description of what their involvement would be in the study as well as procedures they would be subjected to.

This group of individuals turned out to be outstandingly similar to individuals selected to participate as meditators in the study; within this participant group of 57 individuals, the average position level in organizations was at executive level, average income level was ranked between 36 and 72 thousand dollars a year, average academic level was of graduate (Bachelor

degrees), average age was 39, 43 were male and 42 were married (Refer to Addendum 1, Table II).

Control group 2 – Evaluators and observers

This group of individuals would be designated by the companies to evaluate participants and control group individuals' behaviour during the study development, and to provide specific information on three different behavioural variants measured at every control point: Conflict management capability, change assimilation capability and leading others capability. Therefore, individuals appointed as evaluators should have sufficient contact with participants and group control members during their performance at work, and should be considered as withholding a trustable judgement on their employees or co-workers behaviour and capabilities; preferably, direct bosses of participants and HR executives who were not taking part in the study neither as meditators or members of Control Group 1, were considered as ideal evaluators for this study's purposes.

In any case, companies were asked to provide as many members for Control Group 1, as they thought to be more convenient for evaluating objectivity and accuracy. As a result, companies appointed a total number of 40 individuals' profiles, which were admitted as suitable for the study's purposes as members of Control Group 2.

Most of these individuals turned out to be bosses of meditators or of members of Control Group 1, though in some cases, executives working at HR departments of the companies, and participants' or Control Group 1 members' co-workers were additionally designated by companies

to provide evaluations with information gathered from different perspectives.

As it was done with participants and members of Control Group 1, a letter of commitment to formally comply with evaluation requirements during the study was executed also by these 40 individuals, which included a detailed description of what their involvement would be in the study as well as procedures they would be subjected to.

Within this evaluators group of 40 individuals, the average position level in organizations was at high executive level, average income level was ranked between 55 and 72 thousand dollars a year, average academic level was of graduate (Bachelor degrees), average age was 41, 29 were male and 33 were married (Refer to Addendum 1, Table III).

Research instruments

Company's profiles – In order to gather companies' basic relevant information, a Company Profile Register Sheet was designed and companies were asked to provide the following data: Company name, type of industry, address, telephone number, fax number, contacts' names, positions and e-mails, number of employees, number of employees working in the Mexico City's metropolitan area and date of data registration.

Groups' members' profiles – In order to properly gather participants, co-workers and evaluators general data, an Individual Profile Register Sheet was designed and companies were asked to provide the following information on each individual, during recruitment and selection process development: Company's name, study's group assignment (meditators, co-workers or evaluators), individual's name, address, telephone number, position in the company, gender, age, marital status,

academic level, organizational level and income level, and date of data registration.

Control points questionnaires – In order to gather relevant data for measurements' requirements, two different questionnaires were designed:

Meditators and co-workers groups' questionnaire – A one page questionnaire, meant to register data on only one of the four variables submitted to research process (stress levels experienced) from these two groups' members was distributed among these groups of individuals at each control point, and included the following information: Group (Meditators or Co-workers), name, company and date; level of stress experienced by individual during the last week, previous to questionnaire fulfilment.

Evaluators' questionnaire – In every company, some specific evaluators were designated to observe specific individuals performance regarding the other three variables introduced in the study, besides stress level experienced (changes assimilation capabilities, conflict management and leadership performance); these observation results were to be registered at every control point during the study by evaluators, for which purposes, a one page questionnaire was designed, including the following required data fulfilment by evaluators: Company and date, name of evaluator, name of individual submitted to evaluation, group of participants, evaluated individual is assigned into (Meditators or Co-workers); changes assimilation capability level observed on evaluated individual's performance during last month previous to questionnaire fulfilment, conflict management performance level observed on evaluated individual's work development during last month previous to questionnaire fulfilment, and leadership

performance level observed on evaluated individual during the last month previous to questionnaire fulfilment.

Measurements

Groups' members' profiles classification – Three variables included in these profiles were measured using a 5.0 point Likert scale ranging from lowest level, 1.0, to highest level, 5.0. These three variables were: (a) Organisational level for individual's position; (b) Individuals' income level, and (c) Individuals' academic level.

Companies involved in the study were asked to provide this data, using standard designed questionnaires in order to gain data homologation and classification simplicity, based on the following criteria.

Organisational level	
Operational level	1.0
Assistance level	2.0
Executive	3.0
High Executive	4.0
Top Management	5.0
Income Level	
Less than US 24000 year	1.0
From 24000 to 35999 year	2.0
From 36000 to 54999 year	3.0
From 55000 to 72000	4.0
Above 72000 year	5.0
Academic level	
Undergraduate	1.0
Technical graduate	2.0
Graduate (Bachelor's level)	3.0
Graduate (Master's level)	4.0
Graduate (Doctor's level)	5.0

Therefore, companies were asked to avoid any use of their own internal classifications for each one of these variables measurement.

Research variables measurements – As previously explained, there were four research variables behaviour to measure results from: (a) Stress levels experienced during the last week previous to questionnaire fulfilment at every control point, by individuals submitted to the study's procedures (meditators or co-workers); (b) Individuals' capability regarding to assimilation of changes introduced by companies to their jobs routine, during the last month previous to questionnaire fulfilment at every control point; (c) Individuals' performance regarding conflict management during the last month previous to questionnaire fulfilment at every control point; and, (d) Individuals' performance regarding leadership, during the last month previous to questionnaire fulfilment at every control point.

Stress Level – Stress level experienced by meditators and co-workers measurement, during the last week previous to measurement procedures application, was performed using a 5.0 point Likert scale ranging from highest level of stress, 1.0, to lowest stress level, 5.0.

This was the only variable of the four submitted to research, which answer was provided directly by Participants (Meditators) and by Co-workers (members of Control Group 1), and therefore, the only one included within questionnaires distributed among these groups of individuals at every control point during the study; both groups received exactly the same questionnaire and all individuals included within these groups were asked to register their stress level experienced during the a short period of only one week previous to answering, in order to avoid any confusion derived from recalling emotional reactions on a longer period.

This is also the only variable which measurement was designed by applying the 5.0 point Likert scale ranging highest levels experienced with lowest points, and lowest levels experienced with highest points, in order to provide results with congruent comparison parameters, against measurement methodology applied for the other three variables behaviour.

Stress level experienced	
Very highly stressed	1.0
Highly stressed	2.0
Mediumly stressed	3.0
Lowly Stressed	4.0
Very lowly stressed	5.0

Changes Assimilation – Meditators' and Co-workers' performance measurement, regarding their capability on assimilation of changes introduced by companies on their jobs, or by any special circumstance which could be considered under some sort of change classification worth to mention so by companies, during the last month previous to questionnaire fulfilment, was performed using a 5.0 point Likert scale ranging from highest observed level of capability to assimilate changes, 5.0, to lowest observed level of capability, 1.0.

As in the previous case, data gathered for this variable's measurement was provided by evaluators who were designated on observation of each meditator and co-worker participating in the study, on dates at every control point along the research process, and derived directly from evaluators' observation of meditators and co-workers performance at work.

Change assimilation capability	
Very low capability	1.0
Low capability	2.0
Average capability	3.0
High capability	4.0
Very high capability	5.0

Conflict Management – Meditators' and Co-workers' performance measurement, regarding conflict management during the last month previous to questionnaire fulfilment, was performed using a 5.0 point Likert scale ranging from highest observed conflict management performance level, 5.0, to lowest observed performance level, 1.0.

Data meant for this measurement was provided by evaluators assigned to each meditator and co-worker submitted to participate in the study on dates at every control point along the research process, and derived directly from evaluators' observation of meditators and co-workers performance at work.

Conflict management performance	
Very poor performance	1.0
Poor performance	2.0
Average performance	3.0
High performance	4.0
Very high performance	5.0

Leadership Performance – Meditators' and Co-workers' performance measurement, regarding their capability on leading others, understanding this process as a combination of a number activities like motivating, coaching, assisting others towards company's goals achievement, etc., during the last month previous to questionnaire fulfilment, was performed using a 5.0 point Likert scale ranging from highest observed, by evaluators, conflict management performance level, 5.0, to lowest observed performance level, 1.0.

As on the previous two cases, data gathered for this variable’s measurement, was provided by evaluators designated to the observation on behaviour of each meditator and co-worker submitted to participate in the study, on dates at every control point along the research process, and derived directly from evaluators’ observation of meditators and co-workers performance at work.

Leading others’ capability	
Very low capability	1.0
Low capability	2.0
Average capability	3.0
High capability	4.0
Very high capability	5.0

It is worth mentioning that, as long as evaluators’ group members were mostly participants’ bosses, their judgment while registering measurements on participants’ performance for these three last research variables’ behaviour could be considered of relevance, as it is not only expressing an individual opinion but a corporate judgement on company’s executives performance.

RESULTS

Measures were processed considering two groups of results.

The first group refers to results achieved on each research variable linked to our four hypotheses: Stress Levels experienced Change Assimilation capability, Conflict Management performance and Leadership performance.

The second group refers to results presumably derived from application, independently, of each one of the two meditation techniques used during the study:

(a) Meditation practice oriented to achieve attention focusing, and

(b) Meditation practice oriented to cultivate compassion.

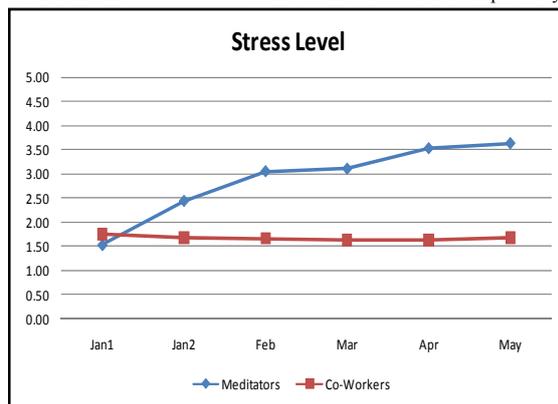
Processing of this second group of results may be useful to business organisations’ in house HR development programmes related to meditation practice’s orientation towards specific development goals achievement.

Stress Level Experienced

Results on this variable’s measures reveal that stress level was practically unchanged for Co-Workers (Control Group 1) along the six different measures practiced at control points during the study.

On the other hand, relevant changes were observed on Meditators’ stress levels reduction starting at control point number 2, one month after meditation practice’s start up. Additionally, this stress levels’ reduction effect experienced by Meditators increased at practically every measure at further control points, bringing stress levels experienced by this group of participants to significantly low levels by the end of the study.

Stress Level						
	Jan1	Jan2	Feb	Mar	Apr	May
Meditators	1.53	2.44	3.05	3.11	3.53	3.63
Co-Workers	1.75	1.68	1.67	1.63	1.63	1.68



It is worth mentioning that stress levels experienced reduction observed on Meditators, after measures registration, evidences a cumulative effect on stress levels experienced at each control point, showing a substantial decrease after the first, second and fourth months of practice, and moderate one after the third and fifth months.

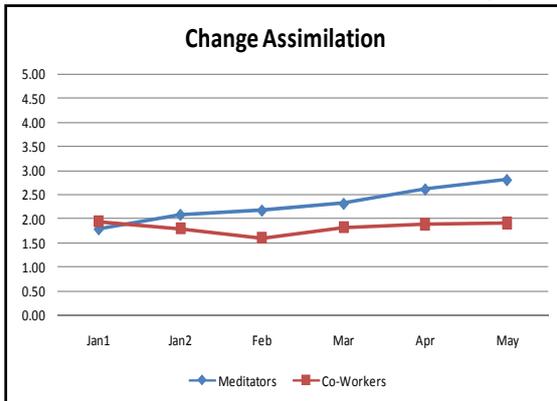
These results stress the fact that Hypothesis 1, stating that meditation practice is positively related to executives' stress experienced levels reduction is confirmed by evidence.

Change Assimilation Capabilities

Measures on this variable's behaviour revealed again a substantial gap built between results achieved by Co-Workers and Meditators groups of participants during the study.

Along the six control points at where results were registered, evidence shows that Co-Workers change assimilation capabilities remained practically unchanged by applying whatever in house organisations' HR development programmes oriented to achieve this goal.

Change Assimilation						
Control Point	Jan1	Jan2	Feb	Mar	Apr	May
Meditators	1.79	2.09	2.18	2.32	2.61	2.81
Co-Workers	1.93	1.79	1.6	1.81	1.88	1.89



Evidence of change assimilation capabilities increase arouse on results registered for Meditators on every measure practiced at each control point after the first one, which took place before meditation practice start up. This change assimilation capabilities increment, above levels registered at every previous control point remained constant, deriving on a sort of accumulative effect that, as on the previous stress levels variable's measures, ended showing evidence of a substantial cumulative difference between results achieved by each group of participants.

Derived from these results, evidence confirmed Hypothesis 2, which states that formal practice of meditation is positively related to the development of changes assimilation capability on executives' performance in business organizations.

Conflict Management Performance

As on previous variables' measures results, evidence on relevant differences appeared between achievements obtained by each group of participants, related to conflict management performance of individuals included in the study.

Organisations' in house HR development programmes applied on Co-Workers to influence conflict management performance generated practically no evidence of any change on this variable's measures results along the study, showing constant levels of performance on conflict management for this group of participants.

Contrary to this, and much like for previous variable's measures behaviour results, evidence was clear for Meditators relevant changes observed along the study, showing a significant relation between performance improvement for conflict management of these individuals and meditation practice over time.

Additionally, evidence reveals a constant improvement between measures practiced at every control point during the study, deriving into an overall relevant cumulative increment for conflict management performance on this group of participants.

Conflict Management						
Meditators	2.05	2.28	2.79	3.09	3.21	3.44
Co-Workers	1.96	1.98	1.96	1.98	2.00	1.82
Control Point	Jan1	Jan2	Feb	Mar	Apr	May



Derived from these measures, evidence provides confirmation for proposal included in Hypothesis 3, which states that gains in executives' capabilities to manage conflicts within business organizations environment increase, as the practice of meditation oriented towards cultivating compassion is introduced.

Leadership Performance

Though at the end of the study this variable's measures present similar results to those observed on previously analysed variables, measures registered at early control points show evidence of some atypical behaviour regarding Co-Workers' leadership performance, when tendency is compared against that observed on all previously mentioned variables' behaviour.

When other variables' tendency regarding Co-Workers measurements (stress levels experienced, change assimilation capabilities and conflict management performance) is observed, evidence shows a lack of significant change practically on every registered result from the first to the last control points.

Nevertheless, when it came to registering measures regarding leadership performance achieved by the Co-Workers group of participants, substantial increase was shown by evidence at the second control point's registered results, this is only one month after the study's start up, followed by a sensible decrease on measures registered at the third control point, on the end of February.

At further control points' measurements, this decreasing tendency was presented as a constant by evidence, bringing final levels of leadership performance for the Co-Workers group of participants down to practically the same registered levels to those observed at the start up control point.

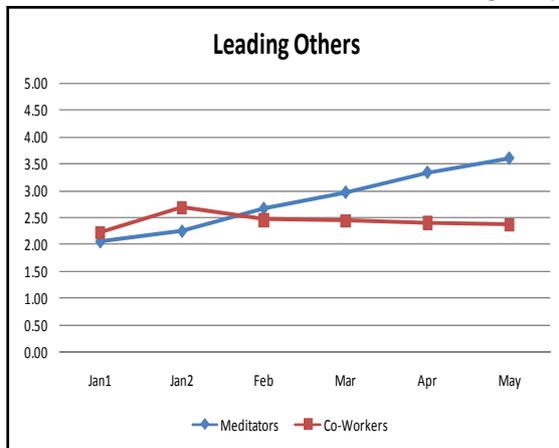
This behaviour can be explained by the fact that most companies involved in the study submit their executives' level personnel to leadership training courses or seminars at the beginning of each year; as start up control point's measures were registered on the first week of January, and second control point's results were observed at the end of the same month, the effect of motivation and new knowledge acquired by individuals included in the Co-Workers control group generated a sensible increase on their leadership performance at work, though this effect could be classified as a short term effect, as another sensible turn on tendency for this variable's behaviour was evidenced by measures registered only one month later,

to the end of February, showing a decrease on these individuals' leadership performance, which remained going downwards on subsequent control points' measurements and until the end of the study, on May 30.

On the other hand, regarding Meditators' leadership performance measured results along the study, tendency on results registered at each control point along the study presents evidence of an analogue behaviour to that observed on conflict management performance.

Evidence of a constant monthly increase on Meditators' leadership performance was registered by Evaluators included in this control group until the end of the study, showing again a cumulative effect on this performance which built a substantial gap on final result compared to those registered for Co-Workers performance.

Leading Others						
Control Point	Jan1	Jan2	Feb	Mar	Apr	May
Meditators	2.05	2.25	2.67	2.96	3.33	3.60
Co-Workers	2.23	2.68	2.46	2.44	2.40	2.37



Derived from evidence obtained from results achieved from this variable's behaviour measures, Hypothesis 4, which states that gains in executives' leadership performance within business organizations increase by introducing formal practice of

meditation oriented to develop compassion, was confirmed.

Overall Average Results on Research Variables Behaviour

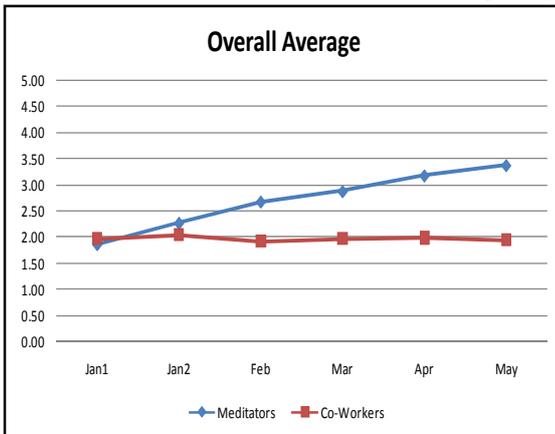
Measures for overall average were registered at every control point in order to evaluate meditation impact on general performance's change related to all four research variables for both groups of individuals submitted to the study (Meditators and Co-Workers).

As it was observed on evidence shown at research variables' individual behaviour, with exemption of behaviour experienced on Leadership Performance measurements, overall average results achieved by the Co-Workers group of individuals registered marginal changes, when it happened, with overall average remaining practically unchanged after the six control points' registers were executed.

These individuals were submitted to different in house HR development programmes organised by companies along the study which, again exempting leadership programmes introduced during the first month of the study, present practically no evidence of change on Co-Workers group members' stress levels experienced, change assimilation capabilities or conflict management performance.

Additionally, referring to companies' organised leadership development courses and seminars introduced for this group of individuals' training on the first month of the study, evidence show, as it has been already stated, relevant increase of leadership performance on the same month individuals were submitted to these programmes and immediate decrease to closely the same levels shown at the study's start up performance levels.

Overall Average						
Meditators	1.86	2.26	2.67	2.87	3.17	3.37
Co-Workers	1.97	2.04	1.92	1.96	1.98	1.94
Control Points	Jan1	Jan2	Feb	Mar	Apr	May



On the other hand, and again in a similar behaviour to that observed in measures practiced for research variables' individual behaviour, regarding Meditators' overall average performance measured results along the study, tendency on results registered at each control point along the study presents evidence of steadily increasing performance.

Evidence of a constant monthly increase on Meditators' overall average measurements was registered by Evaluators included in this control group until the end of the study, showing again a cumulative effect on this performance which built a substantial gap on final result compared to those registered by Co-Workers performance.

Derived from evidence obtained from results achieved from overall average of variable's behaviour measures, all four Hypothesis statements were confirmed, finding a relation between meditation practice, introduced as explained on described methodology for this study, to stress levels experience reduction, changes assimilation capabilities improvement, conflict management and leadership performances development.

Derivative Results

As derivative results of the study's measures, a relation between meditation practice oriented to achieve attention focusing and the first two research variables measured (stress level experienced reduction and changes assimilation capability development) was assumed.

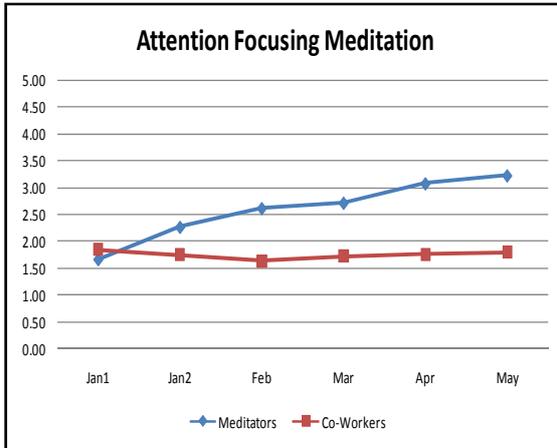
At the same time, assumption was made implying a direct relation between meditation practice oriented to cultivate compassion and the last two research variables measured (conflict management and leadership performances improvement).

These assumptions were based on theoretical knowledge gathered towards the study's methodology design as further on discussed, and as explained above, a second group of results were processed by relating research variables' behaviour and each one of these specific meditation practices, aiming to provide business organisations with useful information to design specific in house HR development programmes oriented to achieve specific goals on executives' development.

Attention Focusing Meditation

By combining data obtained from results after measuring stress experienced levels and changes assimilation capability on Meditators and Co-Workers, an assumption is made that through attention focusing meditation practice, a gain on stress experienced levels reduction and on development of capabilities to assimilate changes is achieved, with no evidence of significant change obtained through any in house HR development programme Co-Workers were submitted to during the time the study took place.

Attention Focusing Meditation						
Meditators	1.66	2.26	2.61	2.71	3.07	3.22
Co-Workers	1.84	1.74	1.63	1.72	1.75	1.79
Control Points	Jan1	Jan2	Feb	Mar	Apr	May

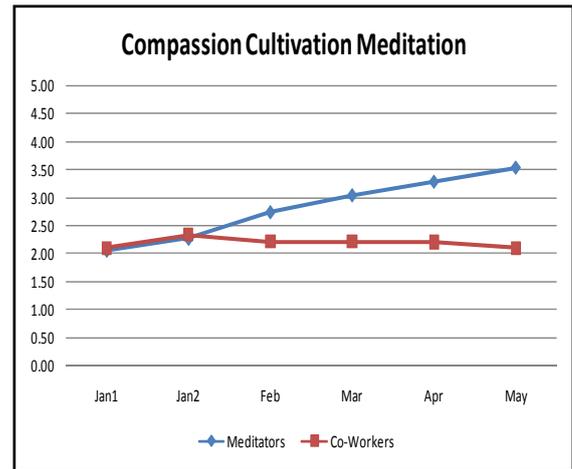


Compassion Cultivation Meditation

Following the same methodology applied on attention focusing meditation derivative results assumption, by combining data obtained from results after measuring conflict management and leadership performances on Meditators and Co-Workers, assumption is made that through compassion cultivation meditation practice, a gain on conflict management performance and on leadership performance are achieved.

On the other hand, evidence of practically unchanged Co-Workers group of individuals' performance regarding conflict management and leadership was shown, after submitting these individuals to companies' in house HR development programmes for as long as the study lasted.

Compassion Cultivation Meditation						
Meditators	2.05	2.26	2.73	3.03	3.27	3.52
Co-Workers	2.10	2.33	2.21	2.21	2.20	2.10
Control Points	Jan1	Jan2	Feb	Mar	Apr	May



DISCUSSION

This study may be interpreted as demonstrating evidence of the relation between meditation practice and benefits achievements for executives' performance in their business organizations, related to stress reduction at work – including power stress –, capabilities to assimilate changes introduced by their organisations, conflict management performance improvement and leadership performance enhancement.

As it was evidenced in previous research work (Frew, D., 1974), gains in job satisfaction and performance and improved interpersonal relations were significantly more positive to meditators at higher organisational structure levels than those meditators who work at low levels of organisations.

These findings were seriously taken into account during this study's design, especially at defining criteria regarding participants' profile, and should be considered one of the probable reasons why evidence on benefits gained by meditators group of individuals happens to be so strong after results measurements on every one of the four variables submitted to research.

By evidence gathered along the study it becomes quite clear that introduction of a combination of both meditation techniques practiced during the study (attention focusing meditation and compassion cultivation meditation) deliver above mentioned benefits to executives' performance at work.

Nevertheless, regarding which specific meditation technique practice presents a direct relation to changes observed on behaviour of each specific research variable, evidence derived from the study should not be considered definitive, but just as assumptions based on previous research evidence, enhanced by derivative results obtained from combining data which was originally meant to provide results measured on the four research variables.

Extensive technical information and scientific evidence address attention focusing meditation as a suitable practice to become fully aware of impermanence in reality and, therefore, to focus on whatever may be happening at the present time, improving meditator's capabilities to assimilate changes (Shecter, H.W., 1978; Travis, F., 1979; Rimpoché, S., 1992; Trungpa, Ch., 1995).

Additionally, scientific evidence has accumulated stressing the fact that meditation oriented to compassion cultivation, triggers changes in patterns of activation and transmitter function, developing empathy by stimulation of mirror neurons in the brain (Banquet, J.P. and Lesevre, N., 1980) enhancing conflict management performance (Rueyling Ch. & Hale, C.L., 2001; Alexander, C.N. et al., 2003) and leadership performance, as the experience of compassion evokes responses within the humans body that arouse the parasympathetic nervous

system (Davidson, 2002; LeDoux, 2002; Sapolsky, 2004).

