Management Research in Emerging Economies

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features summary of articles published in Indian and international journals with special emphasis on India and other emerging markets

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Financial Management


The new market realities present challenges for the Asia-Pacific exchanges thus enhancing the importance of market design. This paper reviews the market design of ten of the Asia-Pacific region’s largest stock exchanges and examines how differences in market structure influence their success. It identifies the challenges faced by these exchanges and discusses the trends. The exchanges reviewed include the Australian (ASX), Malaysian (BMA), Hong Kong (HKEx), Jakarta (JSX), Korean (KRX), Thailand (SET), Sanghai (SSE), Singapore (SGX), Tokyo (TSE), and Taiwan (TSEC). Examination of market microstructure reveals significant differences in the design of trading mechanisms, market transparency, order priority rules, and tick sizes. It is argued that the most efficient market practices that enhance liquidity and price discovery, depend upon the characteristics of firms and their investors. Therefore, optimal market structure may differ between Asia-Pacific exchanges depending on the characteristics of stocks and traders in each individual market. For example, ASX, with a highly concentrated market dominated by institutional investors, may require special mechanisms for institutional investors, such as delayed reporting whereas the KRX has a large proportion of retail investors has no delayed reporting regime. Some of these exchanges are modernizing their market design. BMA, SSE, and ASX have all announced market reforms, BMA’s new trading structure being based on the Euronext trading platform while that of SSE’s based on Deutsche Bourse’s Xetra trading platform.


The currently ongoing financial sector reforms aim at deregulation of the financial system, including the liberalization of interest rates, reduction of credit controls, development of the government securities market, enhanced competition and efficiency in the nationalized commercial banks, introduction of financial innovations, and relaxation of regulations. This paper tests McKinnon’s complementarity hypothesis for India using multivariate econometric techniques to examine the extent to which the interest rate liberalization policy is effective. The complementary hypothesis states that money and real capital assets are complements in developing economies because, in the absence of deep financial markets and extensive financial intermediation, money balances have to be accumulated before relatively costly and indivisible investment projects can be undertaken. It implies that the demand for real money balances depends positively on real income, the own real rate of interest on bank deposits, and the real average return on capital. The positive association between the average real return on capital and the demand for money balances represents the complementarity between capital and money. By rejecting the hypothesis that the money demand and investment ratio equations show a structural break between 1985 and 1995, the results suggest that the financial liberalization of the early 1990s still has some way to go. In order to secure greater levels of investment and more rapid and sustained economic growth, RBI should continue to pursue a policy aimed at changing negative real interest rates to positive levels, the authors conclude.


Research on executive compensation so far has focused on the CEOs. The author, however, feels that CEO looks after the day-to-day management of the firm while the board is the monitor of the firm, making all major decisions and developing strategy. This paper therefore examines the effect of corporate governance, firm performance, and corporate diversification on the board as well as CEO compensation and its components, in the context of an emerging economy—India—where the managerial market is not well-developed. The study analyses a large number of firms (462) in India from 1997 to 2002, based on primary data collected from firm annual reports. A pooled model with industry- and time-specific fixed effects is used to determine total board compensation. The determinants of compensation can be classified into four categories: firm performance, internal monitoring, firm diversification, and other firm-specific economic factors. The results provide evidence that board compensation largely depends upon current- and previous-year firm performance, whereas firm size rather than firm performance is one of the major determinants of CEO compensation. It also shows that total as well as fixed components of board compensation decrease with increased proportion of outside directors. If the CEO is the chairman of the board, then board compensation increases. Among the personal attributes of the CEO, only in-firm experience has significant influence on CEO compensation. In India, under the strong influence of the founder, firm loyalty in terms of number of years served greatly determines CEO compensation, adds the author.


Transitional economies are characterized by largely undeveloped market institutions and infrastructures, poorly defined property rights, and unprotected private sector legitimacy. In transition economies where many private firms are transitioning from one growth stage to the next, with their legitimacy changing accordingly, it would be important to know how do they get bank loans at each stage. This study applies institutional theory to examine factors that influence firms’ accessibility to bank loans by private SMEs. The central thesis of the paper is that firms with high levels of legitimacy would have better access to external financing (including bank loans). Thus, factors that help firms improve their legitimacy would also help these firms access bank loans more easily. The authors specifically develop a model to examine the influences of growth stages, professional management practices, and networking on access to bank financing by private SMEs in Vietnam. The results indicate that firms at a later stage of growth have more access to bank financing. Networking with government officials negatively influences bank financing as
it helps firms have more access to aid money and government support programmes. In contrast, networking with managers of other organizations and friends positively influences firms’ accessibility to bank financing. However, the impact of networking on bank financing is stronger for firms at the early stage than for those at the later stage.


Multinational and highly diversified companies are increasingly facing pressure to disclose more segmental information in their financial statements. While it is generally believed to be beneficial, the high cost of compiling, processing, and disseminating segmental information could exceed the potential benefits. This study investigates the relationship between segmental reporting practice and competitive disadvantage among the Malaysian public listed companies for 2000-2002. Segmental reporting in Malaysia was made mandatory in 1987. The Proprietary Cost Theory framework suggests that companies have an incentive to disclose more financial information to the market in order to reduce information asymmetry in the absence of proprietary costs. This framework was used to formulate four hypotheses. Descriptive analysis, correlation analysis, and regression modeling were employed to test the hypotheses. Results reveal a significant correlation of total performance index, weighted average correlation, and size of companies with the segmental reporting accounting standard. The existence of competitive disadvantage is indicated as companies disclose segmental information. However, a positive coefficient shows that a company’s competitiveness level or financial performance improves as segment disclosure quality falls. Although the statistical analysis provided a mixed pattern, yet the findings are expected to help regulators, reporting companies, and professional accounting bodies to monitor the level of segmental information disclosure and the level of competitive disadvantage suffered by the practising companies.


Bank failures and financial crises during the last two decades have raised questions regarding the competency of the governance practices of the banking system. The case of banking firm corporate governance is unique due to a broader extent of claimants on the bank’s assets and funds. This paper addresses the corporate governance of financial institutions with particular reference to the banking sector of Bangladesh. It sheds light on the structure of corporate governance of banks in Bangladesh involving their ownership structure, board issues, executive aspects, disclosure, and audit practices along with their associated weaknesses. As the dominant financier for the industrial and commercial activities, banks play a vital role in the Bangladesh economy. However, despite the expansion and ownership reforms, the operational efficiency of the banking institutions has continued to be dismal with decreasing profitability, increasing non-performing assets, capital shortfalls, eroded credit discipline, rampant corruption, low recovery rate, inferior asset quality, excessive interference from government and owners, and weak regulatory and supervisory role. For restoring discipline and bringing in sound corporate governance, on a priority basis, the authors suggest removal of political influence and granting autonomy to banks and regulators so that they are able to deal with banking issues in terms of economic and commercial viability. Unless accompanied with corporate governance, financial liberalization would only lead to an inefficient banking system, conclude the authors.

