

ISBN : 978-0-615-73960-1

**PROCEEDINGS
OF
ARC 2012
INTERNATIONAL CONFERENCE
ON
BUSINESS AND MANAGEMENT**

DECEMBER 28TH, 29TH - 2012



**CAMBRIDGE INSTITUTE OF TECHNOLOGY
BANGLORE, INDIA**



Sponsored By

ACADEMIC RESEARCH PUBLISHERS

**PROCEEDINGS OF
ARC 2012
INTERNATIONAL CONFERENCE ON BUSINESS AND
MANAGEMENT**

DECEMBER 28-29, 2012

Editor in Chief
Dr. Ravichandran Krishnamurthy
New York Institute of Technology
Abu Dhabi, UAE

Editor
Kevin Smith
Educational Consultant
USA

HOSTED & ORGANIZED

Institute of Sponsor:
Cambridge Institute of Technology
Bangalore

Co-sponsor:
Academic Research Publishers, UAE

**Visvesvaraya Technological University, Belgaum,
Belgaum, Karnataka, India**

ARC 2012

WELCOME TO THE INTERNATIONAL CONFERENCE ON BUSINESS AND MANAGEMENT



S.Chandrasekhar
Managing Director
Bhoruka Power Corporation Limited

Mr. S. Chandrasekhar is Managing Director of Bhoruka Power Corporation Limited, a leading Renewable Energy Developer in the country. The company has received several awards in the field of “Green Power”.

An Electrical Engineer, he has been associated with power sector in India for over 30 years. He is a recipient of Aditya Birla India Centre Scholarship and has attended the Senior Executive Programme in London Business School.

Mr. Chandrasekhar was President of the Bangalore Chamber of Industry (BCIC). He is a member of the Advisory Board, Karnataka Electricity Regulatory Commission, a Director in Karnataka Renewable Energy Development Limited and has also presented several papers in India and abroad on the subject of Renewable Energy.

Chandra was a short term consultant to World Bank, Member of Reuters Insight Community of Experts (Renewable Energy) and has made several presentations in National & International Fora on the subjects of Renewable Energy, Electricity Act, Carbon Trading, Regulatory Issues, Financing Renewables etc.,

Chandra is the Immediate Past Chairman of Confederation of Indian Industry (CII) – Karnataka and currently Member, CII National Council and Regional Council. He was past President of Bangalore Chamber of Industry & Commerce. He is Member of the Advisory Committee of State Electricity Regulatory Commission. Member of National Council of Vocational Training Government of India, Board Member of State Vocational & Skill Development Corporation and Former Board Member of the State Renewable Development Agency. He was a Board Member of Karnataka State Industrial & Infrastructure Development Corporation Limited. Chandra is the Chairman of National Accreditation Board for Education & Training (NABET).

KEY NOTE SPEAKER

Mr. Parameswar P. Iyer



I am a faculty member in the Department of Management Studies at the Indian Institute of Science, Bangalore. I obtained my undergraduate education at the Indian Institute of Technology, Kharagpur; and my graduate education from the University of Illinois at Urbana-Champaign(MS); and from the University of California at the Davis(Ph.D.).

I have been on the faculty at(1979-80)Rutgers, the State University of New Jersey, the Indian Institute of Technology, Kharagpur (1980-86) and the Indian Institute of Management, Kozhikode(1997-98).I have had professional affiliations and interaction with the UNESCO/FIT(1982), the NRDC(1986), the British Council(1993), DST(2002), Michigan State University(2002), the National Institutes Health(2002), BEL(1989 & 2008), ISRO(2003), ITC(2005), ITI(1992), Kirloskar Electric(1995), Leo InfoTech(1997),Select Software(1998), the University of Mauritius(1988), TCS(1993), Liquid Crystal(2004), NTPC(2007-08) and HKADB(2007).

My current interests are in the areas of Project Management, Entrepreneurship, Knowledge Management, and the Management of Technology. Some glimpses of my Professional work are available in my Research, Publications, Teaching and Consultancy Pages.

F O R E W O R D



D. K. Mohan Babu,
Chairman,
Cambridge Group of Institutions,
Bangalore.

December 23, 2012.

I am pleased to learn that the Department of Management Studies-CITech has organised an International Conference on Business & Management, for two days on December 28-29, 2012, in association with the Academic Research Conferences/Publishers, Abu Dhabi.

I would like to congratulate the Director - PG Studies and the entire MBA team for organising the conference and from the Management side, would like to provide every support that may be required for ensuring the success of the same.

I am given to understand that the academic community has responded very well for participating in the conference and I am confident that the deliberations during the conference would enlighten them all, contributing to their professional career.

My best wishes for the grand success of the conference.

D. K. Mohan Babu.

F O R E W O R D



Dr. B. V. Ravishankar,
Principal – CITech,
Bangalore.

December 23, 2012.

I am happy to learn that the Department of Management Studies – CITech has organised a two days' International Conference on Business & Management – ARC 2012, in association with Academic Research Conferences/Publishers, Abu Dhabi, scheduled to be held on December 28-29, 2012.

While I would like to compliment the entire team of MBA Department for volunteering to organise the conference, I wish to offer any support that may be required from my office for the same.

I am confident that the team would put their hands together to prepare well and execute their plans systematically.

I Wish the conference all the success.

Dr. B.V. Ravishankar,
Principal.

F O R E W O R D



Dr. R. Krishna,
Director – PG Studies
CITech, Bangalore.

December 23, 2012

It is with immense pleasure that I write this Foreword for the the Proceedings of the International Conference scheduled to be held on the Friday & Saturday, December 28 - 29, 2012, organised by the Department of Management Studies - CITech, in association with Academic Research Conferences/Publishers, Abu Dhabi.

The Department has initiated a very bold step in organising this International Conference on Business & Management – ARC 2012. For the size & age of the department, this is a real challenge and given the encouragement & support by the Management of CITech and the strong professional guidance by Dr. Ravichandran of Academic Research Conferences/Publishers, Abu Dhabi & his team, I am confident that the event will be a grand success and will be a milestone in the history of the department. My compliments to the Team MBA led by the HoD: Prof. Gopalakrishna, for the initiative. It must have been an exhilarating experience to all.

I am informed that the responses are overwhelming from all corners in the form of quality research papers submitted for review/approval for presentation during the conference. I am sure, the Proceedings of the conference will serve as an excellent reference book to the Management teachers the world over. I trust also that this conference will be an impetus to stimulate further study and research in all the areas.

Wishing Godspeed in all the endeavours.

Dr. R. Krishna.

FOREWORD



It gives me great pleasure in writing a foreword to the ' International Conference on Business and Management ' being organized by Academic Research Publishers at Cambridge Institute of Technology , Bangalore , during December 28 - 29 ,2012 .

ARC is a pioneer in creating and disseminating knowledge in the field of Business and Management catering to today's global economy and market . They always organize a global platform to publicize and exchange management principles , ideas , concepts and research methods and analysis among academicians , scholars and management student communities . I strongly believe that the conference would not only inspire the delegates who shall come from different parts of the globe , but also enable them to gain much in sharing innovative ideas and research methods .

I am very much confident that the two days ' International Conference on Business and Management ' would prove to be a great success and I would like to express my heartfelt Greetings and Congratulations to the organizers - ARC and CIT Bangalore .

Dr S Jayachandran
Professor and Former Senate Member,
University of Madras.
(By Nomination
His Excellency , The
Governor- Chancellor
Govt. Of Tamilnadu)



ARC-2012
LIST OF CHAIRS & COMMITTEES

**DEPARTMENT OF MANAGEMENT STUDIES,
CAMBRIDGE INSTITUTE OF TECHNOLOGY**

Conference Chairs

Shri. D. K. Mohan
Chairman, CiTech, Bangalore
Bangalore

Dr. B. V. Ravishankar
Principal, CiTech, Bangalore

Dr. R. Krishna
Director, PG studies, CiTech,

Dr. H. Maheshappa
Vice Chancellor, VTU,
Belgaum

Dr. S. A. Kori
Registrar VTU, Belgaum

Dr. Roopa T N
Director, Directorate of Distance
Education, VTU, Belgaum

Contact Chair

Prof. S. Gopalakrishna, Head, Department of Management Studies,
Citech, Bangalore. Email: gopalkr@citech.in, Mob: +91 9343772667

Dr. K. Ravichandran, Assistant Professor, School of Management,
New York Institute of Technology, P O Box 5464, Abu Dhabi.
Email: kravicha@nyit.edu , Mobile: 00971506936950

Convener

Dr. G. Ananthapadmanabhan , Professor, Dept. of Management Studies,
Citech, Bangalore. Email : g.ananthapadmanabhan@gmail.com, Mobile: +91 9686247055

Program Committee

Prof.Y.Muralidhar Reddy, Prof.Raymond Swamy, Prof. Sunil M Kulkarni,
Prof.Raghu.N, Prof.A.Sheshu, Prof.Gnanendra.M, Prof.John Pradeep Kumar,



Contact us

http://www.acrpub.com/acrpub2012_index.html

Email: arccit2012@acrpub.com

ARC 2012

International Conference on Business and Management

DATE : DECEMBER, 28 & 29 2012,

LOCATION : CAMBRIDGE INSTITUTE OF TECHNOLOGY, BANGALORE, INDIA

TIME	AGENDA	PLACE
08:30 - 09:00	REGISTRATION	
09:00 AM 09:05 - 10:30	<p><u>CONFERENCE INNAGURATION</u></p> <p><u>Welcome address:</u> Dr. R. Krishna, Director, CIT, Bangalore</p> <p><u>Inaugural Address:</u> Dr. K. Ravichandran, Founder & Publisher, Academic Research Publishers, UAE</p> <p><u>Special Address:</u> Shri. D. K. Mohan, Chairman, Cambridge Insitute of Technology, Bangalore</p> <p><u>Conference Grand Opening Speech:</u> Mr. S. Chandrashekar, Chairman , Bhoruka Power corporation</p> <p><u>Honored Guest Speech:</u> Mr. Parameswar P. Iyer Professor, Department of Management Studies Indian Institute of Science, Bangalore</p>	Hotel Evoma Conference Room 1
10:30 - 11:00	Tea Time and Academic Exchange	Conference Lounge
11:00 - 1:30	Paper Presentation Hall (1)	Hotel Evoma Conference Room 1
11:00 - 1:30	Paper Presentation Hall (2)	Hotel Evoma Conference Room 2
1:30 - 2:30	LUNCH BREAK	Conference Lounge
2:30 - 5:30	Paper Presentation Hall (1)	Hotel Evoma Conference Room 1
2:30 - 5:30	Paper Presentation Hall (2)	Hotel Evoma Conference Room 2
5:30 - 6:00	HIGH TEA	Conference Lounge
6:30 PM	CONFERENCE DINNER CAMBRIDGE INSTITUTE OF TECHNOLOGY CAMPUS	CiTech Garden

DAY 1

Conference Schedule

SEMINAR HALL 1

SESSION CHAIR: **Dr D. R. RAJASHEKHARA SWAMY**

Professor, Department of
Management Studies

Rajeev Institute of Technology
Hassan, Karnataka, India

28-12-2009, FRIDAY

REF. No.	FINANCE TRACK	TIME
1	Liquidity Premium in the Indian Corporate Bond Market Authors : Malay K. Dey, Rama Seth, Sethunarayanan N	11.00-11.15
2	Why Do Mergers & Acquisitions (M&a) Deals Fail?(Becoming Knowledgeable about M&A through Academic and Practioner Inputs) Authors :Prof. Suryanarayana & Prof. Srinivasa Raju	11.15-11.30
3	Financial Inclusion in India: A Conceptual Framework Authors: Gairamg Badheka	11.30-11.45
4	Economies of scale - A doohickey in profitability of Unorganized Grocery retail shops (Kirana stores) in Coimbatore District , Tamilnadu Author : Abraham Varughese	11.45-12.00
5	Identity Theft Countermeasures and Their Impact on Value of Firms Authors: Indranil Bose, Alvin Chung Man Leung	12.00-12.15
6	Sovereign Wealth Fund Decision Scorecard (DSC)- Macroeconomic Evidences From India Author: Amanpreet Singh Chopra	12.15-12.30
7	Emerging Issues of FDI in India Authors: Prof. Jyothi. P.M, Prof. Gnanendra. M	12.30-12.45
8	Derivatives: An Overview Author: Dr Amneet Kaur	12.45-1.00
9	Employee Engagement: A key to Enhanced Performance Author: Sheeba. S	1.00-1.15
10	Memorabilia of The Indian Cricket League, A Forgotten Brand Authors: Dr. Nitu Saxena, Shilpa.S.S	1.15-1.30
Lunch Break 1.30-2.30 P.M.		

SESSION CHAIR: Dr. JOHN MANOHAR

Professor & Head

Department of MBA

Dr. Ambedkar Institute of Technology

Bangalore, Karnataka, India

REF. No.	HUMAN RESOURCE TRACK	PLACE
1	Training Needs Assessment of faculty in the management institutes of Coimbatore District Author P.C. Neena	2.30-2.45
2	Impact of Employee Attrition on People Management in Organizations Authors : Santhosh Kumar A.V	2.45-3.00
3	Corporate wellness: A healthy HR initiative Authors : Prof. Niranjana L R	3.00-3.15
4	Employee Relations in Global Workforce Management: The Primary Focus and Influences For MNCs Authors: Prof. Suryanarayana & Dr. Feroz Iqbal	3.15-3.30
5	Employee Engagement – Concept and Challenges Author: Prof. Vidya S. Patil	3.30-3.45
6	A live case on Work life balance at Polyhydron Pvt. Ltd, Belgaum, Karnataka Author: Prof. Sanjay Deshpande	3.45-4.00

SESSION CHAIR: Prof. A. Suryanarayana

Former Chairperson Board of Studies

Department of Business Management,

Osmania University, Hyderabad-500007

REF. No.	MARKETING TRACK	PLACE
1	Using Visual Merchandising as a Strategic Marketing Tool In Indian Retailing Authors: Dr. Smitha Sambrani & Dr. A. Suryanarayana	4.00-4.15
2	Customer Satisfaction with 3 G Services – A Study in Hyderabad Authors: Dr. Malini Reddy & Mr. Shahbaaz Khan	4.15-4.30
3	Study on Consumer Perception Vs Consumer Expectation for New Era of Indian Quick Service Restaurant- Qsctv Model Author: Srivalli Jandhyala	4.30-4.45
4	An Empirical Study on Consumer Behavior of Women with reference to Durable Goods in Bangalore City Author: Dr. H.S Adithya	4.45-5.00
5	Rural Marketing Strategies of LIC Author: Mrs. S. Mallika	5.00-5.15
6	A Study On The Factors Influencing Customer Satisfaction In Multi-Brand Apparel Retail Authors: Prof. Ram Mohan, Prof. Bhama T	5.15-5.30
7	“Key Challenges and Strategies – Women Attrition in Organization” (A Conceptual Analysis in Indian Perspective) Authors: R. Pankajakshi, S.V. Arundathi	5.30-5.45

SEMINAR HALL 2

SESSION CHAIRS: **Dr. ROOPA T N**

Director Directorate of Distance Education
Visvesvaraya Technological University
Belgaum, Karnataka, India

&

Dr. S. JAYACHANDRAN

Professor, Dept., Of Management Studies
IIT, Chennai, India

28-12-2009, FRIDAY

REF. No.	MANAGEMENT TRACK	PLACE
1	Making Electronic Commerce Strategies Innovatively competitive and Sustainable: Challenges and Solutions Author: Prof. Suryanarayana	11.00-11.15
2	Islamic Moral System in the perspective of Millennium Development Goals Authors: Shahina Qureshi & Bhawna Pal	11.15-11.30
3	Communication in Business Information Systems- New Perspectives Author: Pavel Ocenasek and Miroslav Sveda	11.30-11.45
4	Turning Organization's Talent Base into a Genuine Competitive Advantage Authors: Prof. Raza Shah & Prof. Suryanarayana	11.45-12.00
5	An Alternative View of VAIC™ Model in Indian Context Authors: Amitava Mondal , Dr. Santanu Kumar Ghosh,	12.00-12.15
6	Low Cost Addition Of High Value To The Customer 2 10 2012 - An Exploration Author: KVSS Iyer	12.15-12.30
7	Creating the Sustainable Leader Authors P.T.Kadave, A.R. Lande , Y.B. Gaidhani	12.30-12.45
8	Role of Technology in Fostering Economic Growth and Organizational Competitiveness Author : Dr.Y.V.Rao	12.45-1.00
9	Strategical Business growth through Radical management Authors : Sanjay.A.Natraj ,Jaysri Thangam.A	1.00-1.15
10	"Value Stratagem": A Symbiotic Framework involving Provocative Value Proposition, Creating Shared Value (CSV) and Porter's Five Competitive Forces with FDI Authors: Bharathi Muthu	1.15-1.30
Lunch Break 1.30-2.30 P.M.		
11	Migration and Globalization of Brain Drain: Status of Indian Community in Indonesia Author :Dr. Badr Uddin	2.30-2.45

12	implementation of total quality management in indian tyre industry: an Empirical analysis Author : <i>Dr. D. R. Rajashekhara Swamy</i>	2.45-3.00
13	Management of Innovative Technologies: An Integrated Strategic View and its Managerial Implications Authors: G. Sreenivasa Raju & Prof. Suryanarayana	3.00-3.15
14	Strategically Managing Hr Function for Gaining a Competitive Advantage: Current Research and Practice Author: Prof. Suryanarayana & Prof. Manisha Saxena	3.15-3.30
15	Strategies for Holistic Approach in Performance Appraisal <i>Authors: Dr.MP Hrishikesh, SS Jeyakkumaran, D. Preethi Rani, K Saravanan</i>	3.30-3.45
16	Supply Chain Framework for Managing Disasters: An Indian Perspective <i>Authors: Anand, Swati R Kulkarni and Mr. C.K. Nagendra Gupta</i>	3.45-4.00
17	Emerging Perspectives on Future Organizational Change: Critical Themes and Conceptual Issues Authors: Prof. Suryanarayana & Ms. Roshee Lamichhane	4.00-4.15
18	Traffic and Transportation Infrastructure In Chennai City - A Focus On Demand And Supply Authors: Dr. Sujatha . P, Janardhanam. PVS	4.15-4.30
19	Paradigm shift in Education and Innovation for the growth in ER&D Services Authors: Gangadharayya R Pashupatimath	4.30-4.45
20	Tourism In Kanyakumari District : An Introspection of the factors of preference for Tourists using Factor Analysis Authors: Prof. S. Gopalakrishnan, Dr. S. John Manohar	4.45-5.00
21	Entrepreneurship Education in India: Influence on career intention of students Author: Y. Muralidhar Reddy	5.00-5.15
22	Personality traits & the challenges of Business and Management - An empirical study of Automotive Industry. Authors: Dr. R. Krishna , Mrs. Meera Uday	5.15-5.30

Note: Best Paper Award and Conference Presentation/Participation certificates will be distributed during the conference dinner meeting at CITech Campus

DAY 2

Conference Schedule TOUR PROGRAM ITENARY

29-12-2009, SATURDAY

One Day Mysore Trip: (15\$ or Rs. 650 only per person)

5.30 AM - Depart From Cambridge Institute of Technology

Places Covered

- 1. Chamandi Temple**
- 2. Mysore Palace**
- 3. Zoo**
- 4. Balamuri Falls**
- 5. KRS Dam**

Return by 9-10.30 PM to Bangalore

Breakfast, Lunch, Dinner Covered. (Veg. and Non-veg. food available)

One Day Bangalore Local Trip: (5\$ or Rs. 250 only per person)

Departs at 10.30 AM and Return by 5.30 PM

Choose any Package and kindly block your seats at the earliest (pay later)

Send your confirmation to arccit2012@acrpublish.com

CONTENTS

Proceedings of ARC 2012 International Conference on Business and Management

	FINANCE	Page No
1	Liquidity Premium in the Indian Corporate Bond Market <i>Malay K. Dey, Prof. Rama Seth, Sethunarayanan N Malay K. Dey</i> <i>Indian Institute of Management Calcutta, Joka, Kolkata - 700104, West Bengal, India</i> <i>Rama Seth, Professor, Indian Institute of Management Calcutta, Joka, Kolkata - 700104, West Bengal, India e-mail: rama_seth@iimcal.ac.in</i> <i>Sethunarayanan N, Indian Institute of Management Calcutta, Joka, Kolkata - 700104, West Bengal, India</i>	1-6
2	Why Do Mergers & Acquisitions (M&A) Deals Fail?(Becoming Knowledgeable about M&A through Academic and Practitioner Inputs) <i>Prof. A. Suryanarayana & G. Srinivasa Raju</i> <i>Prof. A. Suryanarayana, Department of Business Management Osmania University HYDERABAD-500 007 (A.P.)</i> <i>e-mails: smithasambrani@yahoo.com and professorsuryanarayana@yahoo.com</i> <i>G. Srinivasa Raju, Director, Mantra School of Business Management, L.B. Nagar, Hyderabad-500 006, INDIA</i> <i>And Former Director, Anjana Pharmaceuticals Pvt. Ltd. e-mail: rajugs@sify.com</i>	7-14
3	Financial Inclusion in India: A Conceptual Framework <i>Prof. Gaurang Badheka</i> <i>Gaurang Badheka, Assistant Professor, Indukaka Ipcowala Institute of Management, Faculty of Management Studies, Charotar University of Science and Technology (CHARUSAT).</i> <i>Email: gaurang_badheka@yahoo.co.in, gaurangbadheka.mba@charusat.ac.in</i>	15-20
4	Economies of scale – A doohickey in profitability of Unorganized Grocery retail shops (Kirana stores) in Coimbatore District , Tamilnadu <i>Mr. Abraham Varughese</i> <i>Mr. Abraham Varughese, Research Scholar, Anna University, Chennai Assistant Professor, SNMV Institute of Management, Coimbatore, Email : abeysunil1826@gmail.com</i>	21-28
5	Identity theft Countermeasures and their Impact on Value of Firms <i>Prof. Indranil Bose & Alvin Chung Man Leung</i> <i>Indranil Bose, Indian Institute of Management, Calcutta, India</i> <i>Alvin Chung Man Leung, McCombs School of Business, The University of Texas at Austin, USA. Email: bose@iimcal.ac.in</i>	29-34
6	Sovereign Wealth Fund Decision Scorecard (DSC)- Macroeconomic Evidences From India <i>Mr. Amanpreet Singh Chopra</i> <i>Amanpreet Singh Chopra, Phd. Scholar (Oil & Gas Management), University of Petroleum and Energy Studies, Dehradun, India; amanpreet.chopra@yahoo.com</i>	35-40
7	Emerging Issues of FDI in India <i>Prof. P.M. Jyothi & Prof. M. Gnanendra</i> <i>Prof. Jyothi. P.M Assistant Professor, Dept. Of Management Studies, East Point College of Engineering and Technology, Virgo Nagar Post, Bangalore-560049, Karnataka</i> <i>Prof. Gnanendra. M Assistant Professor, Dept. Of Management Studies, Cambridge Institute of Technology, KR Puram, Bangalore - 560036, Karnataka</i>	41-47
8	Derivatives: An Overview <i>Dr. Amneet Kaur</i> <i>Dr Amneet Kaur, Asst. Prof SGGGS College, Chandigarh</i>	48-57

	FINANCE	Page No
9	A Reexamination of the Performance of Socially Responsible Funds <i>Prof. Praveen K. Das & S.P. Uma Rao</i> <i>Praveen K. Das B.I. Moody III College of Business Administration,</i> <i>University of Louisiana at Lafayette,</i> <i>Lafayette, LA, USA, 70504. email: pkd8947@louisiana.edu</i> <i>S P Uma Rao B.I. Moody III College of Business Administration, University of Louisiana at</i> <i>Lafayette Lafayette, LA, USA, 70504 Email: srao@louisiana.edu</i>	58-68
10	Measuring Financial Health of Restaurant Companies – a Comparative Study <i>Rashad Walid Hafez , Dr. K. Ravichandran & Dr. Faisal Al Khateeb</i> <i>Rashad Walid Hafez, MBA Student, School of Management, New York Institute of</i> <i>Technology, Abudhabi Campus, UAE</i> <i>Dr. K. Ravichandran, Assistant Professor, School of Management, New York Institute of</i> <i>Technology, Abudhabi Campus, UAE</i> <i>Email: kravicha@nyit.edu</i> <i>Dr. Faisal Al Khateeb, Associate Dean, School of Management, New York Institute of</i> <i>Technology, Abudhabi Campus, UAE</i> <i>Email: falkha08@nyit.edu</i>	69-73
11	Sectoral Analysis of FDI In India <i>Mr. Debabrata Sutradhar</i> <i>Mr. Debabrata Sutradhar, Research Scholar, Department of Humanities and Social</i> <i>Sciences, National Institute of Technology, Silchar, Assam- 788010.</i>	74-81
12	Factors That Affect the Profitability of the Conventional Bank and Shariah Bank in UAE <i>Dr. Raj Bahadur Sharma & Dr. K. Ravichandran</i> <i>Dr. Raj Bahadur Sharma, Assistant Professor Department of Accounting, College of</i> <i>Business Administration Salman Bin Abdul Aziz University,</i> <i>Al Kharj Kingdom of Saudi Arabia. E-mail: rbsharmaji@gmail.com</i> <i>Dr. K. Ravichandran, Assistant Professor, School of Management,</i> <i>New York Institute of Technology, Abudhabi. UAE</i>	82-92
13	Efficiency Measurement of Malaysia's Palm Oil Refineries Applying Two-Stage Production Systems With Shared Inputs By DEA <i>Sahaila Hj Abd Jalil , Zahra Shahverdi & Ali Ashrafi</i> <i>Suhaila Hj Abd Jalil, Department of Economics, Faculty of economics and Management,</i> <i>University Putra Malaysia, Selangor, Malaysia</i> <i>Zahra Shahverdi, Department of Economics, Faculty of economics and Management,</i> <i>University Putra Malaysia,</i> <i>Selangor, Malaysia (UPM), 43400 UPM, SERDANG, Selangor, Malaysia. Email:</i> <i>z_shahverdi@yahoo.com</i> <i>Ali Ashrafi, Department of Statistic and computer science, Faculty of mathematics,</i> <i>University of Semnan, Semnan, Iran</i>	93-105
14	Harmonization & Convergence of Accounting Standards Worldwide <i>Dr. H.S. Gitanjali</i> <i>Dr. H.S. Gitanjali, No. 620, Gokul Nilaya, 2nd stage, 28th Main, BTM Layout,</i> <i>Bangalore-560076. Email: gitanjali_hs@yahoo.com</i>	106-110
15	A Study on Issues In Merger and Acquisitions in Telecommunication Industry : Special Focus on Cross Border Merger and Acquisitions <i>Miss. Shruti Bhardwaj</i> <i>Shruti Bhardwaj, Symbiosis Institute Of Telecom Management, Pune, India</i>	111-117

	FINANCE	Page No
16	Corporate Decision Making - A case of Movie Flex <i>Salama EL Haskouri & Dr. K. Ravichandran</i> <i>Salama EL Haskouri, MBA Student, Newyork Institute of Technology, Abudhabi, UAE</i> <i>Dr.K.Ravichandran, Assistant Professor, School of Management, Newyork Institute of Technology, Abudhabi, UAE</i>	118-126
17	British Petroleum: Impact of Gulf of Mexico Oil Spill (2010) <i>Eissa Al Hashmi, MBA student, New York Institute of Technology, Abudhabi, UAE</i>	127-130
	HUMAN RESOURCE	
18	Training Needs Assessment of faculty in the management institutes of Coimbatore District <i>Mrs. P.C. Neena, Research Scholar, Anna University, Chennai Assistant Professor, SNMV Institute of Management, Coimbatore MBA Department, SNMV CAS, Malumichampatti, Coimbatore -50, Tamilnadu</i>	131-136
19	Impact of Employee Attrition on People Management in Organizations <i>Mr. Santhosh Kumar A.V, Lecturer, Department of Commerce and Management Seshadripuram First Grade College Yelahanka, Bangalore, Karnataka, E.Mail ID: sankum7578@gmail.com</i>	137-141
20	Corporate wellness: A healthy HR initiative <i>Prof. Niranjan L R, Christ University, Bangalore, Email: niranjan.lr@christuniversity.in</i>	142-150
21	Employee Relations in Global Workforce Management: The Primary Focus and Influences For MNCs <i>Prof. A. Suryanarayana & Dr. Feroz Ikbal</i> <i>Prof.A.Suryanarayana, Department of Business Management Osmania University, Hyderabad-500 007 (A.P.)</i> <i>e-mails: professorsuryanarayana@yahoo.com</i> <i>Dr. Feroz Ikbal, Principal, Department of Hospital Management Deccan School of Management Owaisi Hospital & Research Center Hyderabad- 500 058. Email: manishas153@gmail.com</i>	151-157
22	Employee Engagement – Concept and Challenges <i>Vidya S. Patil</i> <i>Vidya S. Patil, Lecturer, East Point College of Higher Education, Bangalore – 49</i>	158-166
23	A live case on Work life balance at Polyhydron Pvt. Ltd, Belgaum, Karnataka <i>Prof. Sanjay Deshpande</i> <i>Sanjay Deshpande, Assistant Professor, Department of Management Studies and Research (MBA), Gogte Institute of Technology, Udyambag- 590008, Belgaum</i>	167-172
24	Employee Engagement: A key to Enhanced Performance <i>Sheeba. S</i> <i>Sheeba. S, Sr. Lecturer, Visvesvaraya Technological University, Bidarahalli, Bangalore - 49</i>	173-178
25	Health and Safety- Need of Today's Competitive Business <i>Prof. Akshata Anand Joshi</i> <i>Prof. Akshata Anand Joshi, M.Com, GDC&A, Qualified NET (National Eligibility Test) Institute-K.G.Joshi & N.G.Bedekar College of Arts and Commerce, Thane West, Maharashtra State. Email-aaj296@gmail.com</i>	179-185

	MARKETING	Page No
26	Using Visual Merchandising as a Strategic Marketing Tool In Indian Retailing <i>Dr. Smitha Sambrani & Prof. A. Suryanarayana</i> <i>Dr. Smitha Sambrani, Assistant Professor Department of Business Management , Osmania University, HYDERABAD-500 007 (A.P.). e-mail: smithasambrani@yahoo.com</i> <i>Dr. A. Suryanarayana, Professor, Department of Business Management, Osmania University, HYDERABAD-500 007 (A.P.), e-mail: professorsuryanarayana@yahoo.com</i>	186-193
27	Customer Satisfaction with 3 G Services – A Study in Hyderabad <i>Dr. Y. Malini Reddy & Mr. Shahbaaz Khan</i> <i>Dr. Y. Malini Reddy, Academician and Consultant Plot No. 18A, Road No. 2, Jubili Hills, Hyderabad 500033. Andhra Pradesh . India malinireddy.y@gmail.com</i> <i>Mr. Shahbaaz Khan, Student PGDM, IMT Hyderabad, Survey No. 38, Cherlaguda Village, Shamshabad Mandal, RR District, Hyderabad- 501218. Andhra Pradesh . India shahbaz1989@gmail.com</i>	194-197
28	Study on Consumer Perception Vs Consumer Expectation for New Era of Indian Quick Service Restaurant- Qsctv Model <i>Miss. Srivalli Jandhyala</i> <i>Srivalli Jandhyala Research Scholar, JNTU, Hyderabad, Email : srivallisrivalli7@gmail.com</i>	198-206
29	An Empirical Study on Consumer Behavior of Women with reference to Durable Goods in Bangalore City <i>Dr. H.S Adithya</i> <i>Dr. H.S Adithya, M.B.A., M.Phil., Ph.D. Assistant Professor & H.O.D – M.B.A B.T.L Institute of Technology & Management, Bangalore.Email: adithyabs@hotmail.com</i>	207-212
30	Rural Marketing Strategies of LIC <i>Mrs. S. Mallika & Dr. Christy Selvarani</i> <i>Mrs. S. Mallika, Ph.d Scholar, Urumu Dhanalakshmi College, Tiruchirapalli, Tamil Nadu</i> <i>Dr.Christy Selvarani. Associate Professor Urumu Dhanalakshmi College, Tiruchirapalli, Tamil Nadu</i>	213-218
31	A Study On The Factors Influencing Customer Satisfaction In Multi-Brand Apparel Retail <i>Prof. Ram Mohan & Prof. T.Bhama</i> <i>Prof. Ram Mohan, Institute of Management, Christ University, Hosur Road, Bangalore-29 email: ram.mohan@christuniversity.in</i> <i>Prof. Bhama T, Department of Management Studies, Christ University, Hosur Road,Bangalore-29 email: bhama.t@christuniversity.in</i>	219-225
32	Key Challenges and Strategies – Women Attrition in Organization (A Conceptual Analysis in Indian Perspective) <i>Prof. R. Pankajakshi & Prof. S.V. Arundathi</i> <i>R. Pankajakshi, Associate Professor, Department of MBA, Dr. Ambedkar Institute of Technology, Mallathahally, Bangalore – 560 056. Email_id: pankaja_avi@yahoo.co.in</i> <i>S.V. Arundathi, Assistant Professor, Department of MBA, Dr. Ambedkar Institute of Technology, Mallathahally, Bangalore – 560 056 Email_id: arupai81@gmail.com</i>	226-230

	MARKETING	Page No
33	Entrepreneurship Education in India: Influence on Career Intention of Students <i>Prof. Y. Muralidhar Reddy & Dr. Hanuman Kennedy</i> <i>Y. Muralidhar Reddy, M.Sc, M.B.A, Department of Management,</i> <i>Cambridge Institute of Technology,</i> <i>Bangalore, Karnataka. Research Scholar, Rayalaseema University, Kurnool, AP.</i> <i>E-mail: ymuralidharreddy@gmail.com</i> <i>Dr. Hanuman Kennedy, PhD, MBA, LLB, Professor, Department of MBA, PESIT, Bangalore,</i> <i>Karnataka. Email: kennedy@pes.edu</i>	231-238
	MANAGEMENT	
34	Making Electronic Commerce Strategies Innovatively competitive and Sustainable: Challenges and Solutions <i>Prof. A. Suryanarayana</i> <i>Dr. A. Suryanarayana, Professor, Department of Business Management, Osmania University,</i> <i>Hyderabad-500 007 (A.P.), e-mail: professorsuryanarayana@yahoo.com</i>	239-246
35	Islamic Moral System in the perspective of Millennium Development Goals <i>Ms. Shahina Qureshi & Bhawna Pal</i> <i>Shahina Qureshi, Acropolis Technical Campus, Devi Ahilya Vishwa Vidyalaya,</i> <i>H.No.1823-24, Tall Mohalla, MHOW, Distt: Indore, 453441,</i> <i>Madhya Pradesh, India. E-mail: shahinaqureshi@gmail.com</i> <i>Bhawna Pal, Institute of Management Studies, Devi Ahilya Vishwa Vidyalaya,</i> <i>Indore (M.P.), India, E-mail: palbhawna@rediffmail.com</i>	247-256
36	Communication in Business Information Systems- New Perspectives <i>Prof. Pavel Ocenasek & Miroslav Sveda</i> <i>Pavel Ocenasek, Brno University of Technology, FIT Bozotechnova 2. 612 66 Brno, Czech</i> <i>Republic, email: ocenasp@fit.vutbr.cz,</i> <i>Miroslav Sveda, Brno University of Technology, FIT Bozotechnova 2, 612 66 Brno, Czech</i> <i>Republic, Email :sveda@fit.vutbr.cz</i>	257-262
37	Turning Organization's Talent Base into a Genuine Competitive Advantage <i>Prof. A. Suryanarayana & Prof. Raza Shah</i> <i>Dr. A. Suryanarayana, Professor, Department of Business Management,</i> <i>Osmania University, Hyderabad-500 007 (A.P.),</i> <i>e-mail: professorsuryanarayana@yahoo.com</i> <i>Prof. Raza Shah, Department of Business Management Deccan School of Management, Darul</i> <i>Salam, Near Nampally, Hyderabad-500 001 (A.P.). e-mail: drrazashah@gmail.com</i>	263-270
38	An Alternative View of VAIC™ Model in Indian Context <i>Prof. Amitava Mondal & Dr. Santanu Kumar Ghosh,</i> <i>Amitava Mondal, Assistant Professor in Commerce, Kalna College, University of Burdwan ,</i> <i>West Bengal, india. Email: a_mkolkata@yahoo.co.in</i> <i>Dr. Santanu Kumar Ghosh, Professor in Commerce, University of Burdwan,</i> <i>West Bengal, india.</i>	271-278