Though there is all this evidence available, much more empirical work is needed to validate the results and conclusions proposed herein with analogue strength of evidence, as that of conclusions achieved regarding evidence obtained by measuring results on the four main research variables behaviour.

Organisations' direct participation in the study through evaluators' intervention at observing and registering Meditators and Co-Workers performance regarding research variables behaviour is considered of high relevance due to a number of reasons.

In the first place, and taking into consideration that most of these evaluators act within the companies' organisational structure as bosses of Meditators and Co-Workers, their judgement on the study's participants performance derives from first hand witnessing of effects of meditation on these executives development and, therefore, withholds a direct incidence on this Evidence Based Knowledge close link to their organisations' performance and results.

Evaluators' opinion will be seriously weighted by organisations to back either further research works on this field of knowledge, or to explore the possibility of making a decision oriented to introduce some of these tools as part of their companies' HR development programmes.

In any case, the study's structure and development presented an outstanding opportunity to, in practice, stress the fact that business organisations, executives, managers, directors – management practitioners – from any field of industry and business, gladly offer their contribution and serious commitment to external academician's research projects,

when these are properly designed and proposed to them, aiming to provide business organisations with better tools derived from evidence based knowledge, favouring a two way road bridge between both fields of action in order to establish collaborative work and information exchange for the benefit of both: practice and evidence based knowledge research.

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ADDENDUM 1

Table I – Meditators group of individuals' profile

Department	Position	Executive level	Income level	Gender	Age	Marital status	Academic level
Sales	Manager	3	3	F	31	M	3
Finance	Manager	3	3	M	38	M	3
Sales	Manager	3	4	M	42	M	3
Operations	Supervisor	3	3	F	34	S	2
Sales	Director	4	5	M	29	S	3
HR	Manager	3	3	M	44	M	3
HR	Director	4	4	F	31	M	3
Finance	Manager	3	3	M	40	M	4
Sales	Director	4	5	M	47	S	4
HR	Manager	3	3	F	42	M	3
Sales	Manager	3	3	F	27	S	3
HR	Manager	3	2	F	29	S	3
Sales	Vicepresident	4	4	M	30	M	3
Collections	Manager	4	4	M	26	M	3
Finance	Manager	4	4	M	43	M	4
HR	Manager	4	3	F	34	M	3
Operations	Director	4	4	F	49	S	4
Sales	Director	4	3	M	52	M	3
Public Relations	Manager	3	3	F	27	M	3
HR	Manager	3	3	F	36	M	3
Sales	Director	4	5	M	39	M	1
Finance	Director	4	4	F	58	M	4
Sales	Executive	2	5	M	30	M	1
Operations	Manager	4	4	M	42	S	3
Operations	Trainer	3	4	F	43	S	4
Operations	Trainer	3	3	M	37	S	4
Operations	Trainer	3	3	M	51	M	3
Sales	Manager	3	4	M	39	M	3
HR	Manager	3	3	M	36	S	3
Sales	Manager	3	3	F	29	M	3
Operations	Manager	3	3	F	33	S	2
Operations	Supervisor	3	3	F	44	M	2
Operations	Manager	4	4	M	49	M	3
Collections	Manager	3	4	M	28	S	2
Sales	Manager	3	4	M	41	M	1
Sales	Manager	4	4	M	40	M	4
HR	Manager	4	3	F	42	M	3
Sales	Manager	3	4	M	50	M	3
Finance	Director	4	3	F	47	M	4
Collections	Manager	3	4	M	33	S	2
HR	Manager	4	3	M	40	M	3
Sales	Manager	4	4	F	53	M	3
Collections	Executive	2	4	M	24	S	1
Collections	Director	5	4	M	28	M	1
Finance	Manager	4	3	M	39	M	3
HR	Manager	3	3	M	34	M	3
Production	Manager	4	3	M	38	S	2
Productions	Supervisor	3	3	M	37	S	2
HR	Manager	4	4	M	48	S	3
Operations	Director	5	4	F	39	S	4
HR	Manager	4	3	M	46	M	3
Production	Supervisor	4	3	F	47	M	2
HR	Manager	4	3	M	38	M	3
Production	Manager	4	3	M	54	M	1
Finance	Director	5	4	F	46	M	4
Operations	Spervisor	3	4	M	31	M	1
Sales	Executive	2	4	M	29	S	1

Table II – Co-Workers group of individuals' profile (Control Group 1)

Department	Position	Executive level	Income level	Gender	Age	Marital status	Academic level
Sales	Manager	3	3	M	33	S	3
Sales	Manager	3	4	M	29	M	3
HR	Manager	3	3	M	37	M	3
Collections	Supervisor	3	4	M	31	M	1
Sales	Vicepresident	4	4	M	44	M	4
Finance	Manager	3	3	M	38	M	4
Product	Manager	3	4	M	28	S	3
Finance	Manager	3	3	F	43	S	3
Sales	Director	4	5	M	52	M	3
HR	Manager	3	3	M	36	M	4
Sales	Manager	3	3	M	29	M	1
HR	Manager	3	2	M	21	S	3
Sales	Vicepresident	3	4	M	37	M	4
Collections	Manager	4	4	F	31	S	1
Finance	Manager	3	3	M	51	S	3
HR	Vicepresident	4	4	M	31	M	3
Logistics	Manager	3	3	M	55	M	3
Marketing	Director	4	5	M	42	M	4
Public Relations	Executive	2	3	M	30	M	1
Sales	Manager	3	4	M	44	M	3
HR	Director	4	4	F	28	S	3
Sales	Director	4	5	M	47	M	3
Sales	Supervisor	3	5	M	33	S	3
Sales	Manager	3	5	F	39	M	1
Operations	Trainer	3	3	M	50	M	3
Operations	Trainer	3	4	M	41	M	3
Operations	Trainer	3	4	M	48	M	3
HR	Manager	3	3	M	36	S	3
Sales	Manager	3	4	M	39	M	3
Sales	Manager	3	4	M	31	S	1
Sales	Manager	3	3	M	37	M	3
Operations	Manager	4	4	M	40	M	2
Operations	Supervisor	3	3	M	43	M	2
Sales	Executive	3	4	M	34	S	1
Operations	Supervisor	3	3	M	48	M	2
Sales	Manager	4	4	F	34	S	3
Marketing	Manager	4	4	F	38	M	4
Sales	Manager	3	5	M	46	M	1
Sales	Director	4	5	F	52	M	3
Collections	Director	3	5	M	29	M	3
Sales	Manager	4	4	M	38	M	3
Operations	Manager	4	4	M	46	M	3
Collections	Manager	3	4	F	29	M	1
Collections	Manager	4	4	M	33	S	1
Finance	Executive	3	3	M	44	M	3
Finance	Manager	3	3	F	31	S	3
Production	Manager	4	4	M	45	M	3
Productions	Supervisor	3	3	M	32	M	2
Sales	Manager	4	5	F	52	M	3
Operations	Manager	4	4	M	44	M	3
Legal	Manager	4	4	F	39	S	4
Production	Director	4	4	M	38	M	3
Sales	Manager	4	5	F	45	M	1
Production	Supervisor	3	3	F	42	M	2
Finance	Manager	4	3	F	39	M	3
Collections	Spervisor	3	3	M	35	M	1
Sales	Manager	3	5	M	34	M	1

Table III – Evaluators group of individuals' profile (Control Group 2)

Department	Position	Executive level	Income level	Gender	Age	Marital status	Academic level
HR	Director	4	4	M	42	M	4
Corporate	Partner	5	5	M	51	M	4
Corporate	Director	5	5	M	48	M	4
Corporate	Director	5	5	M	49	S	3
Finance	Vicepresident	5	5	M	39	M	4
Sales	Director	4	5	F	40	M	4
HR	Director	4	5	M	41	M	4
Corporate	Partner	5	5	M	44	M	4
Corporate	Partner	5	5	F	36	M	4
HR	Director	5	5	F	45	S	3
Corporate	President	5	5	F	49	M	4
Operations	Director	4	5	M	37	M	3
Corporate	Director	5	5	M	52	M	3
Corporate	Partner	5	5	M	42	M	4
Operations	Trainer	3	4	M	45	M	3
HR	Director	4	4	M	39	M	3
HR	Director	4	5	M	37	S	3
Sales	Director	4	5	M	46	M	3
Operations	Director	5	4	F	39	S	3
Sales	Director	4	5	M	38	M	3
Marketing	Director	4	4	M	36	M	3
HR	Director	5	4	M	44	M	3
HR	Director	4	5	M	32	M	3
HR	Director	5	5	M	41	M	4
Sales	Manager	4	4	M	44	M	1
Collections	Executive	1	4	F	26	S	2
Corporate	Director	5	4	M	54	M	4
Clients Service	Manager	4	3	M	36	M	3
HR	Director	5	5	M	39	M	3
Production	Director	5	5	F	34	S	2
Productions	Director	4	4	M	35	M	3
HR	Director	5	4	F	39	M	3
Commercial	Director	5	5	M	37	M	4
HR	Director	5	4	M	33	S	3
Production	Manager	5	4	M	41	M	4
HR	Director	5	4	M	35	M	3
Corporate	Director	5	5	F	44	M	3
Marketing	Director	5	5	F	56	M	2
Operations	Manager	4	5	M	38	M	3
Sales	Manager	4	5	F	35	M	3

ADDENDUM 2

Table I – Measurements on Meditators group’s performance

Part No.	Stress level					Conflict Management					Change Assimilation					Leading Others					Overall Avg									
	Jan	Jan	Feb	Mar	Apr	May	Jan	Jan	Feb	Mar	Apr	May	Jan	Jan	Feb	Mar	Apr	May	Jan	Jan	Feb	Mar	Apr	May	Jan	Jan	Feb	Mar	Apr	May
	Meditators					Bosses and Co-Workers																								
1	1	2	3	3	3	3	2	2	3	3	3	4	1	1	1	2	2	2	2	2	3	3	3	4	1.5	1.8	2.5	2.8	2.8	3.3
2	1	2	3	3	4	4	3	3	3	4	4	4	2	2	2	2	3	3	2	2	2	3	3	3	2	2.3	2.5	3	3.5	3.5
3	2	2	3	4	3	4	1	2	3	3	4	4	2	2	2	2	2	3	3	3	3	3	4	4	2	2.3	2.8	3	3.3	3.8
4	1	2	2	3	4	4	1	1	2	3	3	3	2	2	2	2	3	3	3	3	3	4	4	4	1.8	2	2.3	3	3.5	3.5
5	1	1	2	2	3	3	2	2	2	3	3	4	3	3	3	3	3	3	3	3	4	4	4	4	2.3	2.3	2.8	3	3.3	3.8
6	1	3	4	3	4	4	2	3	3	3	3	4	2	2	2	2	3	3	3	3	4	4	4	4	2	2.8	3.3	3	3.5	3.8
7	3	3	4	4	4	5	2	3	3	3	3	4	2	2	3	3	3	3	4	4	4	4	5	5	2.8	3	3.5	3.5	3.8	4.3
8	1	2	3	3	4	4	2	2	3	3	3	3	1	2	2	2	2	2	1	2	2	3	3	4	1.3	2	2.5	2.8	3	3.3
9	1	2	2	3	3	4	1	1	2	2	3	3	2	2	2	2	3	3	3	3	3	3	3	3	1.3	1.8	2.3	2.5	2.8	3.3
10	2	3	3	3	4	4	1	1	2	2	2	3	1	2	2	2	3	3	2	3	3	3	4	4	1.5	2.3	2.5	2.5	3.3	3.5
11	2	3	3	3	3	3	1	1	1	2	2	2	1	2	2	2	2	3	2	2	2	3	3	3	1.5	2	2	2.5	2.5	2.8
12	1	3	4	3	4	3	1	2	3	3	3	3	3	3	3	3	4	3	2	2	3	3	3	4	1.8	2.5	3.3	3	3.5	3.3
13	2	3	3	4	4	4	2	2	3	3	3	3	3	3	3	3	3	4	2	2	3	3	3	3	2.3	2.5	3	3.3	3.3	3.5
14	2	2	3	4	4	4	1	2	2	3	3	3	2	2	2	2	3	3	1	2	2	3	3	3	1.5	2	2.3	3	3.3	3.3
15	2	3	4	3	4	4	2	2	2	3	3	3	2	2	2	2	2	3	1	1	2	2	3	3	1.8	2	2.5	2.5	3	3.3
16	2	3	3	4	4	4	2	2	3	3	3	3	2	2	2	2	2	3	1	2	2	2	3	3	1.8	2.3	2.5	2.8	3	3.3
17	1	2	3	3	3	3	2	2	3	3	3	4	1	2	2	2	2	2	1	1	2	2	2	3	1.3	1.8	2.5	2.5	2.5	3
18	2	3	4	4	4	4	2	1	2	2	3	3	1	2	2	2	3	3	2	2	2	3	3	3	1.8	2	2.5	2.8	3.3	3.3
19	2	3	4	3	4	4	3	3	3	4	4	2	1	1	1	2	2	2	2	2	2	3	3	3	2	2.3	2.5	3	3.3	2.8
20	1	2	4	3	4	3	2	2	3	3	4	4	1	1	1	2	2	2	2	2	2	2	3	3	1.5	1.8	2.5	2.5	3.3	2.5
21	1	2	3	3	3	3	3	4	4	4	4	5	2	2	2	2	2	3	2	2	2	3	3	3	2	2.5	2.8	3	3	3.5
22	2	2	3	3	3	3	3	3	3	4	4	4	1	1	1	1	2	2	3	3	3	3	4	3	2.3	2.3	2.5	2.8	3.3	3
23	1	1	2	2	2	3	4	4	4	4	4	5	2	2	2	2	2	2	2	3	3	3	4	4	2.3	2.5	2.8	2.8	3	3.5
24	2	2	3	3	4	3	2	2	3	3	3	4	2	2	2	2	3	3	2	2	3	3	3	4	2	2	2.8	2.8	3.3	3.5
25	2	3	3	3	4	4	1	1	2	2	3	3	3	3	3	3	3	3	2	3	3	3	4	3	2	2.5	2.8	2.8	3.5	3.3
26	2	3	4	3	4	3	1	1	1	2	2	2	3	3	4	4	4	4	1	2	2	3	3	4	1.8	2.3	2.8	3	3.3	3.3
27	1	2	3	2	3	3	4	4	4	4	4	4	2	2	2	2	3	3	2	2	3	3	4	4	2.3	2.5	3	2.8	3.5	3.5
28	2	3	3	3	3	3	2	2	3	3	3	4	1	2	2	3	3	3	2	2	3	3	3	4	1.8	2.3	2.8	3	3	3.5
29	1	3	4	4	4	4	2	2	3	3	3	3	1	2	2	2	2	3	2	2	2	3	3	3	1.5	2.3	2.8	3	3	3.3
30	1	2	3	3	4	3	2	2	3	3	3	4	2	2	2	2	3	3	2	2	3	3	3	3	1.8	2	2.8	2.8	3.3	3.3
31	2	3	3	3	4	4	2	3	3	3	3	4	2	2	2	2	3	3	3	3	3	3	4	4	2.3	2.8	2.8	2.8	3.3	3.8
32	2	2	3	3	3	4	1	2	2	3	3	3	2	3	3	3	3	3	3	3	3	4	4	4	2	2.5	2.8	3.3	3.3	3.5
33	1	2	2	3	4	3	2	2	2	3	3	3	2	2	2	2	3	3	1	2	2	3	3	4	1.5	2	2	2.8	3.3	3.3
34	2	3	3	2	3	3	3	3	3	4	3	4	2	2	2	2	2	2	2	2	3	3	4	4	2.3	2.5	2.8	2.8	3	3.3
35	1	2	3	3	4	4	3	3	4	4	4	4	3	3	3	3	3	3	1	1	2	2	2	3	2	2.3	3	3	3.3	3.5
36	2	2	3	3	3	4	2	2	3	3	3	4	2	2	2	2	2	2	1	1	2	3	3	3	1.8	1.8	2.5	2.8	2.8	3.3
37	3	4	3	4	4	5	3	3	3	4	3	3	2	2	2	2	2	3	2	2	2	2	3	3	2.5	2.8	2.5	3	3	3.5
38	2	3	3	3	4	4	4	4	4	4	4	4	1	2	2	2	3	3	1	1	2	2	3	3	2	2.5	2.8	2.8	3.5	3.5
39	2	3	3	3	4	4	3	3	4	4	4	5	1	2	2	2	2	3	2	2	2	2	3	3	2	2.5	2.8	2.8	3.3	3.8
40	1	2	4	3	4	4	3	3	4	4	4	4	1	1	2	2	2	2	2	3	3	3	3	4	1.8	2.3	3.3	3	3.3	3.5
41	1	3	3	4	3	4	2	2	3	4	3	3	2	2	2	2	3	3	2	2	3	3	3	3	1.8	2.3	2.8	3.3	3	3.3
42	1	2	3	3	3	4	2	2	3	3	4	3	2	2	2	2	3	3	3	3	3	3	4	4	2	2.3	2.8	2.8	3.5	3.5
43	2	3	3	3	4	3	2	3	3	3	4	4	2	2	2	2	2	2	1	2	2	3	3	3	1.8	2.5	2.5	2.8	3.3	3
44	1	3	3	2	3	3	2	3	3	3	3	3	2	2	3	3	3	3	2	2	3	3	3	4	1.8	2.5	3	2.8	3	3.3
45	2	3	3	3	4	4	2	3	3	3	4	3	3	3	3	3	4	4	1	1	2	2	3	3	2	2.5	2.8	2.8	3.8	3.5
46	2	3	4	3	4	3	4	4	4	4	4	5	2	3	3	4	4	4	3	3	3	4	3	4	2.8	3.3	3.5	3.8	3.8	4
47	1	2	2	3	3	3	1	2	3	3	3	3	2	2	2	3	3	3	3	3	4	4	4	4	1.8	2.3	2.8	3.3	3.3	3.3
48	2	3	3	3	3	4	1	2	2	2	3	3	2	3	3	3	3	3	3	3	4	4	5	5	2	2.8	3	3	3.5	3.8
49	1	2	3	4	3	4	2	2	3	3	3	3	1	2	2	3	3	3	2	2	2	3	3	4	1.5	2	2.5	3.3	3	3.5
50	1	2	2	3	3	4	1	1	2	2	3	3	1	2	2	2	2	3	3	3	3	3	4	4	1.5	2	2.3	2.5	3	3.5
51	2	2	3	3	3	4	2	2	2	3	3	3	2	3	3	3	3	3	2	2	3	3	3	4	2	2.3	2.8	3	3	3.5
52	1	2	3	3	4	3	2	2	2	3	3	4	2	2	2	2	2	3	2	2	3	3	4	4	1.8	2	2.5	2.8	3.3	3.5
53	1	2	3	4	3	3	2	2	3	2	3	3	2	2	2	2	2	2	3	3	3	3	4	4	2	2.3	2.8	2.8	3	3
54	2	3	3	3	3	4	3	3	3	4	3	4	1	2	1	2	2	2	3	3	3	3	3	4	2.3	2.8	2.5	3	2.8	3.5
55	1	2	3	3	3	4	2	2	3	3	3	3	1	1	1	1	2	2	2	2	2	3	3	3	1.5	1.8	2.3	2.5	2.8	3
56	1	2	2	3	3	3	1	2	2	3	3	3	1	1	2	2	2	2	2	3	3	3	4	4	1.3	2	2.3	2.8	3	3
57	1	2	3	3	4	4	1	1	2	2	2	3	2	2	3	3	3	3	2	2</										

Table II – Measurements on Control Group 1 (Co-Workers) performance

Part No.	Stress level						Conflict Management						Change Assimilation						Leading Others						Overall Avg						
	Jan	Jan	Feb	Mar	Apr	May	Jan	Jan	Feb	Mar	Apr	May	Jan	Jan	Feb	Mar	Apr	May	Jan	Jan	Feb	Mar	Apr	May	Jan	Jan	Feb	Mar	Apr	May	
	Control Group						Bosses and Co-Workers																								
1C	2	2	2	1	2	2	2	2	2	2	1	1	2	2	1	1	2	2	2	2	3	2	2	2	2	1.8	1.8	1.8	1.8		
2C	2	2	2	2	1	2	2	2	2	2	2	1	2	2	1	2	2	2	3	3	3	4	3	3	2.3	2.3	2	2.5	2	2	
3C	2	2	1	2	2	2	2	2	2	2	2	2	2	2	2	2	2	3	3	3	3	3	3	2.3	2.3	2	2.3	2.3	2.3		
4C	1	2	2	1	1	1	3	2	2	2	2	2	3	2	2	2	2	2	3	3	2	2	2	3	2.3	2.3	2.3	1.8	1.8	2	
5C	1	1	2	1	2	2	3	3	2	3	2	1	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	1.8	
6C	1	1	1	1	1	1	2	2	3	3	3	2	1	1	1	1	1	2	2	2	2	2	2	2	1.5	1.5	1.8	1.8	1.8	1.5	
7C	1	1	1	1	1	2	2	2	2	3	3	3	2	2	1	2	2	2	2	3	3	3	3	3	1.8	2	1.8	2.3	2.3	2.5	
8C	2	1	2	2	2	1	2	2	2	2	2	2	2	2	2	2	2	2	4	3	3	3	3	3	2	2.3	2.3	2.3	2.3	2	
9C	2	1	1	2	2	2	3	3	2	2	2	2	2	2	2	2	2	1	3	3	3	3	3	3	2.5	2.3	2	2.3	2.3	2	
10C	2	2	2	1	2	2	1	2	2	3	2	3	2	2	2	2	2	2	2	3	3	2	2	2	1.8	2.3	2.3	2	2	2.3	
11C	2	2	2	2	2	2	1	1	2	2	2	2	2	1	1	1	1	2	2	3	3	2	2	2	1.5	1.8	2	1.8	1.8	2	
12C	2	2	2	2	2	2	1	1	1	1	1	1	3	2	2	2	3	2	2	2	2	2	2	2	2	1.8	1.8	1.8	2	1.8	
13C	2	1	1	2	2	2	1	1	1	1	1	1	3	3	2	2	2	2	2	2	2	2	2	2	2	1.8	1.8	1.8	1.8	1.8	
14C	2	1	2	1	2	2	2	2	2	2	2	1	2	2	1	2	2	2	3	3	3	3	3	3	2.3	2	2	2	2.3	2	
15C	2	2	1	2	2	2	2	2	2	1	2	1	2	2	1	1	2	2	3	3	3	3	3	3	2.3	2.3	1.8	1.8	2.3	2	
16C	2	2	2	2	2	2	2	2	1	2	2	2	2	3	3	2	3	2	3	3	3	3	3	3	2.5	2.5	2	2.3	2.5	2.3	
17C	2	2	2	2	2	2	2	2	2	2	2	2	2	1	1	1	1	1	2	2	2	2	2	2	1.8	1.8	1.8	1.8	1.8	1.8	
18C	2	2	2	2	2	2	3	3	2	3	3	2	2	2	2	2	2	2	2	2	2	2	2	2	2.3	2.3	2	2.3	2.3	2	
19C	1	2	1	2	1	2	2	2	3	2	2	2	2	2	1	1	1	2	2	4	3	3	3	3	2	2.3	2	2	2	2.3	
20C	2	1	1	1	2	1	2	2	2	2	2	2	2	2	1	1	2	1	2	2	2	2	2	2	2	1.5	1.5	1.8	1.8	1.8	
21C	1	1	1	1	1	1	2	2	2	2	2	2	2	2	1	1	1	1	2	3	2	2	2	2	1.8	1.8	1.5	1.5	1.5	1.5	
22C	1	1	1	1	1	2	2	2	2	2	2	2	1	1	1	1	1	2	2	3	3	3	3	3	1.5	1.8	1.8	1.8	1.8	2.3	
23C	1	2	1	2	1	2	2	2	2	2	2	2	1	2	2	2	2	2	2	2	2	2	2	2	1.8	1.8	2	1.8	1.8	2	
24C	2	2	1	1	2	2	2	2	2	2	2	2	2	2	1	1	2	2	2	3	3	3	3	3	2	2	1.8	2	2.3	2.3	
25C	2	1	2	1	2	1	2	2	2	2	2	2	2	2	2	2	2	1	1	2	2	2	2	2	1.8	1.8	2	1.8	2	1.5	
26C	2	1	1	2	1	2	3	3	2	2	1	2	2	2	2	1	2	2	2	3	2	2	2	2	2.3	2.3	1.5	2	1.5	2	
27C	3	1	1	3	1	1	1	2	2	2	2	2	2	2	2	2	1	2	2	3	3	2	2	2	2	2	2	2	2.3	1.5	1.8
28C	2	2	2	1	1	2	1	1	2	2	2	2	2	2	2	2	2	2	3	3	3	3	3	3	2	2	2.3	2	2	2.3	
29C	1	2	3	2	2	1	2	2	2	2	2	1	3	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2.3	2	2	1.5
30C	2	1	1	2	2	1	2	2	2	2	2	1	2	2	2	2	2	2	2	2	3	3	3	2	2	1.8	2	2.3	2.3	1.5	
31C	1	2	1	2	2	1	2	2	2	2	1	1	2	2	2	2	2	2	2	2	2	2	2	2	1.8	2	1.8	2	1.8	1.5	
32C	1	1	1	1	2	2	2	2	2	2	2	1	2	2	3	3	3	2	2	2	2	2	2	2	1.8	1.8	2	2	2.3	1.8	
33C	2	2	2	2	1	2	2	2	2	2	2	2	2	2	1	2	2	2	2	2	2	2	2	2	2	2	1.8	2	1.8	2	
34C	1	3	2	2	1	2	2	2	2	2	2	2	2	2	2	1	2	2	2	3	2	2	2	2	1.8	2.5	1.8	2	1.8	2	
35C	2	1	2	2	2	2	1	1	1	1	1	3	1	1	1	1	1	2	2	4	3	3	3	3	1.5	1.8	1.8	1.8	1.8	2.5	
36C	3	1	1	2	2	2	2	2	2	2	1	2	1	2	1	1	2	2	2	3	2	2	2	2	2	2	1.5	1.8	1.8	2	
37C	1	2	2	2	2	2	2	2	2	2	2	1	2	2	2	2	2	2	3	3	3	3	3	3	2	2.3	2.3	2.3	2.3	2	
38C	1	2	2	1	2	2	2	2	2	2	2	1	2	2	2	2	2	2	1	1	1	2	2	2	1.5	1.8	1.8	1.8	2	1.8	
39C	2	3	2	2	1	3	2	2	2	2	2	2	2	2	2	2	2	2	1	2	1	1	1	1	1.8	2.3	1.8	1.8	1.5	2	
40C	2	2	2	3	2	2	3	3	3	3	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2.3	2.3	2.3	2.5	2	2	
41C	2	3	2	1	1	2	3	3	3	2	3	2	3	3	3	3	3	3	2	2	2	2	2	2	2.5	2.8	2.5	2	2.3	2.3	
42C	2	2	2	1	1	1	2	2	2	3	3	3	2	2	2	2	2	2	2	3	3	3	3	2	2	2.3	2.3	2.3	2.3	2	
43C	2	2	2	1	1	1	2	2	2	2	2	2	2	2	2	2	2	2	3	4	3	3	3	3	2.3	2.5	2.3	2	2	2	
44C	2	2	1	1	1	2	2	2	2	2	2	2	2	2	1	2	2	2	2	4	3	3	3	3	2	2.5	1.8	2	2	2.3	
45C	3	3	2	2	2	1	2	2	2	2	2	2	2	2	2	2	2	2	3	4	3	3	3	3	2.5	2.8	2.3	2.3	2.3	2	
46C	1	2	2	1	1	2	2	2	2	2	2	2	2	2	2	2	2	2	3	3	3	3	3	3	2	2.3	2.3	2	2	2.3	
47C	2	1	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	1.8	2	2	2	2	
48C	2	1	1	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	3	3	3	3	3	3	2.3	2	2	2.3	2.3	2.3	
49C	2	2	1	1	1	1	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	1.8	1.8	1.8	1.8	
50C	1	2	2	2	2	2	2	2	2	2	2	2	1	1	1	1	2	2	2	3	2	2	2	2	1.5	2	1.8	1.8	2	2	
51C	2	1	2	2	2	1	2	2	2	2	2	3	1	1	1	1	1	1	2	3	3	3	3	2	1.8	1.8	2	2	2	1.8	
52C	2	2	2	2	2	1	2	2	2	2	3	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2.3	1.8	
53C	1	1	1	2	2	1	1	1	1	2	3	2	1	1	1	1	1	1	3	3	3	3	3	3	1.5	1.5	1.8	2	2.3	1.8	
54C	2	2	2	2	2	1	1	1	1	1	2	1	2	1	1	2	2	2	2	2	2	2	2	2	1.8	1.5	1.5	1.8	2	1.5	
55C	2	2	2	2	2	1	2	2	1	1	2	1	1	1	1	1	1	2	3	3	3	3	3	3	2	2	1.8	1.8	2	1.8	
56C	2	2	2	1	2	2	2	2	2	1	2	2	2	1	1	2	2	2	2	3	2	2	2	2	2	2	1.8	1.5	2	2	2
57C	2	2	2	2	1	2	2	2	2	1	2	2	3	2	2	3	2	2	2	3	2	2	2	2	2	2.3	2.3	2	2	1.8	2
Tot.	100	96	95	93	93	96	112	113	112	113	114	104	110	102	91	103	107	108	127	153	140	139	137	135	112	116	110	112	113	111	
No.	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57</												