Marketing Management


As firms increase their global activities, they often tend to neglect the natural channels in favour of efficiency channel model based upon transaction cost analysis. Though effective for many organizational decisions, these efficiency channels could be ill-suited to the emerging market context. This paper develops a model to provide a conceptual basis for the study of international channel-strategy determination under a natural channel perspective. To understand the natural channel model, the distribution strategies of US multinationals operating in India were examined. By using the macro-level influences identified earlier and allowing the qualitative data to determine the micro-level influences, the study established the relative importance of micro-level influencers in relation to firm’s channel strategy. The results suggest that the use of natural channels may allow firms to overcome weaknesses in infrastructure and fragmented retail structure in emerging markets relative to developed markets. By employing the natural channel, some firms have allowed the end user, or the products themselves, to determine the appropriate channel. For instance, while Xerox employed a three-tiered approach, 3M was successful employing a partnering approach, and Procter& Gamble found success through creating a tailored distribution network. The firms can thus achieve success by taking advantage of the natural channel elements and optimizing their distribution strategy to the specific set of internal and external influencing factors at play.


Building strong brands is stated to be one of the most important strategies for successful business. To explore how a brand’s competitive advantages can be leveraged in different market environments, this study examined the drivers of market share performance of both foreign and domestic brands in a transition economy. It focused on two aspects of external environments: the level of market fragmentation in the product sector and the level of local market protectionism, which is a key barrier for firms in accessing a diverse geographic market. The external market environments were hypothesized to have a stronger impact on foreign brands than on domestic brands. The empirical testing was based on a survey of senior executives of 408 brands in 52 product
categories in China. The market share of each brand was calculated by the brands’ sales over the estimated sales in the product category between 1999 and 2000 in China. The brands were divided into two groups on the basis of their market share performance: market leaders and followers. Binary logistic regression was used to analyse the brands’ market share performance to account for the effect of product sector differences. Brands’ local advantages emerged as the most noticeable components associated with high market share. Market fragmentation had a negative impact on brands’ market shares, those of foreign brands suffering more in fragmented markets than domestic brands.


Brand image represents the overall perception of a brand and the buyers’ past experience with it. This study examines the relationship between the brand image and the buyers’ perception of quality in respect of durable, semi-durable, and non-durable products. Colour TV represents the durable product category, T-shirt, the semi-durable category, and toothpaste, the non-durable product category. The factors that the buyers considered while buying a product included brand reputation, price, product features, promotion, brand loyalty, store reputation, and store loyalty. The study revealed that for a durable product like colour TV, brand image is the strongest indicator of quality. However, while making the actual purchase, buyers may pay more attention to the price and features of the brand rather than to its reputation. Similarly, in case of T-shirt, while brand reputation gives an indication of the product quality, while purchasing, more emphasis is put on price and features.

People prefer buying old established brands. For products such as toothpaste, although for the first time, reputation of the brand may matter, but at later stages, brand loyalty becomes the most important factor. Customers habitually select the same product again and again, without weighing the reputation of the brand; or may switch over to another brand just for the sake of variety or influenced by promotion. The findings have important implications for market segmentation and target marketing, product positioning, branding and pricing, selection of distribution channel, and designing of the promotion strategy.


Consumer ethnocentrism refers to the belief that it is inappropriate to purchase foreign products in the interest of the domestic economy. With the recent identification of transition economies having a great potential for global growth, there is felt an increasing need for the global managers to understand the attitude toward foreign goods among consumers in developing the same. This study examines whether the construct of consumer ethnocentrism extends to contexts where domestic products are likely to be viewed less favourably than imports. It evaluates the psychometric properties of the consumer ethnocentrism scale (CETSCALE) in the transition economies of China and Russia. The original ten-item scale is reduced to a six-item scale using conceptual and empirical evidence from these two countries and validate it by re-analysing the data collected in four developed countries: the US, France, West Germany, and Japan. A consistent pattern of support was found for the six-item scale across the samples from all the six countries. The psychometric properties of the scale were robust even in Russia where consumer ethnocentrism was relatively low and attitudes in favour of buying foreign goods were prevalent. In contrast, consumers in China displayed levels of ethnocentrism similar to consumers in developed western countries. But, like their Russian counterparts, the Chinese samples viewed domestic goods as inferior to imports. Findings from both developing countries demonstrate that consumer ethnocentrism and the CETSCALE are applicable in contexts where consumers are generally not nationalistic in their product judgments.


Marketing scholars have devoted scant attention to applying resource-based theory (RBT) as a frame of reference in advancing marketing theory or analysing core challenges in marketing practice. The authors found a fascinating context in the Chinese firms for investigating the pattern and strength of performance advantages of critical resources along with firm globalization activities. This study examines the contingent relationship between marketing resources and performance by introducing globalization as a moderator. It is argued that globalization activities may moderate the effectiveness of strategic resources based on the structure-conduct-performance paradigm. The paradigm implies that firms rely on their environment, including globalization, for the creation, deployment, and leverage of critical resources such as entrepreneurial and market orientation and innovation capability. The firms also need to manage this contingency of resources to achieve superior performance. The study adopted two performance measures—Marketing Programme Dynamism (MPD) Scale and the firm’s sales growth in percentage over the previous year. The results, based on a sample of Chinese firms, show that the performance advantages of marketing resources are contingent upon external factors such as global partnership, market seeking, and product sourcing. In particular, the market orientation-sales growth link is strengthened by global partnership and global market-seeking activities. The entrepreneurship-performance link is strengthened by global product sourcing but weakened by global partnership while the innovative capability-performance link is weakened by global partnership activity. The managerial and research implications of the findings are discussed.

Organizational Behaviour


In the hypercompetitive and high velocity environment of today, rapid adaptive organizational processes are essential to a firm’s survival. This study explores the dynamics of organizational adaptation under the volatile conditions that
characterized Argentina during 1989-1999. The focus of the study is on the determinants of organizational flexibility in four family-owned companies—two flexible and two less flexible from the edible oil (deregulated) and pharmaceutical (in the process of deregulation) industries. Research suggests at least two possible sets of determinants of flexibility: those concerning a flexible structural design and those concerning new managerial capabilities required in a flexible firm. This study adopts a combined approach to review the literature on organizational flexibility, organizational innovativeness, and institutional embeddedness. From the interplay of the initial theoretical framework and empirical evidence emerged five determinants of organizational flexibility: low macroculture embeddedness, heterogeneity of the dominant coalition, and low degree of centralization and formalization of decision-making, environmental scanning, and strong organizational identity. These determinants form an interconnected model which offers a representation of the mechanism by which the family firms operate under environmental turmoil and adapt quickly to undertake great transformations.


In rapidly changing marketplaces as in China, innovation is believed to be a critical strategic advantage. At the same time, it could be a difficult challenge for organizations as it requires developing new approaches and implementing them successfully in turn would require considerable teamwork and skilled leadership. This study uses the theory of cooperation and competition to examine the extent to which leaders’ productivity and people orientations promote team innovation in the context of Chinese top management teams (TMTs). It is hypothesized that cooperative relationships within the top management team convince executives that cooperative relationships within the top management team convince executives that their CEO is committed to productivity and that people and these values in turn result in organizational innovation and effective leadership. Executives from over 100 organizations in China completed measures of their cooperative, competitive, and independent goals, their leader’s people and production values and effectiveness. Structural equation analysis suggests that cooperative goals among TMTs convince them that their leaders values people and production and that these values in turn result in leader effectiveness and organizational innovation. In conclusion, cooperative goals among team members and leader production and people values are important bases for effective TMT and leadership in China and in may other countries as well.