	MANAGEMENT	Page No
39	Low Cost Addition Of High Value To The Customer 2 10 2012 - An Exploration <i>Mr. KVSS Iyer</i> <i>KVSS Iyer , 1392, 11th cross, 1st d main Kengeri satellite town. Bangalore 560060</i>	279-286
40	Creating the Sustainable Leader <i>Prof. P.T.Kadave, Prof. A.R. Lande & Prof. Y.B. Gaidhani</i> <i>P.T.Kadave, Principal, Civil Department, K. K Wagh Polytechnic, Nashik-422 003</i> <i>A R.Lande, Lecturer, Mechanical Engineering Department, K.K Wagh Polytechnic, Nashik-422 003</i> <i>Y B.Gaidhani, Lecturer, Mechanical Engineering Departments, K.K Wagh Polytechnic, Nashik-422 003</i>	287-290
41	Role of Technology in Fostering Economic Growth and Organizational Competitiveness <i>Dr. Y.V.Rao</i> <i>Dr. Y.V.Rao , MBA,Ph.D, Professor,(US returned), Dept.of Management Studies, Vignan University, Vadlamudi, Guntur, Andhra Pradesh, India</i>	291-293
42	Strategical Business growth through Radical management <i>Mr. Sanjay.A.Natraj ,Miss. A. Jaysri Thangam</i> <i>Sanjay.A.Natraj , Student, Thiagarajar College of engineering, Madurai-625015.</i> <i>Email:nat.sanjay@gmail.com</i> <i>Jaysri Thangam.A , Student, Thiagarajar College of engineering, Madurai-625015.</i> <i>Email: jaysrithangam@gmail.com</i>	294-303
43	"Value Stratagem": A Symbiotic Framework involving Provocative Value Proposition, Creating Shared Value (CSV) and Porter's Five Competitive Forces with FDI <i>Mrs. Bharathi Muthu</i> <i>Bharathi Muthu, Regional Market Management Lead GB & Geo-Expansion IBM India Pvt. Ltd.</i> <i>bhamuthu@in.ibm.com</i>	304-320
44	Migration and Globalization of Brain Drain: Status of Indian Community in Indonesia <i>Dr. Badr Uddin</i> <i>Dr. Badr Uddin, Associate Professor in Political Science, Shri Ravi Sitrama Naik College of Arts & Science, Goa University, Ponda,</i> <i>Goa-403401, Email :drbadar786@mail.com</i>	321-327
45	Implementation of Total Quality Management in Indian Tyre Industry: an Empirical Analysis <i>Dr. D. R. Rajashekhara Swamy & Dr. B. Mahadevappa</i> <i>Dr. D. R. Rajashekhara Swamy, Director, Professor in Management, Department of Management Studiesm, Rajeev Institute of Technology, Hassan rajukambaina@gmail.com</i> <i>Dr. B. Mahadevappa, Professor, Department of Commerce, Manasa Gangothri, University of Mysore, Mysore bmahadevappa@gmail.com</i>	328-341

	MANAGEMENT	Page No
46	Management of Innovative Technologies: An Integrated Strategic View and its Managerial Implications <i>G. Sreenivasa Raju & Prof. A. Suryanarayana</i> <i>SreenivasaRaju, (MBA in Technology Management), Director, Mantra School of Business Management and Former Director, Anjana Pharmaceuticals Pvt. Ltd.</i> <i>e-mail: rajugs@sify.com</i> <i>Prof. A. Suryanarayana, Department of Business Management Osmania University Hyderabad-500 007 (A.P.) e-mails: professorsuryanarayana@yahoo.com</i>	342-349
47	Strategically Managing Hr Function for Gaining a Competitive Advantage: Current Research and Practice <i>Prof. A. Suryanarayana & Prof. Manisha Saxena</i> <i>Prof. A. Suryanarayana, Department of Business Management Osmania University Hyderabad-500 007 (A.P.) e-mails: professorsuryanarayana@yahoo.com</i> <i>Prof. Maneesh Saxena, Principal Department of Hospital Management, Deccan School of Management, Owaisi Hospital & Research Center Hyderabad- 500 058</i>	350-356
48	Strategies for Holistic Approach in Performance Appraisal <i>Dr. MP Hrishikesh, SS Jeyakkumaran, D. Preethi Rani & K. Saravanan</i> <i>Dr. MP Hrishikesh, Director, CMR Center For Business Studies, Karnataka</i> <i>SS Jeyakkumaran, Research Scholar, Shri Jagdish Prasad Jhabarmal Tibrewala University, Rajasthan</i> <i>D. Preethi Rani, Research Scholar, Vellore Institute of Technology (VIT), Business School, Tamilnadu</i> <i>K Saravanan, Research Scholar, Shri Jagdish Prasad Jhabarmal Tibrewala University, Rajasthan</i>	357-367
49	Supply Chain Framework for Managing Disasters: An Indian Perspective <i>Mr. Anand & Mrs. Swati R Kulkarni and Prof. C.K. Nagendra Gupta</i> <i>Anand, Student, II Year M.Tech (MEM), Department of Industrial Engineering, and Management, RVCE, Visvesvaraya Technological University, Bangalore, Karnataka, India</i> <i>Swati R Kulkarni, Student, II Year M.Tech (MEM), Department of Industrial Engineering and Management, RVCE, Visvesvaraya Technological University, Bangalore, Karnataka, India</i> <i>Mr. C.K. Nagendra Gupta, Assistant Professor, Department of Industrial Engineering and Management, RVCE, Visvesvaraya Technological University, Bangalore, Karnataka, India</i>	368-375
50	Emerging Perspectives on Future Organizational Change: Critical Themes and Conceptual Issues <i>Prof. A. Suryanarayana & Ms. Roshee Lamichhane</i> <i>Prof. A. Suryanarayana, Department of Business Management Osmania University Hyderabad-500 007 (A.P.) e-mails: professorsuryanarayana@yahoo.com</i> <i>Ms. Roshee Lamichhane, Full time Faculty Member in Management (Marketing & HR), Kathmandu College of Management (KCM). e-mail: lamroshee@gmail.com</i>	376-382
51	Traffic and Transportation Infrastructure In Chennai City – A Focus On Demand And Supply <i>Dr. P. Sujatha & PVS. Janardhanam</i> <i>Dr. SUJATHA . P, Asst. Professor, Bharathi Women's College(A), Chennai-108.</i> <i>JANARDHANAM. PVS, GM-IT-Operations, Plintron Global Technologies Ltd.</i>	383-396
52	Paradigm shift in Education and Innovation for the growth in ER & D Services <i>Mr. Gangadharayya R Pashupatimath</i> <i>Gangadharayya R Pashupatimath, Director Engineering - India Actuant India Pvt Ltd., Bangalore Pashupati.math@actuant.com</i>	397-403

	MANAGEMENT	Page No
53	<p>Tourism In Kanyakumari District : An Introspection of the factors of preference for Tourists using Factor Analysis</p> <p><i>Prof. S. Gopalakrishnan & Dr. S. John Manohar</i> <i>Prof. S. Gopalakrishnan, Head, MBA Department Cambridge Institute of Technology K.R.Puram, Bangalore 560 036. Email: gopalkr@yahoo.com</i> <i>Dr. S. John Manohar, Professor & Head, MBA Department Dr.Ambedkar Institute of Technology Near Bangalore University Campus Nagarbhavi, Bangalore.</i> <i>Email : johnmanohar2004@yahoo.co.in, johnmanohar2011@gmail.com</i></p>	404-414
54	<p>Leading Factors in the Internationalization Process: An Empirical Analysis on the Pump and Motor Manufacturers in Coimbatore District</p> <p><i>Ms. G. Jayanthi & Dr. R. Amudha</i> <i>Ms. G. Jayanthi, Research scholar, Karunya School of Management Karunya University, Coimbatore -641114. Email : jayanthiboopal@hotmail.com</i> <i>Dr. R. Amudha, Associate Professor, Karunya School of Management Karunya University, Coimbatore -641114. Email : amudha8@gmail.com</i></p>	415-423
55	<p>Developing a Framework to Identify the Factors Affecting the Measurement of Organization Readiness for Business Process Reengineering Implementation An Exploratory Factor Analysis Method(EFA)</p> <p><i>Hamid Shahbandarzadeh, Kodakaram Salimfard & Farid.Saeedi</i> <i>Hamid.Shahbandarzadeh, Department of Industrial Management, Persian Gulf University, Bushehr, Iran Shahbandarzadeh@pgu.ac.ir</i> <i>Khodakaram.Salimifard, Department of Industrial Management, Persian Gulf University, Bushehr, Iran Salimifard@pgu.ac.ir</i> <i>Farid.Saeedi, Department of Industrial Management, Persian Gulf University, Bushehr, Iran Saeedi.farid@gmail.com</i></p>	424-439
56	<p>The Impact of Relationship Marketing Levels on Non-Financial Hotel Performance Case of Study: Four and Five-Star Shiraz Hotels</p> <p><i>Fakhrieh.Hamidianpour, Seyed Yaghoub.Hosseini & Samaneh Raeesi Nafchi</i> <i>Fakhrieh.Hamidianpour, Department of Business Management, Persian Gulf University, Bushehr, Iran hamidianpur2000@yahoo.com</i> <i>Seyed Yaghoub.Hosseini, Department of Business Management, Persian Gulf University, Bushehr, Iran hossainee@yahoo.com</i> <i>Samaneh.Raeesi Nafchi, Department of Business Management, Persian Gulf University, Bushehr, Iran pg.u.raeesi@yahoo.com</i></p>	440-450
57	<p>Memorabilia of The Indian Cricket League, A Forgotten Brand</p> <p><i>Dr. Nitu Saxena,</i> <i>Assistant Professor, Faculty of Management Studies, WISDOM, Banasthali Vidyapith.</i> <i>Shilpa.S.S</i> <i>Research Scholar, Banasthali Univeristy , Bangalore Management Academy</i> <i>29/3, Yeshaas Siddhi, Siddhareddy Layout, Doddanekkundi Cross, Bangalore- 37</i> <i>Tel: 080 4354 4114/ 4116, Mobile: 9916271057, E-Mail: shilpass.ibs@gmail.com</i></p>	451-463

	MANAGEMENT	Page No
58	Personality traits & the challenges of Business and Management - An empirical study of Automotive Industry. <i>Dr. R. Krishna, Director-P.G.Studies ,Cambridge Institute of Technology, Bangalor, directorcitmba@gmail.com, Ph: 9844024758</i> <i>Mrs. Meera Uday, Visiting Professor Adarsh Business School Bangalore , udaymeera@gmail.com, Ph: 99003 12933</i>	464-472

Liquidity Premium in the Indian Corporate Bond Market

Malay K. Dey
Indian Institute of Management Calcutta,
Joka, Kolkata - 700104,
West Bengal,
India

Rama Seth
Professor,
Indian Institute of Management Calcutta,
Joka, Kolkata - 700104,
West Bengal, India
e-mail: rama_seth@iimcal.ac.in

Sethunarayanan N
Indian Institute of Management Calcutta,
Joka, Kolkata - 700104,
West Bengal,
India

ABSTRACT

We test the empirical model in Subrahmanyam et al. (2009) for the Indian corporate bond market. We obtain daily time series data for approximately four years, 2007-10 for the corporate bond market from NSE and test the hypothesis that liquidity and trading activity explains a part of the variation in yield spreads. We find mixed evidence on liquidity premium on yield spreads.

Keywords: Liquidity, Bond Rating, Yield Spread

INTRODUCTION

In a comprehensive study of the US fixed income market, Friewald et al. (2005) determine which of the two causes, credit deterioration or illiquidity have a more significant effect on bond yields. Their study included more than 20,000 bonds starting from October 2004. The authors identified three different regimes in their sample period. The first period coincided with the GM/Ford crisis in 2005 when the corporate bond market was affected with GM/Ford debt downgraded to junk status. The second period was one of relative calm, which was succeeded by the dramatic crisis in the sub-prime market starting in 2007-2008. They document liquidity as a significant determinant of the variation in bond yields.

In this paper, we empirically estimate the liquidity premium in corporate bonds (A++ and A+++) yield spreads. We define and compute several liquidity proxies from daily price and volume data on Indian corporate bonds (A++ and A+++) and test two hypotheses related to liquidity premium during the sample period and further during two sub-periods, crises and non-crises periods.

DATA AND APPROXIMATIONS

We obtain daily price data for A+++ and A++ rated bonds for the period June 2007 to September 2010

from the National Stock Exchange (NSE), Mumbai. We also obtain daily credit default swap (CDS) spreads for those A+++ and A++ rated bonds from Bloomberg for the same period, June 2007 to September 2010. A common problem across all our datasets is the lack of or thin trading of the bonds under consideration.

Owing to the lack of liquidity in the Indian debt market and the available data, we make certain approximations for usability. First, to make up for the daily data for volumes traded for each corporate bond from Bloomberg, we assume the volumes to be proportional to the total volumes of 10 year bonds traded on each day. Since the volume measure always occurs in the numerator and denominator of all the explanatory variables, the proportionality constant is eliminated. The only variable where this does not occur is the Roll measure. In this case, the regression coefficient (slope variable) is a constant of proportionality and it adjusts itself when we actually perform the regression. We are interested in the t-statistics and a proportionality constant on the explanatory variable is not going to affect the regression coefficient. In addition, as we shall see later, the Roll measure turns out to be statistically insignificant.

Second, the corporate debt data from the NSE do not contain daily volumes traded. But the

corporate debt markets are thin and trades for any particular bond do not happen on a daily basis. So when we calculate the yield spreads of these corporate bonds against a Government security benchmark, the analysis on a daily basis cannot be made without approximations. We have addressed this problem by collating different corporate bonds with similar maturity dates and similar yield to maturity. This collated entity is then compared against a similar maturity Government security benchmark to get the yield spreads on a daily basis.

Further, to neutralize the effect of coupons on bond prices, we assume a common coupon for all the bonds in the basket and hence recalculate the price of each bond traded on a daily basis. We assume bond prices are log-normally distributed. Therefore the returns are normally distributed. We factor in liquidity, by using volume weighted price when computing returns.

In dealing with the first set of corporate bonds data, to calculate Roll's measure and Price Dispersion indicators, intra-day prices and volumes are required on each trading day. We overcome the non-availability of intra-day data, by replacing the concept of different price and volume instances on each day with the corresponding data for 10 consecutive trading days. This is done for both price and volume. This is the closest approximation to the ideal case. Also since there is not much trading, we assume there would not be appreciable price and volume variation in a few days.

In dealing with the second set of corporate bonds, as mentioned earlier we had data for volumes traded on each day, but were handicapped by the fact that the bonds were not traded on a daily basis and that intra-day data was not available for the bonds. So we chose not to include price dispersion in our analysis for this data, as intra-day data requirement is essential to calculate price dispersion.

HYPOTHESIS AND TESTS

Based on the methodology presented above, we formulate the following two testable hypotheses

regarding the effect of liquidity in the Indian corporate bond market.

H⁰₁: Trading variables and liquidity indicators do not affect the liquidity (or the illiquidity) of a bond in the market.

H⁰₂: The credit ratings of a corporate bond do not play a role in determining liquidity.

We test the above hypotheses via the following regression model as in Friewald et al. (2005).

$$\Delta yldspread_{i,t} = \alpha_0 + \alpha_1 \Delta yldspread_{i,t-1} + \beta_1 ratingdummy_{i,t} + \beta_2 \Delta activity_{i,t} + \beta_3 \Delta liquidity_{i,t} + \varepsilon_{i,t}$$

where α_0 , α_1 , β_1 , β_2 , and β_3 are the regression coefficients.

We use first differences in trading activity variables and liquidity measures along with the lagged values of the yield spread differences. Wherever possible, we have added the rating dummies variable to account for credit risk. This is discussed in detail in the results section. Finally, we observe how the determinants of yield spreads change over time. For this we split the sample period into financial crisis and non-crisis periods. Financial non-crisis marks the period, 2005-2008; crisis extends from July 2008 to March 2009. We repeat the hypotheses testing for both A+++ and A++ rated corporate bonds.

Yield Spread

The yield spread of a corporate bond can be interpreted as the penalty that is added to the yield to maturity of a benchmark Treasury bond. The penalty is added to account for relative illiquidity of a corporate bond as compared to the Treasury bond. We use the yield spread as a proxy for liquidity because a wider spread is associated with a higher credit risk or a higher risk of default. So investors are apprehensive about buying securities with greater yield spread and hence these securities trade below the yield curve. Also as an incentive for the investors, the securities with huge yield spreads usually trade

at a discount or else they need to offer huge coupons to counter this.

Explanatory Variables

We use the following liquidity proxies.

Price Dispersion

Price dispersion is a new liquidity measure discussed by Jankowitsch et al. (2008) and measures the deviation between the traded price and market value scaled by the daily volume. Price dispersion indicates potential costs of transaction for a trade.

$$\text{Price Dispersion}(t) = \sqrt{\frac{1}{\sum_{k=1}^{K(t)} v_k} \sum_{k=1}^{K(t)} (p_k - m(t))^2 v_k}$$

Where p_k and v_k represent the $K(t)$ observed traded prices and volumes on date t and $m(t)$ is the market value on that day.

Amihud ratio

As explained in the literature review section, Amihud ratio is a liquidity measure proposed by Amihud (2002) for the equity markets. It is computed using the absolute daily dollar return over the trading volume (measure in dollars).

$$\text{Amihud}(t) = \frac{1}{N(t)} \sum_{j=1}^{N(t)} \frac{|r_j|}{v_j}$$

where $N(t)$ is the number of observed returns over a defined period t and r_j , v_j are returns and trading volumes respectively. A large Amihud ratio denotes a large change in price for a given change in volume, implying higher illiquidity.

Bid-ask spreads

The Bid-ask spread is an accepted measure of liquidity costs. Brokerage fees and bid-ask spreads constitute transaction costs. Since brokerage costs remain constant, difference in bid-ask spreads could be used as a measure of liquidity costs.

Roll Measure

This measure was developed by Roll (1984) where the covariance in price movements is used as a proxy for liquidity.

$$\text{Roll}(t) = 2\sqrt{-\text{Cov}(\Delta p_t, \Delta p_{t-1})}$$

Here the Roll measure is taken to be zero if the Covariance between adjacent price data points is positive. Roll measure is a proxy for liquidity because it gives a sense of the round trip costs i.e. the costs of completing a transaction, including commissions and market impact.

Zero Return

Chen et al. (2007) have suggested the use of zero return as a proxy for liquidity. The zero return is used to track the staleness of price data that we use. It takes the value '1' if the price on 2 consecutive days remains the same and a value '0' otherwise. Zero return is observed when the price over two days remains unchanged and yields a zero return. A value of '1' over a period of time is more likely to be construed as a measure of illiquidity. The intuition is that bond prices that stay constant at a particular value are more likely to do so owing to lack of liquidity.

RESULTS

Table 3 summarizes the regression results for the liquidity premium hypotheses. The reported parameter estimates indicate that Amihud ratio, price dispersion, and difference in number of trades between two adjacent days are significant explanatory variables. Although the evidence appears mixed, we conclude on their significance based on the fact that they have high values, whenever they appear significant. Also zero return and roll measure, which are arguably not economically significant are also statistically not significant.

In terms of model goodness of fit denoted by F-stat and R^2 , we find contrary evidence for A++ and A+++ bonds for the whole sample and during

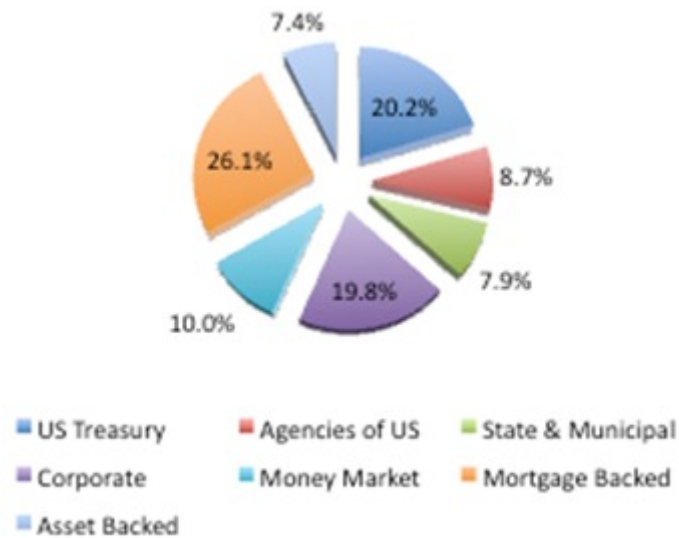
non-crises periods. While the model statistics for the A++ bonds show lack of fit (F-stat 0.49 and 1.50) and low R^2 (0.002 and 0.052) respectively for the full sample and the non-crises period, similar statistics (F-stat, 1.96 and 2.12; R^2 , 0.009 and 0.012 respectively for full sample and non-crises period) for A+++ bonds indicate significant model fit and higher level of model explanatory power. For the crisis period, both A++ and A+++ bonds show poor fit. The persistent low values of R^2 for all regression models indicate possible gains from revisiting the model and the choice of explanatory variables.

CONCLUSION

We report regression results on the effect of liquidity and rating on corporate bond yield spreads. We find mixed evidence on liquidity premium in corporate bond yield spread. However, R^2 are consistently low for all models perhaps due to lack of depth and breadth in the market. In general, we find for the Indian corporate bond segment, Amihud's illiquidity, volume, and price dispersion measures perform quite well. However the t-statistics are not as high as in Friewald et al. (2005) and in one instance the t-statistics is not significant. Zero-return and Roll measures are universally statistically insignificant. We conclude that despite inadequate data coupled with the lack of depth in the market, there is limited evidence of liquidity premium in yield spread.

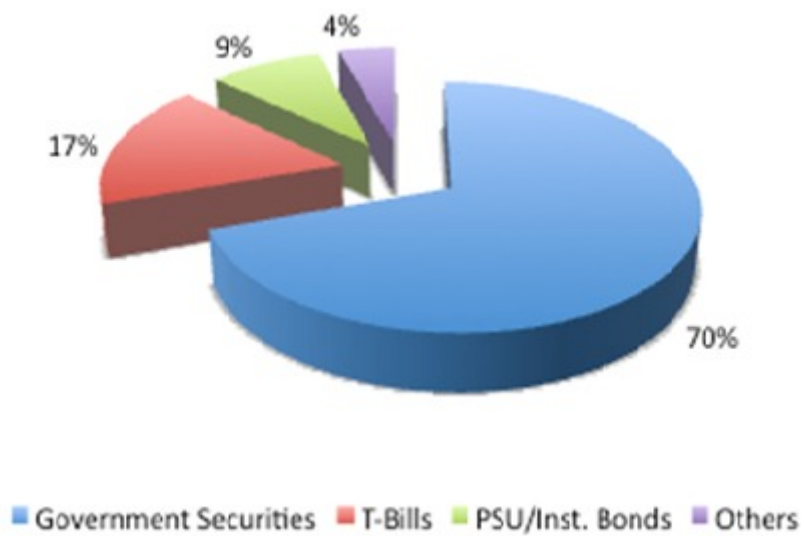
REFERENCES

- Amihud, Y., (2002). Illiquidity and stock returns: Cross section and time series effects. ***Journal of Financial Markets***, 5, 31-56
- Bose, S. and D. Coondoo (2003). A Study of the Indian Corporate Bond Market.
- Chen L., D. Lesmond, and J. Wei (2007). Corporate Yield spreads and bond liquidity. ***Journal of Finance***, 62, 119-49
- Friewald, N., R. Jankowitsch, M. Subrahmanyam (2005). Illiquidity or Credit Deterioration: A Study of Liquidity in the US corporate bond market during financial crisis.
- Jankowitsch, R., A. Nashikkar, and M. Subrahmanyam (2008). Price dispersion in otc markets: A new measure of liquidity. Working Paper, ***New York University and Vienna University of Economics and Business***.
- Roll, R. (1984). A Simple Implicit measure of the Effective Bid-Ask spread in an Efficient Market. ***Journal of Finance***, 39, 4.
- Seth, R., Sankaran R., and Sethunarayanan N. and (2010). A Study on Yield Spreads and Liquidity Measures in the Indian Bond Market, IIMC WPS No. 665, November.



Source: Bank for International Settlements, Asset Allocation Advisor, World Federation of exchanges, 2009

Figure 1: US Bond Market Composition



Source: National Stock Exchange, India

Figure 2: Indian Debt Market Composition

Table 1: Indian Debt Market Outstanding*Source: National Stock Exchange, India*

Issuer/Securities	Amount raised in Primary market (US\$ Mln)		Turnover in secondary market (US\$ Mln)	
	2008	2009	2008	2009
Government	64,044	85,709	1,407,893	1,221,872
Corporate/Non-Government	29,088	34,510	5,561	9,011
Total	93,132	120,219	1,413,454	1,230,883

*Source: National Stock Exchange, India***Table 2: Correlation Matrix of input variables for regression**

Correlation Matrix	Price disp	Roll Measure	Amihud Measure	Zero Return Measure	Volume Index	Spread(T-1)
Price disp	1	0.94448	0.01493	-0.00573	-0.00506	0.05825
Roll Measure	0.94448	1	0.02504	0.00054	-0.01282	0.05093
Amihud Measure	0.01493	0.02504	1	-0.03292	-0.37159	0.01641
Zero Return Measure	-0.00573	0.00054	-0.03292	1	0.02557	0.00535
Volume Index	-0.00506	-0.01282	-0.37159	0.02557	1	-0.01758
Spread(T-1)	0.05825	0.05093	0.01641	0.00535	-0.01758	1

**Table 3: Summary of t-statistics for various cases
Corporate Bond (A++ & A+++)**

Variables	Period					
	A++(full dataset)	A+++ (full dataset)	A++(crisis)	A++(non-crisis)	A+++ (crisis)	A+++ (non-crisis)
Intercept	0.257	0.496	1.023	0.000018255	2.272	0.012
Price Dispersion	1.055	-1.3906	0.14	0.9888	0.4382	-1.53
Roll Measure	-0.9925	1.228	-0.167	-0.88	-0.5876	1.46
Amihud no.	1.1937	2.044	-1.654	1.679	-0.5586	2.32
Zero return	0.5675	-0.48	0.139	0.566	-0.4358	-0.37
Volume index	0.7797	1.549	0.414	0.825	-1.1239	1.87
Spread	-0.1196	-2.088	1.305	-0.309	-2.212	-1.804
F-stat	0.49	1.96	0.90	0.69	1.50	2.12
R ²	0.002	0.009	0.031	0.004	0.052	0.012

Why Do Mergers & Acquisitions (M&a) Deals Fail? (Becoming Knowledgeable about M&a through Academic and Practitioner Inputs)

Prof. A. Suryanarayana
Department of Business Management
Osmania University
Hyderabad-500 007 (A.P.)
e-mails: smithasambrani@yahoo.com and
professorsuryanarayana@yahoo.com
Phones: (M) 098493 61301 and 09848563756
(O) 040-27097481 Fax: 040-27098236

G. Srinivasa Raju
Director, Mantra School of Business Management
L.B. Nagar, Hyderabad-500 006, INDIA
and
Former Director,
Anjana Pharmaceuticals Pvt. Ltd.
Handset: +91-9849404003
e-mail: rajugs@sify.com

ABSTRACT

Mergers and Acquisitions (M&A) are a tremendously important phenomenon in business not only due to their prevalence but also because of the value involved. Among the largest firms in the world whose deals are large enough to be captured in international deal databases, tens of thousands of deals occur each year albeit the fact that these figures do not include the deals that occur among smaller and many non-public firms. To understand and gain an insight into M&A besides making it useful and relevant to the senior leadership of every organization, a cross-enterprise perspective that can bridge all the traditional functions becomes a sine qua non. For this, an integrated view towards doing deals that extends beyond the pure finance-based elements of deal making is essentially needed. It is also ideal to adopt a process-based perspective of deal making—one that begins with firm strategy formulation leading to execution and implementation phases before getting into the operational aspects of post-deal operations. History is replete with instances when too many deals were approved by their stockholders and Boards with hardly any strategic insight in real terms. Failed M&A deals are often the result of overemphasizing certain parts of the organization or not properly coordinating and involving the various constituencies in the organization appropriately. As such, while the involvement of the various functional groups will certainly differ by deal and by firm, the critical point is that we always need to take a broader view of the organization in our journey of learning. Fortunately, now we have a list of the areas of emphasis, key success factors that need to be considered across an organization's functional groups, and characteristics of successful M&A deals. In this backdrop, a modest attempt is made to make anyone become more knowledgeable about M&A by providing the needed conceptual and contextual framework with rich academic and practitioner inputs that are already available in literature.

Key Terms: Mergers and Acquisitions (M&A), Strategic insight; process-based framework; cross-enterprise perspective; Failed M&A; Focus areas; cross-enterprise considerations, and cross-border deals.

INTRODUCTION

While M&A are important in the global economy, these deals can make or break the firms that do them. Most research on M&A shows that a majority of deals fail to create value for owners of the firm. This opens the question of "value to whom?" The existence of deals themselves may actually create

value for the economy by increasing the velocity of spending in the economy. Deals may also increase efficiencies through synergies. However, when deal "failure" is researched and cited, the topic of study is typically value from the perspective of the stockholders of the buying firm. Too often, these firms do destroy value for their stakeholders of the buying firm. However, they

create value for the selling stockholders because they often overplay for the deals. As such, even failed M&A can be quite a good thing for certain stockholders.

So, we need to always distinguish value creation/destruction from value transfer. Both of these can be present in a deal and the “successful” M&A practitioners will aim to achieve both in favor of their own stockholders. Finally, while these deals have a couple of moving value measures for the firms involved, an important piece of that value gets paid to the professional advisors to deals. The investment bankers, lawyers, accountants, and other professionals get their cut, and often a sizeable one.

Similarly, the ratio of M&A to Initial Public Offering (IPO) is typically over 10 to 1, even though the venture capital-backed firms that we expect to be the darlings of the IPO market. In addition, within the M&A phenomenon, cross-border M&A represent roughly one third of the total number of deals and value. Given this fact and the rate of globalization of business generally, it is also important to study the unique characteristics and complexities of these deals to gain a more international perspective on M&A.

WHY DO M&A DEALS FAIL? WHAT NEEDS TO BE DONE?

Failed M&A deals are often the result of overemphasizing certain parts of the organization or not properly coordinating and involving the various constituencies in the organization appropriately. As a result, while the involvement of the various functional groups will certainly differ by deal and by firm, the critical point is that we need to take a broader view of the organization while trying to understand M&A activities. A list of the areas of emphasis or Key Success Factors, and characteristics of successful M&A deals is given below and they also need to be considered across an organization’s functional groups. History is replete with instances when too many deals were

approved by their stockholders and Boards with hardly any strategic insight in real terms. They were all based on an Accretion-dilution Model i.e., a purely financial model that yields little more than an indication of how the deal will affect the Earnings per Share (EPS) of the firm over the next few quarters as against successful deals that rely on more than simple financial models. To gain a more complete understanding of making M&A successful, there is a genuine need for appreciating the process-based view of M&A along with a few frameworks for analysis.

It may be noted here that there are six areas of focus for successful M&A. They are: Strategy, Finance, Marketing, Operations, Human Resources, and Systems. Similarly there is massive list of Cross-Enterprise Considerations for successful M&A. They are: (1) Fit: Strategic, operational, etc., (2) Contingency Plans—Exit mechanisms, (3) Discontinuous Opportunity—A chance to create value, (4) Implications—Plans for consequences/reactions to one’s actions, (5) Due Diligence—Careful and complete, (6) Synergy Identification—Rigorous and realistic, (7) Viability—Ability to finance, and Return on Investment (ROI), (8) Governance—Mechanisms and proper use, (9) Risk Management—Financial, Operational, Strategic, etc., (10) Cultural Challenges—Awareness and Management, (11) Expertise—Appropriate knowledge leveraged, (12) People—Personal focus, motivation peaks/troughs, (13) Customers—Retention, sales enhancement, (14) Organization—Structure, responsibility, authority alignment, (15) Realization—Management by Objectives (MBO); incentive payment, (16) Leadership—Experience, time sufficiency, commitment, (17) Action-orientation—Decision leading to implementation on key issues, (18) Creativity—Non-standard approaches, and (19) Prioritization—Focus on critical drivers of value.

M&A STAKEHOLDERS AND GOVERNANCE

M&A are complex transactions that involve teams of lawyers, bankers, consultants, Boards,

accountants, internal personnel, stockholders, creditors, customers, regulatory authorities, and numerous others and ultimately affect many beyond these. Each party plays a role in the process, whether a complex or simple one. While volumes are written to guide parties through the legal, financial, fiduciary, and other intricacies. The deal team itself can be quite small at the beginning of the M&A process and grows larger as the deal progresses. In the initial phase, the deal team may be just a handful of individuals with an idea. Upon analysis, inspection, reflection, approvals, and so on, the idea may then progress into execution and eventually be realized. However, numerous check points and processes kill most deals well before they are ever executed. On account of this, M&A at the firm level are very iterative in nature, and the process flow perspective flow perspectives is useful in considering the roles various parties play in it.

The basic fiduciary duties of the Board of Directors include the duties of care, loyalty, and obedience (or good faith) the definitions of which were evolved a period of time through various court cases. The Board must ensure that the strategic decision to pursue an M&A deal is in line with the best interests of the stockholders, as is the deal itself. As such, the Board plays a critical oversight role in M&A when the deals have significant strategic or financial impact on a firm. When deals are small, Boards may simply rely on the judgment of the Executive Officers. The definitions and legality of Board and governance-related concepts in M&A are the topics of several high-profile court cases and are likely to continue to evolve. In the context of M&A, directors need to know all the legal principles in considering a merger or acquisition transaction and act on an informed basis with the advice of outside experts. They need to consider any conflicts of interest they or any other member of the management may have and focus on the interests of their shareholders and recognize that there is no blueprint for either the process to be followed or the substantive terms of a transaction. The hardest decisions are difficult because there are no clear answers, and that is

when directors are most protected in exercising their business judgment.

M&A STRATEGY FORMULATION

While all of the stakeholders in M&A stand to gain or lose from M&A, some of these parties have direct, measurable, financial impacts. Bearing in mind that Board and fiduciary duties are solely to the stockholders of a firm and not to the other parties, many research studies of M&A measure the impacts on equity prices alone. However, the cash flows that a firm generates are owned by both the debt holders and stockholders. Both the debt and equity of many public companies are traded openly on public exchanges and, as such, have market values. While equity is an obvious measure, debt values change when the credit quality of the post-deal firm differs or when the prospect of a deal changes the likelihood that certain types of debt securities will be called, exchanged, or converted into shares. In order to justify M&A, there should be some benefit to the firm, whether it is financial or strategic. If the justification is strategic, in the end, that too should result in some financial benefit. The studies on the success and failure of M&A are plentiful, although the measures of "success" do vary. This brings to light the question of whether M&A deals do create value, for whom, and over what timeframe. Based on all the measures that are currently available, one has to begin to understand whether value is created or destroyed in M&A and how that value and/or risk is transferred among these parties.

A second critical question concerns the time period of measurement. Finally, it is also important to measure the impacts of M&A on competitors and the broader economy. It is highly advisable to know about the good and bad strategic (or non-strategic) reasons that exist for doing M&A and a useful and succinct framework for such reasons detailing the "sensible" and "dubious" motives for mergers. An analytical understanding of this linkage back to the strategic

intent of the firm would be in order in M&A strategy formulation.

M&A VALUATION AND EVALUATION

While most research finds that M&A tend to destroy value, to not return their cost of capital, to rarely achieve their planned synergies, and so on, in reality, these can be linked back to saying that the buyer overpaid. At a low enough price, must any deal can be justified and make financial sense. However, even paying a great price for a target in M&A can go wrong if either the strategy underlying it is not well thought-out or if the buyer is not buying what it thinks it is buying. While much attention is paid to the clearly important art of valuation, attention also needs to be paid to both the underlying strategy and due diligence aspects.

Numerous methods exist to financially value a proposed deal. Depending on the industry, type of company, stage of company growth, structure of deal proposed, strategic plans for the target, private or public status, and other considerations, different valuation techniques, or combinations thereof, will generally be used. While we think of finance and valuation techniques as scientific and precise, doing valuation is a highly subjective exercise, and as such, it is as much an art as a science. Because the best method of valuation differs by situation, numerous methods are typically used to provide a range of valuations, after which the parties often rationalize the choice of analysis that supports their intended objectives and valuations.

Non-financial Evaluation—Strategic Fit and the M&A Decision: While the financial valuation analyses may make a deal look good, either a bad strategic fit or the incorrect tactical choice of M&A as a deal type can ruin a deal. On the strategic front, there must both be a good strategic justification and the absence of any of the dubious reasons for doing a deal. When firms conduct M&A without duly considering their own strategic intent, not only can the deal go wrong, but it can also end up destroying the whole firm. The strategic fit and the choice of deal type (e.g., M&A versus joint venture or alliance)

will vary by target and need to be considered in the evaluation of potential partners. As such, the search for an M&A partner often begins with a strategic decision to pursue a deal, which reduces the pool of potential candidates to a smaller group of possible companies. Financial analyses are done on each of these firms, and those without sufficient returns or accretion are often removed. For the remaining firms, a strategic analysis need to be added into each financial analysis, leading to better decisions. A deal requires a rationale beyond a financial return to make sense. The due diligence process is critical for ensuring that firm is getting what it thinks is getting. Firms considering deals need to put their best foot forward. Based on this alone, many firms look to be on the right track. This process in M&A deals requires care in ensuring what information is exchanged or conveyed and when. The content of it should include both financial and non-financial checks on the firm. However, despite such careful due diligence, representations, and warranties, firm often still find that they did not get what they thought they had purchased.

M&A APPROACH AND STRUCTURING

Once a deal passes the initial screens of strategic fit and valuation, the buyer needs to decide how to approach the target entity. In an acquisition and in certain types of mergers, the approach involves methods of gaining control of the target entity. The three basic ways to gain control of a firm are by controlling its assets, stock, or Board of Directors. In a negotiated deal, a buyer can gain control of the assets of the firm by way of a negotiated agreement with the seller. A buyer can gain control of the stock of a firm with or without the participation of the selling firm by way of a tender offer directly to the selling firm's stakeholders. Finally, a buyer may use a proxy to gain Board seats on a target's Board of Directors and have its slate of directors elected. Using any one or a combination of these three basic approaches, a buyer can gain control of a target

entity, although certainly the level of cooperation of the target firm's Board and management will vary by approach.