NEURAL NETWORKS AND THEIR APPLICATION TO FINANCE

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Abstract

Neural networks are one such process, that is, it maps some type of input stream of information to an output stream of data. It consists of ways to connect data/information to produce output that is consistent with the processes. It may seem simple, but as the analysis will highlight, this process is far from trivial. Today neural networks have been integrated into most fields and are a very important analytical tool. Neural networks are trained without the restriction of a model to derive parameters and discover relationships, driven and shaped solely by the nature of the data. This has profound implications and applicability to the finance field. These areas will be analyzed with specific examples in each area.

WHAT RE NEURAL NETWORKS?

The human brain is a very complex part of the human body, due mainly to the interactions and connectivity with other parts of our body, and the way it controls and defines every aspect of our being. The brain has continued to be a mystery to many scientists, but its role and capacity to process information is mimicked in many aspects of academia. Neural networks are one such process, that is, it maps some type of input stream of information to an output stream of data. It consists of ways to connect data/information to produce output that is consistent with the processes. It may seem simple, but as the analysis will highlight, this process is far from trivial.

A neural network works in a similar methodological way to connect processing elements to produce results from a complex analytical study or principle that depends on many interconnected explanatory variables. According to Smith initially neural networks were characterized as a computer science phenomenon with uses (Smith para 2):-

- processing elements
- a high degree of interconnectivity
- dependence of variables

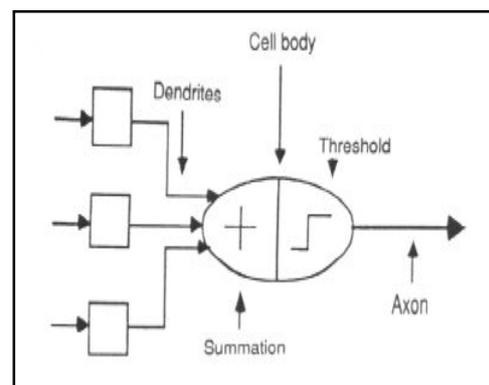
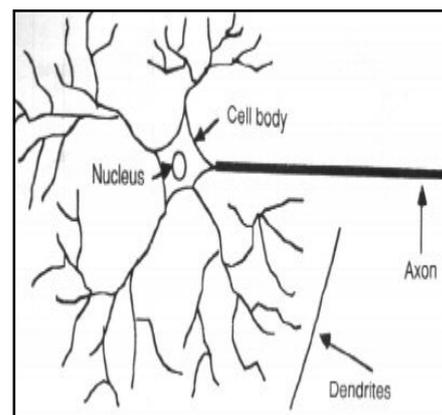
The basic idea behind a neural network is presented in Figure 1 below; where there are different inputs that combined create an output, however the ratio is not one to one, since there may be interactions between inputs and more so backward linkages between output and input, as presented in the diagram below. The figure was adapted from Stergiou and Siganos (para 2) to highlight the similarity

between processes in the brain and neural networking.

THE HISTORY OF NEURAL NETWORKS

Neural networks were originally devised to understand the workings of the human brain (a formidable task). However, there developed a multidisciplinary trend with the constant interaction of researchers across disciplines who tried to apply the neurological activities of the brain with classifying computer programs and functions (Stergiou and Siganos para 5).

Figure 1: Neural Networking and Similarities with the Workings of the Human Brain



The first use and concept of neural networks began with linear classifications of the input-output relation represented generally equation 1 below:

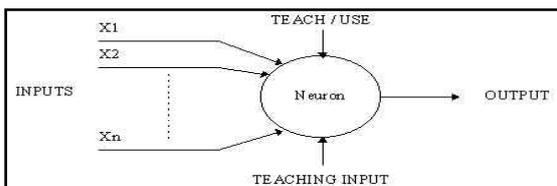
$$Y = a + bx, \text{ with } x \in R^n, a \in R^n, b \in R^n$$

Equation 1

Equation 1 was the typical development in neural networks and classified the general form of the Perceptron, which developed considerable interest and research in the 1950s (Stergiou and Siganos para 6). This model clearly has limitations, since it can only specify linear relationships in the input space; and will not classify complex data models that have a non-linear relationship.

Neural networks continued to advance and developed a multilayered algorithm that had the ability for bi-directional flow on inputs. Figure 2 below, highlights the general neural model that was adapted and transformed across disciplines. It highlights the development and historical progress of neural networks as its applicability across research arenas changed (Stasoft para 20).

Figure 2: Multilayered Neural Network Model adapted from Stergiou and Siganos



Neural network development was not without its period of criticism and general disrepute. During this period, the flaws of the single layered Perceptron model were highlighted (like that shown in figure 1). This caused a general decline in funding

and research associated with neural networks. Its overall use and computational ability to solve complex problems was questioned and this led to limited use.

Nevertheless, neural networks have regained popularity and are being used in a wide array of fields within the natural and social sciences. Models such as those in figure 2 generally increased in complexity, the development of the Cognitron in 1975 with training and learning algorithm, along with the ability to change weights and interactivity across input sets in R^n , were developed and re-popularized the field. Other popular models such as the back-propagation network is which utilized a stochastic function to generalize the relationship and determine optimal parameters of a complex model via a more robust methodology (Stergiou and Siganos para 8). Equation 2 below highlights the complexity and development within the historical timeline that shows the sequential development of neural networks (note the difference between equation 1 and equation 2).

$$Y = h(a + bx), \text{ with } x \in R^n, a \in R^n, b \in R^n$$

where h is a logistic function

Equation 2

Today neural networks have been integrated into most fields and are a very important analytical tool.

WHY USE NEURAL NETWORKS?

The recent increased interest and use of neural models stems primarily from its nonlinear models that can be trained to map past and future values of the input-

output relationship. This adds analytical value, since it can extract relationships between governing the data that was not obvious using other analytical tools.

Neural networks are also used because of its capability to recognize pattern and the speed of its techniques to accurately solve complex processes in many applications. This is especially true of the backpropagation and Cognitron method introduced in the historical section of the paper. Neural networks help to characterize relationships via a nonlinear, non parametric inference technique, this is very rare and has many uses in a host of disciplines (Lendasse et al 9).

Since a neural network is basically a data processing technique that links input streams with output, its use can be distinguished by four types of applications:

1. Classification of input stream
2. Association of output given sectors of input groupings
3. Codification of input by producing output within a reduced dimensional subspace
4. Simulation of output from input relationships and interconnections.

Neural networks offer the best 'back-drop' in which to extend simply methodologies to gain unique and extended results from models. The networks offer the added advantage of being able to establish a 'training' phase, where example inputs are presented and the networks learns to extract the relevant information from these patterns. With this, the network can generalize results and lead to logical and other unforeseen conclusions through the model.

Clearly neural networks surpass traditional models that use linear

techniques and parameter threshold testing, hence neural networks add flexibility to the model. In addition, with the non-linear modeling capabilities, there are a wide range of complex models that can be easily implemented and analyzed.

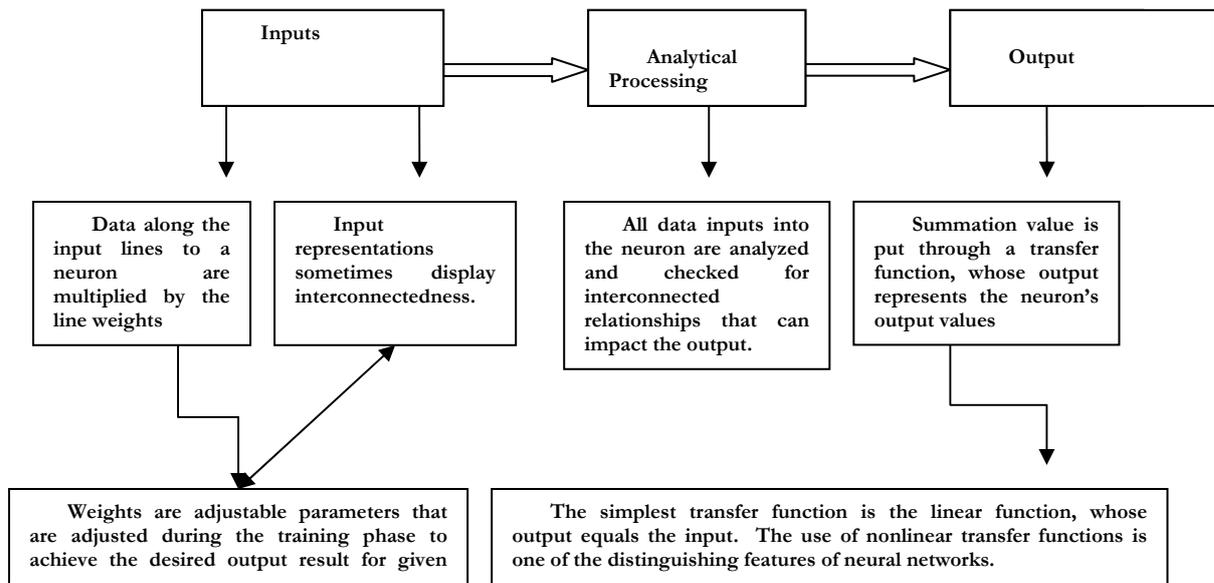
NEURAL NETWORKS VERSUS CONVENTIONAL COMPUTERS

Neural networks have the unique capability of learning. That is, unlike conventional computers, sequences do not need to be dictated in order for the algorithm to be executed and produce meaningful results. This problem solving tools, creates a unique likeness to the human brain, that is, neural networks, use the interconnectedness of the elements of the model to arrive at logical and robust decisions, rather than follow a set of sequential steps, that may or may not solve the problem like computers do.

Neural networks also allow modeling and forecasting to be more efficient, why?

The necessary analytical framework provides an expansive model to analyze relationships that were not embedded in the methodology or mechanism used to solve the model. This highlights the a different aspect of model building, where the unique relationships between the variables creates the model, rather than trying to force variables to conform to a theoretical abstract that may or may not exist. Nevertheless, it is clear that neural networks cannot replace traditional computers, but can and will complement each other in problem solving mechanisms. Figure 2a below shows the generalized view of the multilayer perceptron network with specific emphasis on the multiconnectivity of the variables.

Figure 2a: Multilayer Perceptron Neural Network



Neural networks try to find the solution to problems by analyzing the variables and may come to unpredictable results, since the relationship between inputs and outputs is not specified within a particular methodology, but is rather loosely based on the unspecified steps to solve the problem. Conventional computers need this model or sequence of steps to solve problems, and as such will produce results that are stipulated by the model or framework used to analyze data.

NEURAL NETWORKS IN FINANCE

Neural networks are trained without the restriction of a model to derive parameters and discover relationships, driven and shaped solely by the nature of the data. This has profound implications and applicability to the finance field. These areas will be analyzed with specific examples in each area.

TIME SERIES ANALYSIS

Time series is a special form of data where past values may influence future values. Many financial models rely on understanding time series to adequately predict the functionality of financial markets and uses statistical inferences for forecasting purposes. The relationship between time variant variables in finance can be characterized by trends, cycles, and non-stationary behavior between data points that have serve a predictive or informational purpose to the model. Linear models have been used in the past to extract these relationships, but non-linear relationships exists between many financial variable, as such neural networks have a specific place within the financial literature and can be trained to map and future values of time series, so as to extract hidden structures and relationships that may govern the data (Lendasse et al 5)

In discussing neural networks and time series analysis, it is beneficial to introduce the random walk Properties of pure

random walk time series are of interest in providing a theoretical framework for financial time series and provides an applicable framework for neural networks in finance. Equation 3 below presents the random time series, which is used to model market prices.

$$p_t = p_{t-1} + u_t$$

Equation 3

Where p represents market prices, the t s subscripts are an index of time, and u is a stochastic variable, which is identically distributed. That is, $u \sim (0, c)$.

Typically, the random walk theory is applied to stock market analysis and is a useful background to the question of the nature of financial time series ('Financial Time Series as Random Walk' 6). Direct

test of randomness within financial time series is fraught with problems and even the most advanced nonlinear models, still have not devised efficient ways to model the behavior of financial time series.

Based on the analysis above, the neural network seems like an appropriate model to analyze financial time series, since it will provide insight into the nature of the relationship between time series data (which can be useful for forecasting and stock market analysis which is examined below).

Figure 3 below shows, since the hypothesis being tested and debated in finance is whether financial time series have information that can be useful for predictive purposes, or just happen to follow a random walk. Neural networks have been useful in testing this hypothesis.

Figure 3: Stock Market Data from the New York Stock Exchange for Newmont Mining: Random Walk?



STOCK MARKET ANALYSIS

More individuals own stock more than ever. Stock pricing is now expansive and is an important aspect of financial economics. Therefore, many theorist look for different analytical tools to arrive at logical conclusions. Neural networks are technical models that can lead to insightful results and have a significant impact on the market.

A stock is generally considered over-valued if the price-earning ratio is high relative to the rate at which a company's earnings are likely to grow. The converse holds true for an under-valued stock. Because of the complexity and importance of valuing common stock, various techniques for accomplishing this task have been devised over time. The techniques that will be used encompass: 1) discounted cash flow valuation techniques, where the value of the stock is estimated based upon the present value of some measure of cash flow, including dividends, operating cash flow, and free cash flow; and 2) the relative valuation techniques, where the value of a stock is estimated based upon its current price relative to variables considered significant to valuation; 3) cost of capital; 4) capital budgeting.

The dividend discount model (DDM) is very useful for the stock market analysis and has been applied to the neural network in order to verify if entities are relatively stable and if prices are efficient and fair for stocks. DDM assumes that the value of a share of common stock is the present value of all future dividends¹.

The inputs for the calculation include:

$$\text{Value of stock} = \frac{D_1}{(1+k)} + \frac{D_2}{(1+k)^2} + \frac{D_3}{(1+k)^3} + \frac{T}{(1+k)^\infty}$$

Equation 4

The inputs for the calculation include:

D_t = Dividends during period t

k = The required rate of return on stock j

T = terminal stock value

The analysis above is just a brief overview of the applicability of neural networks in the stock market. The random walk theory and DDM seemed like the most applicable (and popular) methodologies to analyze.

CAPITAL BUDGETING AND RISK

Capital budgeting is one of the most important functions of financial management. It encompasses a process of planning expenditures on assets whose cash flows are expected to extend beyond one year. A company with growth rates and profit margins such as that are dictated by capital expenditure and investment cannot afford to ignore the importance of capital budgeting. Erroneous forecasts of asset requirements can have serious consequences, Therefore there is always a need for complex and accurate models to dictate the relationship between variables. How is capital budgeting associated with the neural networks? Capital budgeting typically involves a large amount of money, therefore when companies contemplate major capital expenditure programs, financing has to planned in advanced, hence the importance of stock value and forecasting mechanisms, as shown from the previous analysis, neural networks are important to this overall

¹ This model was adapted from Myron Gordon, *The Investment, Financing, and Valuation of the Corporation*. Irwin, 1962

process. What is clear is that there is a direct link between capital budgeting and stock values. The more effective the firm's capital budgeting procedures, the higher its stock price. These are hypotheses that are also tested via neural networks.

Once a potential capital budgeting project has been identified, its evaluation involves the same steps that are used in security analysis. Decision rules can be summarized by the fact that if the present value of the cash flows exceeds the cost the project is accepted. Otherwise, it should be rejected. (Alternatively, if the expected rate of return on the project exceeds its cost of capital, the project is accepted). With this similarity, it is also relatively easy to use neural networks for forecasting and arriving at relationships and estimates between the variables.

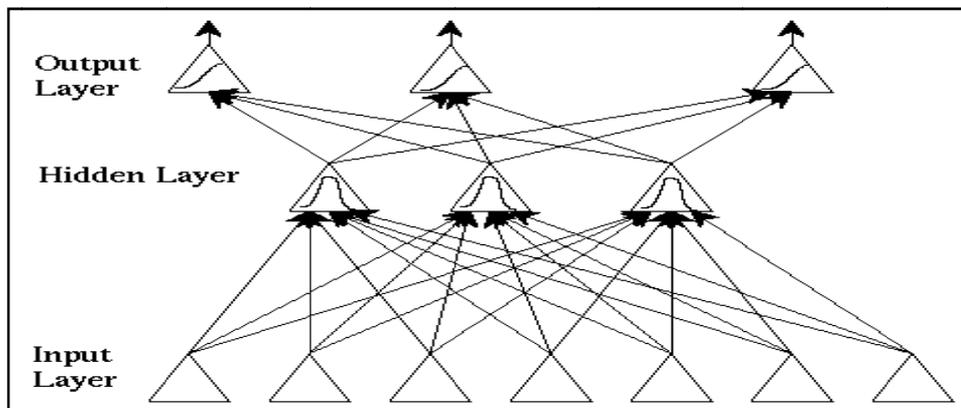
Risk analysis is best approximated with market risk, that is, the part of a project's risk that cannot be eliminated by

diversification; it is measured by the beta coefficient.

With the cost of equity equation analyzed in previous sections, it is not surprising that as market risk increases, the cost of equity increases and stock value falls. Calculated risk coefficients and interactions with other variables in finance can also be approximated via neural networks.

Generally, these applications rely on the fact that neural network models can be used to devise a function from observations (that may or may not have existed before). This is usually within the finance field where data is too complex to analyze (Smith para 6). Specifically the use of artificial intelligence techniques, which is generalized in figure 4 below is used within the financial industry with the latest methodological approaches aimed at maintaining the competitive edge.

Figure 4: General Modeling of Neural Networks for Financial Capital Markets



(Inclusive of Capital Budgeting and Risk Analysis)

**Extracted from Leslie Smith, Centre for Cognitive and Computational Neuroscience*

FINANCIAL FORECASTING

Neural networks provide forecasts of market prices and actions. These can then form the basis for trading the market in an automated system. A pre-trained network is the natural choice for real-time trading. The implementation of forecasts requires a strategy for dealing with adverse market moves; the question of when to enter or exit the market is also largely determined by forecasts, hence neural networks always have a role in finance.

There are a number of considerations in using neural networks for financial forecasting, however the neural network has an advanced pattern recognition technique, which makes it particularly useful in time series forecasting.

Neural networks have also been used to analyze rather profound hypotheses. The efficient market hypothesis states that if a market is considered efficient, then prices fully reflect all the relevant information, and buying and selling stock for capital gain is purely a matter of luck, rather than sound investment skills. Neural networks have been used to chart the relationship between financial forecasting, especially for the stock market and to test the relevance of the efficient market theory (Smith para 19).

THE FUTURE OF NEURAL NETWORKS: A CRITICAL REVIEW

It is argued that neural networks cannot do anything that cannot be done using traditional techniques, but have simplified the process of completing otherwise complex and arduous tasks that researchers and analyst once had to do. Therefore, there exist many areas that can use neural networks to both increase efficiency and accuracy or as a way to

improve the general analysis of the models. They include and are not limited to investment analysis, to predict stock currencies beyond the simple linear market, as a mechanism for comparing signatures with those stored, for process control, engineering applications, and in marketing for advertising and promotions. It is clear that neural networks have a rather expansive application base and will provide useful analytical results to users (Stasoft para 44).

Nevertheless, neural networks are highly technical and require a great deal of expertise to implement, although computers exist to run programs and generate results, these models are highly complex and require a great deal of technical expertise, as such their use is limited within the 'real world', although they have shown to be great theoretical models, outside of the natural science field (Smith para 34).

Some theorists have even argued that the use of neural networks undermines scientific knowledge, since its applicability in other fields and highly technical nature may cause users to extract results without necessarily understanding the methodology used by the model.

Other areas of expansion within the neural network movement include the production of a learning chip, sensory and sensing applications, new opportunities for forecasting stock and financial markets, as well as other financial and economic time series, the use in incomplete data to find relationships that exist, and extensions in neuroscience and biological neural networks (Stasoft para 55).

In conclusion recent developments in neural networks highlight the new opportunities that it provides as an analytical tool. The mathematical content of the methodology seems rather erudite

and restrictive; however, this does not mean the neural networking is not a very analytical tool that can produce 'real' results, irrespective of the complexity of the methodology used.

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e-BUSINESS AND THE SUPPLY CHAIN MANAGEMENT

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Abstract

With an increased competition in the marketplace, one can observe an increase in product offerings in the market. This should lead to shorter product life cycles. It has therefore become essential for retail firms to better manage their supply chain process so that they can better control the supply and demand aspects of their product portfolio.

It is, however, interesting to note that with the advancement of information technology, the trends in determining demand and supply forecasts are changing. Experts have now successfully identified the best practices developed and maintained by some of the leading retailing firms. They have utilized this particular information to develop more effective solutions for supply chain management. In order to bring future improvements to the supply chain management of an organization, it is essential to develop an information system of the highest quality, operated and maintained by well-qualified and trained professionals. Developing a supply chain, which is responsive enough to the changing business environment, will benefit from the new developments in the market and will be able to effectively manage the inventory according to the demand and supply trends of the market.