Inter-organizational relationships have increasingly become a core component of strategy. Research so far has, however, not studied the multi-level perspective from resource components to organizations and network components. This paper proposes a multi-level approach to integrate resource, organization, and network levels as an ontological framework which understands the complex dynamics of the coevolution of the micro-, meso-, and macro-levels. At a micro-level, resources support and maintain sustainable inter-organizational relations. This level reflects the actions of organizations seeking to gain access to resources. The study investigates the contents of ties in a network and analyses the role of diverse resources and its dynamic change. At a meso-level, the position and clusters of an organization in a network are investigated over time. In light of measures of centrality in social network analysis, this study computes the centrality scores of organizations in different resource linkages over time. Finally, at a macro-level, the density of network is explored by longitudinal data. To explore collaborative activity within inter-organizational linkages, the study utilizes a case study of the multiple ties and social interactions in an incubator system in Xi’an high-tech park in China. The results show that the change of centrality scores of network member organizations leads to the evolution of network structure and the change of micro-level components triggers corresponding changes in meso- and macro-level components.


In Chinese enterprises, the cooperative networks of managers incorporate a Guanxi relationship which integrates specific emotions and mutual benefits into one mode. However, studies on Guanxi have been at the departmental or institutional level, the impact on managers’ transactional behaviour being ignored. This paper, therefore, investigates the relationship between managers’ initiative toward a Guanxi formation and their transactional decisions within the network in the context of Taiwanese SMEs. It employs the social capital perspective to present the impact of Guanxi on transactional decisions and analyse the decisional outcomes through he concepts of relational mark down (RMD) and compensatory mark up (CMU). When managers are acting on their own initiatives in setting up a Guanxi network, they tend to perceive members in the network as insiders and lose some degrees of impartiality in making decisions. In addition, they would provide RMD and not ask for CMU from those who are perceived as insiders in a Guanxi network. These findings indicate that the managers’ initiative of setting up a Guanxi network, and the transactional behaviour thereof are vital factors for the long-term survival of the relationships. Further, CMU can be used as a tool to make sure that transactions are performed as planned or to minimize the loss when transactions are disrupted by one way or the other. It is, however, a short-term consideration. Only when managers perceive members of a Guanxi network as insiders would they be willing to take the risk of forgoing short-term protection in the hope of enjoying long-term potential values from the network, the authors add.


In response to the global environmental degradation, some corporations get proactive in protecting and preserving the natural environment while others are reactive. For conceptu-
alizing how organizations can more effectively address their environmental challenges, this paper empirically explores the relationship between an organization’s capacity for change (OCC) and its associated environmental performance in the context of Bulgaria, a transition economy trying to enter the global marketplace without degrading kits natural environment. The study is based on the theoretical premise of the resource-based view (RBV) according to which the internal firm resources can be bundled together in such a way as to produce one or several firm capabilities to yield superior performance. RBV research has shown that some of the most valuable and rare organizational capabilities are known as ‘dynamic capabilities’ which adapt to threats and opportunities posed by the organization’s environment. OCC characterizes the overarching nature of the RBV’s notion of dynamic capabilities for a specific organization. After controlling for organizational size, profitability as well as industry sector, an organization’s capacity for change was found to be positively correlated with its environmental performance. In addition, variations in this assessment of the organization’s capacity for change was negatively related to the firm’s environmental performance, especially the variation between top managers and frontline workers. The implications of the findings are discussed for environmental management, organizational change, and international business.

**Human Resources Management**


Career social network (CSN) is a subset of a manager’s entire social network that consists of ties that the manager considers important to his/her career success. This study conducts a fine-grained empirical examination of the social networking practices in China to see how the sex composition and social exchanges of male and female managers’ CSNs differ. Research suggests that within social networks, which are shaped by the dynamics of interpersonal attraction and social identification, there is a natural preference for homophilous networks, i.e., individuals are drawn to someone with similar characteristics. However, women, who are interested in enhancing their career success, develop work-related networks that are predominantly heterophilous. The responses obtained from the structured personal interviews with senior and middle Chinese managers were categorized into power, workflow, strategic information, and social support. The results reveal that most managers were categorized into power, workflow, strategic information, and social support. The results reveal that most managers were categorized into power, workflow, strategic information, and social support. The results reveal that most managers were categorized into power, workflow, strategic information, and social support. The results reveal that most managers were categorized into power, workflow, strategic information, and social support. The results reveal that most managers were categorized into power, workflow, strategic information, and social support. The results reveal that most managers were categorized into power, workflow, strategic information, and social support. The results reveal that most managers were categorized into power, workflow, strategic information, and social support. The results reveal that most managers were categorized into power, workflow, strategic information, and social support.


Human resource development has been instrumental in Taiwan’s economic miracle in Asia since the 1960s. In order to demonstrate the effectiveness of HRD, organizations in Taiwan need valid tools to assess learning transfer interventions and performance results. Learning transfer system inventory (LTSI) is believed to be the only such research-based instrument. This study conducts a rigorous translation of LTSI, validates it in the context of Taiwan’s organizations, and develops an instrument of transfer of learning that is statistically reliable and valid for use in Taiwan. LTSI has four sets of factors: motivation, work environment, ability, and secondary influences. While the first three factors directly influence individual performance, secondary influences affect individual performance through motivation. A heterogeneous sample consisting of 583 responses from 20 organizations were collected. Through a rigorous translation process with qualitatively subjective, quantitatively objective, and pilot evaluations of the translation as well as common factor analyses, a Taiwan version of LTSI (TLTSI) containing 15 statistically reliable factors was validated. The study also extended the LTSI’s generalizability and provided comparable measures of transfer systems between Taiwan and the US. The only difference occurring between the two countries is the merger of two original LTSI factors: transfer design and opportunity use learning. The implications of findings for HRD and possibilities for future research are discussed.


In response to economic recession and structural adjustment, workers could either have ‘discouraged effect’ leading them to leave the labour force and become hidden unemployed or ‘added effect’ where the family members enter the labour force to maintain income and leave once primary earners get stable jobs. This paper examines female workers’ reactions during such period through a comparative analysis of Argentina and Korea, two high-income developing countries. Experience demonstrated that neither of the two hypotheses consistently explains the situation in the two countries with women’s participation rates rising in Argentina and falling in Korea. The authors find a more consistent explanation in the differences in the modality and degree of discrimination or risk aversion against female workers in the labour market. It is argued that risk aversion or discrimination occurs at two levels: participation and compensation in the labour market. Compared to the Republic of Korea, female workers in Argentina were freer to participate in the labour market even during periods of high unemployment because of the favourable public policy. The employers, therefore, practised discrimination against them resulting in the ‘added worker effect.’ On the other hand, female workers in Korea withdrew from the labour market resulting in the ‘discouraged effect.’ The paper discusses the policy implications of these observations for the Republic of Korea and the developing countries in general during the period of economic adjustment.