M&A EXECUTION

The execution phase is complex, with many moving parts and several checkpoints and hurdles that often cause deals to be terminated in process. While each deal is different, there are some basic timelines and processes that are typical. Much of the negotiating in a deal occurs during this phase. Negotiations are complex and include many bargaining elements on which the parties must decide and agree. Because of the needs and desires of each party, it is here that many deals fall apart, especially when the parties cannot agree on certain terms and conditions. Finally, all of the negotiated and agreed on terms and conditions, as well as other extraneous agreements, must be documented. In this context, one needs to know about the most important documents that are generally used to record the agreement between the parties. The deal structure, approach (e.g., hostile versus friendly, tender offer versus negotiated), marketing method (e.g., auction versus one-on-one negotiations), and whether the firm is on the buy-side or sell-side drive the timeline of the deal for the firm. Many elements that affect the timeline of the deal are also somewhat out of the hands of the parties, including responses from regulators. However, a "typical" timeline of key steps and events can be constructed for a firm, depending on its role, for several common deal types.

M&A—CLOSING THE DEAL

The process of contemplating and executing mergers and acquisitions M&A at a firm level can be thought of as a "tunnel." A firm may consider dozens or even hundreds of (M&A) ideas, approaches some subset of those, engages and has serious discussions with even less, and goes down the M&A path perhaps one. As this funnel gets smaller, so does the risk that each particular

deal idea dies. After passing many of the hurdles in execution, effectively, the deal will have an intended closing date some weeks or months later. During this period between announcement and closing, several steps with deal-breaking potential occur, and the impact of deal failure is much greater. Firms at this point have invested time and incurred expenses, have publicly announced the deal and face public and investor relations backlashes if the deal fails, and are possibly subject to hefty deal break-up fees if they cause the deal to fall apart.

The time required to close a transaction varies based on what internal and external approvals are needed, securities filings required, financing that may need to be raised, and any other conditions to closing that were part of the agreement. Taking the known and predicted factors into account, the firms set a proposed closing date. Whether this date is met or not is often out of the hands of the parties but instead is in the hands of regulators or of financing sources or stockholders. To ensure some accountability, however, the parties clearly assign responsibility for each of these tasks and often agree to penalties if they cannot get past certain hurdles on an agreed-upon timeline. During this pre-closing period, the firms are also restricted in many ways and are subject to any business conditions that may adversely affect the firm and trigger its inability to close the deal. As such, firms typically prefer to have a short closing period, but since many of the hurdles are outside of their control, this is a tense period. It is important, therefore, to ensure that one negotiates into the deal, appropriate incentives and disincentives to ensure the other party remains duly focused on overcoming the obstacles it faces to closing.

M&A INTEGRATION AND VALUE REALIZATION

After the announcement and closing of a deal, the heavy lifting begins. Most research on M&A finds that it is during the post-merger (merger

collectively means all forms of deals) phase that most of the value in a deal is created or destroyed. While often called Post-merger Integration (PMI), this is a misnomer because often the firms themselves are not integrated per se, but rather their operations are linked at some level to gain the synergies proposed. The exception to this is the holding company structure, where certain firms are simply holding companies that own a portfolio of other firms. When an acquisition becomes part of a portfolio like this, it is unlikely to see any integration, except at the capital structure and financing levels. These deals are typically done when a buyer feels a target is undervalued and buys it to somehow realize what it believes is the true value of the firm.

In the more typical case of deals where integration is to occur, the first question concerns to what degree the firms will be integrated. Depending on the strength of and differences between the cultures of the firms, integration may be difficult. Beyond the cultural differences there may be physical constraints that limit the ability to consolidate non-located facilities. However, the fundamental business question concerns which parts of the firms should be integrated to create more value. Many professional service firms have specific practice groups with expertise in the PMI planning and execution. The market for such expertise is enormous in light of the sheer value of M&A that are conducted—and thus the amount of value that has the potential to be created or is at risk of being destroyed. For practicing PMI, currently there are numerous methodologies available in the market place. It is advisable that people who are associated with PMI develop a better understanding of how to approach it and to realize these sources of value.

M&A AVOIDANCE AND ALTERNATIVES

Firms that are the target of M&A may wish to avoid doing a deal, while firms considering M&A have numerous alternatives available to them. There may be good strategic reasons that a firm wishes not to be acquired and so uses one of the defensive

tactics available to it. When a firm wants to do a deal, after its strategic decision to do a deal, it must decide what type of deal to do. There exist numerous options beyond a straight merger or acquisition. Depending on the situation and strategic intent and whether the firm is on the sell- or buy-side, these other options may make more sense. The topic of defenses to M&A is common in the daily business news when unwelcome M&A suitors attempt deals. One of the critical concerns in enacting such defenses is the seemingly obvious conflict with the Board's fiduciary duties. A defense is a structured or legal impediment to another firm being able to conduct a successful takeover. Part of the inherent value of any firm is the premium likely to be paid and the likelihood of takeover—called the takeover premium. By enacting defenses, the Board is taking away, or at least reducing, this portion of the stock value. The potential for conflict lies therein. However, a Board has substantial legal discretion.

RECOVERIES AND EXITS AFTER THE MERGER

Most M&A research finds that most M&A deals do not create value. While those studies often use different measures of "value" and vary in "for whom" they measure such value, the fact remains that many deals do go wrong. The causes for such failures are often complex and largely dependent on the "for whom" question. That is, one firm's failure, for example, overpayment, is another firm's success—premium received for the stock price. Regardless of perspective, we can often break down the sources of common failures to either a pre-deal or post-deal cause. It may be noted here that the most basic causes of failure are either the wrong decision being made or the inability to fulfill the decision. Of course, within each of these phases, there are several potential reasons deal fail.

Quite simply, a firm may make a strategic choice that is inconsistent with its best interest, regardless of whether the poor choice is

intentional (i.e., driven by some dubious justification) or an error in judgment. A second frequent cause is an inadequate assessment of the potential partner. This may come from mistakenly choosing a partner to fit an appropriate strategy or in selecting an appropriate partner but by valuing the firm incorrectly. Closely linked to this is that inadequate due diligence may lead the firm to not uncover elements of the partner that do not measure up to expectations. As well, the deal itself may have been done on inappropriate grounds. The dubious justification allowed the deal to get through the deal-screening and approval processes—likely the driver behind one of the other causes listed above. Finally, using our three-stage deal approach—strategize, execute, and realize—the firm may have poorly executed the deal. Execution is complex and requires many highly technical tactical decisions be made. Managers or advisors without appropriate experience or expertise may lead the deal into a sub-optimal outcome.

CROSS-BORDER M&A

With the total volume and amount of M&A across the world in trillions of U.S. dollars per year, cross-border deals represent roughly one third of all deals in the U.S. market alone and more in many lesser developed countries in the world. Numerous decisions are made before the decision to conduct a Cross-Border M&A (CBMA) deal. We often see one of two paths that management teams go down in getting to this decision. Firms commonly either make a “mode”-initiated choice or a “location”-initiated choice. Based on the mode choice, the firm may then end up in a CBMA deal. Similarly, based on the choice to internationalize, regardless of mode, the firm may end up in the same situation.

Critical choices in CBMA include the choice of entry mode and the country to which a firm might go. Joint ventures are particularly common when entering new countries because the foreign partner has local knowledge and capabilities. One more mechanism is that of Greenfield entry. As an alternative to a cooperative mode, certain firms simply establish

operations in a foreign country and grow from there. There are unique facets of CBMA. However, across these phases, a few overarching complexities need to be considered. The cultural differences between the firms and the countries can create both difficulties and opportunities. The cultural differences make communications and operational integration more difficult, but the existence of those differences may also raise initial awareness that all parties should be cognizant of the differences and to plan for them. Because of the added complexity, more advisors are required to deal with the numerous tax and legal jurisdiction and to handle the added regulatory processes. Moreover, maintaining confidentiality may be more difficult when more advisors are involved, more people are involved, and because different cultures may treat their confidentiality obligations differently. While these complexities cut across the phases, there are also some stage-specific considerations that become important that the firms have to become aware of and keep in mind in any CBMA.

CONCLUDING COMMENTS

Both the volume of deals and value at stake make M&A at once an important phenomenon in business. In this context, understanding and gaining an insight into M&A becomes not only important but imperative as well. A cross-enterprise perspective alone can bridge all the traditional functions of a firm and can make it especially useful and relevant to the senior leadership of any organization contemplating now or already involved in M&A. For this, an integrated view towards doing deals that extends beyond the pure finance-based elements of deal making is essentially needed. For the purpose of this Paper, a three-step M&A process framework—in which the firm first strategizes about a deal, executes the deal, and then realizes the value is used. While the areas of focus for successful M&A are: Strategy, Finance, Marketing, Operations, Human Resources, and Systems, there are scores of Cross-Enterprise

Considerations for their success also that need to be taken into account. A comprehensive theoretical framework that helps gain a real insight to M&A should touch upon the roles, duties, and governance aspects of the primary stakeholders involved. A real perspective giving the reader in-depth information about the process flow in successful deal making generally covers all the concepts, frameworks, and analyses that centre on M&A (i) strategy formulation, (ii) valuation and evaluation, (iii) the approach adopted and

structuring, (iv) execution, (v) closing the deal, (vi) integration and value realization, (vii) avoidance of it and alternatives available, (viii) recoveries and exits after the merger, and not but not the least, (ix) cross-border deals.

REFERENCE BOOK

Kevin K. Boeh and Paul W. Beamish, ***“Mergers and Acquisitions—Text and Cases,”*** First Edition, 2007, SAGE International.

Financial Inclusion in India: A Conceptual Framework

Mr. Gaurang Badheka
Assistant Professor,
Indukaka Ipcowala Institute of Management,
Faculty of Management Studies,
Charotar University of Science and Technology
(CHARUSAT).
Mobile: 9426024080
Email: gaurang_badheka@yahoo.co.in,
gaurangbadheka.mba@charusat.ac.in

INTRODUCTION

Today, financial inclusion is a term that comes easily to all politicians, policymakers, bureaucrats, the civil society, and other development organizations. Financial inclusion is not only the process of ensuring access to financial services or making available timely and adequate credit when needed by vulnerable groups, such as weaker sections and low income groups, at an affordable cost. In my view, the definition of financial inclusion is much wider. By financial inclusion we mean the provision of affordable financial services, viz., access to payments and remittance facilities, savings, loans and insurance services by the formal financial system to those who tend to be excluded. A well-developed financial system brings poor people into the mainstream of the economy and allows them to contribute more actively to their personal economic development. In India, in an attempt to improve access to financial services or financial inclusion, the Reserve Bank of India (RBI) promulgated a drive for financial inclusion, where banks take the lead in providing all 'unbanked' households in a district, with savings accounts.

According to United Nations the main goals of Inclusive Finance are as follows:

1. Access at a reasonable cost of all households and enterprises to the range of financial services for which they are "bankable," including savings, short and long-term credit, leasing and factoring, mortgages, insurance, pensions, payments, local money transfers and international remittances.
2. Sound institutions, guided by appropriate internal management systems, industry

performance standards, and performance monitoring by the market, as well as by sound prudential regulation where required

3. Financial and institutional sustainability as a means of providing access to financial services over time
4. Multiple providers of financial services, wherever feasible, so as to bring cost-effective and a wide variety of alternatives to customers (which could include any number of combinations of sound private, non-profit and public providers).

The Rangarajan Committee has defined financial inclusion as "the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable group such as weaker sections and low income group at an affordable cost."

Financial Exclusion

I begin by looking at exactly the opposite of financial inclusion, i.e., financial exclusion. Broadly defined, financial exclusion signifies the lack of access by certain segments of the society to appropriate, low-cost, fair and safe financial products and services from mainstream providers. Financial exclusion is thus a key policy concern, because the options for operating a household budget, or a micro/small enterprise, without mainstream financial services can often be expensive. This process becomes self-reinforcing and can often be an important factor in social exclusion, especially for communities with limited access to financial products, particularly in rural areas.

The spread of banking facilities, though impressive, has been uneven in the country, throwing up challenges for achieving financial inclusion. In fact, despite impressive growth of branch network in India, the vast sections of the society remain financially excluded and continue to remain away from the formal system and thereby access to affordable financial services including savings, credit and insurance. The banking industry in India has shown tremendous growth in volume and complexity during the last few decades. We have an extensive banking infrastructure comprising 33,411 rural and semi-urban branches of commercial banks over 14,501 branches of RRBs, around 12,000 branches of DCCBs and nearly 1,00,000 cooperatives credit societies at the village level. There is at least one retail credit outlet on an average for about 5,000 rural people, which translates into one outlet for every 1,000 households. This is a remarkable and extensive work. Given this network the moot question would be "Are the financial services needs of the rural poor comprehensively met by this network?"

Main types of Financial Exclusion

1. Transaction accounts
2. Time Deposits
3. Financial Advice
4. Appropriate small credit
5. Insurance
6. Mortgage Loans
7. Superannuation
8. Enterprise based loan

Financial exclusion is a serious concern among low-income households as well as small businesses, mainly located in semi-urban and rural areas. Consequences of financial exclusion will vary depending on the nature and extent of services denied. Financial exclusion complicates day-to-day cash flow management - being financially excluded the low-income households as well as the micro and small enterprises deal entirely in cash and are susceptible to irregular cash flows.

In case of low-income households, the absence of access to bank accounts and other saving opportunities result in lack of savings ; low

investments ; lack of financial planning and security for old age ; difficulties in gaining access to credit or getting credit from informal sources at exorbitant rates ; increased unemployment due to lack of self –employment opportunities ; higher incidence of crime etc. The small business may suffer due to loss of access to middle class and higher-income consumers, higher cash handling costs, delays in remittances of money, lots of reliance on private money lenders for small credits. It may thus be concluded that financial exclusion not only widens the 'Rich-Poor divide ', it also lead to 'Social Exclusion'.

Who are financially excluded?

1. Poor
2. Socially under privileged
3. Disabled
4. Old as well as children
5. Women
6. Uneducated
7. Ethnic Minorities
8. Unemployed

Factors affecting access to Financial Services

- **Gender issues:** Access to credit is often limited for women who do not have, or cannot hold title to assets such as land and property or must seek male guarantee to borrow.
- **Age factor:** Financial services providers usually target the middle of the economically active population, often overlooking the design of appropriate products for older and younger potential customers.
- **Legal identity:** Lack of legal identities like identity cards, birth certificates or written records often exclude women, ethnic minorities, economic and political refugees and migrant workers from accessing financial services.
- **Limited literacy:** Limited literacy, especially financial literacy i.e. basic accounting, business finance skills as well as lack of understanding often constrain demand of financial services.

- **Place of living:** Although effective distance is as much about transportation infrastructure as physical distance factors like density of population, rural and remote areas, mobility of the population (i.e. highly mobile people with no fixed or formal address), insurgency in a location etc. also affect access to financial services
- **Psychological and cultural barriers:** The feeling that banks are not interested to look into their cause has led to self exclusion for many of the low-income groups. In some countries, cultural and religious barriers to banking also have been observed.
- **Social security payments:** In those countries where the social security payment systems are not linked to the banking system, banking exclusion has been higher.
- **Bank charges:** High and a range of bank charges have a disproportionate effect on people with low income.
- **Terms and conditions:** Terms and conditions attached to products such as minimum balance requirements and conditions relating to the use of accounts often dissuade people from using such products or services.
- **Level of income:** Financial status of people is always important in gaining access to financial services. Extremely poor people find it difficult to access financial services even when the services are tailored for them. Perception barriers and income discrimination among potential members / in group- lending programmes may exclude the poorer members of the community.
- **Type of occupation:** Many banks have not developed the capacity to evaluate loan application of small borrowers and unorganized enterprises and hence tend to deny such loan requests.
- **Attractiveness of the products:** Appropriateness of the financial products / services and how their availability is marketed are crucial in financial inclusion.

Some important efforts for Financial Inclusion

- Financial Inclusion includes meeting the small credit needs of the people, giving them access to the payments system and providing remittance facilities. This has led to some notable developments:
- **No Frills Accounts:** In November 2005, RBI asked banks to offer a basic banking 'no-frills' account with low or zero minimum balances and minimum charges to expand the outreach of such accounts to the low income groups. As on 31st March, 2009 there were 3.3 crore no frill accounts.
- **Easier Credit facility:** Banks were asked to introduce a General Purpose Credit Card (GCC) facility up to Rs. 25,000. The total number of GCCs issued by banks as on end March, 2009 was 0.15 million.
- **Simpler KYC Norms:** In order to ensure that people belonging to the low income groups, both in urban and rural areas, do not encounter difficulties in opening bank accounts, the 'Know Your Customer' (KYC) procedure for opening accounts was simplified for those accounts with balances not exceeding Rs 50,000 and credits thereto not exceeding Rs.100,000 in a year.
- **Use of Information Technology:** Banks have been urged to scale up IT initiatives for financial inclusion speedily while ensuring that solutions are highly secure, amenable to audit, and follow widely-accepted open standards to ensure eventual inter-operability among the different systems.
- **Electronic Benefit Transfer (EBT) through Banks:** To encourage banks to adopt Information and Communication Technology (ICT) solutions for enhancing their outreach, the RBI formulated a scheme to quicken the pace of adoption of the smart card-based Electronic Benefit Transfer (EBT) mechanism by banks and rolled out the EBT system in the States that are ready to adopt the scheme. As per the scheme, the RBI would reimburse the banks a part of the cost of opening accounts with bio-metric access/smart cards at the rate of Rs.50 per

account through which payment of social security benefits, National Rural Employment Guarantee Act (NREGA) payments and payments under other Government benefit programmes would be routed to persons belonging to below poverty line (BPL) families. The scheme was implemented in Andhra Pradesh. So far, seven banks have been paid Rs.1.8 crore for smart cards issued by banks in Andhra Pradesh during July-December 2008. The process is at different stages of implementation in other States such as Karnataka and Uttarakhand and the scheme of partial reimbursement by the Reserve Bank has been extended by one year up to June 30, 2010. Banks are advised to work in co-ordination with the respective government departments at the Central and State levels to ensure that all State benefits are delivered to individuals only through bank accounts within a specific timeframe.

- **Business Correspondent (BC) Model :** The BC Model ensures a closer relationship between poor people and the organized financial system. Reorganizing this, in 2006, RBI permitted banks to use the services of non-governmental organizations, micro-finance institutions, retired bank employees, ex-servicemen, retired government employees, Section 25 companies, and other civil society organizations as Business Correspondents in providing financial and banking services. In addition to the entities presently permitted, RBI has also permitted banks to appoint the following entities as BCs (i) Individual kirana/medical /fair price shop owners (ii) individual Public Call Office (PCO) operators (iii) Agents of Small Savings schemes of Government of India/Insurance Companies (iv) Individuals who own Petrol Pumps (v) Retired teachers and (vi) Authorised functionaries of well run Self Help Groups (SHGs) linked to banks.
- **Bank Branch and ATM Expansion Liberalized:** Reserve Bank of India has totally freed the location of ATMs from prior authorization. Further, in the October 2009 RBI took another big step by freeing branch opening in towns and villages with a population below 49,999. After examining the recommendations of the Working Group constituted to review the extant Branch Authorization Policy, RBI has permitted domestic scheduled commercial banks (other than Regional Rural Banks) to open branches in Tier 3 to Tier 6 centres (with population upto 49,999 as per Census 2001) without having the need to take permission from RBI in each case. The detailed RBI circular is available at its website www.rbi.org.in. Domestic scheduled commercial banks (other than RRBs) are enjoined to ensure that at least one-third of such branch expansion happens in the underbanked districts of underbanked states. This will be one of the criteria in the Reserve Bank's consideration of proposals by banks to open branches in major city (Tier 1 and Tier 2) centres.
- **Expansion of Banks in the North-East:** To improve banking penetration in the North-East, the Reserve Bank asked the State Governments and banks to identify centres where there is a need for setting up either full fledged branches or those offering forex facilities, handling government business or for meeting currency requirements.
- **Project Financial Literacy :** Financial literacy is a stepping-stone toward financial inclusion. Moreover, as financial markets are becoming increasingly complex with serious problems of information asymmetry, the need for financial literacy has become even more acute. The Reserve Bank of India has initiated a "Project Financial Literacy" with the objective of disseminating information regarding the central bank and general banking concepts to various target groups. RBI's 'Financial Education' web site link offers basics of banking, finance and central banking for children of all ages. In a comic book format, RBI simplifies the complexities of banking, finance and central banking, with the goal of making the learning fun and interesting.
- **Financial Literacy and Credit Counseling:** RBI has advised the convener-bank of each

State Level Bankers' Committee (SLBC) to set up a financial literacy-cum-counseling centre in any one district on a pilot basis, and based on that experience, to extend the facility to other districts in due course. So far, 154 credit counseling centres have been set up in various states of the country. These centres are expected to provide free financial education to people in rural and urban areas on the various financial products and services, while maintaining an arm's-length relationship with the parent bank.

CONCLUSION

As poverty levels decline and households have greater levels of discretionary incomes, they will be first time financial savers. They will, therefore, need to have easy access to formal financial systems to get into the banking habit. Banks will need to innovate and devise newer methods of including such customers into their fold. Importance of financial inclusion arises from the problem of financial exclusion of nearly 3 billion people from the formal financial services across the world. With only 34% of population engaged in formal banking, India has, 135 million financially excluded households, the second highest number after China. Further, the real rate of financial inclusion in India is also very low and about 40% of the bank account holders use their accounts not even once a month. Financial Inclusion has far reaching consequences, which can help many people come out of abject poverty conditions. Financial inclusion provides formal identity, access to payments system & deposit insurance. The objective of financial inclusion is to extend the scope of activities of the organized financial system to include within its ambit people with low incomes. Financial inclusion will strengthen financial deepening and provide resources to the banks to expand credit delivery. Thus, financial inclusion will lead to financial development in our country which will help to accelerate economic growth.

REFERENCES

- Thingalaya N.K., Moodithaya M.S., Shetty N.S. (2010), *Financial Inclusion and Beyond*, Academic Foundation, New Delhi.
- Kochhar, Chandrashekhar, Chakrabarty & Pathak (2009), *Financial Inclusion*, Academic Foundation, New Delhi.
- Sujatha B. (2007), *Financial Inclusion*, ICFAI Books, Hyderabad.
- Anuradha, P.S. & Dr. G. Ganesan, "Sustainable development and fostering inclusive growth through microfinance in Indian economy", *Indian Journal of Finance*, October 2010, Vol-4, No-10, Pg. 3.
- Kaur, Harjeet, "Promoting Financial Inclusion", *The Accounting World*, December 2007, Pg. 32.
- Dev, Mahendra, "Financial Inclusion: Issues and Challenges", *Economic and Political Weekly*, October 14-20, 2006, Pg. 4310.
- Rao, Hanumantha C.H., "Inclusive Growth: an overview of performance and the challenges ahead", *The Indian Economic Journal*, April- June 2010, Vol- 58, no- 1, Pg. 3-16.
- "A Game Changer", *Business India*, April 3, 2011, Pg 78-93.
- "Financial Inclusion – reaching the un-reached", *Dataquest*, February 15, 2011, Pg. 16.
- Arockia, Jerold, "Financial Inclusion and Literacy in India – A critical study", *Indian Journal of Finance*, July 2008, Pg. 25.
- Subba, Rao, "Financial Inclusion: an Introspection", *Economic and Political Weekly*, February 3, 2007, Pg. 355.
- Web resources like RBI, Planning commission, UNDP, etc.

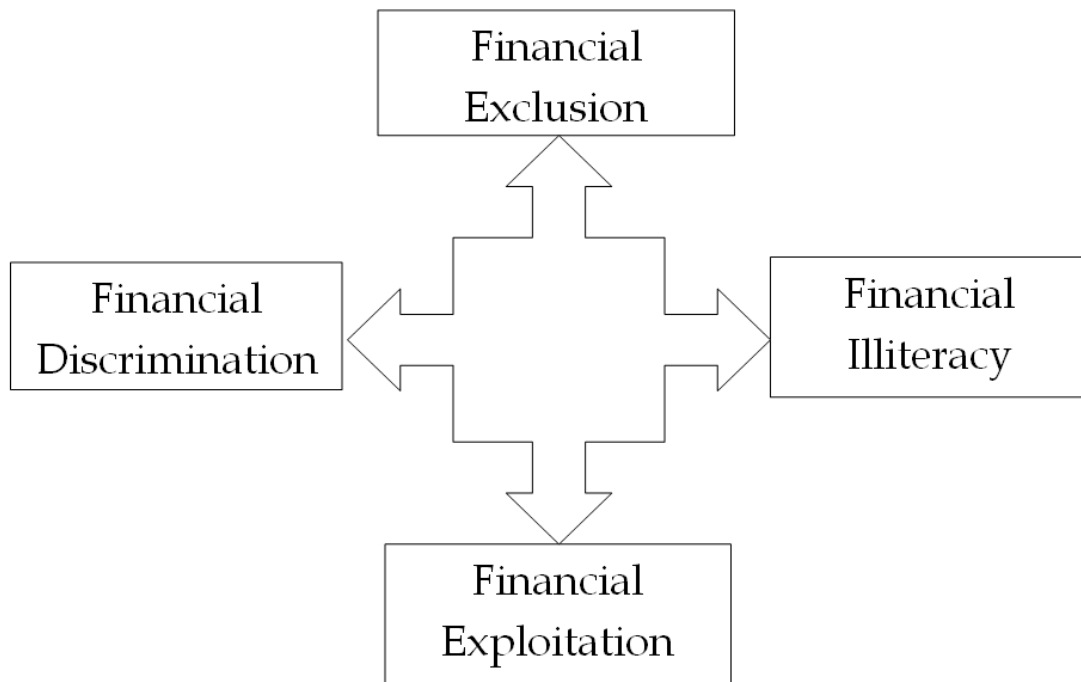


Figure:1 Financial Exclusion

Economies of Scale – A Doohickey in Profitability of Unorganized Grocery Retail Shops (Kirana stores) in Coimbatore District , Tamilnadu

Mr. Abraham Varughese
Research Scholar, Anna University, Chennai
Assistant Professor, SNMV Institute of
Management, Coimbatore
Email ID : abeysunil1826@gmail.com

ABSTRACT

The Indian retail industry is one of the fastest growing industry in the world and is ranked as fifth in At Kearney Index . It contributes 14% to Indian GDP and provides employment to more than forty eight million rural youths. 96% of Indian retail are in unorganized sector and forty six % of it are in the grocery or food retail. The convenience stores or neighbourhood stores also known as Kirana stores play an important role in serving both Indian Urban as well as rural households for long hours of operation and extended credit facility. The emergence of organized and foreign direct investment in retailing , arise a new challenge to unorganized retailing as they operate with both spaces constrain and limited customers within their proximity. The scale of the economy is one of the parameters to analyze how a retail shop utilize its capacity to optimize sale and profitability. The scale of the economy also denotes how the cash conversion cycle and inventory velocity can be optimized to improve profitability which is a new challenge for most of the unorganized retailers. This analysis will help to form new strategies to prevent erosion of customers from unorganized retailing to organized retailing or modern retail outlets. Effective merchandise planning should be well considered as a new strategy by the unorganized retailers to sustain in the current scenario.

Key words: merchandise planning, cash conversion cycle, Inventory velocity, economy of scale

INTRODUCTION

The competition in the retail sector and an outcry for protecting Kirana stores from future competition are regular headlines in everyday news. The Kirana stores or neighborhood stores are the easy access stores for everyday requirements for millions of people living in urban or rural, in length and breadth of our nation. The Indian retail sector contributes 14% to Gross Domestic Product of India and provides employment for more than forty million rural youth through small scale business. Long hours of functioning , healthy interpersonal relationship with customers, credit facility and easy access are the strengths of Kirana stores. It may be because of these strengths, the Kirana stores are still favorable for our low or middle income households. Meantime , the grunginess of shops , scattered merchandise

, low range of the merchandise , low or medium quality of the merchandise or unprofessional functioning of unorganized shops persuades busy and high living style family to opt super bazaars or hypermarkets for their requirements. The entry of multi-brand retail formats will stir the pool more aggressively, firing out unprofitable and unprofessional retail outlets. This will help to consolidate their position in Indian Retail Globe. In this vicious turbulence, can our unorganized retail sector , the daily bread for millions of rural families , can sustain in the market with their traditional strategies? It is the question that everyone – our politicians, bureaucrats , economists and even our layman- tries to answer. If the answer is 'yes' , then what our organized retailer have to learn from their unorganized counterparts and if 'no' then how can we empower them to exist in business.

Economy of scale – a business strategy to plan a business. The economy of scale is an economical phrase to explain how a business can run cost effective. It denotes how to reduce costs by selling more quantities of merchandise- homogeneous or heterogeneous range. The simple concept in economy of scale is that the fixed cost per unit is greater than the variable cost per unit or there is still a scope for reduction of cost by increasing the number of units.

The similar concept of economies of scale is 'gain' in engineering. Economy of scale is the maximum output for the minimum input.

In the case of unorganized grocery retail shops, the fixed cost is small and variable cost is more. There are three factors which influence the economy of scale - effective utilization of space, merchandise and long cash conversion cycle

Effective utilization of space

The flash that comes to anyone's mind when we think of Kirana store is a 'store of area less than 400 square feet in the congested streets with bikes, cycles, different types of goods carriers, head loaders and hawkers and stuffed full with merchandise and a crowd in the shallow varandhas to order and collect their requirements. These shops may be rented or owned or ancestral. The fixed cost Stock Keeping Unit (SKU) is very negligible. The main constituent in the variable cost is the material and packing of the materials which is used to deliver the products. Semi-variable cost may include electricity bills, labor charges, logistic charges, warehouse charges etc. Then how can we use the concept 'economy of scale'?

Most of the Kirana stores are located near to a residential area and the number of customers visiting the stores will depend on three factors, (1) population density of the residential area, (2) the demographic distribution of the population and (3) the number of similar stores within the reach of residents. Sales are a function of the number of footfalls in the shop in a day and the average net value of the purchase. The average profit of Kirana

stores is very meager, even below 10% of the value of the product. The value of the space can be determined by comparing with the rent of the new shops in the same location. In contrast to the conventional method of arranging SKUs at random and untidily, they can be displayed in a way that customers can sense the availability of products what they look for. Just In Time, Vendor Managed inventory are some methods to keep the size of the stock minimum ensuring availability of merchandise with optimal the space utilization. Hence, instead of calculating fixed cost per unit of SKU sold, the economy of scale can be improved further by the increasing number of SKUs sold in a period of time, or the number of times the a stock of a particular product is replenished in a given duration.

Profit generated = (No of replenishments * lot size * profit per SKU) – (loss due to damage/obsolete/ perished products)

The space utility, function of profit generated from a SKU, stock in a particular location per unit area, can be maximized by reducing loss due to damage/ perish of the product to zero and controlling lot size on the basis of product life and demand of the product.

Merchandise

The profit is a function of the quantity of merchandise sold in a particular period of time which in turn depends on its demand, price, quality and utility. The economy of scale depends on 'merchandise planning' – what, when, how to sell. The merchandise can be classified into three types based on demand – seasonal, consistent and unique. The seasonal demand may be depending on climatic conditions, cultivation cycles or on certain incidents/festivals like consumption of certain fruits. The consistent demand is the need of the requirement throughout the year (demand of wheat, rice etc.) . Unique products are those used only for specific purposes like manures, pesticides etc. The total inventory is the blend of all these types of

products and the merchandise must be planned to reduce wastage and increase profit.

Extended cash conversion cycle

Inventory velocity is the speed at which inventory is sold out. If any product is not sold within the prescribed time by the manufacturer, the product will perish or become obsolete. One of the tools used by the Kirana stores is the credit facility extended to the customers with a risk of becoming bad debts. Irregular collections and increasing external debts diminish the profit margin. The unsecured credits and extended conversion cycles nullify the benefit of economies of scale due to insufficient working capital and low or even negative profitability. The Kirana stores generally do not implement any promotional tools and may depend on the promotional tools used by the manufacturers or suppliers. The few facilities available are convenience in purchasing, long hours of service and credit facility.

LITERATURE REVIEW

The Indian retail sector is the second largest employment provider, next to agriculture and has the highest retail density (6 percent) in the world, one shop for every 25 families or 100 citizens¹ (Singh 2012). Twelve million shops serve 206 million households² (Choithani 2009). The Indian economy is concentrated on informal economy which accounts for 90 per cent of employment and about 50 per cent of the national product. Sustaining high levels of growth are also intertwined with improving domestic demand of those engaged in the informal economy, and addressing the needs of the sector in terms of credit, skills, technology, marketing and infrastructure³ (National Statistical Commission-2012). The unorganized retail sector enhances rural employment directly and indirectly either through self-employment with a small investment as a trader or as a labor indirectly through farming. It is also an informal supply chain of agricultural products from farmer to the consumer if the quantity produced is less. The Indian retail sector provides employment to 27.6 million labors or 7.3 percent of the total labor force

and 53 percent of these are self employed traders (Choithani 2009).

The mode of operation and business strategy of unorganized retailing is entirely different from Organized retailing. Organized retailing adopts a systematic model of operations incorporating advanced softwares for inventory management, accounting, procurement, sales planning and management. Easiness to select product, the ambience of the shop, variety in stock, easy billing, brand based quality conscience are some features which attracts customers to the organized retail shops. The organized retailers benefit from bulk and direct procurement, systematic inventory management, availability of more space for storage and display, modern storage facilities, short distribution channel, use of Management Information systems, supply chain facility and low rate of material wastage⁴ (Grover 2012). Unorganized retailers survive on strategies like credit extended to customers, personal relationship and convenience in shopping as most of the Kirana stores are located near to residential areas. Uncertain demand, quantity to be purchased, the cost difference in procuring from Kirana stores and an organized retail shop, the quality of the product, price parity, uniqueness and utility of the product, range of products, range of brands of a product and customer care influence the purchasing decision of the customer whether to buy a product from the Kirana store or organized retail shop⁵ (Jerath 2012; Gupta 2012). The taxation in India is low for small retailers compared to the same of organized retailers⁶ (Gupta 2012).

OBJECTIVES OF RESEARCH

1. To analyze the factors which influence the economies of scale and profitability of unorganized grocery shops
2. To analyze the factors which influence the inventory velocity of the merchandise of unorganized grocery shops.

RESEARCH METHODOLOGY

The survey is conducted in the southern part of Coimbatore. The population size of the survey is 72 shops and 26 shops are selected using convenient sampling. Correlation method is used to analyze the inter- relation between different factors. The data are collected from the shop owners directly through interviews

Findings

1. 60% of the respondents are running family run shops and 40% of the started as a part of self employment
2. 35% of the shop owners owns the building and facilities and they are either a part of their residence or within the residence premises. 65% of the respondents have shops either in or in the proximity of commercial / trade / market areas.
3. The shops adjacent to residence have good sale and the competition is less . Also they have an average net profit percentage of 18.6%, compared to overall net profit 14.6% and net profit percentage of other shops 11. 83%
4. The Karl Pearson Correlation coefficient (r_1) of a net profit % and the population density is (-0.1311) . The negative correlation coefficient explains the impact of competition in the grocery retail sector. Here, the number of Kirana shops near to a dense residential area is more so that total footfall is shared by the shops in that location. This argument is supported by positive Karl Pearson correlation coefficient between number of shops and the population density ($r_2=0.538$) as well as negative Karl Pearson correlation between net profit % and number shops in that locality ($r_3=(-) 0.54$).
5. The Karl Pearson correlation between shop space and weekly demand (0.88) as well as weekly logistics expenses and weekly demand (0.81) are positive. This denotes than the sale depends on a supply of merchandise and availability of space for storing the merchandise increases the inventory velocity.
6. The Spearman Correlation coefficient between the store space in square feet and the net profit % is $(-) 0.22$. In the data collected from the 26 shops shows that small shops have more profit margin compared to the bigger ones (in terms of area) shows the tendency of dis-economy of scale as the inventory is more and cost of operation is more affecting profitability. Need of labour , rent, inventory level , logistics cost etc. push expenses high which will result in a fall or a stagnant net profit percentage. The negative Spearman Correlation coefficient shows the opposite trends in shop space and net profit percentage. This is supported by the negative KP correlation coefficient between net profit percentage and credit sale percentage $((-)0.374)$ and it explains that one factor for dis-economies of scale are credit sale. If the receivable level increases the cost of funds , bad debts etc. will increases pulling net profit level down though the credit sale increases Total value sale and inventory velocity.

CONCLUSION

The economy of scale is an important factor to be analysed to increase the profitability of unorganized retail shops. The factors which improve economies of scale in the retail business are an effective utilization of space, improved cash conversion cycle , merchandise mix , location of store and density of population. The factors affect the economy of scale adversely are credit sale and a number of shops in that locality. It is not the shop space area alone determines the profitability of the business but the strategies of retailers to improve footfalls in the shop by improving loyalty in customers by providing value added services. Otherwise, the customers will shift from one shop to another where they get satisfaction. Some factors include ambience of the shop, quick delivery, choice of merchandise, price ,credit facility , the quality of the merchandise sold, etc. As the net profit margin is very thin , the retailers must take corrective measures to retain existing customers and to

increase footfalls without increase credit sale level and expense level.

REFERENCES

Dr. Mandeep Singh, ***Asian Journal of research in social sciences and humanities***, AIJSH volume 1, issue 1, sept 2011

Chetan Choithani, Entry of Corporate Retail : Impacts on Hawkers and small retailers, A case study from Mumbai. ***A report for focus on the Global South India***, <http://www.focusweb.org/india>

Report of the committee on Unorganised sector statistics – National Statistical Government of India, February, 2012

Mr.Navneet Grover, Retail sector in India: Issues and challenges, ***International Journal of multidisciplinary research***, Vol.2 Issue 5, May, 2012, ISSN 22315780

Kinshuk Jerath, S.Sajeesh, Z. John Zhang , ***The coexistence of organized and unorganized retailing in Emerging Economies*** – Grant proposal submitted to the Institute of Asian consumer insight , March 2012

Ms. Rupali Gupta, FDI in Indian retail sector : ***Analysis of competition in Agri food sector***, Internship project report, April, 2012.