INTRODUCTION

1.1 Purpose of the Study

The Internet era has revolutionized not only the way we conduct business but also the methods adopted with the management of the supply chain, such as the way businesses communicate with each other and how each member in the supply chain is impacted. The purpose of the study is to analyze how e-Business has influenced the supply chain management with reference to its past trends, present operations and future techniques.

1.2 Importance of the Study

The rise of the Internet, and attendant information technologies and their application to business, has engendered a great deal of hype. Commentators have, among other things, heralded the arrival of a new economy and foretold the total transformation of the way people conduct business through online shopping. It has also completely altered in the methods used in the demand and supply chain process.

e-Business has focused on new information products and networks. e-Business has emphasized the cost saving significance of the Internet and the attendant technologies when doing business, this effects the costs of transactions, internal management, and marketing of products. Reactions to the opportunities and challenges of the Internet have embraced every detail of the business environment.

1.3 Rationale of Study

This paper will discuss about the changes that e-Business has brought into

the supply chain management's field concisely. This will cover the whole gamete of management and operation methods. This paper will not only focus on the recognition of the technological breakthroughs, but also the changes that have taken place with the industry after the introduction of e-Business concepts into supply chain management.

1.4 Overview of the study

From an economics' point of view, we can explain that e-Business is a significant new way of conducting business. It raises cost issues regarding existing transactions. It also impacts traditional internal and external supply chain management issues.

Industries have begun to modernize by embracing new management themes in order to accommodate the necessity for face-to-face interaction, resulting in fast shipping time and reduced warehousing costs. This paper will also discuss the current trend of supply chain management styles as well as what benefits the industry can gain by conducting supply chain management electronically. This paper will also discuss what can be done in the future in order to increase competitiveness in the market.

In the current competitive markets, the increased level of globalization and expansion of industries operations to a global scale has facilitated the ability for consumers to easily gain price comparisons.

This has become increasingly important to companies. Manufacturers must fully integrate their overall operations so that they can develop a competitive edge in terms of timely delivery, efficient customer service, and improved performance.

The new technologies adopted have made the task of supply chain management

more effective and easier. It is interesting to take a look at how Information Technologies systems functionally helps enterprises in planning and managing all these supply chain and inventory management activities.

These supply chain management issues are significant to all kinds of firms, especially for retailers and manufacturers; supply chain management could even be the most important part of the business. If they manage their supply chain systems better than their competitors, they can gain bigger market power.

Therefore, in order to face competition and challenges, industries must build an efficient electronic system to meet both internal and external wants and needs.

LITERATURE REVIEW

2.1 What is Supply Chain Management?

Supply Chain management is the process of managing the movement of goods from suppliers to buyers.

Supply Chain Management (SCM), also known as supply chain integration or supply chain optimization, is the process of optimizing a company's internal practices in interacting with suppliers and customers in order to bring products to market more efficiently.

SCM functions encompass demand forecasting, sourcing and procurement, inventory and warehouse management, distribution logistics, and other disciplines.

The SCM procedure repeatedly succeeds where Enterprise Resource Planning (ERP) fails. In order to correctly forecast inventory levels, the supply chain management system needs ERP's database cooperation (Laudon & Laudon, 2002). A powerful SCM includes the systematization and optimization of

operational and strategic information and methods within and between enterprises.

SCM is connected with optimizing business processes and business value in every nook of the outspread enterprise, from the supplier's supplier to the customer's customer.

SCM can utilize e-business concepts and Web technologies to bring the organization upstream and downstream. It is the strategic approach that combines all steps in the business cycle, from the beginning of the product design and the acquisition of raw materials for production to shipping, distribution, and warehousing, until a finished product is sold to the customer (Laudon & Laudon, 2002).

2.2 What is e-Business?

Laudon and Traver have defined e-Business as "the digital enablement of transactions and processes within a firm, involving information systems under the control of the firm, which doesn't include the company's revenue" (2001, p.7). For example, a company's inventory management system and warehousing do not affect its revenue directly, such as its sales strategies and models. It comes under the domain of e-Business. However e-commerce does affect revenue.

By these points of view, it seems that a firm's e-Business system can also support e-Commerce for external value exchange. Although e-Business has been defined as an electronic information management system for a company's internal needs, some people still think the scope of e-Business transactions should cover e-Commerce. e-Business is used to manage a firm's internal information. However, in order to be effective e-Business also needs to be supported by huge amounts of external information. In this instance, a manufacture's inventory management

needs to know from its suppliers the time-line for putting the materials on the production line. On the other hand, the production time-line relates to the products' shipment date. Then those solutions extend to the customers and customers' customers and complete the business. By this theory, e-Commerce could be seen as the rear end of e-Business. Given this point of view, it does not only make e-Commerce's field smaller, it makes e-Commerce a part of e-Business.

People are still arguing about the definition of e-Business and e-Commerce, but from each of their incidence, it seems that e-Business is bigger than e-Commerce. This paper would support the view that e-Commerce is part of wider e-Business applications.

2.3 The Major types of e-Business

There are several types of business methods in today's e-business scopes, such as "Business-to Consumer (B2C), Business-to-Business (B2B), Consumer-to-Consumer (C2C), Peer-to-Peer and Mobile, or m-Commerce" (Laudon & Traver, 2001, p.13).

2.3.1 Business-to Consumer (B2C)

The B2C model can be easily seen from many web sites because it sells the products, information and service to consumers and gains the revenue. The B2C model involves a business selling directly to consumers via a web site. This direct selling is the main reason that companies create these web sites. Also from these web sites' revenue models, online businesses can be sorted into five different categories such as "advertising revenue model, transaction fee revenue model, subscription revenue model, sales

revenue model and affiliate revenue model" (Laudon & Traver, 2001, p.61).

Advertising is the most familiar way for a web site to make profits. It means a web company provides the service for other companies or web companies to put the advertisements on its web site and receives payment from those companies. For example, Yahoo.com has an ad on the top of its home page. Other web sites utilizing advertising revenues allow businesses to place listings on the site for a fee. This is an advertising revenue model. Advertising revenue models also often works in conjunction with other models. For example, web sites with a subscription revenue model may primarily sell subscriptions. At the same time, they also often sell advertising space. Major retail sites with a sales revenue model also often include an advertising revenue model as part of their retail model. Amazon.com is a good example, where they are primarily a retail site with a sales revenue model. However, Amazon also allows companies to advertise their products by paying to be listed as featured products. This generates advertising revenue, making Amazon part sales revenue model and part advertising revenue model.

When using the subscription revenue model, a company provides its customers the service to reach information such as consumer reports, online newspapers, and online magazines. Subscription revenue models also include web sites that provide customers with access to work opportunities. For example, elance.com provides access to work opportunities via the companies or individuals that list projects with the web site. Elance.com customers subscribe to have the opportunity to bid on these projects. Another type of subscription web site is the consumer information web site. This

includes house rental web sites and job searching web sites. At these sites, consumers choose to pay different amounts of money in order to access different levels of the service and reach the information.

When using the sales revenue model, a company makes its revenue by selling products, services, or information to the customers. Examples of this type of company web site model are Wal-Mart.com, Amazon.com, and Towerhabby.com. Companies utilizing the sales revenue model can be divided into two major types, commonly referred to as click-and-click retailers and brick-and-click retailers. Click-and-click retailers are those companies that sell products only via the web site. Amazon.com is a good example, where the company was created specifically to sell products via the Internet. The second type is brick-and-click retailers. Brick-and-click retailers are those companies that sell products via a web site and via a physical store. Wal-Mart is an example of this, where Wal-Mart was a physical store that expanded to create a web presence so they could also sell via a web site. Toys 'R' Us is another example, where Toys 'R' Us have formed an agreement with Amazon, who now sell their products via the amazon.com web site. The sales revenue model of brick-and-click retailers can actually take two forms. The first is the same as for click-and-click retailers, with the web site designed to create revenues by selling products. The second involves the web site supporting the retail store, such as by providing resources and information or by promoting the products that sell via the retail store. A good example is the motor vehicle web sites such as Toyota.com and Honda.com. These web sites are not designed for the

actual sale of vehicles, since few people are likely to make such a major purchase over the Internet. However, these sites are designed to provide the resources and information that potential customers are looking for. By providing this information, these web sites support the sales revenue model, while the actual purchase is made via the retail store. Other brick-and-click retailers have web sites that promote both web sales and sales via physical stores. Nike.com is a good example, where individuals can purchase products directly from the web site. Nike.com also promotes the products and provides information to support sales via retail stores.

When using the transaction fee revenue model, a company makes its revenue by offering customers a place to complete a business transaction and the web site charges both the seller and buyer, or only the seller a transaction fee. An example is paypal.com, a service that allows easy transfer of money between any two individuals or businesses with an e-mail address. Paypal.com makes its revenue by charging a transaction fee when any account holder withdraws money from the paypal account.

When using an affiliated revenue model, a company drives its users to other web sites where the user may make a purchase. The original web-based company may receive a percentage of the sales from the web sites to which the customers were referred. An example of a company using the affiliated revenue model is Suite101.com. Suite 101.com attracts consumers by providing articles on various topics. These articles are then accompanied by links to related products, especially books provided by Barnes & Noble. When consumers purchase the

products from Barnes & Noble, Suite 101 receives a percentage of the sale.

After a history of web company failures in e-Business phase I, web sites began to use more than one revenue model in order to increase their revenue and also expand the business into different markets. For example, Kimo.com.tw was an online portal and made its revenue simply through the advertising revenue model. Unfortunately, through the advertising revenue model Kimo.com could not make enough money during e-Business phase I and had to sell to Yahoo.com as Yahoo-Kimo.com.

In order to make Yahoo-Kimo.com's business profitable; Yahoo-Kimo.com, they went into the technology goods market in 2001 and started the Internet online auction marketing place before e-bay.tw did in Taiwan in 2002. Yahoo-Kimo.com offers its users a fully personalized web environment. Users can add more services on their web pages, such as online stock trading, a bigger email account, and sending text messages to cell phones by paying extra fees.

Finally the strategy of using the diversified revenue model allowed Yahoo-Kimo.com to become the most profitable online company in the 2nd quarter of the year 2003 in Taiwan.

Amazon is another example of a company using a diversified revenue model. Amazon.com was initially based on a sales revenue model, where book sales provided revenue. Amazon.com now also includes an advertising revenue model, where companies can pay to have their products advertised as featured products. Amazon.com now also includes a subscription revenue model, where it sells magazine subscriptions. Finally, Amazon.com now also includes an affiliate revenue model, where it partners

with companies producing various products such as electronics and clothing, creates sales of those products, and receives a percentage of sales.

2.3.2 Business-to-Business (B2B)

*“Before the Internet, business-to-business transactions were referred to simply as trade or the procurement process. The term **total inter-firm trade** refers to the total flow of value among firms. Today we use the term **B2B Commerce** to describe all types of computer-enabled inter-firm trade such as the use of the Internet and other networking technologies to exchange value across organizational boundaries”* (Laudon & Traver, 2001, P654).

Companies have been using electronic technologies such as Automated Order Entry System B2B commerce since the mid-1970s. In the first stage of B2B e-business, companies could use telephone modems to send orders or requests to suppliers to reach the goal of time to market and also reduce the cost of inventories. These systems really benefited customers, resulting in cheaper product prices.

By the late 1970s, **Electronic Data Interchange** (EDI) entered into B2B commerce. In this stage of B2B e-Business, companies could share the database with each other through invoices, purchase orders, shipping bills, product stocking numbers (SKUs), and settlement information among a small number of firms. Industries could exchange information and make B2B commerce from seller-side solutions become buyer-side solutions. Because sellers could receive more information from their suppliers, it not only helped their customers but also helped sellers reduce the cost of serving their customers.

In the mid-1990s, web technologies broke into B2B commerce. Many companies have since built up their B2B commerce web site for their customers. A B2B commerce web site looks very much like the B2C commerce web site such as, Wal-mart.com, Amazon.com, and Towerhabby.com. The B2B web sites are not for the public as are B2C web site; it is only available to business partners or suppliers and companies. Because these web sites help industry reduce the costs of managing their orders and use less employees to take care of customers, Laudon & Traver (2001) believe that there will be significant growth of B2B commerce from the year 2001 to 2006 and that this type of commerce will grow from about 4% to about 36% of total inter-firm trade in the United States.

B2B commerce also extends to organizations that operate with the various departments of the company existing as separate companies. This is commonly referred to as a network structure. With the aid of information technology, the various companies interact to complete the various transactions necessary for overall functioning of the network.

A similar type of B2B commerce occurs with virtual organizations, where a virtual organization is defined as "an organization that coordinates economic activity to deliver value to customers using resources outside the traditional boundaries of the organization" (Ball & McCulloch, 1999, p. 609). A virtual organization has one central office that coordinates the activities of the various functions necessary for the operation of the business. These various functions are performed by various companies that act as contractors. For example, a virtual organization may contract one company to manufacture a product, another to

distribute the product, another to market the product, and another to manage the financial affairs related to the product. This gives the virtual organization the opportunity to be flexible, as none of the companies are actually owned by the central office. This aspect also means that it is a way to operate a business with low risk and with a low input cost. With the business world changing rapidly and not showing any signs of slowing down, the virtual business may become a popular form in the future. In addition, the Internet and computer-enabled communication make the virtual business more and more feasible.

2.3.3 Consumer-to- Consumer (C2C)

C2C commerce helps consumers find and sell goods to each other as an online market provider. For example, the online auction web site, ebay.com provides a web space for both buyers and sellers (consumers and consumers). Sellers can post the goods that they want to sell on ebay's web page and ebay charges sellers a percentage on the prices of goods sold. As an online marketplace provider, ebay does not need to take too much control of these goods on its web pages and allows users to communicate to each other. Most of these types of online marketplace providers don't provide any payment system for their users because if the company built a high security payment system this could be very expensive. Users need to make a payment by sending a money order or personal check, or through other payment systems from third parties.

2.3.4 Peer-to-Peer (P2P) or Mobile Commerce

P2P commerce provides its users the software to install in the users' pc and allows the P2P provider to use the pc along with the company pc as a super computer. Some of P2P software could work together for science research while the users are not using their computers and users will have free access to use the web site's resource online. Using another type of P2P commerce, users can search whatever kind of entertainment resource they are interested in through the P2P software's search engine and download music, pictures, movies, and documents from other people's computers that also have the same P2P software installed.

Mobile commerce refers to the use of small mobile devices to send and receive information. This includes devices such as cell phones, pagers, PDAs, and game players. This is closely linked to P2P commerce, as P2P is the major method by which such devices send and receive information.

2.4 What are the Effects of e-Business on the Supply Chain Management?

A huge Gross Domestic Product (GDP) deficit between America and Third World countries has been evident since the early 1970's. As the result, many American companies have decided to either close their production lines in America or move their factories to lower cost countries or they have bought products from Asian manufactures based in Japan, Korea, and Taiwan. This enabled them to gain bigger marketing power by gaining access to a cheaper production price. The supply chain has lengthened from a few hundred

miles to at least ten thousand miles but the product prices, in addition to shipping costs, are still cheaper than before they made this change.

In the 1970s, finding a manufacturer, or starting a new company, in another country is not easy, especially when facing cultural differences and legal issues. Also, bringing the products across the Pacific Ocean back to the United States can be very difficult because more third parties are involved in the supply chain. Information from Asia is not easy to find and much of the secondary information could be deemed useless or incorrect. These difficulties had brought some new jobs into the business (supply chain environment), such as brokers and agencies. In the first stage of business globalization, during 1970 to 1980, brokers and agencies had done a good job with helping companies on both sides of the Pacific Ocean. They provided the manufacture's information to American companies and brought American business to Asian manufactories.

Though this new pattern of the supply chain dealing with brokers and agencies had satisfied the demand from consumers in the United States and also brought huge revenue to Asian manufacturers. Marketing is about competition such as price, promotion, product, and placement. In the 1980s, the growing GDP in Asia had raised price of products cast a subsegment decline in companies' profits. Once again, in mid-1980s, some companies decided to move their orders to other undeveloped countries such as China, the Philippines, and Vietnam. The second move seemed enough to keep the products' prices as low as consumers demanded at the time. However in the 1990's, the usage of the Internet gave the

consumers huge leverage to compare prices from different sources.

The Internet did not only give consumers more power to compare products' prices, but also allowed companies to find more distributors easily. Also, American companies and Asian manufactures could easily reach each other without the necessity to pay commissions to agencies and brokers. This change has shaken up the whole supply chain environment because the Internet has collected huge amounts of information together for every one of us. Some industries have started to build up their internal information systems to connect the external web base delivery levels of need and to reach the goal of customization and personalization. The web-based applications have impacted brokers and agencies heavily and, as a result, forced some of them to go out of business. If web based applications can provide information to everyone in the market, the next stage of the supply chain in e-Business will concentrate on reducing the length of transaction process, and more distributors and retailers will face challenges. In the following chapter, a closer look at some examples will be presented and the mode of the current trend of supply chain management in e-Business will be better securitized.

METHODOLOGY

3.1 Stage I: The Chain Reaction of e-SCM System

After the first and second chapter, the concepts of e-business and SCM have been presented. Now, it is time to take a look at an example. As the topic of the paper, the influence of supply chain management should not affect only

distributors, but also every one that has a role in the supply chain environment.

3.1.1 Case study

Levi Strauss is a company that was once highly successful and highly competitive in the denim jeans market. Like many companies, as times changed, Levi Strauss found that its success levels were rapidly declining. In 1996 Levi's sales reached their peak at \$7.1 billion. In 2002, their sales had declined to a low of \$4.1 billion (Girard, 2003). The company's market share followed the same trend decreasing from 18.7 percent in 1987 to 12 percent in 2002 (Girard, 2003). This decline in the market is not unlike what has happened to many other companies that have not adapted as times have changed. This is especially related to the increase in competition in the market. This gives consumers more choices and unless a company can provide a certain benefit more effectively and at a lower cost than the competition, business is almost certain to begin to decline.

Levi Strauss recognized their problems and began to take action. The first step involved responding to market needs and providing a less expensive product in a more convenient location. Based on this idea, Levi Strauss introduced their Signature jeans line, a new line with a more basic jean product for a lower price. The new product also required a change in distribution, with Levi Strauss recognizing that the product had to be more accessible and more suited to the way the target market shops. Based on this, Levi Strauss teamed up with Wal-Mart, who will stock their product to provide customers with easy access to the product, while providing Levi Strauss with the volume of customers they need.

This business decision then had a major impact on Levi Strauss's supply chain. Before the decision to sell their products via Wal-Mart, Levi Strauss stocked via the smaller department stores such as Macy's and J.C. Penney. While there are over 200 Macy's stores and over 1000 J.C. Penney stores, this is small compared to the number of Wal-Mart stores, which is over 3400 (Girard, 2003). The mass market stores such as Wal-Mart also have different requirements than the smaller retail stores, making the supply chain even more essential to Levi Strauss's success.

The focus on the supply chain began with a whole new approach to supply chain management. As Girard (2003) notes, "Being a supplier to Wal-Mart demands a certain level of performance – and cost control. Wal-Mart drives you to work with your supply chain to put the same requirements on your suppliers that Wal-Mart puts on you." This approach was not something Levi Strauss was familiar with and required a major rethinking. Control was one of the major issues. As Girard (2003) notes, "At Levi's, executives couldn't track where its product was moving in the pipeline – how many pairs of jeans were being manufactured in which factories and how many were sitting in trucks or in distribution centers." This represents a major control issue, since a company cannot control the distribution process if it does not have the information required to know what is occurring. This lack of information and control resulted in a poor performance, with only 65 percent of Levi Strauss's products reaching the customers on time (Girard, 2003).

Chief Information Officer, David Bergen addressed these problems, implementing information technology that allowed executives to be provided with the

information they needed to control the distribution process. This included implementing demand replenishment systems and forecasting technology. These systems allowed executives to see at a glance how the products are selling in comparison to competing products, how products are moving in the distribution chain, how many products are available for sale, what the demand is at the stores, and whether the supply of products is meeting demand (Girard 2003). This information technology gave Levi Strauss the information and control they required to manage their operations both for their own benefit, as well as to meet the needs of Wal-Mart. Girard (2003) provides an example of the benefits of the system where it refers to the stocking of Stain Defender pants in the third quarter of 2002. These products were expected to sell around 2 million pairs, but information on sales figures revealed that sales would be much higher. This information allowed Levi Strauss to quickly respond and increase manufacture and distribution of the products. This resulted in two major benefits. Firstly, they were able to take advantage of the increased demand and supply that demand to increase sales. This resulted in Levi Strauss quickly recognizing an opportunity and taking maximum advantage of it. Secondly, they were able to increase supply so that Wal-Mart shelves would remain stocked. This was important in continuing to meet the needs of Wal-Mart.

This is an example of why effective supply chain management is so important in retail businesses. Levi Strauss is relying on its relationship with Wal-Mart as part of its success strategy, as Wal-Mart provides the access to consumers required. Wal-Mart's ability to provide this level of consumers also puts them in a strong

position and means they can make demands of the companies they wish to stock. For Levi Strauss, they are required to meet the needs of Wal-Mart, which will in turn ensure their own success. One of the major requirements of Wal-Mart, and of the many other major retailers, is that their suppliers be reliable so that the shelves are always stocked. This means that Levi Strauss's success depends largely on their ability to manage their supply chain, since an inability to supply their products in a reliable manner would severely limit the likelihood of a continuing relationship with Wal-Mart.

Other changes made by Bergen to improve the supply chain included developing scanning tools for manufacturers to use to check the accuracy of cartons ready to ship and implementing AS2 technology to allow exchange of EDI transactions with Wal-Mart, with this supporting collaborative forecasting. These changes illustrate how technology allows the various companies in the supply chain to interact and work together. Wal-Mart prompted the changes in Levi Strauss and Levi Strauss then prompted changes in their suppliers. This illustrates that technological improvements in regards to the supply chain often have a flow-on effect.

The end result for Levi Strauss so far is a much improved supply chain, where control and information issues have been largely improved by the use of information technology. These improvements were significant enough that Wal-Mart and Levi Strauss decided to go ahead with the stocking of the new Signature line of jeans. The end result for Levi Strauss is a long way from being known, but information so far looks promising. Whether or not the partnership with Wal-Mart is successful, it is clear that the

improvement to the supply chain has been significant.

3.2 Stage II: The difficulties of Building an e-SCM System

A web enabled supply chain management system is a positive solution for enhancing supply chain management. It allows the companies in the supply chain to communicate easily and effectively with each other. It also provides easy access to data generated, which can be organized to provide useable information to those that need it. This can reduce the problem of information overload, where individuals are provided with too much information to process, while not being provided with what they really need to know. While these are major benefits, there are also various difficulties involved in building an e-SCM system.

One of the major problems that occurs relates to problems with integrating the technology used by the various parties in the supply chain. Quite often, one company uses a software system that will not integrate easily with supplier technologies. This creates a problem that requires one of the suppliers to change their system to allow integration. In the case where a supplier has one major customer, this may not be so problematic. However, many manufacturers supply to various clients, and some even to hundreds or thousands of clients. The same applies with the company receiving goods from suppliers, where most companies have various suppliers and not just one. This creates a problem as to how companies can adapt to ensure integration with a range of suppliers and retailers.

Another concern relates to issues of safety and privacy. Sharing of information and systems between companies often

create issues with management in regards to securing company information and ensuring safety. This can be a substantial problem for companies who consider themselves at high risk of terrorism, corporate sabotage, or companies who have substantial business secrets. This problem associated with sharing of information means that e-SCM systems often have to be created with protection systems built in.

The final problem is that few e-SCM systems can be created to work effectively initially. The development and the implementation is not generally a quick and simple process, but a long one based on developing and then assessing the system.

This means that the development of e-SCM system often involves a large input of time and money, while not necessarily providing initial benefits.

3.3 Stage III: The Broken Supply Chain by Web Technologies

A broken supply chain occurs when there is a blockage of transactions or goods along the supply chain. This results in inefficiencies, reduces speed to market, and ultimately increases costs. With customers and retailers increasingly requiring goods more quickly, the broken supply chain represents a major challenge for a business. The Levi Strauss case study illustrated that large retail chains expect efficient delivery of products and quick responses. For example, if a product sells quickly and the shelves are empty, a business like Wal-Mart does not want to hear that new products may not be available for weeks. Instead, they want the shelves stocked almost immediately so they can take advantage of demand and make maximum sales, and so they can provide their customers with a reliable

store that always has everything they need. The Levi Strauss case study also showed that companies benefit by being responsive because they are immediately able to take advantage of opportunities.

As the Internet continues to impact on both business-to-business and business-to-consumer transactions, it seems likely that the demand for efficiency will increase. Using the Wal-Mart example, it can be seen that running out of a product such as the Levi Strauss jeans may result in lost opportunity. In the case of retail shopping, consumers may wait for more products to be available. This is far less likely in Internet retailing, where consumers can simply click over to another site in a matter of seconds and purchase the product there. This ease of transferring business to a competitor when shopping via web sites means that efficiency and responsiveness is likely to become even more crucial to a company's success in the future.

One of the major factors that can fix a broken supply chain relates to information technology. A broken supply chain often occurs based on a lack of communication between two links in the supply chain. For example, the supplier may not realize the receiver is waiting for the goods and may elect to allow the goods to accumulate and then send them in bulk. This seems feasible to the supplier only because they are not aware of the needs of the receiver. At the same time, the receiver needs the goods but assumes that the supplier sends them in bulk for some purpose.