To face the challenges of hypercompetitive business environment, Indian organizations have initiated innovative practices and their alternative adaptations. This article presents a theoretical framework for examining how Indian firms have braced themselves to face competition through creative and innovative human resource management strategies and practices and HRM adaptations that are more effective in the dynamic context. The study is based on case-based research conducted over a period of five years from 1998-2003 in 11 large Indian organizations in nine industries. Given the primary objective of the study to examine the relevance and applicability of the contingency theory of organizations and an evolving nature of the main linkages in the model, exploratory research was conducted. The study supports the argument that investments and adoption of innovative HRM strategies are a potential source of competitive advantage. The innovative HRM practices that Indian firms adopted are not a random collection but could be taken as ‘best practices’ that have yielded excellence in performance. For those MNCs that understand the challenge of doing business in India, the lesson is to leap toward an integrated and innovative HRM strategy that can attract, develop, excite, and retain key talent. Competitive advantage through people processes is difficult to achieve and even more difficult to sustain, but once achieved, it is not easy to duplicate, the author concludes.


Literature suggests that opening of the Sri Lankan economy since 1977 has had a significant impact on the realization of the importance of training as a major aspect in the organizational process. This belief is based on the premise that enhanced industry-relevant employee skills attract foreign investment and that availability of high-quality employees places organizations at a competitive advantage. This study focuses on the training practices of setting objectives, transfer, validation, and evaluation of company-specific off-the-job training programmes provided by companies themselves and through local training agencies to employees in Sri Lanka. Setting objectives for training is the process of translating the needs identified into terms of observable and measurable behaviour. Training transfer ensures that the training has transferred into the work environment. Validation sees that the training programme meets the objectives and should reflect the perceptions of the participants and reveal the unintended effects of training. Using a stratified random sample of export-oriented apparel manufacturing companies operating in free trade zones, the study revealed evidence of awareness and practice of setting objectives, transfer, validation, and evaluation. However, the results did not confirm the hypothesis that foreign-owned companies exhibit more training practices of setting objectives, transfer, validation, and evaluation than local and joint venture companies. The author explains the local companies’ familiarity with the practices in terms of historical influence of British rule in the country and competitiveness in the international market.


While organizations perceive expatriation as an attractive method for accumulating foreign markets, they face the challenges of selection and management of the most appropriate expatriate employees. This paper develops a model of expatriate adjustment to international assignments and sees if the proposed model can predict the cross-cultural adjustment of Taiwanese expatriates. Five dimensions emerged as components of the cross-cultural adjustment process: (a) pre-departure training; (b) previous overseas experience; (c) organizational selection mechanisms; (d) individual skills; and (e) non-work factors. The research specifically examined the relationship between the independent variables (including job satisfaction, family support, learning orientation, organizational socialization, and cross-cultural training) and the dependent variable (cross-cultural adjustment). The results highlight the important role of job satisfaction in expatriate adjustment, extending the earlier findings that expatriates who are satisfied in the host country are likely to adjust more effectively in a cross-cultural environment. Organizational socialization emerged as another important predictor of cross-cultural adjustment. Thus, the multinational organizations are suggested to modify the human resource and socialization policies and practices for improving job satisfaction and strengthening the work-related relationships and networks.

Operations Management


With the explosive growth of Internet, many companies have started adopting a variety of Internet technologies for meeting their intra- and inter-firm communication needs. This study examines (a) the key dimensions of interorganizational Internet communication, (b) the impact of the norms of Internet information sharing on inter-organizational Internet communication activities, and (c) the impact of the nature of interorganizational Internet communication activities on the performance of the purchasing department. Based on literature review, three key dimensions are identified: frequency, diversity, and formality. A model is developed to depict the two antecedents of interorganizational Internet communication—norms of Internet information sharing and perceived security risks—and their impact on purchasing performance. The model suggests that perceived Internet security risks influence the three dimensions of Internet communication through the mediation of norms of Internet information sharing. Tested on Chinese manufacturing firms, the study reveals that frequency and diversity of Internet communication play an important role in determining purchasing performance while formality is crucial to facilitating information flows over the Internet as well as to alleviating concerns about potential Internet security risks. Thus, instituting tight security rules and establishing an advanced IT infrastructure will have to be among the most important concerns for the top managers and purchasing
professionals if they want to achieve a highly effective electronic supply chain, the authors conclude.


As mass production leads to overstocking, extra marketing expenses, and low profitability, many automakers are now switching over to mass customization and customer-order-driven strategy. However, considering that this transition is difficult, the emerging markets face the dilemma whether to stick to mass production and maintain high efficiency and low variable cost or to shift to mass customization in order to meet the customers' individual demands. This paper investigates the necessity of making the strategic transition to mass customization in a fast developing emerging market. A transition model is presented to facilitate automakers to analyse the complex phenomena when they make the transition. Five major players in Chinese automotive market were studied to identify the drivers and obstacles of transition. The findings confirm the benefits of mass customization in the automotive industry in China, i.e., higher profit, lower levels of finished products, and more accurate information of customer preference. Drawbacks of mass production are also found across sectors and markets: overstock, high marketing expenses, and low profitability. This study is further evidence for the misalignment of mass production to changed demand. Extremely long lead time of import parts and lack of ability to make fast customization designs are some of the obstacles unique to the emerging market. Overall, customer-order driven production emerged as a promising direction in a rapidly changing market such as China.


Logistics function is a key for supporting supply chain integration and facilitating the flow of goods from producer to the final consumer. Considering the high costs of logistics and customers' demands for shorter order cycles, some companies outsource these activities to third party logistics (3PL) providers. This paper provides insights into the current status of 3PL in Mexico, investigating the feasibility of 3PL as a global, uniform strategy and practice and examining the differences of the nature and degree of the use of 3PL in Mexico, the US, and Europe. From the survey, 3PL appears to be quite widespread but low profile practice among the Mexican firms. While more than three quarters of the firm outsource at least one function, only a third outsource three or more logistics functions. The Mexican firms use 3PL for multitude of benefits such as improving firm's flexibility, customer service, and the ability to focus on core activities, besides reducing costs. The general level of 3PL use in Mexico, however, seems to be lower than Europe and the US. Moreover, Mexican firms seem to concentrate less on outsourcing tactical, integrated functions such as warehousing, inventory management and information systems than in Europe and the US. The latter seem to more commonly strive for cost reduction when resorting to 3PL while Mexican firms consider improved flexibility and customer service as the main benefits. The lack of competitive local providers makes 3PL expensive and may favour larger, international providers. Overall, global 3PL-practice cannot be stated to be uniform.


Just-in-time (JIT) retailers carry only inventories at their shelves and replenish JIT according to the consumer demand without pre-ordering large quantities. Thus, JIT retail strategy requires manufacturers to supply with quick and accurate response and to enhance their knowledge in communication, cooperation and coordination. However, in industries such as food, textile, toy, etc., highly volatile market and unpredictable demand conditions could lead to uncoordinated ordering and supply behaviours and supply uncertainty. This paper carries out an in-depth case study to understand the coordination journey of an international toy manufacturer and a JIT retailer in the Nordic countries. It covers three focal themes: the coordination process, the coordination behaviours, and coordination strategies. The coordination process followed some generic sequential stages: evaluating, deriving, offering, assessing, and implementing of strategies. Most toy products experienced two flow behaviours cyclically: too low fill-rate and excessive inventory. Upon evaluation, the authors identify several effective coordination strategies for JIT retailing: accurate response, differentiated quick response, and coordinated response. The responsiveness of the manufacturer was actually affected by the order behaviours of all other retailers. The toy supply chain is suggested to centralize the decisions or to coordinate on production, inventory allocation, and sales activities.