ANALYSIS OF DATA 1								
Shops	Floor space	Average sale	Average Net	NET Profit	No of Stores within	No of super/	Total Hops	reside nse
	Sq. ft	per month	Profit/month	in %	1 Km circle excluding	hyper market within	Within 1 km	density
					the responded shop	1 km	about respondents	within 1 km
								100s
1	800	158180.4	9517	6.02	4	1	5	14
2	1050	254555.7	48581	19.08	2	0	2	19
3	250	65591.4	7184	10.95	3	1	4	12
4	478	90974.1	7258	7.98	6	2	8	9
5	320	49188.3	7193	14.62	1	0	1	8
6	430	95873.4	11924	12.44	2	0	2	3
7	490	115275.3	16055	13.93	2	0	2	8
8	390	86780.4	6747	7.78	4	1	5	9
9	520	127839.6	9591	7.5	7	1	8	17
10	620	156584.4	20584	13.15	4	0	4	6.5
11	464	99063.3	9074	9.16	9	0	9	8.9
12	342	86545.2	6754	7.8	5	1	6	7.6
13	368	114307.2	9139	8	6	1	7	13.2
14	375	58585.8	9591	16.37	7	0	7	12.7
15	432	49257.6	11388	23.12	8	0	8	14.3
16	243	47856.9	9089	18.99	0	0	0	5.4
17	346	48039.6	11411	23.75	0	0	0	6.1
18	342	68113.5	11023	16.18	1	0	1	6.4
19	456	90974.1	10448	11.48	2	0	2	7.9
20	432	137491.2	18407	13.39	1	0	1	8.2
21	334	92139.6	13854	15.04	0	0	0	5.23
22	332	67924.5	11481	16.9	1	0	1	6.12
23	432	86774.1	20740	23.9	0	0	0	6.8
24	456	49484.4	13841	27.97	0	0	0	9.2
25	432	71847.3	8637	12.02	2	0	2	7.3
26	456	90974.1	10448	11.48	2	0	2	7.9
	445.77			14.2	3	0.3		9.2

Correlation Coefficients	
r (NP, Density)	0.53837
r (No. of shops, n.P)	-0.545
r (Logistics Expense, Weekly Demand)	0.80939
r (Shop space, Logistics cost/week)	0.78851
r (Shop space, Weekly Demand)	0.87682
r (rent:demand)	0.64149
r (NP%: Credit sale%)	-0.3748

800	6.02	25	1	24	576
1050	19.08	26	22	4	16
250	10.95	2	8	-6	36
478	7.98	21	5	16	256
320	14.62	3	16	-13	169
430	12.44	12	12	0	0
490	13.93	22	15	7	49
390	7.78	11	3	8	64
520	7.5	23	2	21	441
620	13.15	24	13	11	121
464	9.16	20	7	13	169
342	7.8	6.5	4	2.5	6.25
368	8	9	6	3	9
375	16.37	10	19	-9	81
432	23.12	14.5	23	-8.5	72.25
243	18.99	1	21	-20	400
346	23.75	8	24	-16	256
342	16.18	6.5	18	-11.5	132.25
456	11.48	18	10	8	64
432	13.39	14.5	14	0.5	0.25
334	15.04	5	17	-12	144
332	16.9	4	20	-16	256
432	23.9	14.5	25	-10.5	110.25
456	27.97	18	26	-8	64
432	12.02	14.5	11	3.5	12.25
456	11.48	18	10	8	64
		351	352		3568.5

$$D = 3568.5$$

$$N = 26$$

Identity theft counter measures and their impact on Value of Firms

Indranil Bose
Indian Institute of Management,
Calcutta, India
Email ID: bose@iimcal.ac.in

Alvin Chung Man Leung
McCombs School of Business,
The University of Texas at Austin,
USA

ABSTRACT

Identity theft has become a menace all over the globe. This paper aims to provide some economic justification to prove that it is worthy to invest in identity theft countermeasures. Making use of the event study methodology, we find that such investments can give rise to immediate increase in market value of 0.17% to 0.24% in a two day interval following the announcement of such investment. Some interesting managerial implications are discussed as well.

Keywords: Anti-identity theft, event study, financial analysis, firm value, stock market

INTRODUCTION

Identity theft is a serious online crime against safety of e-commerce. Making use of social engineering techniques, the adversaries pretend to be genuine service providers and coax the victims to give away their personal information and thus cause them financial loss via account hijacking. A remarkable increase in financially motivated identity thefts have been noticed recently. Not only do these identity thefts cause direct financial loss to both customers and service providers, but also shatter the confidence of general public towards using e-commerce systems and undermine the development of the e-commerce industry. To combat the crime, various anti-identity theft measures, such as, dynamic password generator, SMS based one-time password, personal digital certification, and electronic signatures, have been introduced.

Though some companies claim that adoption of anti-identity theft tools boost up sales, the high implementation cost has scared away some e-commerce service providers. According to RSA, a dynamic password generator may cost \$35-\$40 per device [15]. Therefore, many companies have reservations about adopting anti-identity theft tools. To analyze the effectiveness of such adoption, we ascertained the effect of announcements of adoption made by companies from a financial market perspective.

LITERATURE REVIEW

To combat identity theft, investment in information security is essential. However, given that budget for security investment is limited, senior managers face difficulties in making judicious decisions on which technology to invest and when to do this investment. There is evidence in IS literature that shows that information security investment is influenced by network externalities, asymmetric information, moral hazard, adverse selection, liability dumping, and the tragedy of commons [2]. Usually, there are four strategies that are widely used in making information security investment related decisions. They are the fear, uncertainty, and doubt (FUD) strategy, cost effectiveness of deploying security measures, indirect estimation of costs related to security breaches, and traditional risk/decision analysis framework [6]. The fourth strategy is the most commonly adopted one. However, it is subjective and may overlook the likelihood of occurrences of security breaches and underestimate the expected financial loss [6]. To remediate this, some economic models incorporating the probability of security infringements has been developed by researchers [6,17]. The payoff of investment is usually computed using the formula $A=P(R)(B-C)$, where A is the payoff of information security investment, P(R) is the probability that security risk R may occur, B is the benefit to be obtained

from the investment, and C is the cost of adoption of security measures [6]. Though some economic models have been developed to facilitate decision making, it is reported that the wait-and-see approach is most preferred by industrial practitioners because they believe that it is more economical to take action only when actual security breaches occur [18]. In order to enable investment in information security, it is therefore imperative for firms to illustrate the ROI to the top management.

Event study related to the adoption of information security technology may be able to support whether such investment influences the market value of firms. Several event studies exist that provide justification for investment in information technology. Prior researchers usually classified the nature of IT investment into various types, for instance, innovative and non-innovative [13], infrastructure and application-based [8], and automate, informate, and transform [12]. Innovative IT investment and transform IT investment is found to have significantly positive impact on market value of firms. This study analyzes the impact of investments in identity theft countermeasures and identifies under what conditions these investments influence the firm value.

Hypotheses development

Investments in identity theft countermeasures by the firm reduce the impact of security threats on organizational resources. With better countermeasures, companies can encourage more customers to use the electronic services offered by them without any worries about identity theft. This can retain current customers and attract new clients who value online safety. It is also well known that recognition of security threats and adoption of appropriate countermeasures allow companies to focus more on core business activities and generate more revenue [10,19]. Tightened security control in the areas of fraud detection and transaction verification can yield monetary benefits that are at least 25% higher than the cost of adoption of such security measures [1]. Therefore, it is logical to hypothesize that adoption of anti-identity theft measures raises the consumer confidence in the

company and is reflected in positive increase in its stock price.

H1: Announcements related to adoption of anti-identity theft measures will give rise to a positive abnormal return of stock prices for the adopting firms.

Types of attacks, results of attacks, and the types of tools used for attacks played a significant role in a prior study related to assessment of impact of computer virus attacks on market value of firm. To combat the different identity thefts, several anti-identity theft tools have been adopted by e-commerce companies. Some sophisticated tools like two-factor authentication and digital signature are known to provide stronger protection to customers against phishing attacks and even boost the confidence of customers when they use the electronic environment. As indicated by the Overseas Chinese Banking Corporation, the number of transactions increased by 20 percent and the amount of transactions per customer increased by 50 percent with the adoption of two-factor authentication [7]. These increased number of customers can generate immediate cash flow giving rise to positive market reaction [5]. From the investors' point of view, if a company adopts sophisticated anti-identity theft tools, it indicates the deep concern of the company about customers' security and this can generate a positive reaction from the market. This leads to the hypothesis:

H2: Adoption of advanced security countermeasures will have a larger positive abnormal reaction on firm value compared to adoption of less sophisticated countermeasures.

To test whether customers are willing to accept new anti-identity theft measures, some subsidiary companies have adopted the measures before the entire corporation. In fact, the subsidiary initiatives may play a contributory role in driving corporate specific advantages [3]. However, the stock price of the company that we consider in this research directly reflects the performance of

the listed holding company rather than the subsidiary. Therefore, when the anti-identity theft related investment is announced by the subsidiary, the impact may be less in comparison with the impact of announcements made directly by the holding company. In fact, in prior research related to data breach announcements, the subsidiary status was found to minimize the impact of the negative news on the listed holding companies [16]. This leads to the third hypothesis:

H3: Anti-identity theft related announcements will cause more positive impact on the market value for holding companies than for subsidiary companies.

The financial services industry is fundamentally different from other industries. The need for communications, IT management, and security services, are much stronger for financial services firms than for manufacturing companies [4]. In the face of cyber attacks, especially those associated with theft of personal data, financial services companies are more susceptible than others because such attacks can give rise to loss of customer trust and legal prosecution. Hence, financial services firms are more security aware and tend to adopt stricter policies in handling security breaches [20]. Therefore, adoption of anti-identity theft measures should have more positive impact on the market value of such companies due to the high information intensity of the financial services industry [12] This leads to the following hypothesis:

H4: Firms in the financial services industry are more positively affected by anti-identity theft related announcements than those belonging to other industries.

Equity markets of US are different from those around the world. The US market is generally regarded as a stable as it receives strong support from the government as well as from the investor community. Therefore, it is not surprising that US stock markets are more stable and more resilient to external shocks [9]. In the context of IT investment related to innovative e-commerce initiatives, the magnitude of impact on firm value differed between firms listed in the US and

Australian markets [14]. In addition to the responsiveness of US market to any IT related investment, it is believed that as more people are familiar with anti-identity theft in the US, they will be more aware of the benefits brought by adoption of identity theft countermeasures when compared with their counterparts in other countries. Therefore, we propose the following hypothesis:

H5: Companies listed in the US will show more positive abnormal returns in response to identity theft countermeasures related announcements than companies listed in other countries.

METHODOLOGY

Following the standard event study methodology, we searched for news related to adoption of identity theft countermeasures from Factiva, which is an international news database. A total of 571 announcements were recorded. Adopting a strict confounding event filtering window of 5 days (i.e., ranging from 2 days before to 2 days after the event announcement day) we deleted those announcements that were affected by earnings, mergers and acquisitions, declaration of dividends, and changeover of senior management, and retained 119 valid independent announcements. As international announcements were recorded, global stock data and market composite index data from 28 stock exchanges in 25 countries were recorded. Stock data were retrieved from Reuters. The Capital Asset Pricing Model (CAPM) was adopted and 120-days worth of market data, starting from one month prior to the event date were used for regression. CAPM assumes that $R_t = R_{mt} + e_t$, where R_t is the rate of return of stock price on day t , R_{mt} is the rate of return of the market composite index, and e_t is the disturbance term. An event window of 2 days (i.e., the event announcement date and one day after the event announcement day) was considered for computation of cumulative abnormal return (CAR), which aggregated the abnormal return (AR). Interested readers may refer to Dos Santos et al. [13] for details about the standard computation procedure.

Table 1 shows the results of overall impact of anti-identity theft announcements on firm value on the announcement day [0], one day after the announcement [1], and the aggregated effect of the two days [0,1]. We observe that the positive impact is most significant on the announcement day with a cumulative abnormal return of 0.22% that is statistically significant at the 10% level of significance. However, after day 0, the results were not positive but not statistically significant. Therefore, H1 is partially supported.

Table 2 shows the subsampling results based on the hypotheses H2-H5. The results show that announcements related to the financial services sector and US-based companies led to the most significant increase in CAR. Therefore, H4 and H5 are supported. US-based companies and firms in financial services sector are more susceptible to identity thefts and in particular phishing. An effective measure to deter such a crime can enhance the trust and confidence of customers. For other hypotheses, though positive CARs are attained, they did not turn out to be statistically significant. Therefore, hypotheses H2 and H3 are not supported.

CONCLUSION

This research analyzed the global market reaction towards adoption of anti-identity theft measures using the event study methodology. We made several significant contributions. First and foremost, we provided justification for investment in anti-identity theft measures. For practitioners in the US or for the financial services industry, adoption of anti-identity theft measures was shown to give rise to a positive market return. As for future research, a longitudinal study may be conducted to capture the change in perception of investors towards identity theft more precisely.

Also, similar event study studies can be conducted to check the impact of investments in hacking, intrusion, and denial of service countermeasures.

REFERENCES

- A. Allan and A. Litan, "Transaction verification complements fraud detection and stronger authentication," Gartner Research 2006.
- R. Anderson, "Why information security is hard - an economic perspective," in Proceedings of 17th Annual Computer Security Applications Conference, 2001. ACSAC 2001, 2001, pp. 358-365.
- J. Birkinshaw, N. Hood, and S. Jonsson, "Building firm-specific advantages in multinational corporations: the role of subsidiary initiative," **Strategic Management Journal**, vol. 19, pp. 221-242, 1998.
- M. Broadbent, P. Weill, and B. S. Neo, "Strategic context and patterns of IT infrastructure capability," **The Journal of Strategic Information Systems**, vol. 8, pp. 157-187, 1999.
- B. M. Burton, A. A. Lonie, and D. M. Power, "The stock market reaction to investment announcements: The case of individual capital expenditure projects," **Journal of Business Finance & Accounting**, vol. 26, pp. 681-708, 1999.
- H. Cavusoglu, B. Mishra, and S. Raghunathan, "A model for evaluating IT security investments," Communications of the ACM, vol. 47, p. 87, 2004.
- I. Chan, "Better authentication allays online banking fears," **ZDNet Asia**, 2007.
- D. Chatterjee, C. Pacini, and V. Sambamurthy, "The shareholder-wealth and trading-volume effects of information-technology infrastructure investments," **Journal of Management Information Systems**, vol. 19, pp. 7-42, 2002.

- A. H. Chen and T. F. Siems, "The effects of terrorism on global capital markets," *European Journal of Political Economy*, vol. 20, pp. 349-366, 2004.
- R. Contu and M. Cheung, "User survey casts light on information security strategies in China," Gartner Research November 4, 2008.
- B. Dehning, V. J. Richardson, A. Urbaczewski, and J. D. Wells, "Reexamining the value relevance of e-commerce initiatives," *Journal of Management Information Systems*, vol. 21, pp. 55-82, 2004.
- B. Dehning, V. J. Richardson, and R. W. Zmud, "The value relevance of announcements of transformational information technology investments," *MIS Quarterly*, vol. 27, pp. 637-656, 2003.
- B. L. Dos Santos, K. Peffers, and D. C. Mauer, "The impact of information technology investment announcements on the market value of the firm," *Information Systems Research*, vol. 4, pp. 1-24, 1993.
- C. Ferguson, F. Finn, and J. Hall, "Electronic commerce investments, the resource-based view of the firm, and firm market value," *International Journal of Accounting Information Systems*, vol. 6, pp. 5-29, 2005.
- I. Fried, "Finding a replacement for passwords," CNET News, 2005.
- K. Gatzlaff and K. A. McCullough, "The effect of data breaches on shareholder wealth," Florida State University, 2008, pp. 1-21.
- L. A. Gordon and M. P. Loeb, "The economics of information security investment," *ACM Transactions on Information and System Security*, vol. 5, pp. 438-457, 2002.
- L. A. Gordon, M. P. Loeb, and W. Lucyshyn, "Information security expenditures and real options: A wait-and-see approach," *Computer Security Journal*, vol. 19, pp. 1-7, 2003.
- M. Gupta, A. R. Chaturvedi, S. Mehta, and L. Valeri, "The experimental analysis of information security management issues for online financial services," in Proceedings of the Twenty First International Conference on Information Systems, Brisbane, Australia, 2000, pp. 667-675.
- S. Hinde, "Security surveys spring crop," *Computers & Security*, vol. 21, pp. 310-321, 2002.

Table 1. Overall impact of announcements

Event Window	[0]	[1]	[0, 1]
Mean CAR	0.2%	0.02%	0.24%
Z-test p-value	0.09	0.4	0.13

Table 2. Subsampling analysis		
Ownership	TF	NTF
Sample size	98	21
Mean CAR	0.30%	-0.06%
Industry	F	NF
Sample size	87	32
Mean CAR	0.32%*	0.01%
Country	US	OC
Sample size	36	83
Mean CAR	0.67%*	0.05%
TF: Two-factor authentication, NTF: Non two-factor authentication, F: Finance, NF: Non-finance, OC: Other countries,		
*: significant at the 10% level of significance		

Sovereign Wealth Fund Decision Scorecard (Dsc)- Macroeconomic Evidences from India

Amanpreet Singh Chopra
Phd. Scholar (Oil & Gas Management),
University of Petroleum and Energy Studies,
Dehradun, India.
Email ID : amanpreet.chopra@yahoo.com

ABSTRACT

Sovereign Wealth Funds (SWFs) with combined asset under management of around \$4.8 Trillion have emerged as major power in the financial world. The dominant effect of these funds in International finance was on display during the recent recession of 2008. The emergence of these funds has also resulted in renewed interest in academic research primarily focused on the portfolio and investments strategies of these funds. The On-Off debate for establishing an Indian Sovereign Fund to take up asset acquisition has been in process since 2008 and various commentators, economists and policy makers have suggested the establishment of fund with size any where ranging from \$5 to \$50 Billion. However, literature which has empirically analyzed the decision variables impacting the establishment of these funds is limited. Author has identified and collaborated list of 63 variables which were then rationalized to list of 30 variables that may affect establishment of Sovereign Wealth Fund for India. The identified variables were later distinguished under 6 decision streams. The static state of these variables was then analyzed with respect to macroeconomic and socio-political environment in country as on 2011. Author argues, that India is comfortably placed on forex reserve front which is adequate on all the adequacy matrices but the present slowdown in the economy, possible trade-off opportunities in infrastructure and social development and twin budget deficit on Current Account and Fiscal will weigh heavily against the creation of such fund.

Field of Research - International Finance, Sovereign Wealth Funds, Macroeconomics, Forex reserves

INTRODUCTION

Sovereign wealth funds (SWF) are defined by the U.S. Treasury as "Government Vehicles funded by foreign exchange earnings but managed separately from foreign reserves". A Sovereign Wealth Fund (SWF) is a state-owned investment fund or entity that is commonly established from balance of payments surpluses, official foreign currency operations, the proceeds of privatizations, governmental transfer payments, fiscal surpluses, and/or receipts resulting from resource exports.

The emergence of Sovereign Wealth Funds (SWF) has been one of the most prominent features of international finance in the recent past. It is argued in literature that SWFs are typically created when governments have budgetary surpluses and have little or no international debt. This excess liquidity is not always possible or desirable to hold as money or to channel into immediate consumption. This is

especially the case when a nation depends on raw material exports like oil, copper or diamonds. In such countries, the main reason for creating a SWF is because of the properties of resource revenue: high volatility of resource prices, unpredictability of extraction, and exhaustibility of resources. While some countries funds are created for the purpose of providing necessary liquidity for future liabilities for example - Norway 1990, New Zealand 2003

According to International Monetary Fund (IMF) estimates, SWFs worldwide hold between \$3.5 and \$4.2 trillion in funds and are growing at a rate of \$800–900 billion per year and are estimated to reach about US \$10 Trillion over the end of this decade. Sovereign Wealth Fund Institute, 2012 has estimated the cumulative asset under management of around \$4.8 Trillion as on May 2012.

The gigantic nature of asset under management of these funds is evident when compared with other asset class like Pension Funds / Mutual Funds etc in Table -1.

The sheer size of Sovereign wealth Fund is also obvious from the comparison with top stock exchanges of the world. According to International Sovereign Wealth Fund Institute 2012 report, the asset under management of all the Sovereign wealth funds put together is close to \$5 trillion. Comparing the asset under management of these funds with the market capitalization of 16 top stock exchanges of the world suggests the assets under management of SWFs are more than all the exchanges except NYSE Euronext (US) with market capitalization of \$12.6 Trillion. The \$5 Trillion of asset under management of SWFs is more than the twice the market capitalization of National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) put together. (World Federation of Exchanges, 2012)

Case for Indian Sovereign Wealth Fund

India during the last decade has emerged as one the fastest growing economies in the world and has contributed 2.8% of the World GDP in 2011 up from 1.5% in 2001, even during the recent financial meltdown and economic recession in Advanced Economies; India's economy has shown resilience and has growth by 6.8% in 2008-09 and even in the last financial year 2011-12 owing to Euro zone debt crisis the country has achieved growth of 6.5% and is projected to grow by 8-8.5% growth for the 12th Five year (2012-17) plan.

Owing to emergence of Indian as one of the key economy there has been a steady increase in the forex inflow in the country resulting in the augmentation in forex reserve from \$20 Billion in 2004 to all time high of \$ 310 Billion in 2010. As of July 2012 country's foex reserve stands at \$290 Billion which is fourth highest in the world.

The On-Off debate for establishing an Indian Sovereign Fund for the purpose of asset acquisition and improved returns has been continuing since

2008. The Associated Chamber of Commerce and Industry of India (ASSOCHAM, 2011) in its report stated that 80% of the respondents from industry opinioned that the fund may be used for acquisition of energy assets abroad and 95% agreed that oil & Gas, Coal and infrastructure sectors will be major beneficiary of such fund.

To continue with the long cycle of 'proposals' and 'suggestions' for creating sovereign wealth fund, Ministry of Fertilizer, in April 2012, proposed government of India for creation of such fund for acquisition of mineral assets like potash required for production of fertilizers.

Decision Variables:

Number of commentators, authors, institutes and policy makers has advocated the creation of a Sovereign Wealth Fund for Indian citing reasons from asset acquisition for energy security, earning above average rate of return from the 'excess' forex reserve, combating inflation, currency management etc. But, the empirical literature on the decision variables that will affect the creation of this fund is limited in Indian Context. Also, there is limited literature available that has analyzed the 'state' of variables during the time of establishment of these funds or the factors that has influenced the creation of these funds. One seminal piece of research was undertaken by Capape, 2009 wherein author identified 23 variables and applied these variables to current static state of 182 countries to establish the probability of a nation to establish a sovereign wealth fund.

Methodology

In this research paper author has taken different approach than Capape 2009 but similar to the approach used by Truman 2009 in development of SWF Scorecard on 4 different categories of Structure, Governance, Accountability & Transparency and Behavior and study the 'state' of 31 variables which were identified through secondary literature survey. From the secondary literature survey and primary data collected through unstructured interviews, telephonic

survey, e-mail communication with domain experts' author identified 63 variables that may affect the decision to establish a Sovereign Wealth Fund by the country.

The above variables were then rationalized through brain storming sessions with academicians and other domain experts resulting in the final list of 30 variables that may affect the creation of Indian Sovereign Wealth Fund. The analysis of these variables is done by assuming 2011 as the year when decisive debate on the creation of this fund took place. The static states of variables as on 2011 are then studied through the Decision Score Card (DSC).

Decision Streams

The identified variables are collaborated under 6 decision streams. The collaboration of decision variables under the decision stream is done through brain storming process. While for some of the variable which did not merge into a decision stream are isolated and kept under 'Other' categories.

Decision ScoreCard (DSC)

To develop at the Decision Score Card (DSC) for Sovereign Wealth Fund, author asked simple questions based on these 30 variables and for which the answer is either 'Yes' or 'No'.

Simple scoring pattern was utilized with each 'Yes' response gaining a score of unity (1) and each 'No' reply was given a score of zero(0). There are some instances where author found that the available data is insufficient or ambiguous to develop a response to a particular question therefore same is left unanswered and is not included in the analysis. Annexure -1 presents the identified decision variables, the categorization of each variable, specific questionnaire developed against each variable and the scoring against each variable.

Data Sources for Decision Scorecard

The country specific macroeconomic data was assessed at the World Bank data base available at

<http://databank.worldbank.org/ddp/home.do> and from the data base of Reserve Bank of India available at <http://www.rbi.org.in>

Findings and Discussions

- i. On reserve adequacy front it is observed that India, with Import cover of 8 months, Reserve/GDP ratio of 16%, STED/Reserve ratio of 23% and Volatile Capital Flow/Reserve ratio of 68% as in 2011, does confirms to all the traditional matrices of reserve adequacy which strengthens the case for country to part away with its excess funds for creation of SWF. Reserve Adequacy is being regarded as high impact variable on the decision to establish a Sovereign Wealth Fund (SWF). This is also in line with authors anticipation of strong impact of this particular category on the decision. However, the 43.8% of the total forex inflow in the country is through Portfolio investments of 'Hot Money' which are highly susceptible to capital flight which will result in policy debate on reserve adequacy.
- ii. While India has positioned itself comfortably against the reserve adequacy matrices, the twin deficit of current account and fiscal will put pressure on the policy markets to take pragmatic decision w.r.t. creation of Indian SWF against the backdrop of twin deficit.
- iii. Lack of exportable natural resources along with reluctance of central bank to part away from excess reserves will prove to be a decision factor in the establishment of Indian Sovereign Wealth Fund which can develop its portfolio for earning above average return.
- iv. Emergence of India as one of the fastest growing emerging economy of the world does put immense pressure on further development existing physical and social infrastructure in the country. For the 12th Five year plan, infrastructure investment of more than \$ 1 Trillion is anticipated. Therefore, trade-off matrix of creation of fund against investment for the infrastructure and social development will result in debate among

- policy makers and social scientists when the case of Indian SWF will taken up for deliberations.
- v. Utilization of part of disinvestment proceeds of Public Sector Undertakings can be an alternate source of funding for the proposed fund in case of central bank reluctance in providing the part of forex reserve for the purpose.
 - vi. It is also analyzed that if the fund is created with objective of energy security and asset acquisition the fund may face protectionist backlash and unacceptability in the international community for pursuing state objective. To mitigate the same it is imperative that fund objectives should be accordance Santiago Principals.
 - vii. India being a democratic country the consent of both upper and lower house of Parliament will be necessary for the establishment of this fund. Thus political stability has emerged as an significant variable during the process of establishment of the fund.

CONCLUSION

The long drawn debate on the creation of dedicated Sovereign Wealth Fund by India has reached a point where the commentators and policy makers are debating on the issue without a framework in hand that may assist them for taking an informed decision. This paper has attempted to bridge this gap by developing a Decision ScoreCard (DSC) incorporating 30 variable which will be responsible for creation of Indian SWF.

REFERENCES

- Andrew Rozanov, 2005, who hold wealth of the nation? Assessed at <http://www.centralbanking.com/central-banking-journal/feature/2072255/holds-wealth- nations>
- Bryan J. Balin, 2010, Sovereign Wealth Funds: A critical analysis, The Johns Hopkins University School of Advanced Industrial Studies
- CityUK, Feb2012, Sovereign Wealth Funds, Financial Market Series 2012
- Donghyun Park and Gemma B. Estrada, 2009, ***Developing Asia's Sovereign Wealth Funds and Outward Foreign Direct Investment***, Working Paper No 169, Asian Development Bank.
- International Forum of Sovereign Wealth Funds; assessed at www.ifswf.org
- Jainer Capape, 2009, Sovereign Wealth Funds: ***Why were they born?, ESADE geo center for Global Economy and Geo Politics***, Working paper Aug 2009, available at <http://ssrn.com/abstract=1522908>
- Joshua Aizenman, 2008 , Sovereign Wealth Funds- Stylized facts about their determinants and governance , Working paper 2008-33, Federal Bank of San Francisco
- Oliver Jeanne and Romain Ranciere, 2006, The Optimal Level of International Reserves for Emerging Countries: Formulas and Applications, IMF Working paper WP/06/229.
- RBI Database ; Assessed at www.rbi.org.in
- Wharton Leadership Center, 2010, The Brave New World of Sovereign Wealth Funds, University of Pennsylvania.
- Truman Edwin, 2008, ***A Blue Print for Sovereign Wealth Fund Best Practice, Policy Brief***, Peterson Institute for International Economics, April 2008
- Udaibir S Das, Yinqiu Lu, Christian Mulder and Amadon , 2009 , Setting up a Sovereign Wealth Fund: Some Policy and Operational Considerations, IMF Working paper WP/09/179, Aug 2009

	Asset Under Management (\$ Trillion)
Pension Funds	29.9
Mutual Funds	24.7
Insurance Funds	24.6
SWF	5
Private Equity	2.6
Hedge Funds	2.1
<i>Table -1: Asset Class Comparison</i>	

	Variable	Questionnaire		India
				2011
1	Export of Natural resources reserves	Is country net exporter of natural resource?	Yes = 1 No = 0	0
2	Consistent foreign exchange revenue stream	Does country has consistent foreign exchange revenue stream?	Yes = 1 No = 0	1
3	Capital Flight of Hot Money	Does the forex reserve of country susceptible to capital flight?	Yes = 1 No = 0	1
4	Portfolio Investment	Is Portfolio investment one of the major sources of forex reserves?	Yes = 1 No = 0	1
5	Current Account Balance	Is country running current account surplus/deficit?	Yes = 1 No = 0	0
6	Short term External Debt / Reserves	Is ratio of Shot Term External Debt/Reserves < 1	Yes = 1 No = 0	1
7	Debt/ GDP	Is Debt / GDP > 1.	Yes = 1 No = 0	0
8	Reserves / GDP	Is ratio of Reserves / GDP > 10%	Yes = 1 No = 0	1
9	Import Cover	Is monthly import bill / Reserves > 3 months	Yes = 1 No = 0	1
10	Volatile capital Flow Reserve	Is the ratio of Volatile Capital flow/Reserve > 30%	Yes = 1 No = 0	1
11	Precautionary motive of holding large reserves	Is safety one of the motive of reserve accumulation?	Yes = 1 No = 0	1
12	Liquidity for Balance of Payment	Is liquidity one of the objective of excess reserve accumulation by Central Bank?	Yes = 1 No = 0	1
13	Negative Real Yield on reserves	Is the real yield on reserve more than the risk free return?	Yes = 1 No = 0	0
14	Opportunity Cost of Holding Excess Reserves	Does the opportunity of earning higher returns on reserves exists?	Yes = 1 No = 0	1
15	Protectionist Backlash	Can any objective of SWF may result in possible protectionist backlash?	Yes = 1 No = 0	1

	Variable	Questionnaire		India
				2011
15	Protectionist Backlash	Can any objective of SWF may result in possible protectionist backlash?	Yes = 1 No = 0	1
16	International unacceptability	Can any objective of SWF may result in International unacceptability of the fund?	Yes = 1 No = 0	1
17	Democratic Veto Power	Is country democratic and with veto power of upper / lower house?	Yes = 1 No = 0	1
18	Level of Development - GDP Per capita	Is GDP Per capita > \$ 4000 ?	Yes = 1 No = 0	0
19	Central Bank Independence and Willingness	Is central bank willing to create such fund?	Yes = 1 No = 0	0
20	Funding options	Does alternate funding options for creation of SWF available?	Yes = 1 No = 0	1
21	Payback Costly Sovereign debt	Are alternate to SWF in terms of payback of debt viable ?	Yes = 1 No = 0	1
22	Trade-off vis-vis infrastructure development objectives	Are alternate to SWF in terms of infra development viable ?	Yes = 1 No = 0	1
23	Trade off vis--vis social development	Are alternate to SWF in terms of social development viable ?	Yes = 1 No = 0	1
24	Fiscal Position of Country	Is country running fiscal surplus/deficit?	Yes = 1 No = 0	0
25	Economic Slowdown	Is country passing through economic slowdown?	Yes = 1 No = 0	1
26	Peer Based Contingent Emulation	Does peer country/trade partner established SWF within last 3 years?	Yes = 1 No = 0	1
27	Regulatory Quality	Is regulatory framework in the country robust?	Yes = 1 No = 0	-
28	Stable and Long Term Foreign Direct Investment (FDI)	Does country has stable flow of long term FDI?	Yes = 1 No = 0	0
29	Outbound FDI Objectives	Can out bound FDI one of objective of the fund?	Yes = 1 No = 0	1
30	Inflation	Is the inflation above the central bank target rate?	Yes = 1 No = 0	1

Emerging Issues of FDI in India

Prof. Jyothi. P.M
Assistant Professor, Dept. Of Management Studies,
East Point College of Engineering and Technology,
Virgo Nagar Post, Bangalore-560049,
Karnataka

Prof. Gnanendra. M
Assistant Professor, Dept. Of Management
Studies, Cambridge Institute of Technology,
KR Puram, Bangalore - 560036,
Karnataka

INTRODUCTION

Foreign direct investment (FDI) has been one of the defining characteristics of the world economy during the last two decades. The purpose of this paper is to provide an overview of foreign direct investment in India and explore the sector wise distribution of FDI inflows in order to point out the dominating sector which has attracted the major share. Since 1991, the flow of foreign direct investment (FDI) rapidly expanded across India; this growth was caused by an increase in mergers and acquisitions activities. As this trend gained force, Indian Government started to ask a question: "What implications would these FDIs have on our country's long-term economic growth?" Whereas the traditional theory had it that "FDI could become the engine of growth for India through the transfer and diffusion of knowledge", there is now an increasing need to assess this claim by finding out the growth trend of FDI in India from two decades

FOREIGN DIRECT INVESTMENT

Foreign direct investment (FDI) is direct investment into production in a country by a company located in another country, either by buying a company in the target country or by expanding operations of an existing business in that country. Foreign direct investment is done for many reasons including to take advantage of cheaper wages in the country, special investment privileges such as tax exemptions offered by the country as an incentive to gain tariff-free access to the markets of the country or the region. Foreign direct investment is in contrast to portfolio investment which is a passive investment in the securities of another country such as stocks and bonds.

OBJECTIVE OF THE STUDY

1. To study the trends and patterns of flows of FDI to India.

2. To explore the sector wise distribution of FDI inflows in order to point out the dominating sector which has attracted the major share?
3. To assess the determinants of FDI inflows.
4. To evaluate the impact of FDI on service sectors like Insurance, Retail and Civil Aviation

REVIEW OF LITERATURE

This study takes a fresh look at key development issues related to foreign direct investment (FDI) in developing and emerging economy of India in the light of country experience and policy-oriented work available in this area. This Research Paper makes a modest attempt of developing an insight as to what are the trends in the Indian Retail Industry and to the benefits and drawbacks of FDI in this sector. It has also focused on effect of FDI on Civil Aviation and Insurance Sectors.

EVOLUTION

As part of the capital account liberalisation, FDI was gradually allowed in almost all sectors, except a few on grounds of strategic importance, subject to compliance of sector specific rules and regulations. The large and stable FDI flows also increasingly financed the current account deficit over the period. During the recent global crisis, when there was a significant deceleration in global FDI flows during 2009-10, the decline in FDI flows to India was relatively moderate reflecting robust equity flows on the back of strong rebound in domestic growth ahead.

An analysis of trends in FDI flows reveal that India registered decreasing trend of nearly 49% in the financial year 2009-10 i.e., from US\$ 35.6 billion in 2008-09 to US\$ 24.1 billion since the eruption of global financial crisis in 2008-09.

Above graph witnessed that strong rebound during 2010-11 flowed US\$ 34.84 billion and 2011-12 it is US\$ 46.8 billion on the back of improved corporate profitability and some improvement in M&A activities at India.

From a sectoral perspective, FDI in India mainly flowed into services sector (with an average share of 41 per cent from the 2006-07 to 2010-11) followed by manufacturing (around 23 per cent). However, the share of services declined over the years from almost 57 per cent in 2006-07 to about 30 per cent in 2010-11, while the shares of manufacturing and others largely comprising electricity and other power generation increased over the same period. Sectoral information on the recent trends in FDI flows to India show that the moderation in gross equity FDI flows during 2010-11 has been mainly driven by sectors such as “construction, real estate and mining” and services such as “business and financial services”. Manufacturing, which has been the largest recipient of FDI in India, has also witnessed some moderation

PROHIBITION ON FDI IN INDIA

FDI is prohibited in the following activities/sectors:

- Retail Trading (except single brand product retailing)
- Lottery Business including Government /private lottery, online lotteries etc,
- Gambling and Betting including casinos etc.
 - Business of chit fund
 - Nidhi company
- Trading in Transferable Development Rights (TDRs)
- Real Estate Business or Construction of Farm Houses
- Manufacturing of Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes
- Activities / sectors not opened to private sector investment including Atomic Energy and Railway Transport (other than Mass Rapid Transport Systems)

DETERMINANTS OF FDI

The determinant varies from one country to another due to their unique characteristics and opportunities for the potential investors. In specific the determinants of FDI in India are:

- **STABLE POLICIES:** India stable economic and socio policies have attracted investors across border. Investors prefer countries which stable economic policies. If the government makes changes in policies which will have effect on the business. The business requires a lot of funds to be deployed and any change in policy against the investor will have a negative effect.
- **ECONOMIC FACTORS:** Different economic factors encourage inward FDI. These include interest loans, tax breaks, grants, subsidies and the removal of restrictions and limitation. The government of India has given many tax exemption and subsidies to the foreign investors who would help in developing the economy.
- **CHEAP AND SKILLED LABOUR:** There is abundant labour available in India in terms of skilled and unskilled human resources. Foreign investors will take advantage of the difference in the cost of labour as we have cheap and skilled labourers. Example: Foreign firms have invested in BPO's in India which require skilled labour and we have been providing the same.
- **BASIC INFRASTRUCTURE:** India though is a developing country, it has infrastructure such as roads, effective transportation and registered carrier departure worldwide, Information and communication network/technology, powers, financial institutions, and legal system and other basic amenities.

ties which are must for the success of the business. A sound legal system and modern infrastructure supporting an efficient distribution of goods and services in the host country.