This lack of communication between the two parties causes a break in the supply chain. When the parties in the supply chain communicate with those behind them in the chain and those ahead of them in the chain, these problems can be eliminated. Considering this, it can be

suggested that Wal-Mart's focus on placing demands on the supplier next down on the chain will be the way of the future. This action results in communication, with it likely that communication technology will continue to enhance and improve communication between suppliers.

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CORPORATE GREED: A MANDATORY REASON TOWARDS BUSINESS SCHOOL REFORMS

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Abstract

In the wake of recent dishonest practices by Enron, WorldCom, Global Crossing, Xerox, Qwest, Arthur Andersen, and Merck many people are asking how people believed to be so well educated and leaders in corporate America lacked the moral courage to seek and state the truth. Business Ethics has been thrown to the side as a Wild-Wild-West form of capitalism has taken hold on our corporate leaders. This corporate malfeasance has costs thousands of jobs, trillions of dollars in stockholder value, and skepticism of our once revered free economic system. In this proposal I will show why a lack of Business Ethics is such a far-reaching problem in our society and suggest reforms in the business school curriculum to help instill responsibility and accountability in our business leaders. I will also show how consumer education classes would help protect individuals from becoming victims of corporate greed.

INTRODUCTION

In the wake of recent dishonest practices by Enron, WorldCom, Global Crossing, Xerox, Qwest, Arthur Andersen, and Merck many people are asking how people believed to be so well educated and leaders in corporate America lacked the moral courage to seek and state the truth. Business Ethics has been thrown to the side as a Wild-Wild-West form of capitalism has taken hold on our corporate leaders. This corporate malfeasance has costs thousands of jobs, trillions of dollars in stockholder value, and skepticism of our once revered free economic system. In this proposal I will show why a lack of Business Ethics is such a far-reaching problem in our society and suggest reforms in the business school curriculum to help instill responsibility and accountability in our business leaders. I will also show how consumer education classes would help protect individuals from becoming victims of corporate greed.

CORPORATE GREED: THE PROBLEM

The Current Economic Crisis

Just this week President Bush traveled to Wall Street to make a speech regarding the current economic crisis brought upon by lack of corporate ethics. President Bush told the Wall Street crowd that the United States, “must usher in a new era of integrity in Corporate America” in the wake of “abuses and excesses”. These abuses have cost thousands of jobs and trillions of dollars in retirement accounts. The greed of these CEOs and accounting firms have hurt literally millions of people and have changed the mindset in America that perhaps greed is not so good after all.

Allan Sloan describes this current paradigm shift in his recent Newsweek article, *Greed Isn't Good*, stating,

“... let's look at the big picture and see what the Andersen story really tells us. The verdict is the clearest signal yet that the market-bubble ethos of greed being good—heck, even a desirable mainstream value—is over. Sure, that “greed is good” speech by Gordon Gecko in the movie “Wall Street” dates back to the 80s, but the point back then was that we were supposed to be horrified by the notion. In the 90s, people said it with a straight face or even with a smile as their fattening portfolios fueled dreams of early retirement and second and third and fourth homes. Adam Smith's invisible hand of the market—which translated the pursuit of self-interest into public benefit—metastasized into a broad sense our self-interest in the market's performance would benefit the public”.

Sloan goes further to advance the notion that greed is indeed not good by stating, “Now the Andersen verdict is certain to help clear up any doubts over what greed really is. Greed—defined as an inordinate desire for wealth—is not good, and it doesn't drive markets. Greed drives people to cut corners for short-term gain, a message that's been repeated like a jackhammer in recent weeks” (Sloan 37).

Sloan is correct in his commentary regarding the large amount of recent greed, but Sloan fails to mention exactly why this greed is so pervasive in our society and what actions can the nation undertake to solve the problem.

Corporate Greed Causes Predatory Lending Practices

Corporate executives are not only in the practice of intentionally inflating profits but also undertake unethical practices in

lending to our nation's poor. Jeanette Bradley, a director of the Community Reinvestment Association of North Carolina discusses these unethical tactics in her article, "Predatory Lending", that appeared in the January 2000 issue of *Dollars & Sense*. She describes this practice as, "... any unfair credit practice that harms the borrower or supports a credit system that promotes inequality and poverty. One of the most common predatory practices is placing borrowers into higher interest loans than their credit risk would call for. Although they may be eligible for a loan in the so-called "prime" market, they are channeled into more expensive fee-padded loans in the "sub prime" market supposedly just for credit risks. The result: financial services companies end up padding their profit margins by draining away the equity borrowers have built in their homes over the years" (Bradley 12). She goes further in her article to suggest that this is a system that promotes a cycle of debt as this one does can be equated to the past system of sharecropping, which was inherently unfair and unequal. Another article, "Predatory Associates: Citigroup, Predatory lending and the credit crunch for the poor and working class", appearing in the April 2002 issue of *Multinational Monitor* describes unethical practices by one of the world's largest financial institutions. As writer Jake Lewis points out "Citigroup has invested tens of billions of dollars in schemes to peddle various financial products to low and moderate income families...consumers are being ripped off through deceptive predatory lending tactics employed by Citigroup subsidiaries" (Lewis 15).

The *Multinational Monitor* article singles out Citigroup as an active participant in predatory lending practices,

but I wonder how many different financial institutions are involved. I also am curious about issues such as why actions have not been taken to shed light on this unethical practice and what can consumers do to protect themselves? Where can individuals go to find out more on this topic?

Corporate Power and Greed Increases Consumer Debt

Everywhere we look corporate America is bombarding us with advertising in the hopes of creating demand for their relatively unneeded products. Britney Spears dancing around selling Pepsi, the Dell Computers "Dude you're getting a Dell" guy, and the billboards for SKYY vodka with images of sexy supermodels are used to create desires for individuals to increase their spending and sink further into debt. One of the underlying problems that corporations have had is that even if they bombard us with sexual images that sell products is that our demand can only be as big as our pocket books. Corporate America then came up with the idea of credit cards, which eased the liquidity problems. An article entitled "Corporate Power and the Evolution of Consumer Credit" appearing in the December 2000 issue of *The Journal of Economic Issues*, John Watkins, professor of Economics at Westminster College, describes how corporate power has perpetuated the debt crisis in America. Watkins describes an environment of "perpetual advertising" which aims to mold the worker's "time, habits and ideas" with the ultimate goal of corporate gains. According to Watkins, Corporate America has overcome four obstacles in it's pursuit of increasing consumer liquidity, these four barriers were; religion's anti debt philosophy, lack of current income, lack of credit on

demand, regulation of the industry. Watkins goes further to advance the notion that these barriers have been indeed toppled by advertising, universal credit cards, and lobbying the legislature in the 1970s which produced the means to “fleece America” and put individuals in system of debt (Watkins 909-914).

Watkins does a wonderful job of pointing out areas of corporate influence, but I think more study needs to be done on the success of corporate manipulation and what active resistance they have encountered, if any at all. It would also be interesting to find other areas of life they have influenced and manipulated for their own monetary concerns.

UNDERLYING CAUSES OF UNETHICAL PRACTICES

Failure of Current Business Ethics Courses

Currently there is a lot of attention in the media regarding the education taught in business schools. Knight Kiplinger, editor and chief of *Kiplinger's Personal Finance Magazine* states this fact in the May 2002 issue, “The time is ripe for a national dialog on ethics, and it must start with our youth. It is heartening to see a new interest in character education in our schools—all the way from the elementary grades through graduate-school programs. Perhaps, in another generation or two, it will bear fruit” (Kiplinger 67).

Also this week President Bush in his speech to Wall Street called on CEO's and business schools to “set a tone for others”. The issue of business-ethics courses is one of the hottest topics today. Many colleges are offering these courses, but the courses lack focus on the important issues relevant to today's business environment as John

Berlau points out in his article, “Is Big Business Ethically bankrupt?” appearing in the March 18, 2002 issue of *Insight*, “A boom in business-ethics courses is likely in the wake of the Enron scandal, but critics say these classes need to focus on moral, rather than political, correctness... business ethics courses spend too much time on public-policy issues such as environmentalism and inequalities of wealth and not enough time examining such personal virtues as truth-telling and integrity that are relevant...A lot of business-ethics courses cover topics such as drug testing and privacy, affirmative action, global business regulations. These are interesting and worthy topics, but I don't think they affect as many individuals in their day-to-day lives as do another set of questions...on virtues and vices in the everyday business environment” (Berlau 16).

I would be curious as to why the author of the *Insight* article thinks that business ethics courses focus on more political topics, it fails to address this important issue that should be known if we want to solve the problem.

Consumer Education Needed

Currently students have misunderstandings when it comes to financial matters, most notably regarding credit cards. A study conducted in 2002 by the National Consumers League evidences this fact: “...over half (students) wrongly believe that a credit card is an *informal* agreement to pay the money owed. And where are they learning this? Sixty-three percent say they get most of their information about money, credit, and other financial matters from their parents. But parents might not be the best resource.

The average American family carries almost \$9,000 in credit card debt... There is a need in this country for teen financial education. Teens are eager to take on adult obligations such as earning money and managing credit cards, but may lack the financial education to effectively fulfill them. Without a basic financial education from schools, they must rely heavily on their parents for financial information. These teens may face some of the same financial setbacks as their parents: credit card worries, privacy problems, and confusion about banking..." (NCL's 2002 Teens and Financial Education Survey) A 1995 survey of consumer finances also agreed that educational programs are needed: "The findings suggest a need for education targeted to specific groups of adults and the need for finance education for ...students, the consumers of the future" (Castellani 12).

In Defense of Greed

Many psychologists would advance the notion that greed is an inherent feature of human nature. George Brockway advances the notion that economists believe that everyone is greedy in his article, "How good is greed?" appearing in *The New Leader*, "Since everyone is some kind of economic agent—a producer or a consumer or both—they are saying that everyone is greedy" (Brockway 15). A recent editorial in the *St. Louis Post* supports a position that greed is in the best interest of society by stating, "Greed is good. The pursuit of wealth prompts invention, the founding of companies, business investment. It puts people to work."

In Response to the Greed is Good Philosophy

While greed may hold some benefits in a capitalistic society it is my belief that the inordinate desire for material wealth at any cost does more harm than good. Our society is based on a system of self-interest, the theory basically states that if everyone pursues what is in his or her best interest that society will benefit. While this was a revolutionary theory and it has produced a wealthy and powerful nation, I would suggest that a better philosophy would include another detail. This detail would be that individuals should act in their best interest while at the same time considering what is in the best interest of the group. It should not be a system of greed, but one of self-interest based on consideration for others. Greed only works in the short term as companies such as Enron has showed us. The Editorial in the *St. Louis Post* takes too simplistic of a view concerning greed, greed can never be good when it is only benefiting a few while hurting millions as has happened with the recent corporate scandals.

Proposal

Currently the Metropolitan State College of Denver has both a Business Ethics course and a Personal Money Management course. I commend the college for recognizing the need for these courses, but would make few suggestions on changing the focus of the courses and making them a more integral part of the curriculum. As earlier evidenced by Kiplinger and Berlau, currently, Business Ethics courses are more focused on political correctness and do not address moral issues of the day-to-day business activities. I have taken the Business Ethics course at Metro and agree with this

contention, while it was a very informative course with a great instructor; it dealt with issues that most business students would not be facing in their careers. I think one of the main problems currently is that the Business Ethics course in the Philosophy department. The Philosophy professors have a wonderful amount of knowledge of Ethics, but they may lack the ability to apply it to business concerns. Another thing that should be considered is that the Business school only requires either Business Ethics or Ethics. I think this should be changed to requiring Business Ethics, since this is more applicable to the future business careers of the students.

The Personal Money Management course is a great idea but I find two problems with its application. The first problem is that it too greatly focuses on issues such as estate planning and making investments. While these are important issues I think the issues of credit management should be more focused on since students will be dealing with these issues nearly every day of their life. The second problem is that there is currently no strong reason for students to take this course. Business students would not receive credit for it since they must take Personal Financial Planning which deals with issues such as employee benefits and investments, and other students are currently more encouraged to take psychology and sociology to meet general studies requirements. The department needs to change the focus of the course and allow business students to receive credit for completing the course.

CONCLUSION

Our nation is at a crossroads; our whole capitalistic way of life is being questioned. It is a shame that greed is entrenched in

the mindset of America. Times of crisis such as this are times that we need to look at possible causes of the problems and search for solutions. It is evident that Business Ethics courses need to be taught to our future business leaders and where they are taught, they focus needs to be changed to address current business trends. I know that teaching business ethics is not a panacea or magic bullet for the problem and that is why I have also suggested more educational training on consumer finance. It is apparent that consumers are being taken advantage of and being manipulated out of their hard earned money. Consumer education is another way that society will be better able to check the abuses of corporate greed. The combination of these two programs should lead to a stabilization of our financial markets and a brighter future built on the trust and knowledge gained through this education.

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LAMM MODEL FOR NONPERFORMING LOAN PORTFOLIOS' MARKET VALUE DETERMINATION THROUGH MULTIVARIABLE ESTIMATE

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Abstract

The application of the methodology integrated in the model lets us estimate multiple variables and state a portfolio value including loans with different rates and variables that require a differentiated treatment; this means that the model is applicable to determine, for example, the portfolios' value consisting of consumption loan groups, other loans of other type, supported by mortgage securities and other loans of any type, not supported by any securities and, at the same time, such assets may be rated as matured portfolio loans or portfolio loans in force, and have been submitted to an administrative recovery process or a legal recovery proceeding.

INTRODUCTION

The present model was designed by the Business Intelligence Service of Sayco, for the appraisal of loan assets integrated in portfolio packages showing incompatible variables for the purposes of determining an estimate through a linear process.

The application of the methodology integrated in the model lets us estimate multiple variables and state a portfolio value including loans with different rates and variables that require a differentiated treatment; this means that the model is applicable to determine, for example, the portfolios' value consisting of consumption loan groups, other loans of other type, supported by mortgage securities and other loans of any type, not supported by any securities and, at the same time, such assets may be rated as matured portfolio loans or portfolio loans in force, and have been submitted to an administrative recovery process or a legal recovery proceeding.

Taking into account that in order to determine an expectation of assets' recovery, the portfolio subject matter of the model design consists of three types of loans: (a) matured portfolio loans supported by real estate securities; (b) matured portfolio loans not supported by real estate securities; and (c) portfolio loans in force generating foreseeable cash flows; the model consists of two specific appraisal methodologies to be applied to each type of asset above mentioned.

The methodology applied to the ERSNA Model – Sayco (Estimated Return model for Secured Nonperforming Assets) that grounds its design in the estimate of the recovery expectation of the securities supporting the assets and their monetization was incorporated for the

matured portfolio loans supported by real estate securities.

The methodology applied to the ERCON Model – Sayco (Estimated Return Model for Consumer Nonperforming Loans) that grounds its design on the estimate of the recovery expectation of a proportion under the total value of the unpaid principal balance (UPB) disclosed by the assets was incorporated for the matured portfolio loans not supported by real estate securities.

A standard methodology to appraise discounted flows to determine the prospective present value of flows generated by this kind of assets was incorporated for the portfolio loans in force generating foreseeable cash flows.

The three incorporated methodologies seek, independently, to determine a net recovery expectation for the assets groups to which these are applied and, as soon as this variable is determined in each of the appraised assets' segments, the values of the three segments are integrated so as to set forth the present value of such expectation through the application of an annual discount rate, common on the three assets segments and to determine a pondered present value for the total balances of the loans constituting the portfolio.

This tool serves to estimate the revenues expectation shown by this kind of assets, with an acceptable degree of certainty in order to have the information necessary to get acquainted with the probable price range prior to the decision making process, either to sell the assets, to admit some bid as the process winner, or otherwise, to declare a process as deserted.

OBJECTIVES OF LAMM MODEL

To have a tool which, from the estimate of the prospective probable cash flow of loan assets consisting of loans of other nature and in a different situation of maturity and treatment for their recovery allows the determination, with an acceptable degree of certainty, of the market value range estimated as reasonable to designate a winner participant in a sale process.

To have a tool which, from the estimate of the prospective probable cash flow of loan assets consisting of loans of other nature and in a different situation of maturity and treatment for their recovery allows the determination, with an acceptable degree of certainty, of the market value range estimated as reasonable to determine the amount of a purchase bid for such assets.

DESIGN

Contrary to the appraisal practiced to productive loan assets (Performing Assets), where the objectives of the models seek for the measurement of the non-compliance (non-performance) loan risk, understood as the potential loss that the counterparty is able to comply with its financial obligations under the conditions stipulated by a contract, granting an estimate value to the expected loss, the status of the loan constituting the portfolios which are subject matter of the applicable of the developed model, has turned to be a predefined critical status for the institution which offers the portfolios for sale, considering as non-productive assets (Nonperforming Loans) in the books of the originating institution, defined in agreement with the methodology discussed at the Conclusion

Memorandum issued by the Work Team of the Intersecretariat on National Accounts of the International Monetary Fund, ascribed to the United Nations Statistics Division.

Then, contrary to the loan risk measuring models, where measures related to nonperformance, estimate of losses and their probability of distribution to determine the expected losses and non-expected losses are applied, and in view of the fact that the loan constituting the portfolios, subject matter of the model application has reached the maximum possible level of loss on the amount of capital invested by these assets originating institution as a result of their exposure to loan risk, for a specific time horizon, the developed model (LAMM) provides estimates for the expected recovery and their distribution of probability.

The purpose of the LAMM model measurement is to estimate this distribution, since through such distribution we are able to determine the expected recovery and the unexpected recovery on the loan portfolio, which is subject matter of the determination of the purchase bid or otherwise, of the portfolio management by the purchasing firm.

The **recovery expectation** of a portfolio represents the amount of revenues produced by the loans constituting such portfolio, as a result of the management effort conducted, for a determined time horizon.

Exposed Amount (EA). This concept represents the maximum amount that may be expected as product from the recovery of assets and is considered as the amount exposed to a management effort for recovery at the end of a period previously stated.

With respect to the loans not supported by real estate securities, the Exposed

Amount is represented by the unpaid principal balance of the assets constituting a determined portfolio.

Regarding those loans supported by real estate securities, the Exposed Amount is represented by the Net Value of Securities supporting them; this means, the value determined, through an authorized appraisal, as the value of security market, less the value of other registered liens prior to the registration that supports the granting of the loans submitted to the process of the model.

Recovery Rate (RR). RR is the percentage represented by the amount of recovery in relation to the exposed amount and derives from the calculation of an estimated discount rate on the exposed amount, which is granted to the holder credited as motivation factor to make the payment of the balance resulting from subtracting such discount from the sum of the exposed amount.

Probability of Payment (PP). PP represents the relative frequency at which are present the events that, upon the expiration of the terms stated for the recovery, the credited has paid the debt in full or, otherwise, the probability that the credited does not make the payment during or at the end of the term stated for the analysis.

The Recovery Expectation may be estimated according to the following:

$$ER = EA \times Rr \times PP \quad (\text{Eq.1})$$

Where:

ER	=	is the expected recovery
EA	=	is the exposed amount
RR	=	is the recovery rate
PP	=	is the probability of payment

Methodology to estimate the variables in the determination of the gross ER.

Exposed Amount (EA). For the purposes of the LAMM Model, the methodology for the EA determination derives from the application of some of the alternative procedures described below, on grouped loans according to the nature of the securities supporting their granting.

This implies that in order to determine the EA, it is necessary to carry out the prior configuration of loan groups from the variable represented by the securities supporting them, based on the following set structure:

Loans Portfolio in Force.- In such cases, the EA is determined by the construction of the prospective revenue flow expected from the unpaid principal balance determined by the originating institution upon the application of the LAMM by means of the following procedure:

$$EA = UPB \cdot (1 + AIR)^{(tm/12)} \quad (\text{Eq.2})$$

Where:

EA	=	is the Exposed Amount
UPB	=	is the Unpaid Principal Balance
AIR	=	is the Annual Interest Rate at which the loan was documented
tm	=	is the total number of months pending of payment

Loans with no security support.- In such cases, the EA is determined by the assets' originating institution, defined according to the methodology discussed at the Conclusion Memorandum with respect to the treatment of matured loan portfolio for macroeconomic statistic purposes

issued by the Work Team of the Intersecretariat on National Accounts of the International Monetary Fund, ascribed to the United Nations Statistics Division (Exhibit 1 to this instrument), that corresponds to the amount of the unpaid principal balance entered at the loans conforming the portfolio; also, it corresponds to the principal's value at which collection rights are granted, through a sale transaction, to the acquiring firm.

Loans with security support.- In such cases, the EA is determined by the difference resulting from discounting the amount of debts entered as liens of the loan security, prior to that of the lien corresponding to the loan which value is to be estimated by means of the LAMM Model application, at the value determined in the loan security appraisal authorized as market value. This EA may be estimated by means of the following procedure:

$$EA = SMV - LI \quad (\text{Eq.3})$$

Where:

EA	=	is the Exposed Amount
SMV	=	is the Security Market Valu
LI	=	is the amount of other Liens registered previously

Recovery Rate (RR).- This variable is calculated from the coefficient resulting from dividing the total amount estimated as recoverable by the amount of the loans exposed, considered as recoverable:

$$RC = \sum RA / \sum EA_r \quad (\text{Eq.4})$$

Where:

RC	=	The recovery coefficient
RA	=	The total recoverable amount during the analysis period
EA _r	=	The total exposed amount registered in the loans that will make payments during the analysis period

The determination of this variable takes place in relation to the type of related assets and derives from the application of some of the alternative procedures described below on grouped loans according to the type of rating of the involved loan agreements.

This implies that, in order to determine the RR, it is necessary to carry out the previous configuration of loan groups from the variable represented by the types of loan agreements, based on the following set structure:

Consumer loans, including current account credits (credit cards, payroll loans, revolving credit) and loans to purchase consumption goods.- In these cases, the RR is determined from extrapolation of the trend of the last pondered recovery coefficients, registered by the sources of the firm for consumption loans in the geographic area and the number of the respective months matured during the 12 previous months.

Mortgage loans to purchase or improve housing.- In these cases, the RR is determined from the extrapolation of the trend of the last pondered recovery coefficients, registered by the sources of the firm for housing mortgage loans within the geographic area and the number of the respective months matured during the 12 previous months; and

Loans granted for commercial and industrial purposes.- In these cases, the RR is determined from the extrapolation of the trend of the last pondered recovery coefficients, registered by the sources of the firm for commercial and industrial loans within the geographic area and the number of the respective months matured during the 12 previous months.

The sources of the firm that provide permanent information on the performance of loan portfolios for the construction of statistic tables allowing the extrapolation of date in the estimate of the RR are confidential, and we may mentioned only in general terms, taking into account among them 5 credit institutions, a loan information institution and 4 secondary market portfolio managing institutions.

Probability of Payment (PP). For the determination of this variable we have selected the application of the Probit model of qualitative election based on regular accumulated distribution function, which also allows to explain the existing relation between a set of variables or attributes and a dichotomic variable that represents the election between two qualitative options denominated as success or failure, which are denoted with the values 0 and 1.

The model estimates the probability that a credited with certain features or attributes elects the option associated to $y = 1$ by means of the following:

If the decision to elect option A depends on a non-observable index I_i that is determined from the attribute vector X_i in such a way that when the I_i value increases, the probability associated to the election will be higher.

This index may be expressed as follows:

$$I_i = \beta X_i + \varepsilon_i \tag{Eq.5}$$

Additionally, it will be assumed that there is a threshold value of the index I_i denominated as I_i^* , so that should I_i exceed the value I_i^* , option A will be elected. Both, the threshold value of the index I_i^* and the value of the index I_i are non-observable; nevertheless, if it is assumed that it has a regular distribution it is possible to estimate the function parameters.

In this model, it is assumed that the index I_i is distributed regularly, therefore, the probability that I_i^* is lower or equal to I_i may be calculated from the regular accumulated distribution function, as follows:

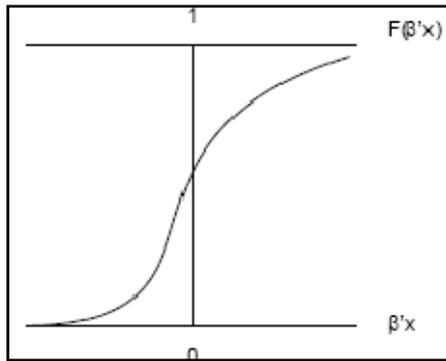
$$P_i = Rp[Y_i = 1 \mid X_i = Rp \ I_i^* < I_i] = F(I_i) = \frac{1}{\sigma} \int_{-\alpha}^{I_i} \frac{1}{\sqrt{2\pi}} e^{-\frac{1}{2} \left(\frac{t-\beta x}{\sigma}\right)^2} dt$$

$$Rp[Y = 1 \mid X_i] = \Phi\left(\frac{I_i - \beta x}{\sigma}\right)$$

Where:

ϕ is the standard regular distribution with zero media and variable one

Since P_i represents the probability that the event takes place, P_i is measured as the area under the standard regular curve from $-\alpha$ up to I_i , as shown in the following graph:



Theoretical Basis of the Probit model characteristic as a qualitative election model.