In the knowledge era, technology is considered as the key asset in sustaining the competitive advantage of corporations. Researchers have examined the relationships between technological performance and other influential factors such as strategic management, information resources, etc., although the issues concerning how each of these dimensions influences innovation performance were not explored. This paper presents a forecasting model for predicting innovation performance using technical informational resources and clear innovation objectives. Specifically, it uses neural network (NN) model which is a multi-layer, fully-connected feed-forward network with a back-propagation training rule. The results of a survey of 53 Taiwanese manufacturing firms to train the NNs and test their feasibility were compared to the results of multiregression analysis for predicting the innovation performance. The NNs based forecasting method was found to outperform the multi-regression method. The results show that the Taiwanese manufacturing industries have made a gradual progress on manufacturing processes without focusing on radical innovation activities. It is argued that the key to an industry’s innovation performance is for corporations to calibrate their effective variables on innovation performance and adjust their
innovation objectives and technical informational resources through cooperative, coordinated, and collaborative relationships with other allies. For sustaining a distinctive competency, the Taiwanese manufacturing industries are suggested to constantly leverage their innovation strategy to confront the ever-changing environment.

Information Systems Management

28. Cartier, Carolyn; Castells, Manuel and Qiu, Jack Linchuan (2005), “The Information Have-less: Inequality, Mobility, and Translocal Networks in Chinese Cities,” Studies in Comparative International Development, 40(2), 9-34.

The information have-less is a social, economic, and political category in the evolving network society whose technologies and practices are not reliably supported by the state. It recognizes that hundreds of millions of rural to urban migrants, laid-off workers, state-sector employees, pensioners, and other low-income groups populate an expansive gray zone of the digital divide. This paper identifies the key aspects of the information have-less, analyse their social basis and networked organizational forms, the prospects and limitations of the have-less phenomenon, and the broader implications for social networking and the urban space economy in industrializing China. A preliminary assessment of ICT usage in key city regions in China reveals that the information have-less are looming on the landscape of China’s digital cities as a middle ground between the information haves and have-nots, in ways that are technological as well as economic and socio-economic. Three qualities characterize the have-less ICTs in relation to translocal networks: they entail less investment and lower operational costs than their high-end counterparts; they are limited in terms of geographical scope, type, and quality of service; and most of their technological improvements are not achieved as a consequence of state or industry planning. The authors view translocal networks as an important socio-economic asset of the information have-less ICTs in articulation of labour mobility in China’s industrialization process and the latest wave of urbanization.


Internet offers a useful medium for firms to obtain information and communicate with foreign markets. This information is then transformed into a higher level of knowledge for making international business decisions. This knowledge-creating role of the Internet is considered helpful in promoting international business activities. This paper develops and tests a model that incorporates the knowledge-creating role of the Internet in international business activities of firms in a transitional market, namely Vietnam. It specifically investigates the impact of foreign sales intensity of firms’ use of the Internet to obtain information about foreign markets and the transformation of this information into a higher level of knowledge. Besides, the role of market and learning orientations in Internet utilization and knowledge transformation are also examined. Perceived information relevance and knowledge internalization are found to play a critical role in linking the information obtained from the Internet to firms’ foreign sales intensities. The finding demonstrates the relationship between two distinct levels of knowledge: information, or explicit knowledge, and tacit knowledge. Also, the authors argue that sustainable competitive advantage is not derived solely from access to the Internet. Only if the Internet is used effectively to internalize information and transform it into a more useful level can the firms gain this source of advantage. Finally, the findings provide evidence of the role of market and learning orientations in Internet utilization and knowledge internalization.


Web-based surveys have the potential for collecting data at reduced costs and time and with greater accuracy compared to paper-based surveys and is thus becoming increasingly popular in many countries. This exploratory study considers the feasibility of using the Web as a data collection medium in China which has a current Internet population of 103 million. After presenting a review of literature on the design, implementation, and application of Web surveys, and the current state of data collection in developing countries in general and China in particular, the authors describe the development of the web-based survey instrument focusing on the ethical issues of IT professionals. Five thousand e-mails were sent to IT professionals in China inviting them to participate in the survey though only 5.8 per cent ultimately submitted their response. The survey data, both qualitative and quantitative, is analysed and discussed with a view to drawing up instructive guidance for researchers interested in using the Web as a data collection tool in China, in particular, and the developing countries, in general. Demographically, the majority of the respondents are found to be young, well-educated males with less than 10 years of working experience, mostly in computing and IT services or media. Qualitatively, identifying a motivational focus is realized as useful for leveraging participation in a survey and is thus critical to achieving a high response rate. The researchers applying Web-based survey method are suggested to ensure that the required time for downloading, completing, and submitting is reasonable, language options are available, appropriate incentives are offered, and instructions for completing the survey are provided. Properly implemented, this research method can revolutionize the surveys in China and other countries, the authors conclude.


The study examines global operations of software development companies from the US and India which over the years have become the key information technology (IT) players in software outsourcing in the world. The selected companies include Microsoft and Oracle of the US and Infosys, Wipro, and Satyam of India. The specific areas of study are product, technology and innovations, suppliers, partnerships, customers and markets, recent trends and changes, competition, and core competencies. In addition, SWOT and financial analyses of these companies were undertaken. The analysis shows a common business strategy of Indian software companies—not
to compete directly with Microsoft and Oracle but to focus on acquiring niche, outsourcing markets that are still open and growing rapidly due to worldwide slowdown in IT spending budgets. Detailed operational overviews of each of the five selected IT companies are presented. Comparative SWOT and financial analyses provide further insights on their competitive strengths and weaknesses from market perspective. Potential shortage of qualified workers is perceived as threat to the planned growth of all these companies. In terms of assets, Microsoft far exceeds the other companies while Oracle has gone down both in terms of assets and revenue generated per employee over the years. In order to compete in the international arena, these companies are setting up offshore software centres in India thus increasing the challenges of the local companies.


IT outsourcing is often considered more efficient than developing systems internally because of the lower costs of the former. In Thailand, IT sourcing by banks and financial institutes is a recent phenomenon, the first such effort being from PPP-Bank outsourcing to IBM in 2003. This paper reports a Monte Carlo simulation study used to evaluate a proposal to expand credit card operations by this bank. Expansion of credit card operations was considered almost necessary for bank survival and outsourcing was proposed as a means to reduce risk of entering the important new market. Once the Board of Directors decided to outsource the credit card operations and processing, a potential service provider was selected and a set of assumed parameters for the current customer base, potential customers, and outsourcing costs were obtained. Crystal Ball provided the Board of Directors of the bank with a prediction of key forecast variables and their risk in terms of the number of cardholders expected, net profit, expected return on investment, and net present value of the project. The spreadsheet model made entry of model elements transparent and the simulation provided clear visual display of the financial output variables. The Board was confident that the project would attain their strategic objectives, despite the possibility of a short-term negative profit and thus decided to outsource its credit card operations. Some of the strategic opportunities include cross-selling products, direct sale, marketing channel, payment, and risk management.