- **UNEXPLORED MARKETS:** In India there is large scope for the investors because there is a large section of markets have not explored or unutilized. In India there is enormous potential customer market with large middle class income group who would be target group for new markets. Example: BPO was one sector where the investors had large scope exploring the markets where the service was provided with just a call, with almost customer satisfaction.
- **AVAILABILITY OF NATURAL RESOURCES:** As we that India has large volume of natural resources such as coal, iron ore, Natural gas etc. If natural resources are available they can be used in production process or for extraction of mines.

2012 FDI REFORMS

On 14 September 2012, Government of India allowed FDI in aviation up to 49%, in the broadcast sector up to 74%, in multi-brand retail up to 51% and in single-brand retail up to 100%. The choice of allowing FDI in multi-brand retail up to 51% has been left to each state.

In its supply chain sector, the government of India had already approved 100% FDI for developing cold chain. This allows non-Indians to now invest with full ownership in India's growing demand for efficient food supply systems. The need to reduce waste in fresh food and to feed the hopeful demand of India's fast developing population has made the cold supply chain a very exciting investment proposition.

Foreign investment is announced by the government of India as FEMA (Foreign Exchange Management Act). It was introduced by Prime Minister Manmohan Singh when he was finance minister (1991)

ROLE OF FDI IN RETAIL SECTOR

The government recently announced 51% in Foreign Direct Investment (FDI) in multi-brand retail and 100% FDI in single-brand retail. Indian retail industry is the biggest industry in comparison to other industries. It occupied 14% of India's Gross Development Product and near about 8% of the employment. It has two sector viz. organized sectors, unorganized sectors. Organized sector refers to that part which is well regulated i.e. registered stores. Unorganized sector included the traditional stores such as Pan tapri, corner store etc.

Retail sector is fastest growing sector in India. 90% retail business is run by the unorganized retailers. The organized retail sector is still at emerging stage.

SWOT Analysis of FDI in Retail

A) Strengths

- Fast growing economy.
- Young and dynamic manpower.
- Highest shop density in the world.
- High growth rate in retail & wholesale trade.
- Presence of big industry houses which can absorb losses.

B) Weaknesses

- Low capital investment in retail sector.
- Lack of trained & educated force.
- Lack of competition.
- More prices as compared to specialized shops.

C) Opportunities

- Major employment generation in the future.
- It will enhance the financial condition of farmers.
- Increase in lifecycle changes and status consciousness.
- Improve the competition.

- Big market along with better technology & branding with latest managerial skills.

consumer-centric orientation has been adding to the troubles, critics note.

D) Threats

- Threat to the survival of small retailers like 'pantapri', 'local kirana'.
- Jobs in the manufacturing sector will be lost.
- Started roadside bargains.
- Work will be done by Indians and profits will go to foreigners.

In view of some of short coming observed in the SWOT analysis, FDI in retailing is going to attract retail players by Indian Government, but India should welcome them with a talented pool of human resources by promoting institution imparting knowledge in retailing. Protection must be given to Indian small and medium retailers as retailing is their source of live hood. The Government must properly discuss the pros and cons of allowing 51% FDI and have a law in place to control unfair competition. Then the FDI Bill will be given definitely a positive impact on the retail industry and the country by attracting more foreign investment.

ROLE OF FDI IN INSURANCE SECTOR:

The insurance sector in India has been thrown open for some 12 years now. Until the passage of the Insurance Regulatory and Development Authority Act in 1999, it was a public sector monopoly. The act eased some controls, but foreign direct investment (FDI) was restricted to 26%. In a capital-hungry business, this has proved a constraint to growth.

The past two-to-three years haven't been the happiest of times for the insurance industry. In the life insurance sector, for instance, there has been a slowdown because of the country's economic travails. The saving rate has come down and insurance has been impacted. (In India, insurance is looked upon as a form of savings.) And IRDA's

The government decided on 4th October 2012 to move ahead with its proposal to hike foreign investment ceiling in the insurance sector to 49 per cent from the present 26 per cent. A decision in this regard was taken by the Union Cabinet headed by Prime Minister Manmohan Singh. The benefit of this amendment will go to the private sector insurance companies which require huge amount of capital and that capital will be facilitated with increase in FDI to 49 per cent," finance minister P Chidambaram told reporters. The minister also clarified that state-run insurance companies will remain in the public sector.

With the Cabinet approving the proposal, the Insurance Laws (Amendment) Bill is likely to be taken up by Parliament for passage in the forthcoming Winter Session. The bill introduced in RajyaSabha in December 2008 proposes to increase the foreign direct investment (FDI) limit in the insurance sector to 49 per cent. During the last decade (2001-02 to 2011-12), the market share of the public sector insurers has decreased due to new entrants in the private sector. A Zee Research Group (ZRG) analysis reveals that Life insurance Corporation (LIC) has been struggling to maintain the market share in segments, life and non life, since 1999, when 26 percent FDI was allowed in the insurance sector.

Public sector insurer, Life Insurance Corporation of India (LIC), in its bread and butter segment (Life segment) has lost a significant market share from 98.65 percent in 2001-02 to 71.40 percent in 2011-12. On the other hand, during the corresponding period, the market share of private sector life insurers has increased from 1.35 percent to 28.6 percent. With regards to the market share of LIC in the non-life segment has decreased to 58.46 percent in 2011-12 from 95.91 percent in 2001-02. The massive potential in the Indian life and non-life insurance sector has en-

couraged large private financial services companies to form joint ventures with global insurers. Some of the prominent private players of this sector include the names of Bajaj Allianz, Birla Sunlife, ICICI Prudential, Tata AIG, HDFC Standard Life, Reliance Life and Max Life and so on.

FDI IN CIVIL AVIATION SECTOR

Foreign airlines can now pick up 49 percent stake in India's domestic carriers, a step that is expected to give a boost to cash-strapped aviation industry. The Cabinet Committee on Economic Affairs on Friday approved the proposal which would pave way for much-needed equity infusion into India's airlines passing through acute turbulence as most of them are in terrible need of funds for operations.

"The cabinet approved the proposal of allowing foreign airlines to pick upto 49 per cent stakes in Indian carrier. Though FDI of upto 49 percent, 75 percent and 100 per cent was there in aviation sector, foreign airlines were not allowed. Current FDI norms allow foreign investors, not related to airline business, to directly or indirectly own an equity stake of up to 49 percent in Indian carrier. Allowing foreign airlines to pick up stakes in Indian carriers has been a long-pending demand of the aviation sector. Most of the Indian carriers are suffering losses because of high taxes on jet fuel, rising airport fees, costlier loans, poor infrastructure and cut-throat competition. Except IndiGo, all airlines have posted losses in the financial year ending on March 31 2012.

Kingfisher Airlines, which is burdened with a debt of over Rs 7,000 crore, has been in the forefront of pushing for permission to allow foreign airlines to invest in domestic carriers.

Though Kingfisher has been pushing for FDI to boost the sector, Jet Airways and IndiGo have expressed reservations saying allowing global players in would lead to cartelisation and takeovers of Indian carriers.

The opening of the sector to foreign airlines may, however, bring good news for passengers who would benefit from more competitive fares, better product and services and better international connectivity.

CONCLUSIONS

Foreign direct investment plays an important role in India's dynamic growth. The examples are software or services industry, two-wheeler, automobile and auto-component industries, electronics and telecommunications. FDI in these industries expanded home and export markets, benefitted consumers, generated employment, increased productivity and wages and generated externalities to local firms.

FDI in the retail sector, supported by effective local institutions, can play similar role. The most important dimension of the possible benefits is generation of world class supply chain in India which will decrease transaction, information and production costs of business and expand markets significantly. As long as the foreign players such as Wal-Mart do pricing based on long run average costs, the benefits will accrue to consumers and farmers.

The main role of government is to establish and implement effective and autonomous regulatory institutions- restraining anti-competitive conduct by firms, labour and environmental regulation. The government has to make credible commitments of its policies. Agents react differently if they believe that the reform is only political window-dressing and most of it will be retracted in the face of opposition. This behavior has a significant effect on the success of the reforms and the time it takes for the reform process. If the government acts opportunistically in changing its policies, it sends signal of non-credible commitments which discourages investments especially in durable assets (with high fixed and sunk costs).

The study concludes by government must target at attracting specific types of FDI that will be able to generate spill over's effects in the overall economy like investing in human capital, R&D activities, environmental issues, productive capacity, sectors with high income elasticity of demand. The policy makers should focus more on attracting diverse types of FDI and should design policies where foreign investment can be utilized as means of enhancing domestic production, savings and exports and also as medium of technological learning and diffusion and also in providing access to the external market.

Economic growth, by Birla Institute of Management Technology, pdf

Atrayee Ghosh Roy and Hendrik F. Van den berg, Foreign Direct Investment and Economic Growth – A Time Series Approach, University of Nebraska, pdf

Jayshree Bose (2008), FDI Inflows in India and China – Sectoral analysis, ICFAI University Press.

Times of India, Sept & Oct, 2012.

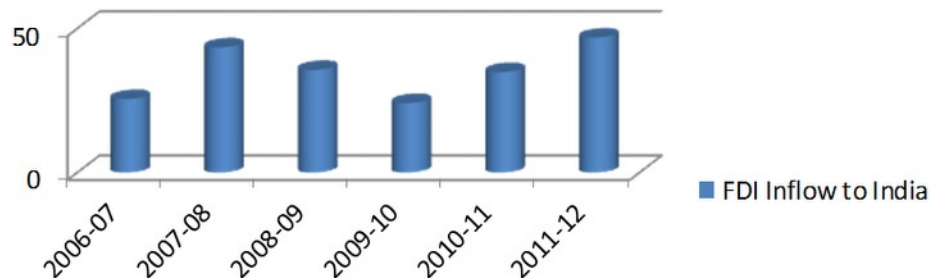
Joong-Wan Cho, Foreign direct investment: determinants, Trends in flows and promotion policies, Investment Promotion and Enterprise Development Bulletin for Asia and the Pacific, pdf

REFERENCES

www.rbi.org.in

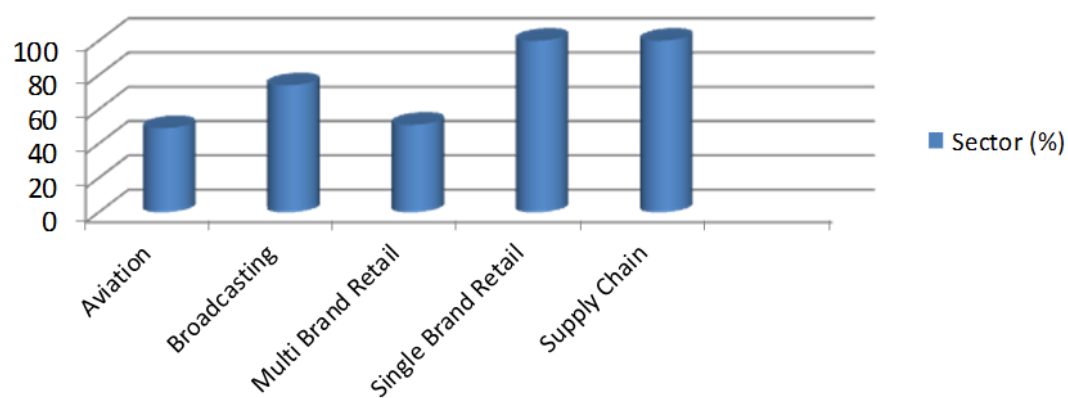
Prof. Shri Prakash & Dr. Shalini Sharma, Input-Output Modelling of Impact of FDI on Indian

FDI Inflow to India



Equity FDI Inflows to India (Per cent)					
Sectors	2006-07	2007-08	2008-09	2009-10	2010-11
Sectoral shares (Per cent)					
Manufactures	17.6	19.2	21	22.9	32.1
Services	56.9	41.2	45.1	32.8	30.1
Construction, Real estate and mining	15.5	22.4	18.6	26.6	17.6
Others	9.9	17.2	15.2	17.7	20.1
Total	100	100	100	100	100
Equity Inflows (US\$ billion)					
Manufactures	1.6	3.7	4.8	5.1	4.8
Services	5.3	8	10.2	7.4	4.5
Construction, Real estate and mining	1.4	4.3	4.2	6	2.6
Others	0.9	3.3	3.4	4	3
Total Equity FDI	9.3	19.4	22.7	22.5	14.9

SI No.	Sector	FDI %
1	Aviation	49
2	Broadcasting	74
3	Multi brand Retail	51
4	Single Brand Retail	100
5	Supply Chain	100

Sector wise FDI Inflow in Sept 2012

Derivatives: An Overview

Dr Amneet Kaur
Asst Prof SGGGS College
Chandigarh

ABSTRACT

Growth of the markets often gives rise to demand for new, different instruments to enable the investors to diversify and control the different risks in the capital markets. A market for derivative products emerged as a result of the willingness of risk-averse economic agents to guard against uncertainties arising out of fluctuations in asset prices. Derivatives are meant to facilitate hedging of price risk of inventory holding or a financial/commercial transaction over a certain period.

DERIVATIVES

Derivatives is a Financial instrument that is derived from an underlying assets value; rather than trade or exchange the asset itself, market participants enter future date based on the underlying asset. The term Derivative has been defined in Securities Contracts (Regulations) Act, as:-

A Derivative includes: -A security derived from a debt instrument, share, loan, whether secured or unsecured, risk instrument or contract for differences or any other form of security;

A contract which derives its value from the prices, or index of prices, of underlying securities;

A derivative is a financial instrument that offers a return based on the return of some other underlying asset.

As the definition states, derivative's performance on the performance of an underlying asset. this underlying asset is often referred to simply as the underlying. It trades in the market in which buyers and sellers meet and decide on a price; the seller then delivers the assets to the buyer and receives payment. The price for immediate purchase of the underlying asset is called the spot price.

The participants in a derivatives market

- Hedgers use futures or options markets to reduce or eliminate the risk associated with price of an asset.
- Speculators use futures and options contracts to get extra leverage in betting on future movements in the price of an asset. They can

increase both the potential gains and potential losses by usage of derivatives in a speculative venture.

- Arbitrageurs are in business to take advantage of a discrepancy between prices in two different markets. If, for example, they see the futures price of an asset getting out of line with the cash price, they will take offsetting positions in the two markets to lock in a profit

Classification of derivatives

Contingent claims Contingent claims are derivatives in which the payoffs occur if specific event happens. These types of derivatives are called options. Specifically, an option is a financial instrument that gives one party the right, but not the obligation, to buy or sell an underlying asset from or to another party at a fixed price over a specific period of time. An option that gives the right to buy is referred to as a Call; an option that gives the right to sell is referred as a Put. The fixed price at which the underlying can be bought or sold is called exercise price, strike price, striking price, or strike, and is determined at the outset of the transaction. Here we refer to it as the exercise price, and the action of buying or selling the underlying at the exercise price is called exercising the option. The holder of the option has right to exercise it and will do so if conditions are advantageous; otherwise, the option will expire unexercised. Thus, the payoff of the option is contingent on an event taking

place, so options are sometimes referred to as contingent claims. Naming conventions are used to help identify properties common to many different types of options. These include:

European option - an option that may only be exercised on expiration.

American option - an option that may be exercised on any trading day on or before expiration.

Bermudan option - an option that may be exercised only on specified dates on or before expiration.

Barrier option - any option with the general characteristic that the underlying security's price must reach some trigger level before the exercise can occur.

Stock option Stock Options are simple contracts that allow the owners to buy or sell a stock at a specific price before it expires, yet, that simplicity has made Stock Options one of the most versatile speculative and hedging instrument ever created, elevating options trading to its current level of importance. The seller of the Stock Options is obligated to sell you the underlying stocks at the price agreed in the Stock Options contract the moment you decide to exercise that option. Such Stock Options are known as 'Call Options'. Stock Options which allows you to SELL your current shares at an agreed price in the future are known as 'Put Options'.

Call options Call Options are stock options that give its holder the POWER, but not the obligation, to BUY the underlying stock at a FIXED PRICE by a fixed EXPIRATION DATE. Call Options are definitely the more popular of the 2 kinds of stock options. The other being Put Options that gives you the right to sell the underlying stock for a fixed price. Call Options enable you to buy the underlying stock at a price fixed right now no matter how high it rallies in future for just a small price relative to the price of the underlying stock. Call options give you the power to profit from a rally in its underlying stock for just a very small price without first having to buy the underlying stock! Apart from being an incredibly

flexible and risk limited leverage instrument, Call Options are fantastic hedging instruments for any stock portfolios.

Put options Put Options are stock options that gives its holder the POWER, but not the obligation, to SELL the underlying stock at a FIXED PRICE by a fixed EXPIRATION DATE. Put Options are the least understood of the 2 kinds of stock options. The other being Call Options that give you the right to buy the underlying stock for a fixed price. Put Options enable you to sell the underlying stock at a price fixed right now no matter how low it falls in future. Put Options allows investors to do something relatively unfamiliar to the stock trading world and that is, to profit from a downturn in stocks without going into margin or shorting anything.

Stock options contract specifications: Every stock options contract traded in the Stock Options Trading Exchanges are written with the following standardized specifications .That is why they are also known as Standardized Options.

Underlying Stock: Each stock option contract is written for a Specific stock.

Strike Price: The "agreed price" which was referred to very often above. This is the price at which buyers of call options can buy the stock at in future and is also the price at which buyers of put options can sell the stock at in future.

Expiration Date: The date at which a Stock Options Contract expires. Buyers of Stock Options need to exercise or sell the stock options before this date. The further away the expiration date is, the more expensive the stock options become.

Lot Size: The number of shares of the underlying stock that is represented with each stock options contract. In the US market, each Stock Options contract usually represents 100 shares of the underlying stock.

Type of Option: call options and put options.

Terms Of Delivery : Call option sellers must sell and deliver the underlying stock to the buyer if exercised and put option sellers must buy the underlying stock from the buyer if exercise by cash.

Index options Stock market indices are well known, not only in the investments community but also among many individuals is are not even directly investing in the market. Index options are puts and calls on a stock index rather than on an individual stock. They give investors the opportunity to hedge their portfolios or speculate on gains or losses in a segment of the market.

Bond options options on bonds called bond options are primarily traded in the over the counter market. options exchanges have attempted to generate interest in options on bonds, but have not been very success full .corporate bonds are not very actively traded; most are purchased and held to expiration. Government bonds, however, are very actively traded, nevertheless, options on them have not gained widespread acceptance on option exchanges. Option exchanges generate much of their trading volume from individual investor, who has far more interest in and understanding of stocks than bond.

Interest rate options an interest rate is an option in which the underlying is an interest rate. Instead of exercise price, it has an exercise rate (or strike rate), which is expressed on an order of magnitude of an interest rate. At expiration, the opinion pay off is based on the difference between the underlying rate in the market and the exercise rate.

Exchange- traded derivatives Exchange traded derivatives are created, authorized, and traded on a derivatives exchange, an organized facility for trading derivatives. Exchange traded derivatives are standardized instruments with respect to certain terms and conditions of the contract. They trade in accordance with the rules and specifications prescribed the derivatives exchange and are usually subject to governmental regulations.

Futures contract Future contracts is a standardized contract, traded on a futures exchange, to buy or sell a specified commodity of standardized quality (which, in many cases, may be such non-traditional "commodities" as foreign currencies, commercial or government paper [e.g., bonds], or "baskets" of corporate equity ["stock indices"] or other financial instruments) at a certain date in the future, at a price (the futures price) determined by the instantaneous equilibrium between the forces of supply and demand among competing buy and sell orders on the exchange at the time of the purchase or sale of the contract. They are contracts to buy or sell at a specific date in the future at a price specified today. The future date is called the delivery date or final settlement date. The official price of the futures contract at the end of a day's trading session on the exchange is called the settlement price for that day of business on the exchange

Characteristics of Futures Contracts

Standardization- A major difference between forwards and futures is that futures contracts have standardized contract terms. Futures contracts specify the quality and quantity of goods that can be delivered, the delivery time, and the manner of delivery. The exchange also sets the minimum price fluctuation (which is called the tick size).

Clearinghouse-Each exchange has a clearinghouse. The clearinghouse guarantees that traders in the futures market will honor their obligations. The clearinghouse does this by splitting each trade once it is made and acting as the opposite side of each position. The clearinghouse acts as the buyer to every seller and the seller to every buyer. By doing this, the clearinghouse allows either side of the trade to reverse positions at a future date without having to contact the other side of the initial trade. This allows traders to enter the market knowing that they will be able to reverse their position. Traders are also freed from having to worry about the

counter party defaulting since the counter party is now the clearinghouse.

Initial margin- is the money that must be deposited in a futures account before any trading takes place. It is set for each type of underlying asset. Initial margin per contract is relatively low and equals about one day's maximum price fluctuation on the total value of the contract's underlying asset.

Maintenance margin- is the amount of margin that must be maintained in a futures account. If the margin balance in the account falls below the maintenance margin due to a change in the contract price for the underlying asset, additional funds must be deposited to bring the margin balance back up to the initial margin requirement.

Variation margin- is the funds that must be deposited into the account to bring it back to the initial margin amount. If account margin exceeds the initial margin requirement, funds can be withdrawn or used as initial margin for additional positions.

The settlement price- is analogous to the closing price for a stock but is not simply the price of the last trade. It is an average of the prices of the trades during the last period of trading, called the closing period, which is set by the exchange. This feature of the settlement price prevents manipulation by traders. The settlement price is used to make margin calculations at the end of each trading day.

Over-the-counter Over-the-counter derivatives are transactions created by any two parties off of a derivative exchange. The parties set all of their own terms and conditions, and each assumes the credit risk of the other party. Forward commitments is an agreement between two parties in which one party, the buyer, agrees to buy from the other party, the seller, an underlying asset at a future date at a price established at the start. The parties to the transaction specify the forward contract's terms and conditions, such as when and where delivery will take place and the precise identity of the underlying.

In this sense the contract is said to be customized. Each party is subject to the possibility that the other party will default. Forward contracts in the financial world take place in the large and private market consisting of banks, investing firms, governments, and corporations. These contracts call for the purchase and sale of an underlying asset at a later date. The underlying assets could be a security (i.e., stock or bond), a foreign currency, a commodity, or combinations thereof, or something an interest rate. In the case of interest rate, the contract is not on a bond from which the interest rate is derived but rather on the interest rate itself. A future contract is a variation of a forward contract that has essentially the same basic definition but some additional features that clearly distinguish it from a forward contract. For one, a futures contract is not a private, standardized transaction that takes place on a future exchange. A futures exchange, like a stock exchange is an organization that provides a facility for engaging in futures transactions and establishes a mechanism through which parties can buy and sell these contracts. The futures exchange implements this performance guarantee through an organization called the clearing house.

Swap A SWAP is a variation of a forward contract that is essentially equivalent to a series of forward contracts. Specifically, a swap is an agreement between two parties to exchange a series of future cash flows. Typically at least one of the two parties to exchange a series of future cash flows is determined by a later outcome. In other words, one party agrees to pay the other a series of cash flows whose value is determined by the unknown future course of some underlying factors, such as interest rate, exchange rate, stock price, or a commodity price. The other party promises to make a series of payments that could also be determined by a second unknown factor or, alternatively, could be preset. In many respects, swaps are similar to forwards:

Swaps typically require no payment by either party at initiation.

Swaps are custom instruments.

Swaps are not traded in any organized secondary market.

Swaps are largely unregulated.

Default risk is an important aspect of the contracts.

Most participants in the swaps market are large institutions.

Individuals are rarely swaps market participants.

GLOBAL DERIVATIVE MARKET

The OTC segment operates with almost complete disregard of national borders. Derivatives exchanges themselves provide equal access to customers worldwide. As long as local market regulation does not impose access barriers, participants can connect and trade remotely and seamlessly from around the world. Today, Europe is the most important region in the global derivatives market, with 44 percent of the global outstanding volume – significantly higher than its share in equities and bonds. The global OTC derivatives segment is mainly based in London. Historically, large derivatives exchanges were almost exclusively located in the US. Strong European derivatives exchanges appeared only after deregulation and demutualization in the 1980s and 1990s. These European exchanges were more independent of their users, who had been less supportive of significant changes at US exchanges. They revolutionized trading by introducing fully electronic trading and by setting industry standards. Over the years European players have strengthened their position, increasing their global market share from 24 percent in 1995 to almost 40 percent in 2007. They are now among the largest exchanges worldwide in a sector where the biggest players are international exchange groups that offer trading globally.

This year's ranking of the world's top derivatives exchanges takes into account the wave of mergers and acquisitions that has transformed the exchange landscape over the past several years.

DERIVATIVES MARKET IN INDIA

The Indian capital market has witnessed impressive growth and qualitative changes, especially in last decades. The introduction of risk management instruments in India gained momentum in last few years due to liberalization process and the efforts of the Reserve Bank of India in creating currency forward market. The first step towards introduction of derivatives trading in India was the promulgation of the Securities Laws (Amendment) Ordinance, 1995, which withdrew the prohibition on options in securities. The market for derivatives, however, did not take off, as there was no regulatory framework to govern trading of derivatives. SEBI set up a 24-member Committee under the Chairmanship of Dr.L.C.Gupta on November 18, 1996 to develop appropriate regulatory framework for derivatives trading in India. The committee submitted its report on March 17, 1998 prescribing necessary pre-conditions for introduction of derivatives trading in India. The committee recommended that derivatives should be declared as 'securities' so that regulatory framework applicable to trading of 'securities' could also govern trading of securities. SEBI also set up a group in June 1998 under the Chairmanship of Prof.J.R.Varma, to recommend measures for risk containment in derivatives market in India. The report, which was submitted in October 1998, worked out the operational details of margining system, methodology for charging initial margins, Broker net worth, deposit requirement and real-time monitoring requirements. Derivatives trading commenced in India in June 2000 after SEBI granted the final approval to this effect in May 2001. SEBI permitted the derivative segments of two stock exchanges, NSE and BSE, and their clearing house/corporation to commence trading and settlement in approved derivatives contracts. To begin with, SEBI approved trading in index futures contracts based on S&P CNX Nifty and BSE–30(Sensex) index. This was followed by approval

for trading in options based on these two indexes and options on individual securities.

The trading in BSE Sensex options commenced on June 4, 2001 and the trading in options on individual securities commenced in July 2001. Futures contracts on individual stocks were launched in November 2001. The derivatives trading on NSE commenced with S&P CNX Nifty Index futures on June 12, 2000. The trading in index options commenced on June 4, 2001 and trading in options on individual securities commenced on July 2, 2001. Single stock futures were launched on November 9, 2001.

CONCLUSION

In terms of the growth of derivatives markets, and the variety of derivatives users, the Indian market has equaled or exceeded many other regional markets. While the growth is being spearheaded mainly by retail investors, private sector institutions and large corporations, smaller companies and state-owned institutions are gradually getting into the act. Liquidity and transparency are important properties of any developed market. Liquid markets require market makers who are willing to buy and sell, and be patient while doing so. In India, market making is primarily the province of Indian private and foreign banks, with public sector banks lagging in this area a lack of market liquidity may be responsible for inadequate trading in some markets. Transparency is achieved partly through financial disclosure. Financial statements currently provide misleading information on institutions' use of derivatives. Further, there is no consistent method of accounting for gains and losses from derivatives trading. Thus, a proper framework to account for derivatives needs to be developed. As Indian derivatives markets grow more sophisticated, greater investor awareness will become essential. NSE has programmes to inform and educate brokers, dealers, traders, and market personnel. In addition, institutions will need to devote more resources to develop the business processes and technology necessary for derivatives trading.

BIBLIOGRAPHY

- Aggarwal, R., Inclan, C. and Leal, R. 1999. Volatility in Emerging Stock Markets, *Journal of Financial and Quantitative Analysis*, 34 (1), (March) : 33-54.
- Akgiray, V. 1989. Conditional Heteroskedasticity in Time Series of Stock Returns: Evidence and Forecasts, *Journal of Business*, 62 (1): 55-80.
- Alexakis, P., Mantakas, G. and Xanthakis, M. 1998. Financial Liberalisation in Greece and Asset Price Volatility, *The Indian Economic Journal*, 43 (1): 11-25.
- Bekaert, G. and Campbell, H. R. 1997. Emerging Equity Market Volatility, *Journal of Financial Economics*, 43 : 29-77.
- Bekaert, G. and Harvey, C.R. 1995. Emerging Equity Market Volatility, *NBER Working Paper 5307*, Cambridge, Mass.
- Damodaran, A. 1984. The Impact of Information Structure on Stock Returns, *Journal of Portfolio Management*, 13: 53-58.
- Fama, E. 1965. The Behaviour of Stock Market Prices, *Journal of Business*, 38: 34-105.
- Sudhakar, A. 1995. Working of Stock Exchanges in India. Delta Publishing Home, New Delhi.

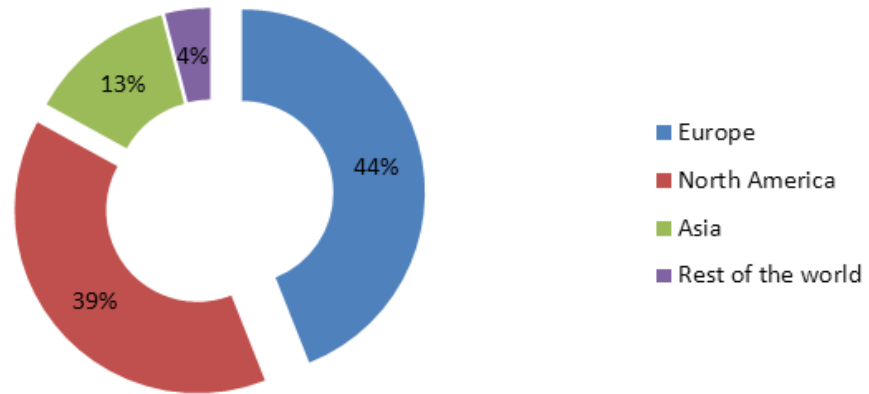
WEBSITES

www.australian_stockexchange.gov.au.
www.bseindia.com
www.capitalmarket.com
www.icaai.org
www.nseindia.com
www.rbi.org.in.
www.safex.gov.in
www.sebi.gov.in
www.sec.gov.
www.uti.icm.com

TOP 20 EQUITY INDEX FUTURES AND OPTIONS WORLDWIDE				
Ranked by Number of Contracts Traded and/or Cleared in 2010				
Rank	Contract	Dec- 2010	Dec 2009	% Change
1	Kospi 200 Options, KRX	2,766,474,404	2 ,709,844,077	2.10%
2	E-mini S&P 500 Futures, CME	633,889,466	415348228	52.6%
3	DJ Euro Stoxx 50 Futures, Eurex	432,298,342	327034149	32.20%
4	DJ Euro Stoxx 50 Options, Eurex	400,931,635	251438870	59.50%
5	SPDR S&P 500 ETF Options *	321,454,795	141,614,736	127.00%
6	Powershares QQQ ETF Options *	221,801,005	185807535	19.40%
7	S&P CNX Nifty Futures, NSE India	202,390,223	138794235	45.80%
8	S&P 500 Options, CBOE	179,019,155	158019723	13.30%
9	iShares Russell 2000 ETF Options *	151,900,495	154059054	-1.40%
10	S&P CNX Nifty Options, NSE India	150,916,778	52,707,150	186.30%
11	Financial Select Sector SPDR ETF Options *	119,671,026	39,130,620	205.80%
12	E-mini Nasdaq 100 Futures, CME	108,734,456	95,309,053	14.1%
13	Dax Options, Eurex	104,939,881	91,850,835	14.30%
14	Nikkei 225 Mini Futures, OSE	95,446,729	4,91,07,059	94.40%
15	Taiex Options, Taifex	92,757,254	9,25,85,637	0.20%
16	RTS Index Futures, RTS	87,469,405	3,42,28,973	155.5%
17	TA-25 Options, TASE	81,483,701	94,520,236	-13.80%
18	Kospi 200 Futures, KRX	64,835,148	4,77,58,294	35.80%
19	Mini-sized \$5 DJIA Futures, CME	55,348,312	4,00,98,882	38.00%
20	CAC 40 Futures, Liffe	49,242,000	4,46,68,975	10.20%

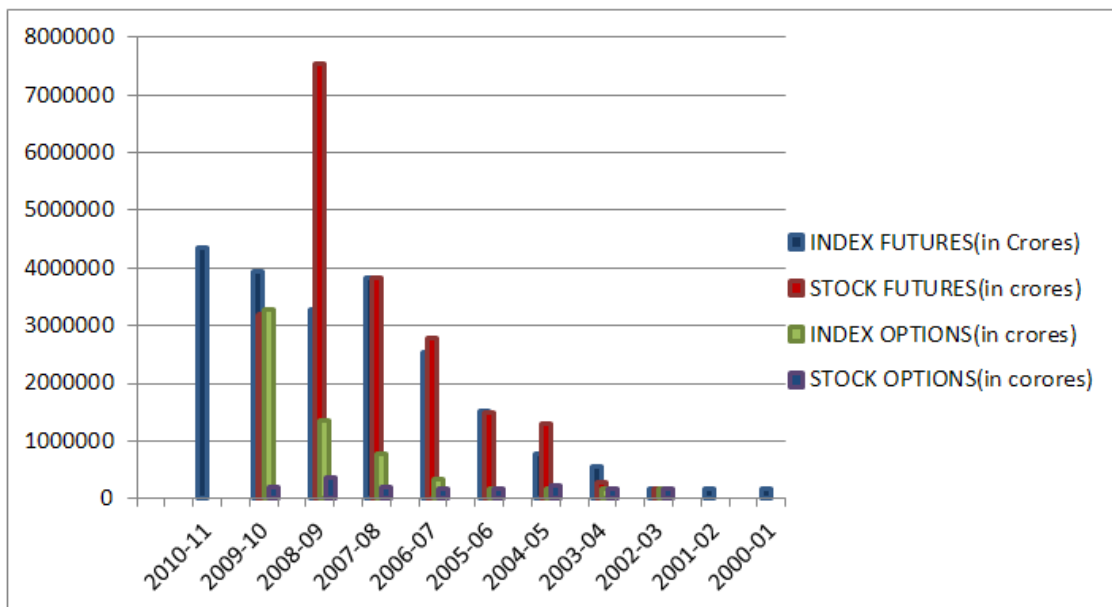
TOP DERIVATIVES EXCHANGES WORLDWIDE				
Ranked by Number of Futures and Options Traded and/or Cleared in 2010				
Rank	Exchange	Dec-10	Dec-09	% Change
1	CME Group (includes CBOT and Nymex)	3,277,645,351	3,158,383,678	3.80%
2	Eurex (includes ISE)	3,172,704,773	2,704,209,603	17.30%
3	Korea Exchange	2,865,482,319	2,777,416,098	3.20%
4	NYSE Euronext (includes all EU and US markets)	1,675,791,242	1,525,247,465	9.90%
5	Chicago Board Options Exchange (includes CFE)	1,194,516,467	945,608,754	26.30%
6	BM&F Bovespa	741,889,113	794,053,775	6.60%
7	Nasdaq OMX Group (includes all EU and US markets)	722,107,905	551,409,855	31.00%
8	National Stock Exchange of India	590,151,288	379,874,850	55.40%
9	JSE South Africa	513,584,004	329,642,403	55.80%
10	Dalian Commodity Exchange	313,217,957	185,614,913	68.70%
11	Russian Trading Systems Stock Exchange	238,220,708	143,978,211	65.50%
12	Intercontinental Exchange (includes US, UK and Canada markets)	234,414,538	194,667,719	20.40%
13	Zhengzhou Commodity Exchange	222,557,134	93,052,714	139.20%
14	Boston Options Exchange	178,650,541	129,797,339	37.60%
15	Osaka Securities Exchange	163,689,348	108,916,811	50.30%
<i>(Source: FIA, based on the exchanges report their data FIA)</i>				

Regional breakdown of the global derivatives

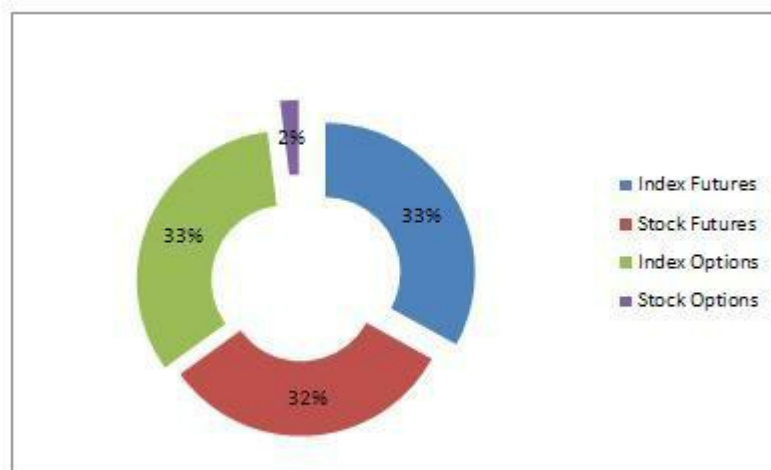


As of Dec 2010, source: new edge

Volume of Futures and Options



Source: SEBI



Source: <http://nseindia.com/>

A Reexamination of the Performance of Socially Responsible Funds

Praveen K. Das

B.I. Moody III College of Business Administration,
University of Louisiana at Lafayette,
Lafayette, LA 70504.