The principle in the applicable of the Probit model is that the probability that an event occurs depends on certain attributes that feature the individual who makes the choice; this means that a credited has the option to elect between two alternatives. Y_i is defined as a dichotomic variable that will take the value of 1 if the individual elects the alternative denominated as to make the payment and 0 in another case.

The model assumes that a credited has a series of attributes that feature him/her, which are denoted as X_i , where the attributes are related to the decision made by the individual. From the previously stated, either if β is the vector of parameters that measures the impact of such variables in relation to the probability to elect the option $Y = 1$, the model that relates these variables is:

$$Y_i = \alpha + \beta x X_i + \varepsilon_i$$

This model expresses the dichotomic variable Y_i as the linear function of the X_i attributes.

The conditional expected value $E[Y_i | X_i]$ is interpreted as the conditional probability that the debtor elects the payment alternative $Y = 1$, given in a set of attributes X_i that characterizes it, that is to say:

$$Rp[Y_i = 1 | X_i] = P_i = E[Y_i | X_i]$$

The previously stated, due to the nature of the dichotomic variable

This way, if the attribute ratio X and the index is positive ($\beta > 0$) then, the index value will be higher, increasing thus the probability that the event $Y = 1$ takes place, since the probability associated to a value above the index will be higher.

Now, in order to obtain information on I_i , as well as of the parameters of the model, we will calculate the inverted of the accumulated function so as to obtain:

$$I_i = F^{-1}(P_i) = \beta X$$

Where:

F^{-1} is the inverse to the accumulated distribution function. Taking into account the previously stated, and in view of the dichotomic nature of the existing dependent variable, as already mentioned above, that:

$$E[Y_i = 1 | X_i] = P_i$$

$$P_i = Rp[Y_i = 1 | X_i] = Rp(I_i^* < I_i) = F(I_i)$$

Finally, the Probit model may be expressed as:

$$I_i = F^{-1}(P_i) = \beta X$$

Y_i	Probability
1	P_i
0	$1-P_i$

$$E[Y_i | X_i] = \beta X$$

If X is the vector of the explicative variables and β is the impact of such variables in relation to the probability, it may be expressed in relation to X , as:

$$Rp[Y = 1] = h(\beta X)$$

$$Rp[Y = 0] = 1 - h(\beta X)$$

$$h(X, \beta) = \beta X$$

Since $E[Y | X] = h(X, \beta)$, the returning model is:

$$Y_i = \beta X_i + \varepsilon_i$$

Probit assures that the estimated probabilities are within the interval (0,1) keeping a non-linear relation with the attribute vector, in an attempt to estimate the vector of parameters βy , and from this, to obtain estimates for the index li and for the probabilities P_i , which will be indicating that for an individual with certain set of attributes, the probability that he/she elects the option A is measured by the value of such probability.

Because of the non-linearity of the model, the procedure used is of maximum probability, guaranteeing the efficiency and consistency properties of the estimators.

The application of a Probit model resolves the limitation presented by the methodology RPA in matter of quantization of the effect of probability determinants of non-performance, in this case, of making payment, since it allows

the identification and quantization of such effects so as to estimate and foreseen it.

Determination of attributes derived in vector X_i

The determination of the attributes that integrate the vector X_i is conducted in accordance with the nature of the administrative process for the recovery of assets that is taking place on the date of the LAMM application and derives from the application of some of the alternative procedures described next, on the loans grouped according to the type of recovery process to which assets are submitted.

This implies that in order to determine the assignable attributes so as to integrate the X_i vector, the configuration previous to the loan groups from the variable represented by the administrative processes for their recovery to which they are being submitted at the time of the LAMM application must be carried out, based on the following set structure:

a) Loan portfolio in force, which are being submitted to a management follow-up process or which are not being subject to any recovery process.- In these cases, no attributes are determined for the integral vector X_i , since the variable y is granted a direct value of $y = 1$;

b) Matured portfolio loans being submitted to a motivation administrative procedure in order to make the payment or which are not under any recovery process.- In these cases, the attributes corresponding to the vector X_i is determined taking into consideration the following probabilistic factors: X_i = Geographic location of the credited and proportion of portfolio in force that derives in matured portfolio rated B to E in agreement with the circular letter B10 from the CNVB (NSEC), submitted to an administrative process of

recovery in such geographic area; X_2 = Type of loan and proportion of portfolio in force that derives in matured portfolio under a recovery administrative process in such type of loan; X_3 = Amount paid in relation to the total granted up to the date of the LAMM application; X_4 = Data available to be able to locate the credited; X_5 = Existence and type of guarantors or additional securities granted; X_6 = Range of delinquency in number of months; X_7 = Existence and quality of the documentation covering the granting of the loan; X_8 = Other incidental factor that may be relevant in each case. In this case, the vector X_i is determined by $X_1 + X_2 + X_3 + X_4 + X_5 + X_6 + X_7 + X_8$.

c) Loan in matured portfolio under recovery legal proceeding.- In these cases, the attributes corresponding to vector X_i are determined taking into consideration the following probabilistic factors: X_1 = Geographic location of the loan and characteristics of the applicable legislation of the involved entity in relation to the probability of an actual trial; X_2 = legal strength of the loan granting; X_3 = Type of trial and procedural stage of the relevant lawsuit; X_4 = Soundness of legal proceeding determined based on a legal opinion elaborated by the holder counselor of the proceeding; X_5 = Other incidental factors that may be deemed relevant in each case. In this case, the vector X_i is determined by $X_1 + X_2 + X_3 + X_4 + X_5$.

Estimate of variable for the determination of the net value of ER.

As soon as the gross value of ER is known through the application of the procedure described in the equation 1 (Re: Eq. 1), we are seeking to determine the net value of ER by means of the application of the following equation:

$$ER' = ER - TGC$$

Where:

ER'	=	ER net value
ER	=	Gross value of the expected recovery
TGC	=	Transformation global costs of assets in liquidity resources

In this equation, the factor TGC consists of the sum of the costs implied in: (a) the acquisition of assets, not taking into account the funding and the funding costs; (b) the reception, organization, preparation and administration of assets; (c) the recovery of loans, including legal and non-legal expenses and fees; and (d) all other costs involved in the recovery, transfer of ownership and monetization of the securities, as soon as these would have been recovered.

Determination of the ER' present value for the purpose to estimate the reference minimum price in a portfolio sale process

The ER' present value is determined by applying the following equation:

$$RP = ER' / (1 + DR)^{(tm/12)}$$

Where:

RP	=	Reference price for the appraised portfolio.
ER	=	ER net value.
DR	=	Maximum annual discount rate applied to the market of this kind of assets.
tm	=	Estimated time in number of months to reach the ER'.

For the determination of variables of this procedure it is necessary to adjudicate a DR value that is equivalent to the

maximum value assigned by a potential purchaser of this kind of assets, in view of the fact that the objective is to fix a minimum price of reference; this market value for DR is selected from the information gathered by the firm through more than 80 placement processes of loan assets in the Mexican market, taking into consideration the market conditions that may prevail at the time LAMM is applied

The value of DR represents the present value of the annual return expected by a potential investor applied as annual prospective discount on the ER value.

In accordance with the conditions that may prevail at the market upon the placement of the loan assets, we may affirm that the value of annual discount rate (DR) is inversely proportional to the level of the market demand and the concentration of competence among the potential investors, during the process.

The variable defined as t_m or estimated period of time in number of months to reach the ER is determined from the information incorporated to carry out the estimate of PP within the Probit model already described and is an integral part of the activities of due diligence that take place during the gathering of information process in the portfolio analysis and it is estimated as the maximum number of months where the probability of $y = 1$ to reach ER' is considered.

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CHANGE MANAGEMENT: GETTING A TUNED UP ORGANIZATION

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Abstract

Organizations as a whole and people specifically do not like to hear the word change. "Change" has a myriad of dreadful meanings in organizations such as, layoffs, downsizing, relocation and pay cuts. Employees have learned that when the word "change" is spoken to expect the bad but plan for the worst. For many people the prospect of change produces stress or tension in the workplace and on the employees that have to deal with the emerging process. The emergence of new technology, products and increased global competition will only facilitate the change that will be needed in order to compete. One cannot manage the past but can sure take charge of the future.

INTRODUCTION

"During this decade, American corporations will face a variety of developments. They will continue to experience the issues associated with globalization and new technological development. In domestic markets, they will encounter the expanding number of people riding the crest of the "Age Wave" and a variety of lifestyles. They will have to cope with baby boomers facing the issues of mid life changes with their interests turning towards family and quality of life. They will have to devote more attention to social and environmental issues and cope with a labor shortage. These trends will provide opportunities and require ongoing innovation in products and services. They will also require changes in organizational systems. Leaders of excellent firms are exploring the implications of these trends. They are developing innovations. They are transforming their firms to a new organizational form." (Holder, 2002, p. 1)

The third college edition of the Webster's New World Dictionary defines change as: to put or take (a thing) in place of something else, to make an exchange, a substitution. Another definition of change is: the letting go of the old and making strides toward obtaining the new or the end result, the journey in between is the transition. (M.A. Petrosky, personal communication, October 3, 2002). Fred Nickols, of the Distance Consulting Company, sums change up as " a matter of moving from one state to another, specifically from the problem state to the solved state."

Change is one variable that can humble the bravest and the brightest and

completely terrorize others. This leads to the matter of Change Management.

CHANGE MANAGEMENT

"The first and foremost obvious definition of change management refers to the making of changes in a planned and managed or systematic fashion." (Nickols, 2002, p. 1) Change Management is the art or science of making changes to a certain method or system in an orderly, systematic fashion, to make sense out of the organizational chaos that is permeating the company, its employees, its suppliers and vendors and most importantly its customers. The "change" that will take place to the organization is internal. This means that the change will take place within the confines of the company and not outside the "walls" of the organization. The reason for the change however might be completely externally oriented. For example, many companies might have to adjust their pricing or changes in their products, react to a large cut in funding, the need to attract new customers and business, the changing of their current customer base due to external conditions, (i.e. economy, aging, etc.), the increased need for productivity and the hiring or laying off of large quantities of employees and managers. Some changes take place when the new "Boss" or Chief Executive Officer takes over the company and their personal interaction or philosophies slowly but surely change the culture of the company or organization.

The backbone of Change Management is composed of a variety of hard and soft sciences drawn upon psychology, sociology, business administration, economics, industrial engineering, systems engineering and the study of human and

organizational behavior. (Nickols, 2002, p. 2)

Finally, yet importantly, Change Management theory includes a series of models, beliefs, concepts and principles known as the General Systems Theory (Nickols, 2002, p. 2). It has not yet been determined whether Change Management is an art, science, a profession or a discipline. It is more likely composed of a little of each and a totally separate entity in itself.

HOW "CHANGE" AFFECTS THE COMPANY

A little known writer by the name of Mark Twain summed it up eloquently by saying "You know, I'm all for progress. It's change that I object to." (Pieterse, 2002, p. 32) Organizations as a whole and people specifically do not like to hear the word change. "Change" has a myriad of dreadful meanings in organizations such as, layoffs, downsizing, relocation and pay cuts. Employees have learned that when the word "change" is spoken to expect the bad but plan for the worst.

For many people the prospect of change produces stress or tension in the workplace and on the employees that have to deal with the emerging process. Willie Pieterse, of the *Journal of Business Strategy*, has this perception on the change process. "For many people the specter of change produces what's sometimes called the FUD Factor—Fear, Uncertainty and Doubt." The psychology works like this:

- To change is to suffer loss of several kinds. We lose certainty, the comfort of the known and the familiar. We lose the sense of competency, the financial security and the status we enjoy in the existing order. And

when change is being imposed upon us (as is often the case in a corporate setting), we lose the sense of control.

- Because change involves the loss, people must be persuaded that the gains will be greater than the losses if they are to embrace change.
- To succeed, therefore, the driving forces in support of change must be greater than the restraining forces of Fear, Uncertainty and Doubt.

There are many differing opinions about the actual systematic process of implementing change in the prototypical workplace. The number of steps ranges from three to thirteen depending on the individual and their overall opinion and beliefs. John P. Kotter in his book, *The Heart of Change, Real Life Stories of how People Changed Their Organization*, defines eight steps that will drastically enhance the change in the organization and help limit or lower the amount of stress or tension in the change model. They are as follows:

- 1. Increase Urgency-** The figurehead of the organization or company must constantly stress the urgency for the change. This will help focus the employees on the change at hand and leave little time to look back at the "old way". This first step, though important, must not be rushed upon the employees. However, the change must proceed at a brisk but well organized pace. This will quickly entrench the employees in the new beliefs and processes of the change and allow the old corporate beliefs to fade away quickly.
- 2 Build the Guiding Team –** Management must be well informed and have the mental and technical capabilities to enact the change. They

must be able to see the grand scheme while at the same time defining the individual employee's responsibility to the overall structure. They must be perceived as capable leaders who can answer most questions and if not can adequately respond to the employees in a timely manner.

- 3 **Get the Vision Right** – They must be able to define the company vision from the top level down to the grass roots level. They must define their vision and not deviate from it in midstream. This will only present the perception that management does not know what it is doing.
- 4 **Communicate for Buy-In** - They must be able to sell the workers and fellow employees of the need for change. Some change managers like to stress the good side of the change while putting down the old system as inadequate. Anyway, they must be able to sell the product to the line workers and managers as well as the shareholders if necessary.
- 5 **Create Short-Term Wins** - Management must set small goals that that can realistically be met. This will increase employee moral, show that the end is possible, and hopefully distract from the long and often difficult haul of the change.
- 6 **Empower Action** – They must allow their managers the power to take the reins and run with it. The managers must have the capabilities to guide the ship without constant fear of repercussions.
- 7 **Do not Let Up** – The act of the change must constantly be pressed onward, do not slow in your plan. Follow the guideline and press on ahead if things are working as planned. To stop in midstream would only jeopardize the

power of the new “way” since the employees or line workers would be stuck in the transition period.

- 8 **Make Change Stick** – You must live the new process. You cannot fall back to the old way once the change is made. To do this would only jeopardize confidence in management and their overall ability to lead the company into the future.

Change in any organization is one of the most, if not the most, stressful situations that a company will have to deal with. How a company deals with change can, in extreme cases, decides whether the company will continue to be profitable and forge ahead with new ideas and products and continue to renew their organizational life cycle or start the descent of the business. Most companies that have continued to stay in business and stay profitable have continually added, renewed and changed their product line, their customer base and the general way that they do business.

CHANGE MANAGEMENT AND THE EMPLOYEES

“Gaining employee support and buy in is a critical first step in managing change, but leaders can't stop there. Employees have to continually be motivated to change their behaviors throughout the change. To use the diet analogy once more, people may understand all the reasons why they have to lose weight, but without proper support and motivation, they might never muster the energy required to do so.”(Caudron, 2002, p. 3)

The first and most important step in initiating any change or massive reengineering project upon the company, certain departments or functional areas is

to clearly and easily define the need for change and why it will only help not hinder the organization. Management must define all the points and benefits for the change. They must communicate endlessly and tirelessly about the changes needed. Management can never communicate enough with their employees, the grass roots level where the change will have the most drastic effect.

Second, management must adequately train and prepare for the implementation. The employees or individuals that will be affected by the transformation must not only understand the reason for the change but must be able to implement the new technique, style or dynamic that the company or organization is changing over to.

They must be more than ready for the change when the time for change occurs. The company can provide mandatory training on or off premises. They can offer after hours training to individuals that want to ensure that they are proficient in the new system or dynamic.

Third, the management must have certain allotted time to help implement the change. As the old saying goes, you cannot run before you walk. The management must be allowed the time and resources to train their employees, to answer all questions and to address issues of problems that might be the result of the change. They must be allowed to let some other areas suffer while they address the most important issue, change. They must have certain target objectives and goals that can be obtained. To assign goals that are not obtainable and impossible will only hurt the change. The period in between the change from point A to point B is the transition. This transition period must contain obtainable goals in order for the employees and management to see the

light at the end of the tunnel. To deny this will cause negative repercussions on the reason for change and further cause employee and management resistance.

Fourth, the most important aspect for change is the constant recognition and praise for obtaining goals and to individuals that are embracing and supporting the change effort. Some studies have found that this non-monetary compensation is as good if not better than monetary compensation in some environments. The change manager must keep the group dynamics focused on the task at hand and not allow distractions from outside competitors to take away from their focus on the change.

TEN WAYS TO FAIL AT CHANGE

There are certain procedures and steps that must be implemented to enforce change in the environment. Dr. Terry Paulson, of Paulson and Associates, has come up with ten ways that management can take to make sure that the change fails and does not happen. This is a summary of those ten points with a brief explanation:

1. Never give in to selling any change when you can exercise your power by demanding it. Tact and communication does to authority what sugar does to teeth. After all if your people or team had any ideas worth listening to they would be the boss
2. Develop a varied arsenal of looks to master the put down. A well-placed sigh and a "that was dumb" stare can work wonders in silencing your people. Add verbal clinchers: "Are you kidding?" Try well placed sarcasm: "Yeah, I knew I would

- have this problem when I put a woman in charge!”
3. When providing performance feedback do not let them find their own solution when you can reinforce your position of authority by telling them what they obviously should have done. Be ready to use the Harvard Business review, your MBA notes or Dilbert cartoons to identify how defective they really are.
 4. Never deal with the issues when you can attack the person. When they criticize your ideas, question their attitude and commitment to the team. When they miss a deadline question their ability to handle responsibility. If they persist in making their point, keep them in place by saying, “[F I wanted your opinion I would give it to you!”
 5. Keep harping on the phrase, “More with less” to explain your downsizing, reorganizations and cost containment initiatives. Busy people are happy people whether they want to admit it or not. Don’t let your need to hold the line on wages to impress stockholders, stop you from taking the wage increases and bonuses you deserve for leading your team through such perilous times
 6. Never give information or strategic direction until you have to. Once you do, never change your position. Now, if there idea is really better, just wait a few weeks, make some slight adjustments, and then claim it as your idea. They will squawk in the restroom and lounges, but they will know what it is to respect authority.
 7. When things go wrong, you know whom to sacrifice. If by chance your team does succeed on their own, take the credit. After all, with effective leadership even turkeys can fly in unison for 50 feet.
 8. Build your own corporate torture chamber. Know how to schedule hours to produce maximum aggravation. Keep the pressure on my making them work with team members they hate and projects they have no skills to draw on.
 9. Never give recognition: it sets the stage for complacency. After all, they are lucky they have a job. If you thank them, all they do is ask for more money.
 10. Bark is as only good as a bite. Fear is a great motivator. Do not waste your time with petty, lengthy documentation with your tough employees; make a scene by threatening them with their job on the spot.

To summarize what Dr. Paulson (2002) listed above, management cannot over communicate change. Employees and managers must know in advance of the situation at hand. They must be allocated the resources to succeed. To withhold any type of information or due process is a recipe for failure. The managers must have the power to make decisions on the spot based on the information that they have available. They must have obtainable and realistic goals. Managers and employees must be allowed the freedom to make mistakes and to learn from them without fear of repercussion or public embarrassment. Most major solutions to change problems have come about by someone making a mistake and then later finding a better way to resolve the situation.

DOES CHANGE MANAGEMENT REALLY WORK?

Change Management involves a huge amount of resources monetarily and physically. Organizations must spend millions of dollars to upgrade their facilities, their computer networks, new product lines, to retrain new employees in the new systems and beliefs. This does not include the thousands of hours that employees must spend on their own to learn the new way of doing things. They must let go of the “old way” and all of the comfort and familiarity that went with it and embrace the “new” and extremely stressful way. They have to let go of their day-to-day confidence in their ability to handle problems the old way and learn to react in the new way. This causes tension in most employees whether visible or unseen. Management must spend countless hours in dealing with the emotional side of the change as well.

Richard Axelrod in his new book, *Terms of Engagement, Changing the Way We Change Organizations*, says that it just does not work. According to Axelrod (2002), “Traditional change management designed to infuse new life, creativity and innovation into an organization – instead breeds increased resistance and cynicism. Instead of synergy it creates polarization, with members of the change management team dictating strategy on one side and the remainder of the organization hovering fearfully on the other.”

He continues by claiming that the bureaucracy becomes even more layered than the change management intentions of flattening out the corporate structure. This creates more headaches and levels of management that must be worked through to resolve common issues and complaints that were easier done before the change.

This new change also creates a new autocratic style. The management is from the top down, the individuals that are demanding the change force their views upon the lower level employees. This often causes resentment of the change, anger and sometimes complete refusal to change. This filters down to productivity problems, attendance problems and in some extreme cases a strike of union workers.

Mr. Axelrod favors a disbanding of the change paradigm and implementing a new structure called the engagement paradigm. (2002) He invokes making the entire organization responsible for the change not a management team or outside consulting company that comes in and run the change process. He argues that this will only increase employee responsibility and thus enhance the change process. His logic is that no one employee will feel left out and they will understand the whole picture of the change. They will no longer have the few deciding for the many.

The main theory behind this new paradigm is that everyone is included. No one, not even the lowest person on the organizational structure, will be left out. They will be informed of the real reason for the change. They will understand how the change affects the company as a whole and each individual department. It will allow employees to buy into the change process. It is no longer seen as an abstract beast but a viable, living entity that can and must be embraced in order to change successfully the organization.

THE FUTURE OF CHANGE MANAGEMENT

The first misconception that any company or individual must come to terms with is that change will never end. No

longer can an organization or companies afford to be placated in their current way of doing business. Companies must always be looking for new and improved ways to enhance their productivity, their customer service and their sales goals. They must weigh the cost both cognitively and financially to the organization and the employees. What type of mental and financial strain will take place from the change and is it worth it?

Change will never stop, change is always happening. It is the natural life cycle of man, nature and business. A company cannot be afraid to implement change. They must understand that change is not always successful and must embrace the unknown in the change process. Too many companies settle for the outdated processes that are tried and true and familiar. They do not want to embrace change, they are afraid of failure. Nevertheless, without some failure any organization cannot grow. The sooner any company makes their error the sooner they can turn it into a useful learning experience.

To sum it up in one quote by Norman R. Augustine, President of Lockheed Martin, "The thing that we did that was most helpful was to visit seven or eight companies.... That had done a lot of mergers and acquisitions. We sat down with their CEOs, COOs and CFOs and asked them to share with us the things they'd done right and wrong to see what advice they would give us. We learned a lot of lessons. One that it is much better than to be eighty percent right fast than a hundred percent right slow; make the tough decisions and get them over with. Be very honest, candid and open, and don't try to sugarcoat the bad news; take the short term hits to do what's best for the long term." (Paulson, 2002, p. 5)

CONCLUSION

Change Management is a topic that will evoke more continued debate as the current economic and global climate demands constant evolution if companies want to succeed. The emergence of new technology, products and increased global competition will only facilitate the change that will be needed in order to compete. One cannot manage the past but can sure take charge of the future.

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ORGANISATIONAL COMMUNICATION: A CASE STUDY

By Thomas A. Booth

Introduction

The organization chosen for this case study on organizational communication is a small political activists' organization for which the writer of this paper once volunteered. The organizational communication problem encountered was that the volunteer supervisor did not have projects ready during the scheduled volunteer time slots, and despite a thorough interview process to determine skill-need matches and prior verbal scheduling of volunteer times, this problem persisted for months. With the lack of a communication plan, the consequence was a diminished enthusiasm for the cause and growing level of frustration causing this writer to cease volunteering for the organization despite having a true belief in its mission.

Knowledge

The major problem in this case study was that the volunteer supervisor was engaged in so many projects that she did not invest the time to communicate projects to delegate to the volunteer. Most volunteers for this organization worked on updating databases, solicitations, and mailings. This writer's volunteer emphasis was on writing and doing special projects. Therefore, it was only through horizontal top down communication from this particular supervisor that these special projects could be delegated. Because the

volunteer work was so different than the other volunteers, there was no real value to vertical communication. In Organizational Communication, Kathryn Baker, contends many communication theories are not so relevant in today's service world as well as today's technologically globalized world. (Baker, 2002) While many organizational communication principals would apply, this organization operates locally and nationally, and falls into Baker's description of 'the service' organization.

What the supervisor could have done was implement time saving communication systems, such as writing memos, e-mails, and other written communication methods to delegate tasks to be done within that specific time frame. If this was done, the task(s) often were so simple that they did not take all the volunteer time, and she was left scrambling to find another volunteer project.

Sensitivity

The person that appears to be most responsible for the problem was the volunteer supervisor. However, she was being asked to do more than supervise volunteers; she was an assistant to the Marketing/Communication Director and was involved in a very extensive public awareness campaign which required a lot of hands on work on her part. Additionally, the communications department seemed at odds with other parts of the organization, and other

departmental managers often were putting demands on this supervisor as well. Her lack of time resulted in her being a poor communicator, and even though this volunteer's skills could have helped ease her work load, she couldn't slow down enough to implement a concrete communications strategy.

Skills

The writer of this case study looks to Carter McNamara's Basics in Internal Organizational Communications

(McNamara, 2007) who suggests a communication plan. This plan can involve verbal or written communications that would cover how to effectively manage a nontraditional volunteer. As cited earlier, this supervisor dealt mostly with people with specific tasks, not project skills, and therefore did not need a one-on-one short session with them during their volunteer time. They also had the value of communication with one another to help them out when they ran into a specific problem.