**Strategic Management**


Traditionally, multinational corporations (MNCs) entered emerging economies through joint ventures (JVs) with local companies. In recent years, however, there has been a reversal of this trend with the formation of new JVs being remarkably reduced and many existing JVs being terminated. This paper throws light on this changing role of the JVs in the specific context of India. In emerging economies, the formation, continuation, and survival of JVs is influenced by the extent to which the regulatory business environment is restricted or liberalized. Standard survival analysis clearly indicated that the termination hazard increased with regulatory liberalization. The authors explain JV survival and termination in terms of resource complementarity, ‘race to learn’ between the MNC and local partner, and ‘returns to global integration’ of its value chain. Although resource complementarity was one of the primary drivers for JVs, the need for a local partner has clearly diminished following liberalization. Further, while MNCs are better positioned to win the ‘race to learn’ with local firms or are more inclined to terminate their JVs due to their global integration plans, they are more likely to exploit these opportunities in their JVs with private players than with state-owned players. The results could vary with industry, add the authors.


Emerging economies with their huge size of markets and impressive growth offer immense opportunities for entry of the MNEs. The investors in these economies need to think beyond the conventional entry modes of greenfield, acquisition, and joint venture and creatively design appropriate strategies. This paper introduces and illustrates a more differentiated typology of acquisition strategies that provides better support for managerial decisions. For understanding the issues and the dynamics of strategy evolution, the diversity of entry and growth strategies to different local contexts is illustrated by comparing the strategies of one multinational enterprise, Carlsberg Breweries in four emerging economies: Poland, Lithuania, Vietnam, and China. Foreign entrants could choose between three types of strategy: global branding, local branding, and multi-tier branding. In emerging economies, markets are often fragmented with major differences in volumes and margins between global and local mainstream brands. Multi-tier branding and acquisition of local firms were suggested as strategies for penetrating local markets. The Carlsberg case illustrates how multi-tier branding allows a company to profitably develop the mass market while creating strong positions in the growing premium market. Although most promising in terms of long-term market position, this strategy needs to be supported by a combination of global brands and operational capabilities for the specific local context, the authors add.


Many developing countries play host to the operational activities of the MNCs and their subsidiaries. On the one hand, while globalization of business brings potential opportunities, on the other, it poses a significant regulatory challenge. The emergence of appropriate and effective regulatory institutions has been blocked due to weak rule of law, absence of government administrative capacity, and weak bargaining power, apart from the perception that lack of regulation could fetch benefits from foreign direct investment. Global corporations are now addressing the gap in global economic governance by imposing binding standards of their own. Companies are being encouraged to regulate their own conduct in line with broad, internationally agreed standards.
where effective government regulation is not present. This paper examines how and why self-regulation might be effective, identifying some of the preconditions and government actions required to effect compliance within a voluntary regime. An analysis of market pressures highlights the importance of information, transparency, and disclosures as prerequisites for holding corporations to account for their pledges of self-restraint or voluntary compliance. The authors identify three factors that together could enhance the effectiveness of self-regulation codes in developing countries—disclosure, social pressure, and international institutions and legal instruments. Governments in any case remain vital to effective regulation and are assisted by the international organizations and instruments in fulfilling their roles.


Like other developing countries, Indonesia is a net importer of advanced technologies developed in industrial countries. In view of the economic importance of these technologies, it becomes necessary to identify the major channels through which they are transferred and to assess the extent to which they contribute to the development of the local technological capabilities. This article addresses these issues in the context of the manufacturing sector of Indonesia to see if the imported technologies can be applied there successfully. Studies indicate that foreign direct investment (FDI), technical licensing agreements, imports of capital goods, and technical and marketing assistance from foreign buyers of manufactured exports have been the four major channels for international technology transfer in Indonesia. In general, the international technology transfer through FDI projects resulted in the development of basic production capabilities and occasionally also adaptive capabilities. However, because of a shortage of adequately trained and skilled local employees, an efficient transfer of technology has often been hampered. Although FDI is a crucial source of technology transfer, the author warns against the risk of making a country’s technological development too dependent on foreign investors. To avoid this, a proper incentive system, sound macroeconomic policies, and greater human resources investment are recommended to enhance the firms’ supply-side capabilities.


Limited resources in terms of finance, skilled manpower, and advanced technology, pose challenges for the small and medium enterprises (SMEs) for sustaining their competitiveness. Only by developing dynamic strategies for cost reduction, quality improvement, and new investments, can they align with the changing environment. This paper is presented as an attempt to understand the issues related to pressures and constraints on SMEs, dynamic nature of strategy development, and its relationship with performance in the context of the plastic sector in an emerging economy, India. Data collected from 375 organizations in the plastic sector were analysed using t-test, paired sample t-test, correlation, and regression. In general, the smaller firms are known for favouring short-term stability and short-term need for continual updating have to be considered. The investment priorities included market research, employee welfare, research and development, and process automation. For developing competencies, the primary focus of the SMEs were on the use of customers for defining quality standards and optimization of working environment and decisions, besides identification of market change and introduction of new technology. All the areas considered for strategy development are significantly correlated with performance. However, SMEs are not making any clear distinction in terms of strategies adopted for cost and quality. Overall, the study reflected the flexible nature of SMEs in developing competitive strategies against the general conception that SMEs are reluctant to change.


One of the leading features permeating emerging economies is institutional transitions. This paper examines how network strategies evolve with institutional transitions in Asia. An earlier research by Peng had resulted in a two-phase theoretical model of the evolution from network-centered strategies during the early phase to market-centered strategies during a late phase in response to institutional transitions. However, given the tremendous diversity of the institutions, this coarse-grained institutional transition framework was considered too general to understand the dynamic process of network strategy transformation. This article extends Peng’s earlier work by adding a more realistic intermediate weak-tie phase between early and late phases of institutional transitions. It is also argued that business networks in Asia not only differ in strength but also in content and that their evolution is driven by the impact of different dimensions of institutional transitions. From a network content standpoint, the various dimensions of institutional transitions—political and legal—shape the content of different networks which focus on business-to-government (B2G) ties and business-to-business (B2B) relationships. It is argued that different paces of institutional transitions on the political and legal dimensions would lead to a heterogeneous evolution of network strategies in terms of both network content (B2G versus B2B) and strength (strong ties versus weak ties).

Economics


International labour mobility has been an increasingly important feature of the economic landscape in East Asia over the past three decades. Motivated by the growing importance of managing labour migration as a policy issue, this paper reviews the emerging trends in international labour migration in East Asia and related policy issues from the perspective of the major labour-importing countries in the region. The study covered Singapore, Hong Kong, Japan, Taiwan, Korea, Ma-
The one hand, while they see opportunities in the rapidly growing market, particularly for their natural-based products, on the other hand, they sense a threat arising from China’s ability to capture the developed markets of the US, EU, and Japan at the cost of the domestic markets of ASEAN industries. There is an additional risk of foreign direct investment getting diverted from ASEAN because of China’s cost competitiveness and rapidly growing domestic market. This paper examines the economic relationship between ASEAN and China as one of increasing competition as well as cooperation. It is argued that the sense of opportunity or threat depends upon whether China’s economy is perceived as complementary or competitive vis-à-vis individual ASEAN economies and on whether the latter economies are able to exploit their complementary opportunities and overcome the competitive threat. Differences in resource and factor endowments, production structures, and productivities lead to a complementary relationship, whereas similarities in these areas lead to a competitive relationship, the author adds. To meet the challenges posed by China, the ASEAN economies would be required to hasten the pace of domestic economic reforms and economic restructuring to maintain international competitiveness and provide a foundation for sustained economic growth. They would specifically be required to improve productivity and accelerate the transition to higher-value-added production, besides integrating the production and markets to offer investors improved economic efficiency and a large regional market.