Authors' contact information: Das,
Email ID: pkd8947@louisiana.edu,
(337) 482-6656

S P Uma Rao

B.I. Moody III College of Business Administration,
University of Louisiana at Lafayette,
Lafayette, LA, USA, 70504

Email: srao@louisiana.edu, srao@louisiana.edu,
(337) 482-6099

ABSTRACT

Socially responsible funds recognize that corporate responsibility and societal concerns are valid parts of investment decisions. The objective of this study is to investigate whether socially responsible funds deliver lower expected returns compared to conventional unrestricted portfolios. We analyze the performance of 427 socially responsible mutual funds covered in Morningstar database over the period 1991–2011. Using a multi-factor Fama-French model (Fama and French 1996), which controls for factors such as size, book-to-market value and market, we find that socially responsible funds significantly under-perform the market, during our sample period (September, 1991 – July, 2011). Our study indicates that risk-adjusted returns (using three-factor alpha) of socially responsible funds are 0.55% per year lower than those of benchmark indexes. This finding contrasts with many previous studies (both domestic and international), which have not found statistically significant differences in the performance of socially responsible funds relative to market benchmarks and/or a matched sample of conventional funds.

Keywords: socially responsible mutual funds, performance evaluation

INTRODUCTION

With increasing number of investors considering social screening as one of the important elements of their investment decisions, the money under socially responsible (SR) investing portfolios has increased dramatically. According to US SIF (formerly the Social Investment Forum), the professionally managed assets in socially responsible investing industry has grown to \$3.07 trillion in 2010, up from \$639 billion in 1995. This amount represents more than 12.2% of the U.S. investment marketplace. In addition to financial performance, SR investors evaluate their investment portfolios based on non-financial criteria such as social goals, environmental policies, corporate social responsibility, ethical, and moral issues.

The tremendous growth in the socially responsible investment movement has attracted the attention of academic community. The area receiving the greatest attention of finance researchers is the

financial performance of socially responsible mutual funds. Finance theory suggests that imposing any non-financial constraints that reduce investor's investment opportunity set will likely lead to inferior performance (Kurtz, 1997; 1998). SR investing usually places negative screens aimed at excluding investments in companies engaged in undesirable social or ethical activities. Avoiding companies that are not socially responsible even if they are expected to perform better financially entails a cost on the resultant constrained portfolio. For example, SR investing typically employs negative screens that exclude certain sectors like gambling, tobacco, etc. from investment consideration. Another argument proposed against imposing social constraints is that screening process can be expensive that can lower the net return ((Bauer, Otten, and Rad, 2006; Bauer, Derwall, and Otten, 2006).

Hamilton, Jo, and Statman (1993) propose three alternative hypotheses about the relative

performance of socially responsible funds. The first hypothesis suggests that risk-adjusted expected returns of socially responsible funds are similar to those of conventional portfolios. They argue that as long as there are enough conventional investors to buy stocks from socially responsible investors, social responsibility cannot be priced. Their second hypothesis is that socially responsible investors increase the value of their holding companies by driving down the cost of capital and as such, expected returns of SR funds are lower than those of conventional portfolios. The third hypothesis is that expected returns of stocks of socially responsible portfolios are higher than those of conventional portfolios because there is a higher probability of negative information and publicity pertaining to companies that are not socially responsible. The proponents of socially responsible investing believe that additional screening process provides an opportunity to strengthen competitive position and enhances performance of socially responsible companies. Socially responsible investors may be able to reduce risk and influence the value of their holdings by reducing litigation costs, maintaining a positive corporate image, building shareholder confidence, and gaining the loyalty of the firm's stakeholders. In addition, shareholder activism undertaken by socially responsible investors is likely to enhance the bottom lines of the companies in question and, in so doing, delivers more long-term wealth to shareholders. Proponents of SRI assert there is no cost to socially responsible investing.

In this study, we examine whether SR funds deliver lower expected returns compared to conventional unrestricted portfolios. In a market where SR investors are able to bid up the value of their investments, we should expect their holdings to generate lower returns in future. On the other hand, if markets do not price social responsibility, we should find SR funds to perform no differently than conventional funds.

We investigate the monthly-return performance of 427 SR funds covered in Morningstar database over the period 1991–2011. Using a multi-factor Fama-French model (Fama and French 1996),

which controls for factors such as size, book-to-market value and market, we find that SR funds significantly under-perform the market, during our sample period (September, 1991 – July, 2011). Risk-adjusted excess returns are an important measure in determining the performance of mutual fund managers. If one would consider risk in terms of returns of fund versus those of an index, in theory, if one wants to achieve greater return and is willing to take higher risk, one could simply take long position on index fund or exchange traded funds and lever up one's exposure. Therefore, an appropriate benchmark is necessary to evaluate the performance of actively managed funds to determine whether a fund is adding any value to its shareholders.

Our study indicates that risk-adjusted returns (using three-factor alpha) of SR funds are 0.55% per year lower than those of benchmark indexes. This finding contrasts with many previous studies (both domestic and international), which have not found statistically significant differences in the performance of SR funds relative to market benchmarks and/or a matched sample of conventional funds.

DATA AND METHODOLOGY

The data for this study comes from Morning star Mutual Fund Database. Morning star data includes almost all open-end U.S. mutual funds available to investors during our sample period September, 1991 – July, 2011. According to Morning star, socially responsible funds are those funds that employ major social screening criteria and non-economic guidelines in their investment philosophy. Based on availability of the return data, our sample only includes mutual funds that have return data available for all months during our study period. We exclude funds that have missing returns for any months during our sample period. This resulted in a sample of 427 socially responsible mutual funds as of 8/31/2011. The returns are calculated net of all expenses including management fees, administrative expenses, and trading costs. However, returns

exclude all non-asset based load charges that are not paid by funds but charged directly to investors. As common in finance, we use the well-known Fama-French multi-factor model to calculate risk-adjusted excess returns. The risk factors in the Fama-French model are firm size, book-to-market ratio, and the market risk premium. Using this three-factor model, we compare the 427 SR funds to market wide Fama-French indices. If these factors fully explain SR fund returns, the intercept of the equation (estimate of alpha for each portfolio) should be not significantly different from zero. Our model is:

$$R_{(p,t)} - R_{(F,t)} = \alpha + \beta(R_{(M,t)} - R_{(F,t)}) + \beta_{SMB} * R_{SMB} + \beta_{HML} * R_{HML} + \varepsilon_t$$

where $R_{(p,t)}$ is the return of a mutual fund, $R_{(F,t)}$ and $R_{(M,t)}$ are the risk free rate, and market return respectively. R_{SMB} and R_{HML} are returns of the factor-mimicking portfolios for size and book-to-market respectively. ε_t is the error term. The estimate of α in the above regression model is a multifactor equivalent to Jensen's alpha and represents risk-adjusted excess return generated by a fund. All returns used in the model including monthly returns on factors and t-statistics are heteroskedasticity consistent.

RESULTS

Morningstar mutual fund database contains monthly returns of 427 SR funds for the sample period from September 1991 to July 2011. However, only 69 SR funds have continuous monthly returns available for at least 15 years. The number of funds with minimum monthly returns data for 10 years, 5 years and 3 years are 140, 186, and 248 respectively. For comparison purpose, we have a portfolio of all conventional funds excluding SR funds. We match the return availability of conventional funds with those of SR funds. There are 9063 funds with minimum continuous monthly returns for three years, 8523 for five years, 6670 for 10 years, and 3869 funds have data for 15 years. These are the conventional funds that the investor can choose instead of SR funds.

Table provides descriptive information on fund characteristics. Looking at some basic features of SR funds relative to conventional funds, we observe that an average SR fund is typically smaller and generally has a lower turnover ratio, lower expense ratio except in case of latest three year data. Based on the number of years a fund exists, conventional funds tend to be older and more mature than SR funds.

Results show that the intercepts of the regressions are in fact small and generally statistically insignificant with t-statistics below 2. The large R-square statistics, all in excess of 0.75, show that returns are well explained by the 3-factor portfolios and the large t-statistics on the size and value (i.e., book-to-market ratio) loadings show that these factors contribute significantly to explanatory power. In conclusion, the Fama-French model is clearly a highly useful tool for comparing performance of SR funds against a well-defined set of bench marks.

An examination of the data reveals that 160 (267) funds have positive (negative) alphas but only 28 (57) funds have performance measures which are significantly positive (negative) at or below the 5% level. But before concluding that these 28 funds are superior we should remember that even if all 427 of these funds had a true α equal to zero, we would expect-merely because of random chance- to find 5% of them or about 21 funds at the 5% level.

Our ex-post alpha, used to determine the abnormal return of a SR mutual fund portfolio of securities, results suggest that average annual under performance is around 0.55% over the whole sample period 1991 through 2011. Figure 1 shows frequency distribution of average alpha across 427 SR funds from Fama-French factor analysis. The results show that the distribution of alpha has a negative mean of -0.04598% per month or negative 55 basis points a year. This means that, after fees, but not including sales loads, the average SR fund under performed the benchmark indexes by 55 basis points a year. Some of the plausible reasons may be the

negative Impact of investor constraints (such as liquidity needs, time horizon, tax concerns), and portfolio constraints (such as weight constraints, “no short sales or long only,” market capitalization, security concentration, investment style or turnover etc.) on Potential Value added.

So, how do SR funds stack up? Do they mirror benchmark indexes? On average it does not appear that these SR funds outperform their style-adjusted benchmarks. It is pertinent to mention here that exchange traded funds (ETFs) which are designed to mirror indexes, do a pretty good job of tracking their bogeys. Yearly returns for non-exotic ETFs typically fall within a percentage point of their benchmarks with much of the variation stemming from the ETFs’ ongoing fees.

Our results show that nearly two-thirds of SR funds – 267 out of 427 - have negative performance relative to benchmark indices. This is important because prior studies do not find a performance gap between SR and matching funds (see Statman, 2000; Bauer, Koedijk, and Otten, 2005; Hamilton, Jo, and Statman, 1993). Our study indicates that underperformance is more pronounced and common than once thought. The finding however is consistent with Rudd (1981) and Grossman and Sharpe (1986) who argue that imposing any constraints on investment process will result in inferior portfolio performance.

CONCLUSION

SR funds recognize that corporate responsibility and societal concerns are valid parts of investment decisions. Corporate social responsibility, also called corporate conscience – toward the community and environment – remains controversial because of its impact on earning adequate returns on the employed resources. Critics of corporate social responsibility charge that it saps firms and shareholders of capital. Proponents argue that it has a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere who may also be considered as stakeholders. We

compare the 427 SR funds to market wide Fama-French indices. We conclude that SR fund returns are well represented by the three-factor Fama-French portfolios. Using this more elaborate multi-factor model that controls for the market, size and book-to-market effects, we provide evidence that SR funds tend to underperform Fama-French indices. After fees, but not including sales loads, the average SR fund underperformed the benchmark indexes by 55 basis points a year. On average, SR fund manager’s skill is of little value to investors. Underperformance by SR funds may be attributable to a number of factors including high expense ratios which could have more of an effect on returns than any of the SR screens have.

Entering an age of austerity, going after the growth in the right way, an investor, concerned about a SR mutual fund exercising his conscience for him, has the choice of investing in a regular, conventional fund without any constraints. A prospective investor in SR fund can choose to invest in conventional funds and deploy the savings himself – not SR fund manager – directly toward social causes. An investor should focus on whether a fund – SR or conventional – is beating the benchmark indexes, instead of whether it is making money.

REFERENCES

- Bauer, R., K. Koedijk, R. Otten, 2005. International evidence on ethical mutual fund performance and investment style, *Journal of Banking and Finance* 29(7), 1751-1767.
- Bauer, R., R. Otten, and A. Rad, 2006. Ethical investing in Australia: is there a financial penalty? *Pacific-Basin Finance Journal* 14, 33-48.
- Bauer, R., J. Derwall, and R. Otten, 2007. The ethical mutual fund performance debate: new evidence from Canada, *Journal of Business Ethics* 70, 111-124.

- Fama, E. , and K. French, 1996. Multifactor explanations of asset pricing anomalies, **Journal of Finance** 51, 55-84.
- Goldreyer, E., P. Ahmad, and J. Diltz, 1999. The performance of socially responsible mutual funds: incorporating sociopolitical information in portfolio selection, *Managerial Finance* 25(1), 23-36.
- Gregory, A., J. Matatko, and R. Luther, 1997. Ethical unit trust financial performance: small company effects and fund size effects, **Journal of Business Finance and Accounting** 24(5), 705–724.
- Grossman, B. and W. Sharpe, 1986. Financial implications of South African divestment, **Financial Analysts Journal** 42(4), 15-29.
- Hamilton, S., H. Jo, M. Statman, 1993. Doing well while doing good? The investment performance of socially responsible mutual funds, **Financial Analyst Journal** 49(6), 62-66.
- Kurtz, L., 1997. No effect or no net effects? Studies on socially responsible investing, **Journal of Investing** 6(4), 37-49.
- Kurtz, L., 1998. Mr. Markowitz, Meet Mr. Moskowitz – A review of studies on socially responsible investing, *The Investment Research Guide to Socially Responsible Investing*.
- Rudd, A., 1981. Social Responsibility and Portfolio Performance, *California Management Review* 23, 55-61.
- Statman, M, 2000. Socially responsible mutual funds, **Financial Analyst Journal** May/June, 30-39.

Table 1. Descriptive Statistics	
Panel A	
Number of SR funds with 3-year returns	248
Number of SR funds with 5-year returns	186
Number of SR funds with 10-year returns	140
Number of SR funds with 15-year returns	69
Average market capitalization (in millions)	\$178,48
Turnover Ratio	77%
Gross Expense Ratio	1.65
Panel B: Composition (in %)	
Assets	
Cash	3.6
U.S. Stocks	58.9
Non-U.S. Stocks	19.2
Bonds	16.8
Other	1.6
Panel C: Regional Exposure (in %)	
Regions	
Americas	79.8
Greater Europe	14.2
Greater Asia	6
Panel D: Sector Weightings (in %)	
Sector	
Cyclical	33.7
Basic Materials	6.1
Consumer Cyclical	11.1
Financial Services	12.6
Real Estate	3.9
Sensitive	45.4
Communication Services	3.5
Energy	8.5
Industrials	17.4
Technology	15.9
Defensive	20.9
Consumer Defensive	6.7
Healthcare	10
Utilities	4.2

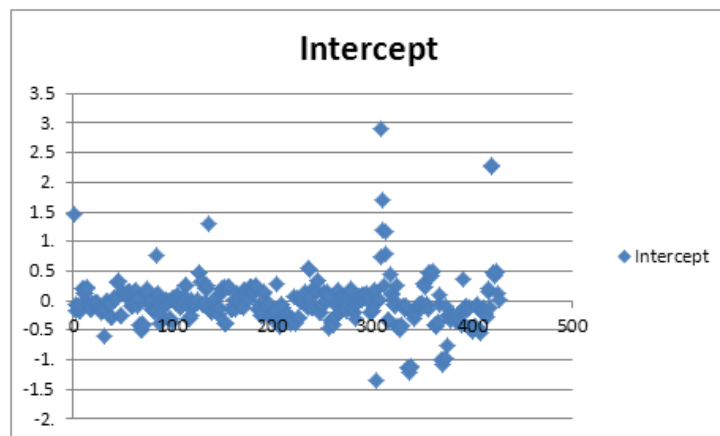
Table 2. Comparison of SR Funds and Conventions Funds With 3 - year returns		
Portfolio Statistics	SR Funds (N= 248)	Conventional Funds (N = 9063)
Equity Portfolio Statistics		
P/E Ratio	14.9	15.8
P/C Ratio	9.3	9.5
P/B Ratio	2.1	2.2
3 Year Earnings Growth(%)	7.7	7.1
Geo Avg Mkt Cap (\$Mil)	17,715	221,600
Holding Statistics		
Turnover Ratio	68%	84%
Assets in Top 10 Holdings %	33.5	32.1
Total Holdings	146	169
MPT Statistics		
R Square	89	88
Beta	1.09	1.11
Alpha	-2.22	-1.29
Sharp Ratio	1.27	1.31
Std Deviation	19.29	19.91
Mean	24.96	26.74
Operations		
Front-End Fees	0.94%	0.74%
Deferred Load	0.21%	0.49%
12b-1 Fee	0.23%	0.33%
Gross Exp Ratio	5.23%	1.70%
Assets	\$176.39 mil	\$519.19 mil

Table 3. Comparison of SR Funds and Conventions Funds with 5-year returns		
Portfolio Statistics	SR Funds (N= 186)	Conventional Funds (N = 8523)
Equity Portfolio Statistics		
P/E Ratio	15.2	15.8
P/C Ratio	9.5	9.6
P/B Ratio	2.1	2.2
3 Year Earnings Growth(%)	7.5	7.2
Geo Avg Mkt Cap (\$Mil)	19094	21760
Holding Statistics		
Turnover Ratio	57%	84%
Assets in Top 10 Holdings %	31.5	31.9
Total Holdings	147	169
MPT Statistics		
R Square	90	88
Beta	1.09	1.11
Alpha	-1.08	-1.23
Sharp Ratio	1.33	1.31
Std Deviation	19.33	19.85
Mean	26.5	26.76
Operations		
Front-End Fees	0.91%	0.74%
Deferred Load	0.24%	0.50%
12b-1 Fee	0.23%	0.33%
Gross Exp Ratio	1.43%	1.68%
Assets	\$224.15 mil	\$540.55 mil

Table 4. Comparison of SR Funds and Conventions Funds with 10-year returns		
Portfolio Statistics	SR Funds (N= 140)	Conventional Funds (N = 6670)
Equity Portfolio Statistics		
P/E Ratio	15.1	16
P/C Ratio	9.6	9.7
P/B Ratio	2.2	2.2
3 Year Earnings Growth(%)	7.9	7.5
Geo Avg Mkt Cap (\$Mil)	21527	22285
Holding Statistics		
Turnover Ratio	57%	79%
Assets in Top 10 Holdings %	29.8	30.6
Total Holdings	157	172
MPT Statistics		
R Square	92	88
Beta	1.09	1.11
Alpha	-1.1	-1.29
Sharp Ratio	1.34	1.31
Std Deviation	19.07	19.8
Mean	26.49	26.65
Operations		
Front-End Fees	0.94%	0.76%
Deferred Load	0.26%	0.55%
12b-1 Fee	0.24%	0.34%
Gross Exp Ratio	1.37%	1.64%
Assets	\$257.85 mil	\$622.61 mil

Table 5. Comparison of SR Funds and Conventions Funds with 15-year returns		
Portfolio Statistics	SR Funds (N = 140)	Conventional Funds (N = 6670)
Equity Portfolio Statistics		
P/E Ratio	15.1	16
P/C Ratio	9.5	9.7
P/B Ratio	2.2	2.2
3 Year Earnings Growth(%)	7.6	7.4
Geo Avg Mkt Cap (\$Mil)	16,816	23,611
Holding Statistics		
Turnover Ratio	51%	69%
Assets in Top 10 Holdings %	31.5	30.1
Total Holdings	101	147
MPT Statistics		
R Square	90	88
Beta	1.11	1.1
Alpha	-0.88	-1.24
Sharp Ratio	1.34	1.31
Std Deviation	19.56	19.5
Mean	27.15	26.44
Operations		
Front-End Fees	0.91%	0.77%
Deferred Load	0.28%	0.57%
12b-1 Fee	0.24%	0.34%
Gross Exp Ratio	1.41%	1.55%
Assets	\$358.35 mil	\$817.20 mil

Table 6: Regression Results	
Number of regression models	427
Number of funds with positive alpha	160
Number of funds with negative alpha	267
Number of funds with statistically significant positive alpha	28
Number of funds with statistically significant negative alpha	57
Average of 427 alphas	-0.046



A frequency distribution of the alphas estimated using three-factor model for 427 mutual funds.

Figure 1: Frequency distribution of Alphas

Measuring Financial Health of Restaurant Companies – a Comparative Study

Rashad Walid Hafez
MBA Student, School of Management,
New York Institute of Technology,
Abudhabi Campus, UAE.

Dr. K. Ravichandran
Assistant Professor,
School of Management,
New York Institute of Technology,
Abudhabi Campus, UAE
Email ID : kravicha@nyit.edu

Dr. Faisal Al Khateeb
Associate Dean,
School of Management,
New York Institute of Technology,
Abudhabi Campus, UAE
Email ID : falkha08@nyit.edu

ABSTRACT

In a globalized business world it is often necessary to compare companies across national boundaries when we are trying to do a financial analysis. This comparison often includes an examination of financial statements, and corporate valuation models. In this study we are trying to compare YUM with other two leading restaurants (Mc Donald's Corp (MC) and Darden Restaurants (DRI)) to find out the financial health of YUM. We have used three years balance sheet to perform a financial analysis and also we have performed the cash flow evaluation to conclude that YUM's financial health was satisfactory and YUM had done much better than others in all aspects of ratios except for profitability and had the best ROIC.

Key words: Financial Statement Analysis, Financial Analysis, Cash flow valuation, Free Cash Flow

INTRODUCTION

YUM! Brands, Inc., together with its subsidiaries, operates as a quick service restaurant company in the United States and internationally. The company develops, operates, franchises, and licenses a system of restaurants, which prepare, package, and sell various food items, as well as operates Chinese casual dining concept restaurants. Its restaurants specialize in chicken, pizza, and Mexican-style food categories. As of July 18, 2012, the company operated approximately 38,000 restaurants in 120 countries and territories under the KFC, Pizza Hut, and Taco Bell brands. It also operates approximately 450 casual dining concept restaurants in China. The company was formerly known as TRICON Global Restaurants, Inc. and changed its name to YUM! Brands, Inc. in May 2002. YUM! Brands, Inc. was founded in 1997. Yum! is the world's largest restaurant company in terms of system units with nearly 38,000 restaurants in over 120 countries and territories and more than 1 million associates. Yum! is ranked #213 on the Fortune 500 List and generated more than \$12 billion in revenue in 2011. Our brands - KFC, Pizza Hut and Taco Bell – are the global leaders of the chicken, pizza and Mexican-style food categories.

Global Restaurant & Food Services Industry

The world food service industry is expected to reach almost \$992 billion in 2014, according to Data monitor, with a volume of over 586 billion transactions. This represents more than 18% growth in five years. Cafés and restaurants represent the leading market segment at over 50% of overall industry value. Regionally, Asia-Pacific holds almost 43% of the world food service industry market share. Food demand is rising in tandem with the global population. Increasing urbanization and a general exodus from rural areas to urban areas is causing a change in lifestyle trends, particularly surround eating habits. With increasing numbers of people working in office environments and growing family households with two parents in the workforce, time to prepare food at home is limited. Consumers under time constraints are opting to eat outside in cafés and restaurants, with price-conscious consumers often turning to fast-food options such as mobile trucks and street stalls

REVIEW OF LITERATURE

Malíková, Olga; Brabec, Zdeněk (2012) talks about how to seek the most efficient investment

opportunity in today's financial market. The best way to perform the analysis on a company to evaluate its efficiency is through studying the financial statements and performing a financial analysis on it. The result of the ratios are influenced by the presumption related to the financial statements that have been prepared.

Lan, Z. Joe (2012) says that financial statements can be used to analyze the company's position in the market and its performance using the statements as tools to measure how financially the company is stable. The Analysis is going to be made on the three most important financial statements applicable for investment research are reportedly the income statement, the balance sheet, and cash flow statement. A completed transaction links all three statements.

Sharma, Anil K.; Kumar, Satish; Singh, Ramanjeet (2012) reveals that value relevance of financial statements, is negligible in Indian markets. However, some ratios based on these financial statements show significant association with stock market indicators. The results depart from financial studies conducted in other markets. The results further indicate that the value relevance of Return is statistically significant and is a useful measure for investment decision. ROMIC, LIDIJA (2011), financial statements are meant to be understood by readers who are knowledgeable of the economic activities and accounting strategies in the business world

Two commonly used methods of valuing a company are the dividend discount model (DDM) and the corporate valuation model (Brigham and Davies, 2002). The DDM calculates the value of the equity investment in the company as the present value of the expected future dividends discounted at the cost of equity capital (Brigham and Davies, 2002). See Beneda and Lee (2002) for a discussion of the cost of equity capital. While the DDM exhibits key fundamental concepts about valuation (ie the DDM discounts the future expected dividends for equity valuation), it also has serious limitations. Foremost is that an increasing number of US companies

choose to hold additional cash to buy back shares of stock rather than pay dividends. Thus the dividends, used in the model to represent the cash flow to equity investors, do not actually represent the cash flows available to equity holders. According to Damodaran (2001b), the proportion of cash returned to stockholders in the form of stock buybacks has climbed from 32 per cent in 1989 to about 50 per cent in 1998. Further, the DDM is not very useful in valuing growth companies, since growth companies usually do not pay dividends. As long as internal opportunities and acquisitions are attractive, the initiation of dividends will be postponed, and this makes the dividend growth model of little use for valuing start-up, expansion and growth companies. See Beneda (2002a, b) for a discussion of the performance of growth companies. There is substantial literature and agreement between professionals regarding the shortcomings of using the DDM for valuation purposes. Some of the literature to date includes Brigham and Davies (2002), Beneda (2002), Damodaran (2001b), Payne and Finch (1999) and Farrell (1985). The corporate valuation model (Brigham and Davies, 2002; Damodaran, 2001a, b) also values corporate equity but the approach focuses on first computing the value of the company's operations.

Financial Analysis and Corporate Valuation model:

In Financial Analysis all the ratios are computed and they are compared against the competitors to benchmark the performance against the industry. Valuation methods can be generally grouped into the following three categories: discounted cash flow valuation, relative valuation and contingent claim valuation. Discounted cash flow methods forecast future cash flows of an asset, and discount them at a given rate in order to get the asset's present value. Relative valuation methods determine the value of an asset by comparing variables such as earnings, cash flows, book value or sales, and contingent claim valuations apply option pricing models to measure the value of an asset. These methods

can lead to different results depending on the assumptions used in each method.

Methods used for cash flow valuation:

1. **Net operating profit after tax (NOPAT)**

$$\text{Nopat} = \text{EBIT}(1 - \text{tax rate})$$

2. **Free Cash Flows**

$$\text{FCF} = \text{NOPAT} - \text{Net Investment in operating Capital}$$

3. **Return on invested capital (ROIC)**

$$\text{ROIC} = \text{NOPAT} / \text{Operating Capital}$$

4. **Economic Value Added (EVA)**

$$\text{EVA} = \text{NOPAT} - \text{WACC} * \text{Capital}$$

5. **Market Value Added (MVA)**

$$\text{MVA} = \text{Market Value of the Firm} - \text{Book Value of the Firm}$$

METHODOLOGY OF THE STUDY

This section discusses the research methodology applied in this study. Data collection began with the qualitative case study on the financial analysis of YUM using financial ratios. The researcher has taken YUM as its company to evaluate with its two other competitors. The researcher has used 2009-2011 data which is obtained from yahoo finance for analysis.

Empirical Analysis

Liquidity had improved from 2009 to 2011. Asset management wasn't that bad were Inventory Turnover and Fixed Asset Turnover had improved while Avg. collection period and Total Asset Turnover performance in 2009 was much better. Financial Leverage negative point was debt to equity ratio were it had increased more than 10 times from 2009 to 2011. Profitability overall trend was positive except for the return on Equity which had decreased from 2009 to 2011. YUM was more liquid and had a better asset management compared to other companies in the industry, As for Financial Leverage and Profitability other companies in the market were performing better except for the following areas: 1- Debt to equity 2- Times interest earned 2- Return on equity (knowing that it had decreased yet it is still better than the market)

Cash flow Valuation

NOPAT: Comparing NOPAT for my company to others in the industry, YUM is better than DRI it is almost three multiples while it falls back when comparing it with Mc Donalds which means that my company is making more profit after tax than DRI and less than MCD.

FCF: Comparing FCF for my company to others in the industry we can conclude that YUM the cash flow that is available to investors after investments in fixed assets and working capital in YUM is not as good as others in its industry as it is only 1,091,060 while others are above 5 mil.

ROIC: Comparing ROIC for my company with others in the industry we can conclude that my company's efficiency at allocating capital is much under its control to profitable investments. My company is more efficient in using its money to generate returns as it is 37.1% while others are only 24% and 16%.

EVA: Comparing EVA for my company with others we can conclude that Yum corp is doing better than DRI as it is almost ten multiples. Yet still it stands the second in Rank as MCD is doing better. Overall my company is using its money efficiently to generate returns.

MVA: Comparing MVA for my company with others in the industry we can conclude that my company is doing better than DRI while MCD is doing much better than all others. That means that the market value of my company is ranked the second compared to the two others in the same industry.

CONCLUSION AND DISCUSSIONS

We find that YUM is performing well and ahead of his competitors with respect all ratios performed expect the profitability, particularly the return on equity. Also, if we notice from all of the previous analysis current/short term debt had increased tremendously which by it had caused the total current liabilities to increase and that was

the reason why liquidity was under 1. With respect to the cash flow evaluation expect ROIC, YUM was only on the second position to its competitors. So, the company should work more on their Operations and improve their earnings before interest and taxes to have a better NOPAT for the coming year and If the company improves it's NOPAT which will automatically increases the FCF. Also the Company should take steps to increase its share price by concentrating on some branding activities which will improve the MVA in the coming years.

REFERENCES

- Malíková, Olga; Brabec, Zdeněk. **Technological & Economic Development of Economy**. 2012, Vol. 18 Issue 1, p 149-163. 15p. 4 Charts.
- Lan, Z. Joe. **AAll Journal**. Jan2012, Vol. 34 Issue 1, p16-20. 5p.
- Sharma, Anil K.; Kumar, Satish; Singh, Ramanjeet. **South Asian Journal of Management**. Apr-Jun2012, Vol. 19 Issue 2, p 60-77. 18p.
- ROMIC, LIDIJA. **International Journal of Management Cases**. Sep2011, Vol. 13 Issue 3, p 149-151. 3p
- Johnson, Peter M.; Lopez, Thomas J.; Sanchez, Juan Manuel. **Accounting Horizons**. Sep 2011, Vol. 25 Issue 3, p 511-536. 26 p.
- Beneda, N. (2002a) 'Growth Stocks Outperform Value Stocks Over the Long Term', **Journal of Asset Management**, 3(2), 112–23.
- Beneda, N. (2002b) 'Investing in Growth Stocks May Not Pay Off', **CPA Journal**, September.
- Beneda, N. and Lee, J. (2002) 'The Cost of Equity Capital Using the Constant Dividend Growth Model: A Simple Application', **The Credit and Financial Management Review**, 8(2), 41–52.
- Brigham, E. F. and Davies, P. R. (2002) **Intermediate Financial Management**, 7th edn, The Dryden Press, New York.
- Copeland, T., Koller, T., and Murrin, J. (2000) **Valuation: Measuring and Managing the Value of Companies**, 3rd edn, John Wiley, New York.
- Damodaran, A. (2001a) **Corporate Finance Theory and Practice**, 2nd edn, John Wiley, New York.
- Damodaran, A. (2001b) **The Dark Side of Valuation**, Prentice Hall, Upper Saddle River, NJ.
- Farrell, J. Jr (1985) 'The Dividend Discount Model: A Primer', **Financial Analysts Journal**, November/December, 16–25.
- Jacobs, B. I. and Levy, K. N. (1988) 'On the Value of "Value"', **Financial Analysts Journal**, July/August, 47–62.
- Payne, T. and Finch, J. (1999) 'Effective Teaching and Use of the Constant Growth Dividend Discount Model', **Financial Services Review**, 8, 283–91.

Table No.:1 Financial Analysis						
Liquidity(YUM)				Competitors Average		
	2009	2010	2011	2009	2010	2011
Current Ratio	0.737	0.944	0.947	0.856	1.007	0.84
Quick Ratio	0.656	0.867	0.835	0.7477	0.869	0.71
Asset Management						
Avg. Collection Period	4.109	6.081	7.892	11.3	14.072	15.17
Inventory Turnover	130.06	85.92	66.95	99.545	92.877	93.5
Fixed Asset turnover	2.779	2.961	3.123	1.67	1.581	1.51
Total Asset turnover	1.515	1.363	1.429	1.12	1.062	1.01
Financial Leverage						
Debt ratio	0.448	0.35	0.339	0.313	0.313	0.31
Debt to equity ratio	3.1287	1.84	1.64	0.763	0.77	0.83
Times interest earned	8.19	10.1	11.63	9.445	10.81	11.403
Profitability						
Gross profit margin	26.7	28.4	27.6	46.7	45.14	41.38
net profit margin	9.883	10.208	10.446	16.7	19.79	22.68
ROI	14.983	13.924	14.93	16.6	17.57	18.25
ROE	104.487	73.477	72.353	39.1	42.18	46.86

Table No: 2: Cash flow valuation			
Company	YUM Corp (My CO)	MCD	DRI
NOPAT	1,452,000	5,842,084	476,500
FCF	1,091,060	5,618,184	5,906,284
ROIC	37.10%	24.60%	16.20%
EVA	1,060,700	3,469,254	183,020
MVA	31,184,570	93,660,550	3,279,200

Sectoral Analysis of FDI In India

Debabrata Sutradhar
Research Scholar
Department of Humanities and Social Sciences
National Institute of Technology,
Silchar,
Assam- 788010.

ABSTRACT

Foreign Direct Investment (FDI) plays an important role in the growth and development of different sectors and industries in the host country. It is found that some countries attract FDI in a particular sector of their economy. This paper addresses the recent trends in sector-wise distribution of FDI in the world in general and India in particular. Further an attempt is made to study how the change in FDI policy in India led to the growth of different industries in the country.

Keywords: Sectoral distribution, FDI, Economic reform, Service sector.

INTRODUCTION

Foreign Direct Investment (FDI) plays an important role in the growth and development of different sectors and industries in the host country. It is found that some countries attract FDI in a particular sector of their economy. The inflow of FDI in a particular sector is dependent on the economic structure of the host country. For example, China attracts FDI in the manufacturing sector whereas off late India is attracting FDI in the services sector. This paper addresses the issues related to the sector-wise distribution of FDI inflow among different sectors in the India in the post reform period.

There have been a number of studies which tried to find the relationship between FDI inflow and growth of different sectors in the host country. Chakraborty and Nunnenkemp (2006, 2008), found that FDI in the service sector has promoted growth in the manufacturing sector through cross-sector spillovers. Mathiyazhagan (2005), found that the advent of FDI has helped to raise the level of output, labour productivity and export in food processing, textiles and industrial machinery industries. Khaliq and Noy (2007), found that FDI have positive effect on economic growth at aggregate level. But at the sectoral level they observed that the beneficial effect of FDI on sectors was missing, and one of the sectors was showing negative result. Gordon and Gupta (2004) found that Indian economy experienced rapid growth in the service sector,

mainly due to rapid expansion of communication, banking, business services (including the IT sector) and community services. Acharya (2008), India has been experiencing high growth in the service sector since 1996-97. IT and BPO sector has experienced rapid growth during 1990s but these services account only 2.5 percent of GDP. Sahoo (2004) found that at the sectoral level, FDI failed to fulfill its objective of increasing output and labour productivity and promoting export in the country. Alfaro (2003), found that the benefits of FDI vary greatly across sectors by examining the effect of foreign direct investment on growth in the primary, manufacturing and service sectors. FDI in the primary sector tends to have a negative effect on growth, while foreign direct investment in manufacturing has positive effect. Evidence from the service sector is ambiguous. Sen (2011), found there has been a significant positive impact of the FDI on service sector growth in India. Broadman and Sun, (1997), FDI in China took place in the manufacturing sector.

SECTOR-WISE DISTRIBUTION OF FDI IN THE WORLD

In the last five decade, the distribution of Gross Domestic Product (GDP) among different sectors has undergone significant change. Similarly, the distributions of FDI among different sectors have also undergone significant change. In the initial years FDI was undertaken in the primary and

manufacturing sectors. But in the contemporary period FDI mainly takes place in the services sector. The sectoral transformation of global FDI movement is due to transformation of sectoral distribution of GDP in the developed countries. In 1950s, FDI was concentrated in the primary and resource-based manufacturing; today it is mainly in services. The shift towards services started accelerating during the 1980s. The share of services was about 25 percent of the world stock of FDI at the beginning of the 1970s, but in the late 1980s, the share of services in world stock of foreign direct investment was close to 50 percent and services accounted for about 55 to 60 percent of annual flows (WIR, 1993).

This sectoral change in the pattern of FDI is due to structural change in the nature of economic activity, with fall in the share of primary and manufacturing sectors and rise in the share of services sector. Moreover, in the last few decades most of the home and host countries of FDI were the developed countries. As a result, with shift towards service sector in the developed countries, FDI too in the world has drifted towards services sector

Table 1, shows the sector wise distribution of inward FDI flow among developed economies, developing economies and economies in transition during 1990-92 and 2008-10. During 1990-92, primary sector attracted maximum of inward FDI in the developed economies where as developing economies attracted maximum of inward FDI during 2008-10. An important transition occurred in the manufacturing sector. During last two decade flow of inward FDI in this sector has declined, whereas the service sector maintained its growth momentum. The overall share of FDI in the manufacturing sector had declined from 29.7 percent in 1990-92 to 24.4 percent in 2008-10. Though share of inward FDI flowing into the developing economies increased in the last two decade, but this fall in the manufacturing sector is a setback for the developing economies because growth of manufacturing sector is of utmost importance for the development of developing economies.