Values

The value of the frustrated volunteer was the desire to create some quality work and be included within a network of volunteers for this cause. The value of the supervisor was to impress her managers. The values of the volunteer and supervisor were not mutual. If the goals had been mutual, it might have created an environment that would have made it more conducive for the supervisor to take the time to communicate special volunteer projects of value. It's rather ironic that during the initial volunteer meeting, how the writer of this paper could assist the cause was a major point of discussion.

This paper does acknowledge that as with many political activists' organizations, things happen on the spot, and there is a great deal of crisis management, and not a lot of pre-planning. Additionally the communication focus for this organization was external, not internal. This organizational culture spilled over into the communication methods of this writer's volunteer work, and was a cause of a great deal of frustration.

Alternative Solutions

The volunteer supervisor should delegate another volunteer to hand out the written instructions for the volunteer time block, and because of the nature of the work, keep the volunteer time appointment in her appointment book, not just on the general volunteer log. This would have eased the frustration and allowed the writer of this paper to feel like a valuable contribution was being made to this particular cause.

Proposed Solutions

McNamara's communication plan could be written. The written communication vehicles could include hand written memos, or emails. This former volunteer believes that the supervisor did not see the benefit of investing the necessary time to guide, mentor, or retain the volunteer. A communication vehicle needed to be defined, tasks assigned, and then executed with a communication vehicle defined for feedback.

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STRATEGIC MANAGEMENT AND HUMAN RESOURCES: A CASE STUDY

By Norman C. Collins

Statement of Problem

China's gross domestic product is growing at a rate of ten percent per year, with increases of twelve percent for its gross national product. A large component of China's economic success is that of economic expansion into world markets; China is desirous by many countries as a "factory" setting in which manufacture of raw materials and durable goods is cheaper than in the home country. However, many businesspersons in China do not simply want to be relegated to a supplier of goods for the rest of the world, and are actively cultivating unique intellectual, artistic, and technological properties that can be sold both within China and to international buyers.

It is recognized that English has become the standard language of international commerce; while this may change at a later time, most transactions between countries in which two distinct languages are spoken will use English as the preferred common language. Also, China currently perceived the United States, Canada, and the European Union as trade partners, and English is a dominant language within these locations.

As more Chinese students enter into the university setting, there is an increased demand for English language classes. The school systems in most Chinese territories offer English language classes to students, but advanced language classes are advantageous as these aid in fluency and

increase the students' lexicon of advanced terminology. However, the demand for these classes is difficult to meet due to the lack of English-language teachers who are proficient in English at the university level. There is also a need to retain those teachers who are currently working at the university setting; many of these teachers have been recruited from English-speaking countries on limited work visas and will return home after their time in China has elapsed. As such, there is a need to attract qualified teachers and retain those persons currently active as teachers.

An Effective Recruitment and Retention Program

The recruitment and retention program requires a number of factors that address shortcomings in the university system or address conditions that exacerbate teacher attrition. When isolated separately, these factors form specific steps within a sequential reform process that can be implemented by the Human Resources department.

Working with the Government

As the foremost source of English-language teachers is from English-language countries, the first step in improving the quality of English-language classes at the university level is to work with the government. China's government has long maintained an unequal relationship with the West in terms of

population movement; historically, scholars and professionals are allowed to leave China and work within the West, while very few persons were allowed to do the same in China. However, this has changed over the last decade, as the government has recognized specific advantages associated with allowing working professionals to enter into the country and participate in the economy.

English language teachers have already been integrated into the professional environment, so this stage in the reform process is focused on changing the limits of tenure instead of implementing new policy. This will likely make it easier to implement the required changes. Unfortunately, it is not known how long this will take to achieve; with a strong advocacy movement, this step could take as little as six months, but without support this may be bogged down in the governmental bureaucracy indefinitely. This step is fundamental and unavoidable for creating lasting change for the target problem, and therefore it is recommended that the University works to acquire support from politicians and prominent figures within the community to affect policy reform within a six-month timeline.

Recruitment from Western Countries

There are multiple strategies in place through which recruitment of English-language teachers can occur. These do not meet the current demand for qualified educators. At the current time, programs and scholarships are available for teaching English abroad; these tend to attract recent university graduates who wish to take some time off and improve their world experiences and their resumes prior to

finding permanent employment back in their home countries.

It is recommended that these programs and scholarships be improved in terms of offering incentives for qualified educators. This has two core advantages. First, when the number of candidates increases, the University can be more selective in choosing those who are best suited to the needs of its students and faculty. Second, creating an incentive-based program can entice the qualified teacher to remain active in the University for longer periods of time; for instance, an incentives package can offer cumulative rewards based upon the number of times that the teacher agreed to stay on for an additional semester's labor (e.g.: one semester's work is equal to three thousand dollars, the next semester will result in six thousand dollars, the next will yield nine thousand dollars, and so on). This means that the recruitment and retention programs are synonymous when addressing teachers from Western countries. It is recommended that a cap be placed upon the overall salary that a recruited teacher can acquire, but an additional incentives balance needs to be struck to ensure that the teacher will be able to draw a desirable salary and not see attaining the level of the salary cap as a reason to leave China and return home.

This program has disadvantages. It will be difficult to change the philosophy of recruitment from Western countries as a process that does not need significant incentives. Currently, the attitude towards recruiting teachers is that it provides younger professionals a desirable opportunity and that the work is inherently its own reward; after all, the West is increasingly integrating Chinese into its own language pool as a means of maintaining a competitive edge. Changing

the attitude towards these young scholars from helping foster a mutually beneficial learning environment to one where the young scholars are viewed as a necessary element in developing China's English-language repository will take time. This can be done while also cultivating funds for scholarships and incentives program. It is estimated that these processes will take a minimum of eighteen months from suggestion to widespread acceptance within the University and its financiers.

Retention of Existing English-Language Teachers

Recruitment and retention strategies may be synonymous for the Western teacher, but native-born Chinese English-language teachers are in great demand. This is even more evident at the post-secondary level where competition for qualified English-language teachers is fierce. While an English-language speaker who is native to a Western country is desirous in terms of facilitating appropriate pronunciation and developing fluency, a Chinese native who has spent time in the West and who has returned home to teach English is a valuable commodity. The teacher will be able to relate to the Chinese students and is more likely to interact with the students in both Chinese and English; this helps the students build their existing vocabularies. The native-born Chinese language speaker also relates to the staff and the faculty; this helps ensure that such teachers are members of the University team and are more likely to share the same goals of their co-workers.

However, the native-born Chinese language speaker is also more likely to move from one University to another based upon these very criteria. Such

persons are commodities and recognize that their skill sets are in short supply. In order to retain workers of this caliber, it is necessary to create a work environment that meets their professional needs and also provides rewards commiserate with their value. It is important to note that the rewards offered do not have to be financial or material in nature; a common criticism among teachers is that there is no professional development within the workplace, meaning that advancement is limited or non-existent. Typically, tenure is not offered to language teachers; it is recommended that a tenure program be put into place to reward those educators who remain committed to the University. Additionally, rewards for time spent on the job and quality of work performance should be reviewed on a routine basis (e.g.: after every twenty four months of employment, etc.).

This program has disadvantages similar to all tenure programs; often, persons receive tenure who are nominally qualified but who do not consistently maintain high levels of performance once they are granted permanent protection of their jobs. This means that a caveat may need to be added to the program, wherein the tenured language teacher will be reviewed for poor performance; it would be convenient to integrate this into the aforementioned review process for incentives, where the University maintains the option to break tenure if specific minimum performance levels are not met. The time frame for these processes will be eighteen months, and can be done at the same time as the recruitment strategies.

Personnel Involvement and Recommendations for Implementation

The implementation process will require ongoing communications between many distinctive departments both within the University and within diverse organizations including domestic and foreign governments. It is also likely that service providers be consulted that will help provide the necessary incentives used to entice both foreign nationals and native-born English speakers to remain active at the University. To clarify, government interaction will be required in order to facilitate smooth transactions into China; government supervision will be needed as a means of documenting appropriate work permits and determining a legitimate length of stay based upon the contract between the teacher and the University. This may be necessary for native-born teachers as well as foreign-born teachers, as persons living outside of the urban regions need to have work permits to maintain employment within a city. Indeed, as city dwelling is difficult to attain in many prominent Chinese cities, it is likely that offering work permits or permanent residency may entice many native-born English teachers to remain active at the University.

Bureaucracy in China is difficult to manage and requires a significant investment of time. It is therefore recommended that a liaison position be created that will manage these and similar aspects of the recruitment and retention program. The Human Resources director needs to appoint an employee to monitor these steps and also to act as a liaison for persons who require clarity on any given aspect of the program. This liaison will have an office that has a compliment of

clerical staff in order to make sure that deadlines are met in a timely manner.

In addition to facilitating communication between the government and the University, the liaison will also need to be in charge of addressing the University's needs for English-speaking teachers and filling these positions. It is the responsibility of the Language Department to identify the type of candidate that is required for a specific position (e.g.: whether a native-born or foreign-born speaker would best fill the University's requirements). The liaison would then have the responsibility of interviewing potential candidates, and recommending the three candidates who are best suited for the job to the Language Department, as the hiring decisions would take place there.

The liaison would also have to engage in professional development strategies for those persons hired as English teachers. Data suggests that teachers are more likely to remain at a single institution when they receive rewards commiserate with their experience, but are also more likely to leave a specific institution when they do not receive ongoing professional development. This suggests that the liaison will need to consider teacher enrichment strategies such as investment of graduate certification as a means of promoting retention.

Review of the Strategy

In order to make certain that these steps are proceeding as planned, consistent review is necessary. Human Resources needs to maintain the language liaison's office within the scope of its own department. The liaison will be required to provide documentation of progress on a monthly basis for the first twenty four

months of the program; it may be needed to review progress every two weeks if conflict or unforeseen challenges arise, such as conflict between the government and the University. All review will consist of oral reports and documentation that reflects the current status of each phase of the program. Specific consideration needs to be made to detailing observed areas in which problems have occurred or could occur, and recommendations that could be used to reduce or avoid these.

Once the trial period for the program has been established, review can be on a quarterly basis, with regular updates given during routine Human Resources meetings.

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THE ROLE THAT PERSONALITY AND MOTIVATION PLAY IN CONSUMER BEHAVIOUR: A CASE STUDY ON HSBC

By Jolene Montgomery

Introduction

In today's information-oriented society, research and development, particularly information research, has become an important activity for business companies, institutions, and organizations, who want to know more about the consumer market, people who consider consumption as embedded and part of their everyday lives. Initially, commercialism of goods and services through advertising mainly focused on extant products and services that people need; nowadays, persuasive messages are extended through advertising, informing people about the goods and services that they should and ought to know and buy for themselves.

Selling these products and services through persuasive advertising messages, however, are the products of advertising research. More specifically, consumer research tries to identify not only the socio-demographic, but also psychographic profile of consumers, understanding how people can be persuaded to buy a company's product or service. Consumer research looks into the motivations and personalities of an individual in terms of consuming or buying a particular product or service, later turning this information into strategies geared at gaining a particular segment of the market that the company targets or centers on.

This paper discusses in detail the role that motivation and personality plays in influencing consumer behavior, taking the case of the Hongkong and Shanghai Banking Corporation (HSBC) as an example to discuss and analyze these important points. In this paper, an analysis of the print ads of HSBC is analyzed, relating its features to identify its target market and perceived motivations and personalities of HSBC's target market. This study aims to provide an illustration of how motivation and personality analysis of consumers are vital to the understanding of consumer markets and behavior.

Consumer Personality and Motivation as illustrated in HSBC Print ads

The terms motivation and personality may seem familiar for people, but its significance to consumer behavior is less known, yet increasingly essential in identifying, determining, and understanding insights regarding consumption patterns and preferences.

Personality is defined by Sheth et. al. (1999) as “[a] person's consistent ways [sic] of responding to the environment in which he or she lives” (G-11). Personality, he states, is created through the combining of external influences or the social environment and genetic or biological traits of the individual. The combination of social with the individual

results to the creation or development customer personality; consumer personality may be product- or service-oriented, or both (243). Product-oriented consumers tend to patronize a product or service based on the merchandise itself, while service-oriented consumers tend to “seek relationships” with the seller, producer of the service or manufacturer of the product.

Motivation, meanwhile, is identified as “an inner drive that reflects goal-oriented arousal” (Arnould et. al., 2004:259). It differs from personality in that it is a deeper and more abstract concept, although similar to it in the sense that motivations are also linked to the social environment and individual traits of the individual.

In order to distinguish properly between the two terminologies, personality may be understood as a holistic or general term to describe consumer behavior—that is, consumer behavior at the macrolevel. Motivation, on the other hand, provides an in-depth look of the consumer as a unique individual and harder to discern and understand. Motivation, thus, represents consumer behavior at the microlevel.

Applying these concepts in the context of HSBC and its advertising and marketing strategies, the researcher of this paper analyzed three (3) print ads, which came out on three issues of TIME magazine: March 11, 18, and 25 for the year 2002. These issues are relevant for this study, since this is the year that HSBC launched its campaign on multiculturalism, entitled “Business Connections,” carrying with it the slogan, “Never underestimate the importance of local knowledge.”

These ads, which serve as units of analysis of the study, are textually analyzed to generate themes that depict the influence of motivation and personality of

the target consumer market in the production of the advertising message and form. The texts that follow discuss the salient points generated from the analysis, which involves the following: (1) HSBC ads illustrate how culture as the social environment and cultural traits serve as primary consideration in crafting today’s advertising messages to the consumer; (2) motivations such as achievement, power, uniqueness, affiliation, and self-esteem are the determinants of a consumer’s cultural environment and traits. These linkages are seen thoroughly in the next section.

“Never underestimate the importance of local knowledge”: HSBC on culture and the consumer

It was initially discussed that consumer behavior in terms of the personality dimension is primarily determined through the consumer’s merchandise- or service-orientedness. However, going further into the analysis of consumer personality, there is also recognition that consumers adopt various personalities depending on the role that they assume as consumer: user, payer, or buyer (Sheth et. al., 1999:243).

These distinctions are somewhat similar to the merchandise-oriented and service-oriented dichotomy introduced earlier, although in this new set of consumer personalities, the economic dimension is taken into consideration. Thus, consumer personality is divided into three facets: the merchandise-oriented consumer as the user, the service-oriented consumer as buyer, and the consumer’s financial position as the payer.

In the HSBC “Business Connections” advertising campaign, these components of consumer behavior become evident. The buyer or service-oriented consumer, clearly, is the primary target market of

HSBC, since its business orientation is to provide banking services for potential clients. However, it is evident that HSBC decided to transgress its role as bank service provider to becoming the consumer's "expert" on cultural knowledge of every nation engaged in the business industry. Its ad campaign is developed to fulfill this objective, allowing the consumers to get to know other societies and cultures around the world, stressing how HSBC knows each culture featured, and understands these cultures well, enabling them to effectively handle business and financial transactions with them.

The March 18, 2002 ad of HSBC shows two images of hands toasting glasses together, with the first image displaying the text, "HUNGARY: Bad luck," while the second image shows the text "USA: Good health." This simple, yet effective display of cultural differences around the world is reflective of HSBC's work ethic, implying to the reader (who is also a potential customer) that they understand various cultures very well. This understanding of various cultures of the world becomes HSBC's advantage, since it helps them "...recognise [sic] financial opportunities invisible to outsiders" (TIME, 2002).

The buyer (service-oriented consumer) would be enticed with the said ad, since institutions whose primary commodity is service provision knows that understanding the individual and his/her social/cultural environment is one way of highlighting the fact that they are selling service that reflects the personality of consumer-buyer. For example, an American who encountered the HSBC ad discussed above will show approval of the distinction made by the banking company. This approval will, in turn, lead to the

development of credibility of HSBC and trust from the consumer; thus, the next time the consumer should consider seeking help in banking services of financial transactions, s/he would seek HSBC, primarily because it understands the individual's sentiments, feelings, and opinions—in other words, the customer's personality.

This can also be applied to the consumer as user, wherein the commodity can be either the information about Hungarian and American culture depicted in the ad, or the banking service provided by HSBC, or both. The first scenario occurs when the individual is also a business person who is interested in knowing the business culture of another country, which, to the business-oriented individual, is always a potential customer. The information that it is bad luck in Hungary and good health in the USA to toast glasses will become helpful to the individual when s/he deals with clients coming from these countries. Or, it may be that the consumer-user is interested in knowing up to what extent HSBC's credibility and banking experience is; thus, from the ad, one can already surmise that HSBC has sufficient experience to merit credibility and warrant trust from the consumer.

The consumer as payer, meanwhile, is different from the preceding kinds of consumer personalities discussed. Since in this category, the impact of economic stability and financial capability are taken into account, the strategy of HSBC must then emanate as to include and address the concerns of the consumer-payer in its ad. In the ad, this concern is addressed by the inclusion of the term "local knowledge" in its ad, giving reference to the fact that not only did HSBC learned to know and understand the culture of a country, but it

was also able to capture its people, the masses, which ultimately constitutes a particular culture, the keepers and actors of this “local knowledge.”

Whether the consumer-payer has financial troubles or not, HSBC considers everyone a potential customer, and the consumer-payer, through the ad, shall assume that HSBC will aid him/her for whatever banking service or financial support s/he wants to avail, simply because the institution understands “local knowledge,” the reality of life in that particular society in the world. HSBC, then ‘personalizes’ its service, accommodating for any diversity that it may encounter in the conduct of its business (Francese, 2004:40-1).

In effect, business institutions like HSBC have learned to ascertain the kinds of people who can be their potential clients or customer by categorizing them according to their cultural and individual traits. In this section, personality is shown to be a major determinant in identifying the likelihood of an individual to become a consumer of a particular product or service.

Thus, if the consumer is merchandise-oriented or a user, then goods as commodities are more appealing for him/her; the consumer as buyer, on the other hand, is more interested in establishing close ties with the sellers, producers, or manufacturers, the people who provide service for the consumers; and lastly, the consumer as payer takes into consideration the economic climate of the institution itself, and aligns it with his/her own financial status, and when both criteria meet, it is then that the consumer-payer decides whether to subsist to the product (or service) or not.

Motivations as the consumer “drive”: achievement, power, uniqueness, affiliation, and self-esteem

In the previous section, the researcher has identified consumer personality in terms of the product, service, and financial climate of both the seller and buyer. In this section, the study takes an in-depth look at the individual traits of these consumers, identifying potential motivations that serve as consumer ‘drives,’ needs and wants that may have been accomplished through the consumption of the product or service offered by the business company/institution. In this section, motives are identified into four, namely, achievement, power, uniqueness/novelty, affiliation, and self-esteem motive. These kinds of motives are present in one way or other within the consumer as s/he goes through the decision-making process (of purchasing a product, good, or service). These kinds of motives are defined by Arnould et. al. (2004) as follows:

Achievement motive- the drive to experience emotion in connection with evaluated performance;

Power motive- the drive to have control or influence over another person, group, or the world at large;

Uniqueness/novelty motive- the drive to perceive oneself as different from others;

Affiliation motive- the drive to be with people; consumers sometimes experience a strong motivation to

reconnect and associate with groups...; and

Self-esteem motive- credit for successes, explain away failures, (consumers) see themselves as better than most others.

Given the following kinds of motivations and their definitions, the HSBC advertising campaign clearly invokes all of these motivations. This is actually imperative for the company, since they have as their audience people of all ages, gender, races, and culture. In order to become effective in motivating and persuading consumers to subsist to the HSBC service, the company must be able to “grasp” or capture all of the characteristics of its consumers; thus, the need to consider all the motivations that a consumer may have or use in the process of deciding to purchase a product or subscribe to a particular service.

The “Business Connections” ad campaign illustrates the achievement motive, primarily because HSBC tries to establish personal relations with the consumer. In trying to sell its service (banking service), HSBC evokes the emotions of consumers as it re-establish ties with him/her by showcasing a particular culture of a nation (Benady, 2004:43). For example, the HSBC ad depicts the culture of UK and US by illustrating an image of cross-legged shoes, where the act may be construed as “relaxed” in American culture, while it is considered “rude” among Thai people. Feelings of approval and/or reproach over the said cultural norms shows how achievement—that is, to achieve and conform with the cultural norm—becomes a primary factor that convinces the consumer to subsist to the product or

service. Similarly, the illustration of a particular culture through print advertisement creates the impression that every culture has power, thereby influencing the consumer that as member of that culture, s/he has power to approve or disapprove of the ad and patronize or not patronize the product or service advertised.

The most important and dominant motives included in the ad are the uniqueness, affiliation, and self-esteem motives. In the HSBC ad campaign, the showcasing of a particular culture per ad illustrates the strong regard the company has for cultures of the world—that is, the uniqueness of a society or nation and the individual. These motives work in linkages, initially starting with starting with the premise that every culture is unique, and proof of this in the ad is the provision of information telling the readers the uniqueness of a particular material, symbol, or activity in the business culture of a particular country (Brown et. al., 2003:19).

In the same way, affiliation results from the character of uniqueness, wherein the consumer, once s/he has identified herself/himself with the culture depicted in the ad, feels a sense of belongingness with the subject or image displayed in the ad. Thus, the consumer who understands and agrees with the culture depicted becomes affiliated with it, and HSBC, taking advantage of this event (creation of uniqueness and sense of affiliation), persuades the reader to subsist to HSBC, the company that ‘understands’ people of all cultures. Combining both uniqueness and affiliation results to the development of self-esteem, where the consumer, once s/he recognizes the value that HSBC gives to people of his/her culture, would then affiliate himself/herself with the banking

institution. In effect, the ad portrays the HSBC brand as embedded in each culture and actually belongs to the people. Thus, the ad campaign becomes successful in showing the consumers that HSBC knows its consumers—their personality, and what motivates them to consume a particular product or service.

Conclusion: Motivations and Personality reflects the HSBC Consumer

In the previous sections of this study, motivation and personality were shown as essential factors identifying and reflecting consumer behavior. It is evident that both sociodemographic and psychographic characteristics both determine consumer personality and motivations (Rafee, 2004:17).

Personality primarily determines the consumer as buyer, payer, and user of a product and/or service. In so doing, the sociodemographic variable income and socio-economic class helps determine the extent up to which the consumer shall adopt the roles enumerated earlier. Furthermore, attitudes towards a product or service—that is, becoming product- or merchandise-oriented or service-oriented as a consumer is a psychographic variable that also aids him/her to buy and consume the product/service. Both variables work together to ultimately determine the consumer's choice and preference of a product or service.

Motivations are also important determinants of the consumer's characteristics and behavior towards consumption. Along with sociodemographic variables of income, age, sex, and ethnic membership, psychographic variables such as need for achievement, affiliation, power, and self-

esteem are also taken into account. Combining these variables together result to the fulfillment or failure of the consumer to achieve his/her needs, depending on the quality of the product or service offered—that is, up to what extent consumers' needs are achieved through the product/service.

It is important to provide a case in point to illustrate how consumer characteristics (personality and motives) eventually influence consumer behavior. In the case of the HSBC ad campaign, we have seen how personality and motivations become components of the ads, allowing it to create and transmit an effective advertising message to the reader/consumer. Centering on the issue of cultural sensitivity and tolerance to people's and individual's differences become the vehicles of persuasion that HSBC uses to illustrate the personality traits and motivations of the consumer. In the case of HSBC, research on the profile of the HSBC consumer showed that there is indeed a large percentage of today's consumer market who came from various ethnic or cultural origins apart from the American (or Western) consumer (HSBC CSR Report, 2003).

In sum, this study has shown that taken to its advantage, research and information concerning consumer behavior shows that two of its influential factors are personality and motivation. The future of better and more effective advertising and marketing promotions of the consumer market can thus be further improved, as was shown in the HSBC experience, wherein consumer personality and motivation are taken into consideration and acknowledged as imperative in determining the consumer market in today's information age.

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IMPLEMENTING THE ACTIVITY BASE COSTING SYSTEM: A CASE STUDY ON DAKOTA OFFICE SUPPLY

By Betty W. Steadman

Overview

Activity Based Costing (ABC) is an accounting method that allows an organization to determine actual costs associated with each product and/or service produced by the organization without regard to the organizational structure or other extraneous function. For Dakota Office Products (DOP), its existing costing system was inadequate because it is incapable of accounting for even all of the known costs such as the desktop delivery service as well as hidden costs such as the 10% DOP paid to maintain its working capital line of credit for accounts receivable (Kaplan, 2003, p.4). Since ABC is a powerful tool for measuring performance, identifying, describing, and assigning costs to, and reporting on an organization's operations it could solve much of DOP's critical cost oversights (Caplan, Melumad & Ziv, 2005). Used holistically ABC can be utilized to also improve processes and identify opportunities to improve business effectiveness and efficiency by determining the true or real costs of a given product or service. ABC principles are used to focus management's attention on the total cost to produce a product or service, and as a basis for full cost recovery of a production or service process.