East Asia’s newly industrialized economies (NIEs) have demonstrated the potential of strong productivity and income growth for economic development. This article reviews East Asia’s growth performance to explain what lies behind the success of East Asia vis-à-vis other economies with comparable productivity and income levels. Drawing on the experiences of the first-tier NIEs—South Korea, Taiwan, and Singapore, and the second-tier NIEs—Indonesia, Malaysia, and Thailand as well as post-China, the authors focus on which government policies made the difference. Seven stylized facts were identified based on which a cumulative-causation growth model was formulated for East Asian growth. The extraordinary growth is stated to be the outcome of a virtuous cycle that did not start spontaneously under decentralized and unregulated market conditions but was initialized by a government-led step-up in investment. The policy lessons are offered for the late industrializing countries. They are suggested to maintain controls on cross-border capital flows, achieve macroeconomic stability, raise domestic investment and savings, use import protection and foreign exchange control for creating an internationally competitive set of industries, channel credit into strategic sectors, and improve the administrative and political capacity of the developmental state. The most important lesson from the East Asian industrialization experience, however, is the need to revise the rules of the international economic order so as to give late industrializing countries more national policy space within a stable international economic environment.


ASEAN countries’ responses to China’s dynamic growth, WTO accession, and growing competitiveness, are mixed. On the one hand, while they see opportunities in the rapidly growing market, particularly for their natural-based products, on the other hand, they sense a threat arising from China’s ability to capture the developed markets of the US, EU, and Japan at the cost of the domestic markets of ASEAN industries. There is an additional risk of foreign direct investment getting diverted from ASEAN because of China’s cost competitiveness and rapidly growing domestic market. This paper examines the economic relationship between ASEAN and China as one of increasing competition as well as cooperation. It is argued that the sense of opportunity or threat depends upon whether China’s economy is perceived as complementary or competitive vis-à-vis individual ASEAN economies and on whether the latter economies are able to exploit their complementary opportunities and overcome the competitive threat. Differences in resource and factor endowments, production structures, and productivities lead to a complementary relationship, whereas similarities in these areas lead to a competitive relationship, the author adds. To meet the challenges posed by China, the ASEAN economies would be required to hasten the pace of domestic economic reforms and economic restructuring to maintain international competitiveness and provide a foundation for sustained economic growth. They would specifically be required to improve productivity and accelerate the transition to higher-value-added production, besides integrating the production and markets to offer investors improved economic efficiency and a large regional market.


The issue of Chinese competitiveness has been a subject of concern not only in the context of East Asia but also in the world market. The objective of this paper is to examine if the phenomenon of Chinese competitiveness is primarily one of exchange rate undervaluation or one reflecting more fundamental changes in the production possibilities of a ‘new Chinese economy.’ Analysis reveals that China’s export competitiveness hinges on the coincidence of several factors: favourable exchange rate, low wages and available supplies of unskilled labour, reduced cost of communication and transportation, flow of foreign direct investment and foreign management and its implications for China’s productive abilities, the large scale of the potential Chinese domestic market, the opening of world markets, and the encouragement of Chinese foreign trade policy. It is argued that Chinese export growth is more than a matter of low wages and an undervalued exchange rate. China’s huge pool of cheap and increasingly mobile labour means that even with exchange rate adjustment, competitiveness based on low labour costs will be maintained for quite some time. Moreover, the shift of Chinese production toward more advanced products with technological content represents competition with other East Asian countries, on the one hand, and a collaborative symbiotic relationship with South Korea, Singapore, and Taiwan, on the other. Although a persistently undervalued RMB yuan is another matter of concern, even its appreciation would result in a favourable pattern of trade for China, the authors conclude.

The post-World War II conventional wisdom suggested an increase in the developing country barter terms of trade due to relative rapidity of technological progress in industry which would push down the relative prices of the manufactures exported by the high-income countries. Contesting this belief, Singer and Prebisch predicted a decline in the developing country terms of trade. And, over the last two decades, there has been a growing recognition of the falling prices of many manufacturers, particularly in the case of developing country producers. Revisiting the revisited terms of trade, this paper suggests a reversal of the historic relationship between the prices of commodities and manufactures. Three sets of developments are considered: the commodification of many primary products, the growing concentration of global buying in manufactures, and the impact of China’s increasing presence in the global economy. Each of these three developments reflects a set of price trends, which run counter to the long-term secular decline in the commodities/manufactures terms of trade. It is observed that the rising prices of some ‘hard commodities,’ and some, soft commodities’ occur at the same time as falling prices of a large number of manufacturers. Thus the real terms of trade will be not so much between commodities and manufacturers, but between innovation-intensive products and non-innovation-intensive products. The entry of China into the global market has played an important role in reversing the terms of trade of commodity producers, augmenting the demand for many ‘hard commodities,’ adds the author.

44. Moreno-Brid, Juan Carlos; Santamaria, Jesus and Valdivia, Juan Carlos Rivas (2005), “Industrialization and Economic Growth in Mexico after NAFTA: The Road Travelled,” Development and Change, 36(6), 1095-1119.

One of the objectives of NAFTA was to set the Mexican economy on an non-inflationary export-led growth path driven by sales of manufactured goods, mainly to the US. The underlying assumption was that NAFTA, together with drastic macroeconomic reforms and rapid trade liberalization would encourage local and foreign investment in the production of tradable goods to exploit Mexico’s potential as an export platform to the US. This article traces Mexico’s industrial policy and economic performance between 1940 and 1984, in the overall context of the macroeconomic reforms before discussing how Mexico took the road to NAFTA. The authors finally analyse some stylized facts concerning foreign trade and economic growth performance and examine their implications in the context of NAFTA and manufacturing. Evidence suggests that NAFTA, and the package of trade liberalization and economic reforms implemented since the mid-1980s, have so far had mixed results for the Mexican economy. The fiscal deficit and inflation were drastically reduced and FDI inflows increased and helped to trigger an export boom in manufacturing that transformed Mexico’s insertion in the world economy. On the other hand, there was a slower than expected expansion of economic activity and employment which is partly attributed to the inadequate investment that failed to match the new macroeconomic environment. To achieve high and sustained economic growth, Mexico would urgently need to rethink key elements of its overall strategy, particularly, the current incentive schemes, promotion of technological innovation, favouring linkages with local suppliers, and an appropriate support of financial and human resources to match the requirements of the industrial sectors.