By 2005-07, there is a marked shift in the sector-wise distribution of world's inward FDI. The share of services and primary sectors increased to 59 percent and 12 percent respectively but the inward flow of FDI in the manufacturing sector declined to 24 percent. When we analyze the sector-wise distribution of FDI among different economies, we find that there is surge in the services sector in all the regions viz., developed, developing and in the economies of South East Europe and Commonwealth Independent States (CIS) countries. Similarly in case of manufacturing sector, there is decline in the global inward FDI in all the regions, with higher decline in the developing countries. In case of primary sector, there is a mixed trend in the global distribution of FDI among sector. FDI inflow in primary sectors in the developed countries increased while there is a sharp decline in the developing countries. The most important change in the sectoral and industrial pattern of FDI over the past quarter century has been the shift towards services (WIR, 2004) accompanied by a decline in the share of FDI in natural resources.

SECTOR-WISE DISTRIBUTION OF FDI INFLOW IN INDIA

The pattern of FDI inflow in India shifted with change in FDI environment in world as well as change in FDI policy in the country. FDI inflow in India can be divided into two different periods namely - i). Pre-reform period and ii). Post-reform period.

Pre-Reform Period

The Government of India pursued restricted and discriminatory foreign investment policies which hardly encouraged foreign investors to invest in the country. The foreign investment policy pursued by the Government of India is divided into followings distinct phases:

- **Phase-I:** The period of Cautious Welcome Policy (1948-1966)
- **Phase-II:** The period of Selective and Restrictive Policy (1967-1979)

● **Phase-III:** The period of Partial Liberalization (1980-1990)

Table 2 shows the consequences of such restrictive policies on FDI inflow in India. From the table 2 it is apparent that foreign policy regime hindered the growth of foreign investment in India in the pre-reform period. During 1948-55, the foreign investment policy of India was liberalized just because the economy was in the initial stages of growth; the number of foreign investment was very low it was only 50 per year. Though there is no record on the amount of FDI inflows in the country, most of the FDI in the country took place in the form of technological collaboration. The government was in favour of technological collaboration rather than financial collaboration.

The period from 1967 to 1979 is synonymous to restrictive FDI regime in the country. This was the period when FDI in the country was regulated. The restrictive FDI policy resulted in low FDI inflow in the country. The average number of foreign collaboration during 1967 to 1979 declined 242 per year. As far as the composition of FDI in the country was concerned, most of the investment took place in the form of technical collaboration. Only 16.11 percent of the total investment took place in the form of financial collaboration. FDI in the form of technical collaboration was given importance over financial collaboration.

In the early 1980s the FDI policy in the country was partially liberalized. The liberalized policy pursued by the government was reflected by the increase in number of foreign collaboration in the country. The average number of foreign collaboration in the country increased to 724 per year. Another important impact of liberalized FDI regime was the change in the form of foreign direct investment in India. During this period, the maximum number of foreign investment took place in the form of financial collaboration.

FDI inflow in the pre-reform period was very low due to the restricted foreign investment policies pursued by the Government of India. Foreign

investment in the form of technical collaboration was preferred over financial collaboration. The technical collaboration helped the growth of many industries such as automobile industry and consumer goods industries. Table 2 shows the sectoral distribution of FDI in the pre-reform period.

In the pre-reform period majority of FDI in India took place in the primary and manufacturing sector. However, with the growth of the economy the share of FDI in the primary sector declined whereas the share of FDI in the manufacturing sector increased substantially. FDI in manufacturing was necessary for the growth and development of the economy. This was due to the restricted and discriminatory FDI policies pursued by the Government of India

Post-Reform Period

The government of India could realize the drawbacks of its FDI policy, which actually restricted the inflow of FDI in India and so the government took the step of liberalizing the economy and adopted the New Industrial Policy of July 1991. In this new industrial policy, the Indian policy makers expressed the need of FDI in modernizing and establishing India's linkages with the global economy. The important policy reforms that were initiated are as follows:

- FDI policy of 1991 proposed to achieve objective of efficient and competitive world class Industry as it foreign investment was seen as a source of scarce resource, technology and managerial and marketing skills.
- Foreign capital was preferred in specific areas which bring in new technology and establish joint ventures with Indian partners.
- Foreign investment up to 51 percent equity holding was permitted, which was subsequently raised up to 100 percent in some sector subject to sectoral limitation.

- Liberalized and foreign firms were allowed greater freedom to enter and operate in the economy.
- The new policy abolished the requirement that FDI be accompanied by technology transfer and the approval process was streamlined.
- With regard to Foreign Technology, government would provide automatic approval for technology agreements related to high priority industries within specified parameters.

In the new industrial policy, foreign companies were allowed in all sectors except few prohibited sectors such as lotteries, gambling and betting, retail trading, atomic energy and agriculture. Foreign companies are treated as per Indian (registered) companies. The differential treatment towards foreign companies is limited to few entry rules and few sectors. The foreign companies are subjected to the sectoral limits on foreign equity proportion as set by the government. (Virmani, 2004)

The liberalization of the Indian economy took place in June 1991. A number of reform measures were introduced to remove the restriction impeding the inflow of FDI in India. One of the policy measures adopted was the gradual removal of licensing and allowing FDI in many sectors in India, erstwhile only reserved for Indian companies (IPR, 1991). Since the mid-1990s, India had allowed "automatic" FDI approval in many sectors and later on gradually expanded the list. The analysis of sector specific guidelines for FDI reveals that sectoral limit for FDI in the manufacturing sector for most of the sector is raised to 100 percent under automatic approval. To study the trends in sector wise distribution of FDI in the post reform period, the study period has been sub-divided into two periods - i) the sector wise inflow of FDI during 1991 to 1999, and ii) the sector wise inflow of FDI during January 2000 to December 2010.

The sectoral composition of FDI inflow in India during 1991-99 has undergone a significant change. Since 1980's the FDI inflow was concentrated mainly in the manufacturing sector.

However with the introduction of liberalization of FDI policy in the 1990's led to the increase in FDI inflow in the manufacturing sector. Among the manufacturing sub-sectors FDI was distributed between food and beverages, transport equipment, metal and metal products and electronics, chemicals and allied products and miscellaneous manufacturing. The liberalization had positive effect on the service sector. A detail study of the inflow of FDI in service sector reveals that most of the FDI inflow took place in telecommunication sector, followed by financial and banking sector. Other important sectors where FDI took place were hotel and tourism and air and sea transport.

By early 2000, the inflow of FDI in India shifted towards service sector. Table 5 shows the inflow of FDI in services during 2000 to 2010. During this period the inflow of FDI in India was confined to the service sector. More than 50 percent of total FDI inflow in the country took place in the service sector. The subsectors that attracted the majority of FDI inflow are financial and non-financial (21 percent), computer software and hardware (9 percent), telecommunication (8 percent), housing and real estate (8 percent), construction activities (7 percent), etc. The manufacturing sector which attracted majority of FDI in the early 1990s failed to keep its momentum and its share towards sectoral inflow gradually declined.

A critical review of the FDI policy and the sectoral limit on FDI reveals that FDI limit in most of the manufacturing sector is 100 percent under automatic approval but these sectors failed to attract proportionate investment. Despite Government pro-active FDI policy, the manufacturing sector in India failed to reap the benefit. On the other hand, service sector was highly benefitted with the liberalization measures. FDI in services sector led to the growth of new industries such as telecommunication, Information Technology, Business Processing Outsourcing (BPO) in the country. It created huge job opportunities in the metropolitan cities of the

country. These sectors employ professionally qualified labour force of the country.

FINDINGS AND CONCLUSION

The sectoral distribution of FDI has undergone significant changes over last two decade. There has been gradual shift of FDI inflow in the world across sectors. At present, most of the movement of FDI is taking place in the services sector, followed by manufacturing and primary sectors. In the last few decades, share of manufacturing in the global FDI movement has declined, whereas the share of FDI in the primary sector has marginally increased. This trend is also visible in case of India where FDI inflow is mostly taking place in the service sector followed by the manufacturing sector. Hence, FDI inflow in India is following the global pattern. However the followings finding can be made from the above study:

- FDI in the primary sector declined in the post reform period.
- FDI inflow in India led to the growth of new sectors such as service sector, housing and real estates, construction activities, computer software and hardware and telecommunication industries in India.
- Manufacturing sector in India failed to maintain its dominating position in terms of FDI inflow in the country. Moreover FDI inflow in the manufacturing sector is confined to few sectors only and there is very less spill-over effect.

The role of FDI in India's economic growth cannot be ruled out but it failed to create growth in the manufacturing sector, where it is need most. Moreover, a strong manufacturing sector is of utmost importance for sustainable growth of service sectors in India. If Indian economy wants to maintain sustainable service led growth, then it must have a vibrant manufacturing sector, which is only possible by attracting more and more FDI in the manufacturing sector.

REFERENCES

- Alfaro, L. (2003), Foreign Direct Investment and Growth: Does the Sector matter? From <http://www.people.hbs.edu/lalfaro/fdisectorial.pdf>, accessed on 01/10/2009.
- Abdulai, I. (2005), Sectoral Analysis of Foreign Direct Investment in Ghana, **Bank of Ghana**, WP/BOG-05/15.
- Bhati, U. (2006), Foreign Direct Investment: Contemporary Issues, Deep & Deep Publications Pvt. Ltd., New Delhi.
- Broadman, H.G. and X. Sun. (1997). The Distribution of Foreign Direct Investment in China, **Policy Research Working Paper No. 1720**, The World Bank.
- Chakraborty, C. and P. Basu (2002), '**Foreign direct Investment and Growth in India: A Cointegration Approach**', Applied Economics, 34:9, 106-1073.
- Chakraborty, C. and P. Nunnenkamp (2006), Economic Reforms, Foreign Direct Investment and its Economic Effects in India, **The KIEL Institute for the World Economy**, KIEL Working Paper No. 1272.
- _____(2008), **Economic Reforms**, FDI, and Economic Growth in India: A Sectoral Level Analysis, World Development Vol. 36, No. 7, pp. 1192-1212.
- FDI Statistics (2010), Department of Industrial Policy and Promotion, Government of India.
- Industrial Policy Resolution (1991), Government of India.
- Kumar, N. (2003), Liberalization, Foreign Direct Investment Flows and Economic Development: The Indian Experience in the 1990s, RIS-DP, 65/2003.
- Kumar, G., and N. Dhingra, (2011), Impact of Liberalization on FDI Structure in India, **International Journal of Economic Research**, 2(2), 80-94

- Sahoo, D. (2004), An Analysis of the Impact of Foreign Direct Investment on the Indian Economy. Unpublished Thesis, Submitted at Institute of Social and Economic Studies, Bangalore.
- SIA Newsletter, January (various issues), Department of Industrial Policy and Promotion, Government of India.
- World Investment Report (various issues), United Nations Conference on Trade and Development.
- Virmani, A. (2004), Foreign Direct Investment Reform, Occasional policy Paper, Indian Council for Research on International Economic Relations, New Delhi.

Table 1: World Inward FDI Flow, Sector and Industry, 1990-1992 and 2008-2010								
In percentage								
Sector/ Industry	1990-1992				2008-2010			
	Develo ped econom ies	Develop ing econom ies	SE Europe and CIS	World	Develo ped econom ies	Develop ing econom ies	SE Europe and CIS	World
Primary	5.8	2.4	0.5	8.7	3.0	4.7	1.0	8.6
Manufactur ing	21.3	8.2	0.2	29.7	13.7	9.9	0.9	24.4
Services	44.2	10.2	0.1	54.5	39.8	20.2	3.0	63.1
<i>Source: Authors Compilation, UNCTAD fdistat.com</i>								

Table 2: Foreign Collaboration Approvals, 1948-1998				
		Those with foreign equity		
Period	Average no. of collaborations approved per year	Average no. Per year	Proportion in total	Average foreign investment involved per year (Rs. millions)
1948-58	50	n.a.	n.a.	n.a.
1959-66	297	108*	36.36	n.a.
1967-79	242	39	16.11	53.62
1980-1990	724	174	24.02	1108.97
1991-1998	1676	951	71	183464.3
<i>Source: Kumar 2003,</i>				

Table 3: Sector-wise/Industry-wise Flow of FDI in the Pre-reform period

	(in percentage)				
Industry/Sector	1948	1960	1970	1980	1990
Plantations	20.4	19	16.5	4.1	9.46
Mining	4.5	2.4	0.8	0.9	0.3
Petroleum	8.7	29.7	16.7	4	0.11
Primary Sector	33.6	51	34	9	11.1
Food & beverages	14.2	6.4	5.6	4.2	4.9
Textiles	39.4	2.7	3	3.5	2.9
Transport equipment	1.4	1.2	3.7	5.6	12.4
Machinery and machine tools	1.7	0.8	3.8	7.6	12.6
Metal & metal Products	11.3	2.8	8.8	12.7	5.1
Electrical goods	6.8	2.3	6.5	10.5	11
Chemicals & pharmaceuticals	3.1	6.4	18.8	32.4	28
Miscellaneous	9.9	6.2	12	10.7	6.4
Total Manufacturing	27.8	30	60	87	83.2
Trading	16.3	5.4	2.6	2.3	0.92
Construction, utilities transport	11.9	7.6	1.6	0.6	1.74
Total Services	38.7	19.5	16	4	5.18
Total FDI (current Rs. millions)	2558	5017	7354	9330	27050
<i>Source: Bhati, 2006</i>					

Table 4: Sector-wise break-up of FDI inflows India (August 1991-December 1999)

Rs. Crore			
Rank	Sectors	Cumulative FDI inflow	Percentage of Total FDI inflow
1.	Transportation industry	5152.07	8.9
2	Electrical Equipment (including S/W & Elec.)	4642.47	8
3	Service Sector	4044.35	7
4	Telecommunication	4037.68	6.9
5	Chemicals (other than fertilizers)	3986.12	6.9
6	Fuels	3643.37	6.3
7	Food processing industries	2367.6	4.1
8	Paper and pulp	865.9	1.5
9	Drug & pharmaceuticals	822.17	1.4
10	Misc. mechanical & engineering	851.1	1.4
	Sub-total	30413	52.4
<i>Source: SIA Newsletter, January 2005. DIPP</i>			

Table 5: Sectors attracting Highest FDI inflows during January 2000 - December 2010

(Amount Rs. Crores)			
Rank	Sectors	Cumulative FDI inflow	Percentage of Total FDI inflow
1	Service Sector (financial and non-financial)	118700.9	20.8
2	Computer software and hardware	46530	8.17
3	Telecommunication? (radio, paging, cellular mobile,? basic telephone service)	45909.5	8.07
4	Housing and real Estate	45794.7	8.05
5	Construction activities (including roads and highways)	37702.4	6.62
6	Automobile Industry	25972.5	4.56
7	Power	24520.7	4.31
8	Metallurgical industries	18031.9	3.16
9	Petroleum and Natural Gas	13602.7	2.39
10	Chemicals (other than fertilizers)	11506	2.02
	Total	568835.34	68.45
Source: SIA, Newsletter, Annual Issue, 2010-11, DIPP.			

Factors That Affect the Profitability of the Conventional Bank and Shariah Bank in UAE

Dr. Raj Bahadur Sharma
Assistant Professor
Department of Accounting
College of Business Administration
Salman Bin Abdul Aziz University, Al Kharj
Kingdom of Saudi Arabia
E-mail ID: rbsharmaji@gmail.com

Dr. K. Ravichandran
Assistant Professor,
School of Management
New York Institute of Technology
Abudhabi.
UAE

ABSTRACT

The research aims to investigate factors of profitability affect the performance of conventional bank and Islamic bank in UAE from period 2002 to 2010. With use regressions models, where ROA and ROE are as dependent variables that it's presenting profitability of bank. Whereas internal and external factors are as independent variables including: GDP per capita, size, financial development indicator (FIR), liquidity, concentration, cost, numbers of branches, operational cost operational income (BOPO), NPL's ratio, and inflation. The result identify that in conventional bank, in Model I, numbers of branches are the most significant determinant of conventional banks performance and in Model II, numbers of branches, GDP per capita, FIR, and liquidity are the most significant determinant of conventional banks performance. Whereas in Islamic bank, in Model I NPL's ratio, numbers of branches, and inflation are the most significant determinant of Islamic bank, and in Model II there are not significant determinant of Islamic bank performance.

Keywords: Profitability factors, Performance, Conventional bank, and Islamic bank.

INTRODUCTION

The development of UAE banking industry has been growing fast it has demonstrated by the growth of its assets year after year. When the no of banks is increasing the products and pricing will become widely spread out. Bankers should be more rational and creative in raising and mobilizing deposits. When the bank could manage its operation in effective and efficient manner, most likely it would lead its competitors.

The source of funds of a bank came by raising the funds from community, which then manage by the bank to earn more revenue for the bank. In order to increase the source of funds, the bank performance must be increase by achieving high profitability and sharing the highest profit for its stakeholder. When the profitability is increase, the level of trust in the society will be increased, whereas the raising of funds for bank deposits will be increased as well. The assets of a bank will be growing fast.

As one of important institution in our economic stratum, there is a need for banking performance supervisor by the banking regulator. One of the indicators to evaluate the financial performance of the bank is by looking at its profitability. It is highly relevant with how far the bank manage its business in efficient manner. Efficiency is measure by comparing the profit earned with asset or capital that is used to produce such profit. The higher the profitability of a bank, the financial performance is at its best (Stiawan, 2009).

The indicators of measuring the level of profitability are by looking at the return on equity (ROE) and the return on asset (ROA). ROE demonstrated the ability of the management in managing the capital to generate the net income, the highest the return the higher dividend to be distributed to the shareholders. in the meantime, ROA demonstrated the ability of the bank using the assets to generate income from its assets management (Yuliani, 2007).

UAE has a very large potential for financial institutions market share, such as banking industry, especially, the Islamic banking system. The majority of Moslem population in UAE and the fatwa from its council of UAE in regards to the prohibition (haram) of interest, has triggered the quantities growth of our Islamic banking system, there is increasing demand of community which will invest their funds in Islamic banking system. With the rapid growth of Islamic banking system in UAE, it is expected to be in line with our economic growth. The Islamic banks performance should be maintain improved and it need to be supervised for an optimal performance.

The important of banks performance by measuring from its profitability, has become the important factor for the bank to keep increasing its profitability. There are many factors that will affect the bank profitability, the internal factor (micro) or the external factor (macro). This paper will analyze which factors that affect the level of profitability of banking system in UAE, whether it is Islamic bank or conventional bank. The result of which factors that affects the bank's profitability is expected to ease the evaluation process to achieve the optimum of bank's profitability. This paper is a comparison between the profitability in Islamic bank and conventional bank in UAE. this comparison is to be done in order to have both Islamic and conventional to increase their performance which in turn the will increase the growth of our economic system as well.

THEORETICAL ANALYSIS PROFITABILITY OF BANKING SYSTEM

As opined by Stiawan (2010: 14) that one indicator to evaluate financial performance of a bank is by looking at its profitability. This is relevant to how far the bank manage its business efficiently. The measurement of efficiency is by comparing with the profit acquired with the assets or the capital to be used as income generation. The higher the profitability of a bank the performance of the bank is considered to be well.

Sastradipoera (2001) stated that profitability is the extra amount of regular and irregular expense variable minus the income over the expenditure of a bank. Hadaddkk (2003: 1) defined the profitability as the basic of correlation between the operational efficiency and service quality produced by the bank.

Gozali (2010: 23) said that the profitability ratio as a measure for management effectiveness based on the return acquired from lending and investment. The common indicators is to measure the performance of profitability of a bank is ROE (Return on Equity), which is the ratio that illustrate the higher return over the capital to generate income, ROA (Return on Asset) is the ratio which illustrate the ability from the total assets to be used for the purpose of producing income generation.

PREVIOUS RESEARCH PAPERS

Sriwiyanaand Siswanto (2007) analyze the affect of the level of inflation, interest rate and the value of foreign exchange against the profitability of Islamic bank in Malang region for the period of 2004 to 2006. It is known the three variable simultaneously is not significant affected the profitability of Islamic Banks in Malang region, thus the inflation level is and the value of our IDR currency has not been significantly affected the profitability if Islamic banks in Malang region.

Stiawan (2009) has analyze the affect of macroeconomic factor which measure by the growth of inflation and GDP, the market share measurement and the bank character based on CAR, FDR, NPF, Efficiency, and its SIZE against the profitability for Islamic bank which measured by ROA. As a result it is known that the growth of inflation and GDP is not significant against ROA, while FDR, market share and CAR positively significant against ROA. In the meantime, NPF, Efficiency and size significantly negative against ROA.

Al-Tamimi (2010) made a comparison of the factors that have an affect to profitability between the Islamic bank and conventional bank for the period of 1996 to 2008. The regression model using ROA and ROE as its independent variable. The determined of internal and external factors which is GDP, bank size financial development indicator (FIR), liquidity, asset concentration, cost of funds and no. of branches. The result has identified that the liquidity and asset concentration is the most significant factor for the conventional bank, while the most significant factor for the Islamic bank is the cost of funds and no of branches which will affect the financial performance of Islamic bank.

Ali, Akhtar, and Sadaqat (2011) have identified the factors of profitability Islamic bank in Pakistan. The data was analyzed based on data at the period of 2006-2009. By using the return on asset (ROA) and the return on equity (ROE) as an independent variable which illustrate the level of profitability. It is known that the ratio of lending over capital (gearing ratio) and the capital adequacy ratio (CAR) has a positive affect and statistically significant. The asset management significant in model I and it is not significant in model II which affect positively for both model. The size of bank has negative influence and non-significant on both model. Whilst the NPL ratio has a negative affect for both model, which significantly affected for model 1 and not significantly affected for model II.

Since there is not so many research of Islamic bank financial performance in UAE, therefore this paper will analyze which factors that affected the profitability of Islamic banks and conventional banks and furthermore, will make a comparison for both banking system.

RESEARCH METHODOLOGY DESCRIPTION OF DATA

The object of this research paper is the financial reports of UAE's commercial banks, both Islamic banks and conventional for the period of year 2002 to year 2010. This data is a secondary data acquired from Bank UAE publication reports from year 2002 to year 2010.

ANALYSIS METHOD

This paper is analyzed using the quantitative method. The quantitative analysis is in the form of numbers and statistic calculation method, therefore the data must be classified into specific category using specific table in order to simplify the research using the SPSS programs. The analysis tools are multiple regressions with previous classical examination assumption. Furthermore there is a hypothesis examination, partially or simultaneously. The partial exam using the t test (exam) whiles the simulating exam using the F test (exam).

As according to the banking financial reports, profitability is measure by the ratio of ROA and ROE, therefore it has two equations modeling of regression:

Model (I) : Return on Asset (ROA)

$$ROA = \alpha + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + \dots + e$$

Model (II) : Return on Equity (ROE)

$$ROE = \alpha + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + \dots + e$$

Research Variable Table1 is as follow:

HYPOTHESIS ANALYSIS

Based on the above assumption the writer has produces the formula, as follows:

H_0 = There is no influence between the internal and external factors for the profitability of conventional banks and shariah banks.

H_a = There is an influence between internal factor and external factors for the profitability of conventional bank and shariah bank.

In order to have the significant result (close to the reality), this paper is using 90 degree of statistic confidentiality 90 % ($\alpha = 10$ %).

The finding of the research and the arguments Profitability of Conventional Bank

Model (I): Return on Asset (ROA)

Previously, we have done a multi-collinearity test to detect whether or not there is a sign of multi-collinearity between independent variable and

equation modeling. The result of a multi-collinearity test is on Table. 2. Pearson Correlation Coefficient.

It is known that the R-square is 0,682965. Thus the variable independent simultaneously is influence the dependent variable against (ROA) which is 0,682965 or 68, 29%. In partial, only the BRAN variable that has a positive influence against ROA at Conventional bank. It is indicated that the more branches that the conventional bank has, the more asset it will acquired that will followed by the increment of its profitability level.

In the meantime, the external factor such as economic condition (ECON) and inflation (Sriwiyana & Siswanto, 2007) in particular do not affect significantly to the bank's profitability. The reason for that is caused by the stable economic condition and inflation level, during the finding of the research which do not has any affect to the bank profitably, although there is a stiff competitive among banking system nowadays.

Model (II): Return on Equity (ROE)

Previously, we have done a multicollinearity test to detect whether or not there is a sign of multicollinearity between independent variable and equation modeling. The result of a multicollinearity test is on Table. 4.

Pearson Correlation Coefficient

It is known that R-square is 0,781217. Thus the independent variable simultaneously affects the dependent variable (ROE) which is 0,781217 or 78, 12%. In partial, the independent variable has a negative influence against the ROE at Conventional bank such as: ECON, FIR, and LIQ, while the (BRAN) has a positive influence to the profitability of a bank. This indicate that the economic condition (ECON), financial development (FIR), bank liquidity (LIQ), and the number of branches (BRAN) are affected to the capital of the bank (tier one) which eventually will affect the profitability of a bank as well.

THE PROFITABILITY OF SHARIAH BANK

Model (I): Return on Asset (ROA)

Previously, we have done a multicollinearity test to detect whether or not there is a sign of multicollinearity between independent variable and equation modeling, the result of a multicollinearity test is on Table. 6.

Pearson Correlation Coefficient

It is known that R-square is 0,999510. Thus the independent variable simultaneously affected the dependent variable (ROA) by 0,999510 or 99, 95%. In partial, NPL has a positive influence against bank profitability (ROA). While the number of branches (BRAN) and inflation has a significant negative affect against the profitability of shariah bank (ROA).

There is a similarity between Islamic banking system in Pakistan and UAE, the profitability of a shariah bank in Pakistan which measure by ROA, influence by gearing ratio, NPLs ratio, CAR, and operating efficiency (Ali, Akhtar, and Sadaqat, 2011).

The finding of this result elaborate that shariah banks performance in UAE is encourage to maintain a certain level of the Non Performing Financing (NPL) ratio. The NPL ratio has a positive influence, with the probability that the shariah bank has a low NPL ratio in which it will not reduce the profitability of shariah bank yet. The assets sold from collateral acquired by the bank as a result of the NPL will increase the bank asset; however the stability of NPL ratio must be continuously maintained.

The number of branches has a negative influence to the bank profitability. Thus, it is expected that the bank management must create innovative movement by expanding its business without open up new branches. The shariah banks could open up office channeling at their parent company which is conventional bank and open up office channeling or shariah business unit at its previous

parent company, in this way, shariah bank could manage to reduce its expenditure in order to increase its profitability.

In addition, inflation has the negative influence to the profitability of Islamic banks. As it is known that the increment of inflation, will increase the expenditure of people and their intention to invest their funds at a bank will decrease, as a result, the profitability of bank will be declined as well. Considering that the inflation level in UAE is still in stable condition, it is expected that bank will keep on attracting its customers to deposit funds, and the bank will be managing the funds in a good manner in order to increase its profitability.

Model (II): Return on Equity (ROE)

Previously, we have done a multicollinearity test to detect whether or not there is a sign of multicollinearity between independent variable and equation modeling, the result of a multicollinearity test is on Table. 8.

Pearson Correlation Coefficient

It is known that the R-square is 0,993687. Thus, independent variable is simultaneously affected against the dependent variable (ROE) which is 0,993687 or equivalent to 99, 37%. In partial, for the independent variable, there is no influence against the dependent variable in shariah bank.

It indicates that the capital of shariah bank is low, as a result, the factors/independent variables in this research has no significant affect to the profitability of a bank. As contrary to the research of shariah bank in UEA, this has influence against the ROE such as: ECON, COST, and BRAN (Al-Tamimi, 2010).

Subsequently, in general, UAE conventional banks have been established and developed long before the shariah banks' existed, and the conventional banks has large sum of the total assets and the market shares, therefore the profitability of conventional banks are more sensitive affected by the independent variables. On the other hand,

shariah bank which is an infant and has lower market share, the profitability is very crucial. Shariah banks in UAE are continuing on improvement, regardless of the economic condition and inflation, in which it will become the advantage of shariah banks.

The development of shariah banks must continuously being improved. There are many ways to increase the profitability of shariah banks, such as expenditure efficiency and effectively in managing shariah banks activities. Shariah banks should increase its capital in order to increase its assets, follow by good performance and good management, in order to increase its profitability.

CONCLUSION AND RECOMMENDATION

It is concluded that during the year 2002 - 2010, the profitability level of UAE banking system, both conventional and shariah have simultaneously affected by the internal and external factor such as economic condition, inflation, liquidity, number of branches and others.

However, this research finding showed that in partial, those factors have no influence against the profitability related to ROA or ROE. It has been demonstrated in the test result of conventional bank regression on model I in which partially only BRAN is affected, while in Model II only ECON, FIR, LIQ, and BRAN affected.

The result for shariah bank, partially, Model I only the variable of NPL, BRAN, and INF affected, while in Model II none of the independent variable is affected. The reason for this due to insufficient data gathered, since during the period of 2002 - 2010 the number of shariah bank and its development is out of number in comparison to its conventional counterpart.

RECOMMENDATION

UAE has a wide range of market share for the development of financial institutions, such as conventional bank and shariah bank. The

maximum profitability will continuously maintain. Hence, the increment of profitability of UAE banking performance will be better and the economic growth will be improved as well. Therefore, it is necessary to have some supports from other parties such as bankers, government and the community toward working together in order to improve UAE banking performance. Bankers should be rational and creative thinker in mobilizing its source of funds in an effective and an efficient manner. The government role is to supervise and to control the development of our banking system for risk management purposes. The society must have an open mind that bank can be utilized to place their investment. A way forward, it is expected that shariah banking development in UAE will continue to improve.

REFERENCES

- Al-Tamimi, Hussein A. Hassan. 2010. Factors Influencing Performance of the UEA Islamic and Conventional National Banks. **Global Journal of Business Research**, Volume 4 No. 2.
- Akhtar, Muhammad Farhan, 2011. Factors Influencing the Probability of Islamic Banks of Pakistan. **International Research Journal of Finance and Economics**.
- Ariss, R.T. (2010), Competitive conditions in Islamic and conventional banking: A global perspective, **Review of Financial Economics** 19, 101–108.
- Fariana, Rina. 2009. Prediksi Kondisi Bermasalah Berdasarkan Analisis Rasio CAMEL Menggunakan Pendekatan Logistic Regression pada Lembaga Perbankan yang Go Public. Thesis – unpublished. Airlangga University.
- Haron, S. (2004) determinants of Islamic Bank profitability, **Global Journal of Finance and Economics**, Vol. 1, No 1, pp. 1-22.
- Hadad, Muliaman D. dkk. (2003). Pendekatan Parametrik untuk Efisiensi Bank Syariah. **Jurnal Bank Indonesia**.
- Suseno, Priyonggo.(2008). Analisis Efisiensi dan Skala Ekonomi Pada Industri Perbankan Syariah di Indonesia. **Journal of Islamic and Economics**, Volume 2 No.1. Juni.
- Sriwijana Teguh (2007) KINERJA DAN ARAH PEMBANGUNAN DAERAH DI ERA OTONOMI. Working Paper. PASCA SARJANA UNAND. (Unpublished).
- Taswan. 2006. Manajemen Perbankan : Konsep, Teknik & Aplikasi. Yogyakarta: UPP STIM YKPN
- Yuliani, 2007. Hubungan Efisiensi Operasional dengan Kinerja Profitabilitas pada Sektor Perbankan yang Go Public di Bursa Efek Jakarta, **Jurnal Manajemen dan Bisnis Sriwijaya**, Vol. 5, No. 10, Desember, 2007.

Table 1 : Research Variable

Variables Types	Indicators	Definition	Scale
Dependent	ROA	Return on Assets	Ratio
	ROE	Return on Equity	Ratio
	ECON	Economic Condition (GDP)	Ratio
	SIZE	Bank Size in terms of Total Assets	Ratio
	FIR	Financial Development (Total Assets/GDP)	Ratio
	LIQ	Liquidities Bank (Debt over Deposits)	Ratio
	CONT	Assets Concentration of a Bank (total Assets)	Ratio
Independent	COST	Total? Cost of Funds	Ratio
	BOPO	Operational Cost/Operational Income	Ratio
	NPL	Non Performance Financing	Ratio
	BRAN	No. of Branches	Ratio
	INF	Inflation	Ratio

Table 2: Pearson Correlation Coefficient

Table 2: Pearson Correlation Coefficient													
	ROE	ROA	NIM	ECON	SIZE	FIR	LIQ	CONT	COST	BOPO	NPL	BRAN	INF
ROE	1	0.921983	0.220823	0.356673	0.344778	-0.34822	0.301959	-0.34838	-0.38139	-0.33118	-0.45934	0.402202	-0.14005
ROA	0.921983	1	0.34495	0.266664	0.27163	-0.17835	0.172279	-0.30162	-0.34863	-0.35486	-0.42995	0.325537	-0.02593
NIM	0.220823	0.34495	1	-0.28296	-0.27035	0.28372	-0.33692	0.212278	-0.11286	-0.11663	0.268239	-0.25329	-0.05346
ECON	0.356673	0.266664	-0.28296	1	0.988319	-0.82997	0.936764	-0.98365	0.169771	-0.09008	-0.83545	0.99	-0.252
SIZE	0.344778	0.27163	-0.27035	0.988319	1	-0.7425	0.902084	-0.98789	0.209087	-0.08337	-0.83324	0.992921	-0.27412
FIR	-0.34822	-0.17835	0.28372	-0.82997	-0.7425	1	-0.9106	0.747246	0.001421	0.084862	0.646889	-0.77151	0.156121
LIQ	0.301959	0.172279	-0.33692	0.936764	0.902084	-0.9106	1	-0.87921	0.144906	-0.07834	-0.79519	0.904544	-0.17877
CONT	-0.34838	-0.30162	0.212278	-0.98365	-0.98789	0.747246	-0.87921	1	-0.18227	0.088155	0.819394	-0.99041	0.216774
COST	-0.38139	-0.34863	-0.11286	0.169771	0.209087	0.001421	0.144906	-0.18227	1	-0.09189	-0.00189	0.159795	0.167786
BOPO	-0.33118	-0.35486	-0.11663	-0.09008	-0.08337	0.084862	-0.07834	0.088155	-0.09189	1	0.412737	-0.06798	-0.06084
NPL	-0.45934	-0.42995	0.268239	-0.83545	-0.83324	0.646889	-0.79519	0.819394	-0.00189	0.412737	1	-0.82268	0.164161
BRAN	0.402202	0.325537	-0.25329	0.99	0.992921	-0.77151	0.904544	-0.99041	0.159795	-0.06798	-0.82268	1	-0.24387
INF	-0.14005	-0.02593	-0.05346	-0.252	-0.27412	0.156121	-0.17877	0.216774	0.167786	-0.06084	0.164161	-0.24387	1

The conclusion of this test is that in the equation modeling, there is no Sign of multi-collinearity and the regression result on Model I, as follow:

Table 3: Statistic Regression Model I

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	-0.18857	0.86897	-0.21701	0.8316
ECON	-5.30E-08	4.36E-08	-1.2145	0.2469
SIZE	4.25E-09	2.64E-08	0.161043	0.8745
FIR	-0.03443	0.03727	-0.92374	0.3725
LIQ	-0.04594	0.04167	-1.10261	0.2902
CONT	0.205895	0.84704	0.243077	0.8117
COST	-0.00835	0.02095	-0.39831	0.6969
BOPO	-0.01353	0.02048	-0.66075	0.5203
NPL	-0.11707	0.09002	-1.30038	0.2161
BRAN*	6.45E-05	2.39E-05	2.69129	0.0185
INF	0.001534	0.03317	0.046242	0.9638
R-squared 0.682965 Adjusted R-squared 0.439091 S.E. of regression 0.002209 Sum squared resid 6.34E-05 Log likelihood 120.0682 F-statistic 2.800488 Prob(F-statistic) 0.042592				
Mean dependent var 0.026988 S.D. dependent var 0.002949 Akaike info criterion -9.089014 Schwarz criterion -8.549073 Hannan-Quinn criter. -8.945767 Durbin-Watson stat 1.830695				

Table 4: Pearson Correlation Coefficient

	ECON	SIZE	FIR	LIQ	CONT	COST	BOPO	NPL	BRAN	INF
ECON	1	0.980396	0.964368	-0.53647	0.988199	0.150903	0.509665	-0.34316	0.981342	-0.43419
SIZE	0.980396	1	0.995107	-0.63146	0.997886	0.184673	0.536256	-0.3751	0.995585	-0.34345
FIR	0.964368	0.995107	1	-0.66668	0.990377	0.216207	0.557935	-0.39545	0.985121	-0.34883
LIQ	-0.53647	-0.63146	-0.66668	1	-0.63081	-0.09544	-0.44039	0.240544	-0.64398	0.036125
CONT	0.988199	0.997886	0.990377	-0.63081	1	0.162289	0.52999	-0.35659	0.996197	-0.36248
COST	0.150903	0.184673	0.216207	-0.09544	0.162289	1	0.599057	-0.52761	0.172391	0.035621
BOPO	0.509665	0.536256	0.557935	-0.44039	0.52999	0.599057	1	-0.81791	0.539658	0.131691
NPL	-0.34316	-0.3751	-0.39545	0.240544	-0.35659	-0.52761	-0.81791	1	-0.36143	-0.23627
BRAN	0.981342	0.995585	0.985121	-0.64398	0.996197	0.172391	0.539658	-0.36143	1	-0.33066
INF	-0.43419	-0.34345	-0.34883	0.036125	-0.36248	0.035621	0.131691	-0.23627	-0.33066	1
ROA	0.388766	0.316275	0.305656	0.022386	0.340683	-0.47024	-0.36911	0.53507	0.291319	-0.74767
ROE	-0.5494	-0.62701	-0.61607	0.683642	-0.6145	-0.22507	-0.66742	0.580265	-0.66091	-0.38025