Situational Analysis

DOP is a regional office supply company with a strong reputation for customer service and quality supplies. Additionally, DOP is unafraid to adopt new service operations such as its "desktop" delivery option which delivered smaller orders directly to individual sites as well as its traditional commercially delivered mass orders to customer distribution sites (Kaplan, 2003, pp.1-2). Additionally DOP deployed an Electronic Data Interchange (EDI) solution in order to ease data and payment transfer from and to customers as well as building a customer website that acts an order and account interface for its customers. Together these initiatives all expanded DOP's customer service and quality metrics but also came with a cost which the company had difficulty identifying. While exact costs were difficult to ascertain for DOP it is clear that the company is incurring expenses in a manner that it previously had not since its EBIT (earnings before interest & taxes) for fiscal year 2000 revealed a -1.3% loss (Kaplan, 2003, p.4). Since the company did not actually break down costs in order to arrive at a more accurate pricing schedule but instead relied only on a universal 15% markup over basic material costs, DOP had absolutely no way of being

able to identify where the cost inefficiencies were in its operations.

Activity Based Costing

Traditional product costing such as DOP employs was designed for an industry comprised of companies having one-type (homogenous) of product, large direct (fixed) costs, very few data collection techniques and fewer data analysis tools, and low below line costs. By contrast, contemporary industry exhibits a highly diversified product/service mix as evidenced by DOP's employment of both commercial delivery methods and its new customized individually oriented delivery model accompanied by high overhead costs as compared to fixed labor costs, a mass amount of data with countless ways to analyze it, and considerable non-product, indirect, or hidden costs affecting overall pricing, costs and expenditures.

ABC is a system of accounting based on the allocation of resources and accounting for the value of those resources in relation to a specific task or activity. In this sense, labor and direct material costs lose the prominence that they are given in traditional costing systems and are accounted for as any other resource is accounted for. Activities such as sales, support, or other business processes are largely excluded. This is not the case in ABC because all the various functions, activities, and support processes of a company are broken down into pools of resources with a particular value attached to them. For example, developing a cost-driver rate for DOP would involve basing an estimate on an approximate 80% capacity rate to employees. For example, a cost-driver for DOP related to warehouse operations is 4,400,000 annually which

would be divided by the number of cost-drivers such as order set-up, order entry, order validation, receiving, handling, packaging, loading, and delivery and the result would be the cost per occurrence of the cost-driver rate: \$550k. This figure is then divided by the total number of instances these actions occurred which, as reported by DOP was 80k during 2000 and so the cost-driver the year would be \$6.87 per activity on average. This figure would be used to identify unprofitable accounts such as the customer A and B mentioned in the case where customer A and B both generated approximately \$100k in annual revenues and based on customer A's 21.2% markup this would mean that \$78,800 represented the COGS (cost of goods sold) while the cost-driver would indicate that \$10,992 went towards the associated activity costs which would mean that customer A's profitability is \$10,208. By contrast, customer B's profitability is lower. Based on the same assumptions customer B's COGS is \$77,600 while the cost-driver would be factored with an extra activity per carton and thus would be \$12,366 plus the \$3,000 to carry its accounts receivable balance resulting in a profitability of \$7,034. Because of the additional activities associated with customer B and the hidden cost of carrying its accounts receivable balance, customer B is less profitable with the same overall revenues as customer A. While it is difficult to identify limitations in this ABC methodology with respect to these particular customers it could be argued that the goodwill created by the additional services for customer B will result in longer service and greater orders in the future.

Recommended Application at DOP

ABC in Practice at Dakota

Before performing ABC, a baseline or a starting point is needed for business process improvement and a baseline can be expressed in some form of model. This baseline is critical for DOP because in order to establish this baseline metric the analytics just performed must be done for each individual account. If DOP performs this activity on each customer the strategic management benefits would be substantial because all the excess cost-drivers could be eliminated resulting in much wider operating margins and thus profitability without increasing costs or committing resources to gain this efficiency. Therefore, a baseline is a documentation of the organization's policies, practices, methods, measures, costs and their interrelationships at a particular location at a particular point in time (Maiga & Jacobs, 2003). Through base-lining, activity inputs and outputs across functional lines of business can be identified. ABC is the only improvement methodology that provides output or unit costs. Value added activities are those for which the customers are usually willing to pay in some fashion for the product or service. Non-value added are activities that create waste, result in a delay of some sort, and potentially adds costs to the products or services. Resources are assigned to activities so that the activities can be performed in the first place. Some of Pilgrims' resources are measured in man-hours, machine hours as well as machine maintenance and operational overhead. It is through ABC that an organization can begin to see actual dollar costs against individual activities, and find opportunities to streamline or reduce those costs, or even eliminate the entire activity thus removing the cost altogether. This is the process inherent in

ABC that reduces overall expenditures of the company.

Procedural Steps of ABC

Some typical steps in implementing an ABC program are often defined as five activities that must occur if a true cost accounting is to take place within the confines of an ABC operation. These five activities are typically listed as (Latshaw & Cortese-Danile, 2002): 1) Analysis of activities, 2) Cost gathering, 3) Associating costs with activities, 4) Baseline output metrics, and 5) Cost analysis. These steps should be performed by an integrated team of cost accountants, floor managers, and project managers that have been committed by top management to work on the ABC project within DOP. Yet, the cost savings could be enormous. For example, by identifying the previous cost-drivers it is apparent that a simple migration of all customers over to the internet based ordering and billing system approximately 9,500 man hours can be removed from the current order fulfillment process resulting in a cost savings of at least \$142,500 in labor alone not to mention efficiencies gained in the order fulfillment process where the cost-driver rate could be reduced by the removal of an activity which would amount to approximately \$515,250 or a total cost savings of \$657,750 annually. Considering DOP missed its earnings target by (470,000) this cost savings would actually return the company to profitability as the following chart reveals:

The straight blue line is revenue while the green line represents the direction profits are currently moving without ABC and the yellow line represents the direction it will move following the implementation of ABC. The pink line represents profits

should the company only cut costs without improving its cost-accounting methodology.

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LEADERSHIP WITHIN LAW ENFORCEMENT: A BOOK REVIEW ON JIM COLLINS' "GOOD TO GREAT"

by Sara Asplund

Introduction

That the law enforcement community often finds itself operating in the middle of many social crossroads is obvious. What remains is the manner in which each entity, each department, each supervisor, and each officer manages those intersections. If those choices are managed consistently and with a clear set of guiding principles, perception becomes the ally of the entity, department, supervisor, or officer. Conversely, if enforcement and relations are erratic and inconsistent, perception works against law enforcement, and the very communities those officers have sworn to defend and to serve will often withdraw the trust and cooperation essential to success.

Leadership and vision are essential to winning the battle for perception, the hearts and minds, of the community, and it is in finding and nurturing great leadership that law enforcement should look to the wisdom afforded by the business community. The business community has long recognized that strong leadership heralds in change and change management (Bass, 2000). The management of change is critical in law enforcement because of the ever evolving communities within which law enforcement must interact with.

The core of this essay's discussion of leadership will involve the concepts and principles put forth by Jim Collins in his

bestselling *Good to Great: Why Some Companies Make the Leap and Others Don't*. The focus will not involve the financial elements of running a company, but rather the essential measures leaders must take to find, cultivate, and direct great leadership at all levels of their organizations (Vosburgh, 2005). The argument for this is simple enough: If law enforcement can make leadership (at all levels) a priority, and can inculcate core values and instill a core purpose in all levels of the organization, the organization will of necessity be in a stronger position to deal with whatever eventualities may arise.

Finding Leaders

Jim Collins admits early on in his discussion of leadership that he was not looking for leadership to solve all his problems. Quite the contrary. The problem arose when, despite his constant admonition to his researchers to, "Ignore the executives" kept meeting resistance from his staff, who insisted that there was something about the leadership of "Great" companies that was absent in the merely "Good" (Collins, 2001, 21-22). One of the primary distinguishing characteristics of what Collins calls Level 5 leaders is that their egos do not get in the way of their desire for corporate success. In fact, such leaders "want to see the company even more successful in the next generation"

(Collins, 2001, 26). Essentially, for great leaders, it is at least as important (if not more so) that when they pass the mantle to the next generation they can rest assured that the organization is likely to be managed even better than they themselves could.

The opposite of this impulse is what Collins calls “A Genius with a Thousand Helpers” mode of leadership, where an exceptional individual surrounds himself with a competent support group, but does not leave the organization in a position to sustain (or surpass) the successes of the leader, because choosing a successor is never made a priority (Collins, 2001, 46-47). While Mr. Collins could provide no sure litmus test for how Level 5 leaders come to be, he does have recommendations as to how to recognize, and possibly become one by simply doing as Level 5 leaders do (Collins, 2001, 38). If law enforcement agencies can tap into this character trait of great leadership, they can navigate the treacherous shoals of competing interests and political intrigues with a better chance of keeping their core values intact and achieving their missions.

Cultivating Leaders

Finding and cultivating great leadership should be the primary function of those at the highest levels of management in any organization, but none more than law enforcement, where officers and agents touch so many lives so deeply on a daily basis. It is not essential, for Collins, that one know exactly what one wants an exceptional individual to do, so much as knowing that one has an exceptional individual at hand (Collins, 2001 42-45). Collins calls this the “First Who ... Then What” principle: Finding exceptional potential leaders, and then finding where their talents can best serve the

organization. It is a difficult principle to uphold, especially if there is external and internal pressure to hire for a position, but this core principle is an essential element of great leadership (Rao, 2001, p.118). How else is one going to ensure that future leadership will be as exceptional as the current regime if the current regime does not take pains to ensure that all positions are filled with the best possible candidates, regardless of how many shuffles of the organizational chart it may require?

Turnover vs. Churn

This willingness to be persistent in finding talented individuals, then finding where their talents are best put to use is called “churning.” The dynamic opposite of churning is turnover. What great organizations do, that good or mediocre organizations do not, is they churn better (Collins, 2001, 57). That is, they are better able to move talented persons where they could contribute, and moved incompatible personalities out of the organization more efficiently.

The “turnover versus churn” debate is intellectually compelling on its own merits, but why is this concept important for law enforcement? The answer is because in any organization, but especially in law enforcement, exceptional, motivated individuals want to make a difference and want to believe that they will be placed in a position to succeed, and that they will be rewarded for their hard work and sacrifice. Law enforcement agencies invest a great deal of time and effort in developing their officers, but if those officers do not feel that their contribution will lead to recognition and promotion, they will move to where they believe they have a chance to succeed on their merits (Bowman, Carlson, Colvin, & Green, 2006, 133). Finding good law

enforcement leaders at every level, and then giving them work that is fulfilling and satisfies the individual's desire for success is essential to cultivating a culture of competence that can become self-sustaining. The alternative is fumbling in the dark, having no programs for finding and fostering talented persons, and wasting precious time and resources having to repeat the process, because the individuals leave for greener pastures.

Facing Facts

Essential to creating a culture of leaders concerned in raising the overall level of competence of the organization are several virtues that can fall under the general rubric of "Facing Facts." Great leadership cannot be afraid to confront the facts of any situation, nor can it surround itself with persons afraid to face facts or speak truth to power. Great leaders must empower their teams to raise the red flag and question anything, without fear of reprisal (Collins, 2001, 79-80).

Collins recounts how Winston Churchill created a whole department to provide him with unfiltered, stark, unadorned facts. Because he was unafraid to face those facts, Churchill never allowed himself to be lulled into a false sense of security, while still maintaining the highest stated goals. "Facts are better than dreams," he said (Collins, 2001, 73). That is not to say that greatness does not dream, nor that greatness is devoid of vision. Law enforcement organizations embracing the principle of facing facts will be in a better position to respond to situations in a reasoned manner, while remaining true to their core mandate to serve and protect, because they will resist the temptation to look for easy answers to complex problems. Refusing to be

simplistic, in turn, will engender a better perception of law enforcements commitment to their core mission.

Conclusion

It is not accidental that the concept of core mission recurs in the discussion of leadership. If nothing else persists of this paper's discussion of leadership and law enforcement, preserve the idea that leadership in law enforcement must clearly define and disseminate the core values and core mission of their entities and make every effort to ensure that the individuals responsible for realizing that common vision are the best possible candidates, empowered to question authority and effect change and progress and armed with facts. Then they can make what would otherwise be empty slogans into a reality that the community can see in action and rally around. In this way, those remarkable individuals who stand in the intersections of our society can be made powerful and positive agents for the safety and preservation of the communities to which they have been entrusted.

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JAY CONGER'S "LEARNING TO LEAD": A BOOK REVIEW

by John Davenport

The inherent qualities of leadership are often the topic of professional and academic debate. In his recent publication, *Learning to Lead: The Art of Transforming Managers Into Leaders*, author Jay Conger discusses this topic in depth. His intent is to argue that while many leadership qualities are inherent at birth many others can be developed while even the inherent ones require consistent nurturing. Conger relies on considerable leadership theory and research to support his thesis and most especially relies on established paradigms within leadership research such as leadership models (2005). Through the foundation of leadership models the author is able to support his pretext that leadership development strategies are equally if not more important than inherent leadership qualities are to the contemporary leader.

A majority of this text argues that leadership development is essentially part and parcel of post-modern leadership models. However, Conger refers to these types of leadership models as personal growth approaches which are based on, "critical elements in this order: (1) a resourceful state...(2) a relationship...(3) rapport...(4) rhythm...and (5) the result"(1992, p.75). While many of the underlying principles for establishing and building communications in an organization are universal, the approaches to leadership have taken many different tangents in the late 20th and early 21st century in order to raise productivity, to improve motivational response, and create

organizational culture in which communicative process as described by Conger are fostered. Thus, for Conger and other leadership authors, these post-modern leadership models are largely based on the willingness if not the responsibility to effectively guide and teach others (1992, p.46). One particularly interesting leadership model to emerge recently is situational leadership which occupies, in form or another, much of the underlying theme of Conger's work.

Situational leadership is not based purely on metrics but more on relationship with employees and how these relationships are fostered as well as how the employees are encouraged or facilitated in terms of development. Conger remarks that situational leadership training programs have, "been built around a contingency theory of leader effectiveness, using the two leadership roles...task and relationship"(1992, p.41). This leadership model supports many existing contentions that leaders are essentially teachers as well. While employees still must be held accountable for performance, the situational leader is concerned about the cultural effectiveness of the organization in ways Taylor and scientific management only discussed fleetingly. In this sense, where scientific managers call management a science, situational leaders call management and leadership an art and that acquiring this particular skill is akin to developing an innate talent rather than in honing managerial resource manipulation for

example. The art is in the development process that accompanies the progression of a leader through a career and an organization.

The body of literature covering leadership models often overlooks the impact that conceptual leadership models have had on current models. Conger, through his work on leadership development and delineating the qualities thereof vis-à-vis innate or induced qualities, addresses much of these shortcomings in leadership studies by delineating a 5 step leadership process which includes the following steps: challenging the process, inspiring a shared vision, enabling other to act, modeling the way, and encouraging from the heart (1992, p.86). Yet, it is important to keep the paradigm of leadership in perspective by understanding its foundations in the simple desire to act and accomplish no matter the leadership model or structure being examined. This diacritical thread that extends across the leadership expanse of Conger's various models and their study, lends certain credibility to the office of leadership and its ultimate purpose in the 21st organization that relies more on transformational concepts and situational relationships. Leadership, no matter the ilk, is tasked itself with getting things done and this is an overriding theme of Conger's contribution to the literature. For Conger, he terms this progression as equivalent to a series of pithy statements that have been internalized by most leadership development programs to one degree or another: "take responsibility, live in the present, realize your potential"(1992, p.158). That is, leadership development must be planned rather than left to the auspices of professional experience alone and the leader must develop a sense of what these phrases

mean in daily practice. Perhaps it could be said that the field of leadership models, though discursive in its overall body of knowledge, can be unified around the consistent theme that each has been charged to identify unique and requisite skills deemed important within the environmental context in which each leadership model was developed and deployed. Conger's research illustrating the importance of planned development versus passive experience is an important contribution to leadership research relative to leadership models and how leaders can be groomed rather than simply discovered.

Many researchers have come to recognize that the leadership model most effective at adapting to the perpetual presence of change and the continual need to address professional and developmental needs of the individual employee is the transformational leadership model that has, as its core mission the idea of building cognitive and psychological skills which are hard to teach but almost impossible to do without (Conger, 1992, p.51).

Learning organizations, and by extension, transformational leaders, revolve around the establishment and maintenance of on-going processes that lead to continual improvement across the organization, not just productivity improvements in production or service. Conger says as much when he describes his authentic leadership development process as being at the core of transformational leadership itself and this concept is represented by what he describes as the definition of the creative leader:

The task of the creative leader is to envision and bring about changes which have beneficial long-term consequences not only for his or her part of the organization but for the organization as a

whole and the total society of which that organization is a part. (1992, p.115)

Thus, just as learning organizations are requisite for success, learning leaders, in a developmental sense, are requisite to lead those organizations within the context of the global business environment. This is essentially how Conger ends his work because he then focuses on how leaders should ideally be developed and trained which should result in a leader that could then match, to one extent or another, the

definition given above. Conger's work on leadership is useful and meaningful and certainly well intended but, unfortunately, it seems to lack resonance with pace at which many leaders are currently tasked with implementing and controlling change.

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LEADERSHIP AND COMMUNICATION: A BOOK REVIEW ON L.H. GARNER'S "LEADERSHIP IN HUMAN SERVICES"

by Roger Stevens

Leadership and empowerment of management is one way to attract and retain people in your company. In Leslie H. Garner, Jr. (1989) *Leadership in Human Services* he discusses a results-oriented management style that involves six steps:

1. Identify the clients to be served and the problems to be addressed.
2. Specify the client outcomes to be achieved.
3. Select the agency activities to produce those outcomes.
4. Acquire, allocate, and manage agency resources.
5. Monitor agency activities.
6. Evaluate client outcomes.

(Garner, 1989, pp. 26-43)

There are a multitude of case studies that try and demonstrate the positive outcomes from this result-oriented management style. The main weakness of the book is the inability of human service organizations to retain their employees who are managed by the result-oriented management tool. Although Garner provides the six steps for the result-oriented management tool the reader's time is spent on how the tool is successful rather than provided specific examples of techniques on how to use the result-oriented paradigm. One positive function of the book is that all levels of staff are included in the management plan—the

negative being that no client representatives are acknowledged—this negative aspect is a big faux-pas in regards to mental health planning.

It isn't until the end of the text that Garner utilizes two whole pages about the communication from staff in effective human service organizations who state that their clients are important and what they think counts. It is also important to note that in the last two pages is when Garner says that the same effective human service organizations has management teams that say their staff is important and that they matter. It is this lack of interest in effective organizations communication processes that makes Garner's book *Leadership in Human Services* not worth using as an example of how to effectively lead an organization. The lack of emphasis on good leadership through communication is a major flaw in this text and represents the inability of human service organizations to figure out why they cannot retain employees. Communication and positive reinforcement to people—it's not that hard.

Dilemmas in *Human Services Management* by Mayers, Souflee, and Schoech (1994) discusses in its first paragraph a variety of different management tools that are geared toward promoting leadership in human service management teams. The management style chosen for deconstruction is the

modified model of Lewis, Lewis and Souflee. This modified model “is based on a systems perspective of management, and contains a set of interacting and interdependent components operating synergistically to produce program efficiency and effectiveness” (Mayers, Souflee, & Schoech, 1994, p. 1). Unlike Garner the cornerstone of this model is leadership through the interdependent relationship of manager and employee—each needs the other to feel the positive effects of empowered leadership. The elements of the Human Service Management Model developed by Lewis, Lewis and Souflee (1994) are:

- Functions
- Processes
- Tasks
- Activities

These four components are sequential steps that are implemented in the development of new projects, new employees and seasoned employees. Each component requires communication between management and employee. Often with this type of leadership style employees who wished they made more money choose to stay at their current job any way because of the dynamic leadership and management in their office.

Garner’s book has its positives, but clearly lacks in its ability to provide specific techniques to retain employees. The importance of leadership, communication and positive reinforcement is key to employee retention and the ways in which to accomplish this feat is not discussed in Garner’s book although the personal stories of employees and managers is helpful in turning around the isolation of a failed result-oriented management style.

The positive effects of a consistent staff create public trust in human service organizations. Empowered leadership is the easiest and best way to gain public trust. If perception is reality then human service management needs to look at their organization through the eyes of the employee and client.

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BEAUTY AND THE LABOR MARKET: AN ARTICLE CRITIQUE ON HEMERMESH AND BIDDLE'S "BEAUTY AND THE LABOUR MARKET"

by Kenneth Wilson

Article Summary

Informal observation has long supported the supposition that physical beauty or handsomeness can pay dividends in the workplace irrespective of the type of employment. In *Beauty and the Labor Market*, the authors Hamermesh and Biddle attempt to quantify the degree to which physical beauty or the quality that the general public might ascribe to being good looking in terms of actual earnings. Hamermesh and Biddle begin their research by discussing the most significant existing literature that has examined this issue. One interesting point that they clarify at the outset of their argument is to make the case that although a significant amount of research has been conducted on this general topic, relatively little research has been undertaken in this topic that examines how the shifting standards of beauty have affected earnings of those deemed good looking or not good looking over time (1175). While this might seem like an obvious caveat to anyone doing research in this area, apparently this significant variable has not been adequately factored in previous research. In examining how physical looks have affected earnings of individuals the authors of this research project attempt to eliminate or account for all possible variations in earnings by controlling for other factors, such as tenure and education,

through regression analysis 1180). One interesting outcome of these authors' research is that there is an absence of difference by gender statistically speaking which is perhaps the inverse of common beliefs, given that women are often deemed to have distinct advantages if they are beautiful or pretty. The overall result of the study is that the authors have identified a 5 to 10% penalty in total earnings for individuals who are deemed not good looking.

Lessons Learned

This research paper revealed some interesting observations about how physical attractiveness can impact an individual's employment. While many people automatically assume good looking women have a distinct advantage in the workplace, many of these same people might not realize that males actually have the same advantage. These authors made a host of important revelations regarding physical attractiveness and professional employment but one important assertion is that individuals who are not deemed good looking must proactively compensate for their unattractiveness through other means such as elevating their education or training qualifications or in burnishing their upbringing and professional background in some regard (Hamermesh & Biddle 1186). Unfortunately, if an individual is not blessed with what would

be commonly considered classical good looks then they are, in a sense, permanently handicapped from a professional perspective. The primary conclusion of these authors seems to be that the labor market, irrespective of region or locale, does in fact reward physical attractiveness in terms of real wages. These results have a very real impact on quality of life issues as well as productivity in the workplace because employees who are penalized not based on actual merit but purely on physical appearance may not consciously be aware of their loss of income but the lower wages would negatively impact productivity and overall output.

Article Critique

The researchers in this article have presented a fairly objective argument for establishing that not only are informal observations regarding the advantages of physical beauty in the workplace accurate but, even more importantly, they can be academically proven. However, one unique fault with the methodology in this research project is the subjective necessity of relying on a distinctly subjective determinant of what constitutes beauty:

The second method relies on the opinions of eight adults with at least one year of full-time labor-market experience who were asked to rate each of the three-digit occupations on a three-point scale: 0, looks are probably not important; 1, looks might be important, and 2, looks are definitely important. (Hamermesh & Biddle 1189)

While much of this subjective determination of beauty upon which this research project relies might be necessary, it is one of its weakest points. Other research and commentary in the field of

physical beauty and good looks has revealed that there are quantifiable measures that can be, at least partially, relied on to define what constitutes beauty in a very real sense. For example, Von Drehle writes that professionals who regularly work with what would be considered beautiful or good looking people such as reconstructive surgeons have asserted that many studies support their contention that what societies commonly term beautiful are “highly symmetrical” features (par.5). Thus, there does exist some basis for which the researchers, Hamermesh and Biddle, could have moved to actually quantify what beautiful or good looking actually means. The fact that such a quantifiable paradigm can not only be configured but has been created is proof that these researchers missed an opportunity to provide even further factual evidence regarding their assertion that beauty or physical attractiveness affects real incomes.

The paradigm that could have been altered or adjusted for this research project is based on the symmetry of the human features which is proven to be at the foundation of commonly accepted physical attractiveness. This paradigm is outlined below:

The combined width of the two upper front teeth in a model-perfect smile is 1.618 times the height of each tooth... he generated a number of shapes using key facial features as endpoints all based on the 1:1.618 ratio...He called the finished product his... “phi mask.” The real test came when he assembled hundreds of pictures of acclaimed beauties...His “mask” fit...onto face after face after face (Von Drehle pars.12-15)

This working paradigm of classical beauty of the female face might not be effective in itself for male employees but

its principles could easily have been adapted to work for a male population.

Certainly this model could have been used to determine how close to the ideal of physical beauty an employee was in determining actual beauty or good looking determinants for the purpose of this study. It would have been useful to complete the study as it is but to utilize such a quantifiable metric as a method to control for subjective interference on the part of the employees utilized to qualify someone else's status as good looking or not good looking. This shortcoming regarding the research project's ability to adequately quantify or to develop an objective means to quantify beauty or attractiveness is even more striking considering other academic research projects have been better able to develop such metrics. For example, Sara Kimmel and James Mahalik, in *Measuring Masculine Body Ideal Distress: Development of a Measure*, were able to do just that which is to create a quantifiable and repeatable metric that allowed them to determine how far off the

ideal physical form individuals were relative to their current physical state. Some of these authors' metrics could easily have been incorporated into Hamermesh and Biddle's research project which would have introduced substantially more academic objectivity into a field of research that can be highly problematic.

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Business Intelligence Journal

July 2008, Volume 1, Number 1

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