In a market economy, the rich do not starve; food security in rich societies is simply part of a broader net of social securities. On the other hand, in the developing world, there is still widespread hunger and vulnerability to famines. However, the record of economic growth shows that even in these countries with relatively low levels of per capita income, government interventions to enhance food security can lift the threat of hunger and famine. This paper examines the causal mechanisms that establish two-way links between economic growth and food security. The basic premise is that an early escape from hunger—achieving food security at the societal level—is not just the result of one-way causation from economic growth generated by private decisions in response to market forces. Improved food security stems directly from a set of government policies that integrates the food economy into a development strategy seeking rapid economic growth. The strategy for food security included three components: rapid growth in the macro economy, poverty reduction through rural economic growth, and stability of the food system. Integrating them is complicated because of the changing relationship between the rural and urban economies. It is argued that a food policy that helps smooth the transition from a poor and rural economy to a rich and urban economy would pay high dividends if it is formulated with a clear understanding of why the structural lag exists and its political link to food security. In the rice-based food system in Asia, greater investment in rural human capital, more efficient rural financial markets, and opening of the world rice market to freer trade would ensure a more prosperous future for the farmers and greater food security for the consumers.


Non-farm sector is generally heterogeneous involving economic activities in rural industry, energy, infrastructure, etc., comprising both on-farm and off-farm activities. In view of the growing decline of agricultural land following population pressure, non-farm activities (NFA) have assumed critical significance in the rural economy. This paper examines the determinants of non-farm employment in the Indian economy and, for the purpose, provides an overview of the non-farm sector, its size and composition, and the pattern and growth of rural non-farm employment. The two most significant changes during the reform period include the sharper intersectoral shifts—decline in the rural male workers from the primary sector and an increase in the proportion of the female workers—and the halting pace of rural worker’s shift to non-agricultural sectors. State-wise, overall, there has been a structural transformation of the rural workforce steadily tilting in favour of non-agricultural jobs, both for male and female workers, during the decade preceding economic reforms. Except for a few states, this trend has either got reversed or slowed down after the reforms. The incidence of non-farm employment was also found to be positively correlated with higher farm income and more equal income distribution. Rural
literate and road length, in particular, and other rural infrastructure, in general, are considered essential for the growth of rural non-farm sectors and for enhancing their employment generation potential. Policy measures should be directed towards strengthening these support systems which in turn would lead to the growth of rural India and the Indian economy as a whole, the author concludes.


Since the eighties, there have been a number of important structural changes in the agricultural policy in Bangladesh, the prominent ones being liberalization and privatization of trade in minor irrigation sector, fertilizers, agricultural machinery, etc., and activating regional markets to support balanced network of agricultural marketing. This paper examines if there has actually been any major improvement in the technical efficiency of rice production in Bangladesh. Technical efficiency estimates are presented using a stochastic frontier production function approach on a panel data for rice production across 23 major districts for over three years in Bangladesh. Technical efficiency measures the ability of districts to produce maximum output using a given set of inputs and technologies. The input data used in the estimation are area under cultivation of specific hybrid, improved seeds used, fertilizers used, and agricultural households engaged in cultivation of specific hybrid. A translog production function specification is considered and a non-linear frontier is estimated with interaction effects. The results indicate variation in technical efficiency in major rice producing districts, varying magnitudes of output elasticities with respect to inputs, and varying magnitudes of marginal effects of technical inefficiency for changes in same determinants of inefficiency for two different kinds of rice hybrids. Even production technology for different hybrids is found to differ in degree of homogeneity thus reflecting different returns to scale.


In developing countries, economic reform programmes stimulate the production and reduce consumption of tradable goods by manipulating the real exchange rate (RER). Since agricultural commodities are considered as tradable, it is assumed that agricultural sector will benefit from this policy. This paper investigates the assumption of tradability of major food staples in a case study for Tanzania over the 1983-98 period, using monthly price data for 44 geographically-distinct markets and four crops: maize, rice, cassava, and wheat. In Tanzania, economic reforms associated with structural adjustment policies were followed by a sharp and sustained depreciation in the RER after 1986 which meant that the relative prices of tradable goods were rising faster than the relative value of labour and land to produce them; it was reverse after 1993. In Tanzania, major food staples that account for most real incomes are non-tradables in at least one-quarter of the country. It is argued that if a staple is tradable and trade policy is not prohibitive, then movements in its domestic price should be largely determined by movements in world prices for the good in question and the market exchange rate, through either changes in imports or changes in exports. Conversely, in case of non-tradables, if the domestic demand is constant, its price will be determined primarily by the local and national supply of the good. If food is non-tradable and inelastic in supply, the price of food will increase leading to increase in wage demands and choking off export expansion, the authors add.


In the water sector, public-private partnerships have been seen as a potential solution to help close the gap between service demand and delivery and as an innovative policy tool to promote decentralization, accountability, and public participation. While the actors bridging the public-private divide was met with skepticism till recently, a cautiously optimistic view of the ability of the state and societal actors to form partnerships is increasingly gaining ground. This study examines the implementation of a new model of water management in Ceará, Northeast Brazil. It specifically analyses the creation of Users’ Commissions by the Ceará Water Resource Management Company in two state valleys. Traditionally, water management in Ceará has been characterized by centralization, clientelism, and the dominance of technocratic decision-making. The new model made a departure by including the organization of Users’ Commissions to debate and decide on the use and allocation of bulk water among different users. The implementation of this model is part of a broader initiative to reform the management of water resources in Brazil. The water reform includes the creation of new institutions of management at the national and state levels that emphasize decentralization, public participation, integration, and the creation of water use permit and charge system. It is found that the creation of state-society synergy in Ceará strengthens public-private partnerships through mutually supportive interactions based on embeddedness and through committed bureaucracy, political competition, social capital, and complementarity.


Rapidly rising inputs of chemicals in the Chinese agriculture raised two concerns: high opportunity cost of modern commercial inputs for farmers and potential long-term damage to the natural environment and health. Realization of the seriousness of the situation led the Chinese government to launch an initiative to promote Chinese ecological agriculture (CEA), green food, and organic agriculture as measures to reinforce sustainable agricultural practices. This paper describes and distinguishes between these initiatives while examining their institutional bases. It highlights the historical, organizational, and institutional frameworks within which these various initiatives have been nurtured and the role of the state in reinforcing the institutional factors which can lead to their successful development. It is argued that while the early reform process in the late 1970s and early 1980s made the adoption
and extension of CEA difficult, the opening up of markets both at home and abroad has provided farmers with real opportunities to engage in organic conversion allowing a more profitable environmentally sustainable agriculture. It is, however, not advisable to withdraw the official state involvement as the farmers working individually would be unable to deal with the risks of going organic when the neighbours are still continuing with the conventional methods. Thus, although theoretically possible, the practical viability of green and organic farming in China much depends on the institutional interventions by the Chinese government, the author concludes.

Each time a man stands up for an ideal, or acts to improve the lot of others, or strikes out against injustice, he sends forth a tiny ripple of hope, and crossing each other from a million different centers of energy and daring, those ripples build a current that can sweep down the mightiest walls ...

—Robert F. Kennedy


Beaglehole, David and Chebanier, Alain (2002). “A Two-Factor Mean-Reverting


Risk Management, 50(8), 41-45.


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What we can or cannot do, what we consider possible or impossible, is rarely a function of our true capability. It is more likely a function of our beliefs about who we are.

—Anthony Robbins