The conclusion of this test is that in the equation modeling, there is no sign of multi-collinearity, and the regression result on Model II, as follow:

Table 7: Statistic Regression Model I Dependent Variable: ROA

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	0.015806	0.016705	0.946211	0.5176
ECON	-2.71E-08	6.87E-09	-3.938852	0.1583
SIZE	5.66E-07	2.47E-07	2.29462	0.2616
FIR	-1.142298	0.347191	-3.290118	0.1878
LIQ	0.017833	0.006786	2.628076	0.2315
CONT	4.110875	0.790567	5.199907	0.121
COST	-0.034964	0.003762	-9.295087	0.0682
BOPO	0.008737	0.001729	5.052266	0.1244
NPL*	0.113883	0.012632	9.015277	0.0703
BRAN*	-0.000221	2.79E-05	-7.906165	0.0801
INF*	-0.084507	0.009356	-9.032641	0.0702
R-squared 0.999510 Adjusted R-squared 0.994611 S.E. of regression 0.000246 Sum squared resid 6.07E-08 Log likelihood 97.58409 F-statistic 204.0102 Prob(F-statistic) 0.054436				
Mean dependent var 0.016317 S.D. dependent var 0.003357 Akaike info criterion -14.43068 Schwarz criterion -13.98618 Hannan-Quinn criter. -14.59525 Durbin-Watson stat 2.998357				

Table 8: Pearson Correlation Coefficient

	ECON	SIZE	FIR	LIQ	CONT	COST	BOPO	NPL	BRAN	INF
ECON	1	0.980396	0.964368	-0.53647	0.988199	0.150903	0.509665	-0.34316	0.981342	-0.43419
SIZE	0.980396	1	0.995107	-0.63146	0.997886	0.184673	0.536256	-0.3751	0.995585	-0.34345
FIR	0.964368	0.995107	1	-0.66668	0.990377	0.216207	0.557935	-0.39545	0.985121	-0.34883
LIQ	-0.53647	-0.63146	-0.66668	1	-0.63081	-0.09544	-0.44039	0.240544	-0.64398	0.036125
CONT	0.988199	0.997886	0.990377	-0.63081	1	0.162289	0.52999	-0.35659	0.996197	-0.36248
COST	0.150903	0.184673	0.216207	-0.09544	0.162289	1	0.599057	-0.52761	0.172391	0.035621
BOPO	0.509665	0.536256	0.557935	-0.44039	0.52999	0.599057	1	-0.81791	0.539658	0.131691
NPL	-0.34316	-0.3751	-0.39545	0.240544	-0.35659	-0.52761	-0.81791	1	-0.36143	-0.23627
BRAN	0.981342	0.995585	0.985121	-0.64398	0.996197	0.172391	0.539658	-0.36143	1	-0.33066
INF	-0.43419	-0.34345	-0.34883	0.036125	-0.36248	0.035621	0.131691	-0.23627	-0.33066	1
ROA	0.388766	0.316275	0.305656	0.022386	0.340683	-0.47024	-0.36911	0.53507	0.291319	-0.74767
ROE	-0.5494	-0.62701	-0.61607	0.683642	-0.6145	-0.22507	-0.66742	0.580265	-0.66091	-0.38025

The conclusion of this test is that in the equation modeling, there is no significant multicollinearity, and the regression result on Model II, as follow:

Table 9: Statistic Regression Model II Dependent Variable: ROE

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	-2.639084	2.461477	-1.072155	0.4778
ECON	-1.16E-06	1.01E-06	-1.146238	0.4567
SIZE	-3.10E-05	3.63E-05	-0.853213	0.5503
FIR	19.61936	51.15987	0.383491	0.7669
LIQ	1.962486	0.999873	1.962734	0.3
CONT	212.517	116.4931	1.824288	0.3192
COST	0.42382	0.554287	0.764622	0.5844
BOPO	-0.156512	0.254809	-0.61423	0.6493
NPL	0.675351	1.861412	0.362817	0.7784
BRAN	-0.00401	0.00411	-0.975567	0.5079
INF	-2.719298	1.378605	-1.9725	0.2987
R-squared 0.993687 Adjusted R-squared 0.930557 S.E. of regression 0.036310 Sum squared resid 0.001318 Log likelihood 37.67005 F-statistic 15.74030 Prob(F-statistic) 0.193896				
Mean dependent var 0.344567 S.D. dependent var 0.137789 Akaike info criterion -4.445008 Schwarz criterion -4.000510 Hannan-Quinn criter. -4.609577 Durbin-Watson stat 2.998357				

Efficiency measurement of Malaysia's palm oil refineries applying Two-Stage Production Systems with Shared Inputs by DEA

Suhaila Hj Abd Jalil
Department of Economics,
Faculty of economics and
Management,
University Putra Malaysia,
Selangor, Malaysia

Zahra Shahverdi
Department of Economics,
Faculty of economics and Management,
University Putra Malaysia,
Selangor, Malaysia (UPM), 43400 UPM,
SERDANG, Selangor, Malaysia.
Tel: +60 176832735,
Email ID: z_shahverdi@yahoo.com

Ali Ashrafi
Department of Statistic and
computer science,
Faculty of mathematics,
University of Semnan,
Semnan, Iran.
Tel: 00989126275912

Abstract

This study investigates the changes in the efficiency of Malaysia's palm oil refineries which based on trade theories it could be the source of decrease in Malaysia's Processed Palm Oil (PPO) market share from 76% in 1996 to 54% in 2009 in the international market. The efficiency of palm oil refineries is evaluated by Data Envelopment Analysis (DEA). The structure of the production process of palm oil refineries can be divided into two, refining and fractionation, stages with input resource sharing. Therefore, this study applies the additive two-stage DEA model. According to the results, the inefficiency of refineries is related mostly to the refining stage while the efficiency rate in the fractionation stage is rather high. Furthermore, the results show that the efficiency rate of palm oil refineries has decreased from 99.4% in year 1996 to 91% in 2009 while it is Granger cause of reduction in Malaysia's PPO market share in the world.

Keywords: Data envelopment analysis (DEA), efficiency, resource sharing, Malaysia's palm oil refinery, market share

INTRODUCTION

Since 1971, Malaysia has been the largest producer and exporter of palm oil in the world, although Indonesia replaced Malaysia as the largest palm oil producer in the world in 2006. Then in 2009, Malaysia lost its position as the number one palm oil exporter in the world, also to Indonesia, so at present Malaysia is the second largest producer and exporter of palm oil products in the world.

PPO is the most important component in Malaysia's export of palm oil products. Since CPO is extracted from the fresh fruit bunches, it contains small amounts of impurities and undesirable components. Therefore, CPO is usually refined to a bland, stable product to be suitable for direct use or for formulation of an edible product known as PPO. Fortunately, Malaysia still preserves its position in

the world as the largest producer and exporter of PPO in the world.

Since 1970, the Malaysian government has been encouraging the downstream processing and refining of palm oil, while prior to the 1960s, none of Malaysia's CPO was refined within the country. Following the government's supportive policies to encourage the PPO industry, Malaysia had a total of 37 refineries in operation at the end of 1985 .

Malaysia, as the dominant PPO exporter in the world for the last two decades, is proof of the success of the government's policies to achieve its objectives. Most of the Malaysian palm oil exports are RBD palm oil and RBD palm Olein all of which are the products of the palm oil refineries.

Figure 1 shows Malaysia's and Indonesia's PPO market share in the international market during the period from 1996 to 2009. Although Malaysia is the dominant PPO exporter in the world, its share has been reduced from 76% in 1996 to 54% in 2009 while Indonesia's market share has increased sharply from 8% to 35% over the same time period (UN-data). In 2007, Malaysia's market share stood at its lowest level of 53% because of lack of CPO in domestic market due to unfavorable weather condition in 2007.

The downward trend of the Malaysian PPO world market share is mostly related to the accelerating increase in market share of the other producers in the market, especially Indonesia. According to the classical trade theory, changes in market share are positively related to changes in productivity of the industry. It can be concluded that decrease in the PPO market share may also be due to increase in inefficiency of Malaysia's PPO industry.

The Malaysian palm oil refineries suffer from under capacity utilization. At the end of 2010, 51 palm oil refineries were in operation; during this year the total production of CPO was nearly 17 million tons while 2.7 million tons of CPO were exported. Meanwhile, the total capacity of refineries was 22.8 million tons (MPOB). It shows that the refineries were working under-capacity, thus producing inefficiency in the industry due to use of excess capital cost in PPO production.

The purpose of this paper is to study the efficiency trend of the Malaysian PPO industry in the years 1996 to 2009 by applying DEA method.

Ballesterro & Maldonado (2004) pointed to the characteristics of the DEA. They implied that DEA applies linear programming to evaluate past management function to find the relative efficiency score of DMUs. In other words, DEA introduces the set of efficient DMUs against the set of inefficient DMUs. Since 1978 when the DEA was introduced for the first time by Charnes, Cooper, & Rhodes (1978), this method has been applied

widely in different empirical and theoretical studies. Some studies applied this method in order to measure the efficiency of the DMUs relative to each other. Other studies tried to develop this method to make it applicable in measuring the efficiency of DMUs based on the different characteristics in different industries (Banker, 1993; Banker, Charnes, & Cooper, 1984; Chen, Du, David Sherman, & Zhu, 2010; Cooper, Huang, Li, Parker, & Pastor, 2007; Fare, Grosskopf, & Lovell, 1985 and Fare, Grosskopf, & Lovell, 1994).

The production process of the PPO industry can be divided into two stages: refining and fractionating. Therefore, the two-stage-DEA models are more suitable for measuring the efficiency of the palm oil refineries.

In recent years, a considerable number of DEA studies investigated two-stage production systems. The mentioned studies usually supposed that all outputs from the first stage are intermediate products and have been used as the inputs of the second stage. See for example (Chen, Cook, Li, & Zhu, 2009; Chen & Zhu, 2004; Kao & Hwang, 2008; Seiford & Zhu, 1999; and Wang & Chin, 2010) among others.

In the case of the palm oil refineries, the inputs of the system are CPO, Labor, Capital, water, electricity and fuel. The total declared refining loss of CPO in the refining stage for all firms is less than one percent; i.e. they are using the CPO efficiently in the system. Thus, this study chooses to give attention to capital cost, labor, water, electricity and fuel as the inputs of the system, which are shared in both stages of the production process. It means that we do not know how much of these inputs exactly are dedicated to each stage of production. This character of Malaysia's PPO industry leads us to apply the model by Chen et al.(2010), which is a two-stage DEA model based on sharing the inputs between different stages of production. They developed a different approach in which the overall efficiency

of the system can be decomposed into the additive of the efficiencies of the two-stages.

In addition, this study applies the Variable Return to Scale (VRS) assumption in order to measure the efficiency of this industry in Malaysia since the different capacity of the palm oil refineries is the source of different returns to scale among refineries (Coelli, Rao, O'Donnell, & Battese, 2002).

Similar to Banker, Janakiraman, & Natarajan (2004) and Bosetti, Cassinelli, & Lanza (2003), a DEA window analysis approach has been opted in this study. As a result, the refineries in different years are considered as different refineries. In this approach, the study compares the efficiency of a refinery with its own efficiency in different years as well as with the efficiency of different refineries. This helps the researchers to investigate the trend of the efficiency of the refineries in the years 1996, 2007 and 2009.

Section 2 discusses the method used to measure the efficiency of the industry base on a two-stage window DEA model. Section 3 argues about data and analyses the result of the model and efficiency of the Malaysia PPO industry. The final section draws the conclusions.

Two-stage DEA model with sharing inputs

Consider a generic two-stage process with shared inputs as shown in Figure 2. Suppose that there is a set of n , DMUs and each DMU_j ($j=1, \dots, n$) has m inputs, s outputs and D intermediate products. These Inputs (outputs) are divided into three parts:

Figure 2 shows a graphical representation of a two-stage process with shared inputs. Consider n two-stage processes, DMU_j ($j=1, \dots, n$), with m inputs, p intermediate products and s outputs.

Let x_{ij}^k , $i \in I_k$ and y_{rj}^k , $r \in O_k$

be respectively the inputs and outputs of stage k , ($k=1,2$) and x_{ij}^s , $i \in I_s$ be the shared inputs among two stages. Also, let z_{dj} ($d=1, \dots, p$) be the intermediate

products of DMU_j that are the outputs of first stage as well as the inputs of second stage.

For each DMU_j ($j=1, \dots, n$), we define:

v_i^k : the multiplier of the input i , ($i \in I_k$), for stage k , ($k=1,2$),

u_r^k : the multiplier of output r , ($r \in O_k$) for stage k , ($k=1,2$),

η_d^k : the multiplier of intermediate product d ($d=1, \dots, p$) for stage k , ($k=1,2$),

v_i^s : the multiplier of the shared input i , ($i \in I_s$) among two stages,

α_{ij} : the proportion of the shared input i , ($i \in I_s$) allocated to the first stage.

The VRS efficiency scores of DMU_j ($j=1, \dots, n$) in the first and the second stages are defined respectively as:

$$e_j^1 = \frac{\sum_{r \in O_1} u_r^1 y_{rj}^1 + \sum_{d=1}^p \eta_d^1 z_{dj} + u^A}{\sum_{i \in I_1} v_i^1 x_{ij}^1 + \sum_{i \in I_s} v_i^s \alpha_{ij} x_{ij}^s},$$

$$e_j^2 = \frac{\sum_{r \in O_2} u_r^2 y_{rj}^2 + u^B}{\sum_{i \in I_2} v_i^2 x_{ij}^2 + \sum_{d=1}^p \eta_d^2 z_{dj} + \sum_{i \in I_s} v_i^s (1 - \alpha_{ij}) x_{ij}^s}$$

Chen et al.(2010) defined the VRS overall efficiency score of DMU_j as the weighted sum of efficiency scores of two stages, namely, $w_1 e_j^1 + w_2 e_j^2$, where $w_1 + w_2 = 1$ and are proposed to reflect the relative importance or contribution of two stages. The general DEA model introduced by Chen et al.(2010) for measuring the relative efficiency of DMU_o under the assumption of VRS is as follows:

$$e_o^* = \max \quad w_1 e_o^1 + w_2 e_o^2$$

$$\text{s.t.} \quad e_j^1 \leq 1, \quad j = 1, \dots, n,$$

$$e_j^2 \leq 1, \quad j = 1, \dots, n,$$

$$\eta_d^1 = \eta_d^2 = \eta_d, \quad d = 1, \dots, p,$$

$$l_{ij}^1 \leq \alpha_{ij} \leq l_{ij}^2, \quad i \in I_s, j = 1, \dots, n,$$

$$u_r^k, v_i^k, v_i^s, \eta_d \geq \varepsilon, \quad \forall i, r, k, d.$$
(1)

where l_{ij}^1 and l_{ij}^2 are lower bound and upper bound, respectively, of allocative factor α_{ij} ($i \in I_s, j = 1, \dots, n$). Note that in this model, it is assumed that $\eta_d^1 = \eta_d^2 = \eta_d$, that is, every intermediate product has the same multiplier, no matter whether it plays the role of input or output.

By setting

$$w_1 = \frac{\sum_{i \in I_1} v_i^1 x_{ij}^1 + \sum_{i \in I_s} v_i^s \alpha_{ij} x_{ij}^s}{\sum_{i \in I_1} v_i^1 x_{ij}^1 + \sum_{i \in I_2} v_i^2 x_{ij}^2 + \sum_{i \in I_s} v_i^s x_{ij}^s + \sum_{d=1}^p \eta_d z_{dj}}, \quad (2)$$

$$w_2 = \frac{\sum_{i \in I_2} v_i^2 x_{ij}^2 + \sum_{i \in I_s} v_i^s (1 - \alpha_{ij}) x_{ij}^s + \sum_{d=1}^p \eta_d z_{dj}}{\sum_{i \in I_1} v_i^1 x_{ij}^1 + \sum_{i \in I_2} v_i^2 x_{ij}^2 + \sum_{i \in I_s} v_i^s x_{ij}^s + \sum_{d=1}^p \eta_d z_{dj}},$$

model (1) becomes as follows:

$$e_o^* = \max \frac{\sum_{r \in O_1} u_r^1 y_{ro}^1 + \sum_{d=1}^p \eta_d z_{do} + u^A + \sum_{r \in O_2} u_r^2 y_{ro}^2 + u^B}{\sum_{i \in I_1} v_i^1 x_{io}^1 + \sum_{i \in I_2} v_i^2 x_{io}^2 + \sum_{i \in I_s} v_i^s x_{io}^s + \sum_{d=1}^p \eta_d z_{do}},$$

$$\text{s.t. } \frac{\sum_{r \in O_1} u_r^1 y_{rj}^1 + \sum_{d=1}^p \eta_d z_{dj} + u^A}{\sum_{i \in I_1} v_i^1 x_{ij}^1 + \sum_{i \in I_s} v_i^s \alpha_{ij} x_{ij}^s} \leq 1, \quad j = 1, \dots, n, \quad (3)$$

$$\frac{\sum_{r \in O_2} u_r^2 y_{rj}^2 + u^B}{\sum_{i \in I_2} v_i^2 x_{ij}^2 + \sum_{d=1}^p \eta_d z_{dj} + \sum_{i \in I_s} v_i^s (1 - \alpha_{ij}) x_{ij}^s} \leq 1, \quad j = 1, \dots, n,$$

$$l_{ij}^1 \leq \alpha_{ij} \leq l_{ij}^2, \quad i \in I_s, j = 1, \dots, n,$$

$$u_r^k, v_i^k, \eta_d \geq \varepsilon, \quad \forall i, r, k, d,$$

By using the Charnes & Cooper (1962) transformation, model (3) can be converted to the following model:

$$e_o^* = \max \frac{\sum_{r \in O_1} \mu_r^1 y_{ro}^1 + \sum_{d=1}^p \pi_d z_{do} + u^1 + \sum_{r \in O_2} \mu_r^2 y_{ro}^2 + u^2}{\sum_{i \in I_1} v_i^1 x_{io}^1 + \sum_{i \in I_2} v_i^2 x_{io}^2 + \sum_{i \in I_s} v_i^s x_{io}^s + \sum_{d=1}^p \pi_d z_{do}} = 1,$$

$$\text{s.t. } \sum_{r \in O_1} \mu_r^1 y_{rj}^1 + \sum_{d=1}^p \pi_d z_{dj} + u^1 - \sum_{i \in I_1} v_i^1 x_{ij}^1 - \sum_{i \in I_s} v_i^s \alpha_{ij} x_{ij}^s \leq 0, \quad j = 1, \dots, n,$$

$$\sum_{r \in O_2} \mu_r^2 y_{rj}^2 + u^2 - \sum_{i \in I_2} v_i^2 x_{ij}^2 - \sum_{d=1}^p \pi_d z_{dj} - \sum_{i \in I_s} v_i^s (1 - \alpha_{ij}) x_{ij}^s \leq 0, \quad j = 1, \dots, n, \quad (4)$$

$$l_{ij}^1 \leq \alpha_{ij} \leq l_{ij}^2, \quad i \in I_s, j = 1, \dots, n,$$

$$\mu_r^k, v_i^k, \eta_d \geq \varepsilon, \quad \forall i, r, k, d,$$

Since α_{ij} is a decision variable, model (4) is still non-linear. By making the change of variable $\beta_{ij} = v_i^s \alpha_{ij}$, model (4) can be converted into the following linear model:

$$e_o^* = \max \frac{\sum_{r \in O_1} \mu_r^1 y_{ro}^1 + \sum_{d=1}^p \pi_d z_{do} + \sum_{r \in O_2} \mu_r^2 y_{ro}^2 + u^1 + u^2}{\sum_{i \in I_1} v_i^1 x_{io}^1 + \sum_{i \in I_2} v_i^2 x_{io}^2 + \sum_{i \in I_s} v_i^s x_{io}^s + \sum_{d=1}^p \pi_d z_{do}} = 1,$$

$$\text{s.t. } \sum_{r \in O_1} \mu_r^1 y_{rj}^1 + \sum_{d=1}^p \pi_d z_{dj} + u^1 - \sum_{i \in I_1} v_i^1 x_{ij}^1 - \sum_{i \in I_s} \beta_{ij} x_{ij}^s \leq 0, \quad j = 1, \dots, n,$$

$$\sum_{r \in O_2} \mu_r^2 y_{rj}^2 + u^2 - \sum_{i \in I_2} v_i^2 x_{ij}^2 - \sum_{d=1}^p \pi_d z_{dj} - \sum_{i \in I_s} (v_i^s - \beta_{ij}) x_{ij}^s \leq 0, \quad j = 1, \dots, n,$$

$$v_i^k \leq \beta_{ij} \leq v_i^k l_{ij}^2, \quad i \in I_s, j = 1, \dots, n,$$

$$\mu_r^k, v_i^k, \eta_d \geq \varepsilon, \quad \forall i, r, k, d, \quad (5)$$

After solving model (5), the efficiency scores of the two individual stages can be calculated accordingly. However, due to model (5) which can have alternative optimal solutions, the decomposition of the overall efficiency namely, $e_j = w_1 e_j^1 + w_2 e_j^2$ may not be unique. For solving this problem, based on Chen et al. (2010), a set of multipliers is obtained, which produces the largest first (second) efficiency score while keeping the overall efficiency score evaluated from model (5).

If the efficiency of the first stage is pre-emptive priority to the decision maker, we first calculate the efficiency score of the first stage by the following LP model:

$$e_o^{1*} = \max \frac{\sum_{r \in O_1} \mu_r^1 y_{ro}^1 + \sum_{d=1}^p \pi_d z_{do} + u^1}{\sum_{i \in I_1} v_i^1 x_{io}^1 + \sum_{i \in I_s} \beta_{io}^s x_{io}^s} = 1,$$

$$\text{s.t. } \sum_{r \in O_1} \mu_r^1 y_{rj}^1 + \sum_{d=1}^p \pi_d z_{dj} + u^1 - \sum_{i \in I_1} v_i^1 x_{ij}^1 - \sum_{i \in I_s} \beta_{ij} x_{ij}^s \leq 0, \quad j = 1, \dots, n,$$

$$\sum_{r \in O_2} \mu_r^2 y_{rj}^2 + u^2 - \sum_{i \in I_2} v_i^2 x_{ij}^2 - \sum_{d=1}^p \pi_d z_{dj} - \sum_{i \in I_s} (v_i^s - \beta_{ij}) x_{ij}^s \leq 0, \quad j = 1, \dots, n,$$

$$(1 - e_o^*) \sum_{d=1}^p \pi_d z_{do} + \sum_{r \in O_1} \mu_r^1 y_{ro}^1 + \sum_{r \in O_2} \mu_r^2 y_{ro}^2 + u^1 + u^2$$

$$- e_o^* (\sum_{i \in I_1} v_i^1 x_{io}^1 + \sum_{i \in I_2} v_i^2 x_{io}^2 + \sum_{i \in I_s} v_i^s x_{io}^s) = 0,$$

$$w_1^* (\sum_{r \in O_1} \mu_r^1 y_{ro}^1 + \sum_{d=1}^p \pi_d z_{do} + u^1) \leq e_o^*,$$

$$v_i^k l_{ij}^1 \leq \beta_{ij} \leq v_i^k l_{ij}^2, \quad i \in I_s, j = 1, \dots, n,$$

$$\mu_r^k, v_i^k, \eta_d \geq \varepsilon, \quad \forall i, r, k, d, \quad (6)$$

Then, we obtain the efficiency score of the second stage via $e_o^2 = (e_o^* - w_1^* e_o^{1*}) / w_2^*$.

On the other hand, if the efficiency of the second stage is pre-emptive priority to the decision maker, we first measure the efficiency score of the second stage by the following model:

$$e_o^{2*} = \max \frac{\sum_{r \in O_2} \mu_r^2 y_{ro}^2 + u^2}{\sum_{i \in I_2} v_i^2 x_{io}^2 + \sum_{d=1}^p \pi_d z_{do} + \sum_{i \in I_s} (v_i^s - \beta_{io}^s) x_{io}^s} = 1,$$

$$\text{s.t. } \sum_{r \in O_1} \mu_r^1 y_{rj}^1 + \sum_{d=1}^p \pi_d z_{dj} + u^1 - \sum_{i \in I_1} v_i^1 x_{ij}^1 - \sum_{i \in I_s} \beta_{ij} x_{ij}^s \leq 0, \quad j = 1, \dots, n,$$

$$\sum_{r \in O_2} \mu_r^2 y_{rj}^2 + u^2 - \sum_{i \in I_2} v_i^2 x_{ij}^2 - \sum_{d=1}^p \pi_d z_{dj} - \sum_{i \in I_s} (v_i^s - \beta_{ij}) x_{ij}^s \leq 0, \quad j = 1, \dots, n, \quad (7)$$

$$(1 - e_o^*) \sum_{d=1}^p \pi_d z_{do} + \sum_{r \in O_1} \mu_r^1 y_{ro}^1 + \sum_{r \in O_2} \mu_r^2 y_{ro}^2 + u^1 + u^2$$

$$- e_o^* (\sum_{i \in I_1} v_i^1 x_{io}^1 + \sum_{i \in I_2} v_i^2 x_{io}^2 + \sum_{i \in I_s} v_i^s x_{io}^s) = 0,$$

$$w_2^* (\sum_{r \in O_2} \mu_r^2 y_{ro}^2 + u^2) \leq e_o^*,$$

$$v_i^k l_{ij}^1 \leq \beta_{ij} \leq v_i^k l_{ij}^2, \quad i \in I_s, j = 1, \dots, n,$$

$$\mu_r^k, v_i^k, \eta_d \geq \varepsilon, \quad \forall i, r, k, d,$$

Then, the efficiency score of the first stage is obtained as $e_o^1 = (e_o^* - w_2^* e_o^{2*}) / w_1^*$. In our study we suppose that the first stage has priority for the manager because during the first stage the RBDPO would be produced and it could be sold directly with a premium price in the market or used as feedstock for the fractionation stage in

order to produce RBD Olein which has also premium price. Therefore increase in output of the first stage makes it more important for the managers. Note that so far the discussion is based on the assumption of VRS. If we assume $u^A = u^B = 0$ and also $u^1 = u^2 = 0$ in the above models, then the discussion can be applied for constant returns to scale (CRS) cases. As has been mentioned earlier in our study we use the model based on VRS assumption since the different capacities of the refineries do produce variable returns to scale for them.

THE DATA AND RESULT

In 2009, the Malaysian PPO industry comprised 51 active refineries producing important products like RBDPO and RBD Olein, which have a premium price and they are the main contributors to the refineries' turnovers. The applied data in this study are primary data collected from field survey of 27 active refineries out of all active refineries in west and east Malaysia in years 1996 to 2009 in order to compare the efficiency trend and market share trend of PPO industry in the world market.

The data collection was done by administering structural questionnaires which were sent to the palm oil refineries. The questionnaires provide more reliable information in relation to inputs and outputs which are not usually available in secondary data. As has been mentioned above, the production process in the palm oil refineries can be divided into two stages. In the first stage, the refinery transforms the CPO to RBDPO and PFAD. The PFAD, as the output of the refining stage is supplied directly to the market. Although RBDPO could also be sold directly in the market, a considerable volume of produced RBDPO is usually used as an intermediate product and is fractionated to RBD Olein and RBD Stearin in the second stage. In both stages the labor, capital, water, electricity and fuel are shared and applied as the inputs of the system. Therefore, the inputs of the system, which are shared to both stages, are:

1. Labor (x_1^s): number of employees in persons during the each year,

2. Capital cost (x_2^s): The capital cost in each year is calculated based on declared volume of total fixed assets in questionnaire in thousands Ringgit Malaysia (RM) as: capital cost = total fixed assets* (long term government bond rate + depreciation rate),
3. Water (x_3^s): Total consumption of the refineries for water during each year in liter.
4. Electricity (x_4^s): Total consumption of the refineries for electricity during each year in KWH.
5. Fuel (x_5^s): Total payment of the refineries for fuel during each year in RM.

The outputs of the first stage, which are not passed to the second stage, are:

1. Refined Bleached Deodorized palm oil (RBDPO) (y_1^1): part of RBDPO sold in the market directly in Tons,
2. Palm Fatty Acid Distillate (PFAD) (y_1^2): Supplied to the market in Tons.

The intermediate product, which is output of the first stage as well as input of the second stage, is:

1. Refined Bleached Deodorized palm oil (RBDPO) (z_1): part of RBDPO passed to second stage in Tons,

The outputs of the second stage are:

1. Refined Bleached Deodorized Palm Stearin (RBD Stearin) (y_1^2): in Tons,
2. Refined Bleached Deodorized Olein Palm oil (RBD Olein) (y_2^2): in Tons.

In Table 1, we present basic statistics for input and output variables in the years 1996 to 2009: mean, standard deviation, minimum and maximum values.

Applying the Model (5) we calculated the overall efficiency score of the refineries. Subsequently by applying Model (6), regarding the priority of the refining stage, the efficiency rate of the first stage was calculated. Then, after obtaining the efficiency score of the second stage via

$$e_o^2 = (e_o^* - w_1^* e_o^{1*}) / w_2^*$$

Note that since we do not have the lower and upper bounds of proportions of shared inputs

between two stages, so we ignored the constraints related to portion of inputs. In addition, we have supposed that the portions of shared inputs are fixed for all refineries.

The result of the model is reflected in Table 2. The efficiency rate for some firms in some years has not been calculated since some of them had not been established for example in year 2007 or 1996 (Firms 20, 21, 23 and 24) and the data on others (Firms 2, 10 and 12) were not available. As it has been indicated by Banker & Chang (2006) removing the outliers by applying the super efficiency model increases the accuracy of efficiency estimates so for example in year 2001, the super efficiency of the Firms 4 and 6 were too high. Therefore they have been removed from data references as outliers.

Based on the result, the mean efficiency of the palm oil refineries was reduced from 99.4% in year 1996 to 91% in 2009.

It is now widely accepted that there is a contributory linkage between competitiveness (market share could be considered as a proxy for competitiveness) and inherent advantages of specialization which stem from efficiency (Krugman, 1994). Based on our results, the efficiency trend in years 1996 to 2009 reflects the changes in the Malaysia PPO world market share in these years. It implies to positive relationship between efficiency and market share of the refineries.

Smith (1937) explains that if one country produces a commodity more efficiently than other countries then the country will benefit from international trade. It means that reduction in the Malaysian PPO refineries' efficiency may lead to decrease in the competitiveness of Malaysian PPO in the world market, which it would also be reflected in the decrease in market share of the country in the world market.

The results show that the fluctuations in the efficiency and market share of the Malaysia in the PPO world market is according to the classical trade theory as the Spearman's rank correlation between

technical efficiency and Malaysia PPO market share in the world market is 90%. Furthermore the causality test also rejects the null hypothesis that efficiency is not granger cause of market share at 10% level of significance. However, the null hypothesis that market share is granger cause of efficiency is rejected. It could be concluded that decrease in the market share of the Malaysia in the world market not only is due to increase in Indonesia market share but also is because of decrease in the efficiency of the PPO refineries in the Malaysia.

The results imply that the inefficiency of the Malaysia PPO industry is more related to inefficiency of the first stage of the production process or the refining stage. The refining stage efficiency was considerably reduced from 99.4% in year 1996 to 91% in year 2009. The decrease in the efficiency of the fractionation stage has not been as significant as the refining stage. Therefore, the managers should concentrate more on performance of the first stage in order to remove the inefficiency of the refineries and increase the competitiveness of the palm oil refining sector.

CONCLUSION

The palm oil industry in Malaysia has an important share in the socioeconomic development of Malaysia, contributing almost 4.4 % to the country's Gross Domestic Production (GDP) in 2010.

When the refinery's efficiency increases, consequently production cost decreases resulting in increased profit margin. In this case, the sustainability of the refinery against price reduction in the world market or increase in production cost due to increase in CPO prices, will increase. That is, decreasing the production cost by improving efficiency throughout the production chain is the main contributor to the global competitiveness of an industry.

Unfortunately Malaysia has experienced a downward PPO market share trend for the last

two decades. It seems that the decrease in market share is due to accelerating growth of the Indonesia palm oil industry. But based on the classical trade theories, inefficiency could be the source of decrease in competitiveness and as a result, market share reduction. Therefore, we have focused on the efficiency trend of Malaysia's palm oil refineries in this study.

Since the production process has been divided into two different stages, we can compare the performance of the refineries with each other as well as recognize the weak points of the performance. Based on the result, the efficiency of the industry has decreased from 99.4% in 1996 to 91% in 2009 and the inefficiency of the refineries is mostly related to first stage while inefficiency in the second stage is very low.

Based on the result of Spearman's rank correlation and granger test, efficiency and market share are positively related to each other and increase in inefficiency is one reason for market share reduction. Therefore, in order to increase the competitiveness and market share of the industry in the world market, the managers should concentrate on the performance of the first stage to improve the efficiency and as a result increase their competitiveness.

REFERENCES

- Ballesteros, E., & Maldonado, J. A. (2004). Objective measurement of efficiency: applying single price model to rank hospital activities. *Computers & Operations Research*, 31(4), 515-532. DOI: 10.1016/S0305-0548(02)00231-9.
- Banker, R. D. (1993). Maximum likelihood, consistency and data envelopment analysis: a statistical foundation. *Management science*, 1265-1273. DOI: 10.1287/mnsc.39.10.1265.
- Banker, R. D., & Chang, H. (2006). The super-efficiency procedure for outlier identification, not for ranking efficient units. *European journal of operational research*, 175(2), 1311-1320. DOI: 10.1016/j.ejor.2005.06.028.
- Banker, R. D., Charnes, A., & Cooper, W. W. (1984). Some models for estimating technical and scale inefficiencies in data envelopment analysis. *Management science*, 1078-1092. DOI: 10.1287/mnsc.30.9.1078.
- Banker, R. D., Janakiraman, S., & Natarajan, R. (2004). Analysis of trends in technical and allocative efficiency: An application to Texas public school districts. *European journal of operational research*, 154(2), 477- 491. DOI:10.1016/S0377-2217(03)00183-8.
- Bosetti, V., Cassinelli, M., & Lanza, A. (2003). *Using data envelopment analysis to evaluate environmentally conscious tourism management*. Paper presented at the conference Tourism and Sustainable Development- Macro and Micro Economic Issues, Chia, Italy, September 19-20, 2003. DOI:10.2139/ssrn.541124.
- Charnes, A., & Cooper, W. W. (1962). Programming with linear fractional functionals. *Naval Research logistics quarterly*, 9, 181- 186. DOI: 10.1002/nav.3800090303.
- Charnes, A., Cooper, W. W., & Rhodes, E. (1978). Measuring the efficiency of decision making units. *European journal of operational research*, 2(6), 429-444. DOI:10.1016/0377-2217(78)90138-8.
- Chen, Y., Cook, W. D., Li, N., & Zhu, J. (2009). Additive efficiency decomposition in two-stage DEA. *European journal of operational research*, 196(3), 1170-1176. DOI:10.1016/j.ejor.2008.05.011.
- Chen, Y., Du, J., David Sherman, H., & Zhu, J. (2010). DEA model with shared resources and efficiency decomposition. *European*

- journal of operational research*, 207(1), 339- 349. DOI:10.1016/j.ejor. 2010.03.031.
- Chen, Y., & Zhu, J. (2004). Measuring information technology's indirect impact on firm performance. *Information Technology and Management*, 5(1), 9-22. DOI: 10.1023/B:ITEM.0000008075.43543.97.
- Coelli, T. J., Rao, D. S., O'Donnell, C. J., & Battese, G. E. (2002). *An Introduction to Efficiency and Productivity Analysis* (2ed.). New York, New Jersey. : Springer. ISBN-13: 9780387242668.
- Cooper, W. W., Huang, Z., Li, S. X., Parker, B. R., & Pastor, J. T. (2007). Efficiency aggregation with enhanced Russell measures in data envelopment analysis. *Socio-Economic Planning Sciences*, 41(1), 1-21. DOI:10.1016/j.seps.2006.03.001.
- Fare, R., Grosskopf, S., & Lovell, C. A. K. (1985). *The measurement of efficiency of production*. Boston: Kluwer Academic publishers. ISBN: 089838155X.
- Fare, R., Grosskopf, S., & Lovell, C. A. K. (1994). *Production frontiers*. UK: Cambridge University Press. ISBN:0521 42033 4.
- Kao, C., & Hwang, S. N. (2008). Efficiency decomposition in two-stage data envelopment analysis: An application to non-life insurance companies in Taiwan. *European journal of operational research*, 185(1), 418-429. DOI: 10.1016/j.ejor.2006.11.041.
- Krugman, P. (1994). The myth of Asia's miracle. *Foreign affairs*, 62-78. URL: <http://www.jstor.org/stable/20046929>.
- MPOB. Malaysian Palm Oil Board website, Official reports 2003 & 2008 & 2009. Retrieved April 2012, from <http://www.Mpob.gov.My>.
- Seiford, L. M., & Zhu, J. (1999). Profitability and marketability of the top 55 US commercial banks. *Management science*, 1270-1288. DOI: 10.1287/mnsc.45.9.1270.
- Smith, A. (Ed.). (1937). *The Wealth of Nations* (1776): New York: Modern Library. ISBN-13:978-1604598919.
- UN-data. United Nation website. Retrieved August 2011, from <http://data.un.org/Explorer.aspx?d=ComTrade>
- Wang, Y. M., & Chin, K. S. (2010). Some alternative DEA models for two-stage process. *Expert Systems with Applications*, 37(12), 8799-8808. DOI: 10.1016/j.eswa.2010.06.024.

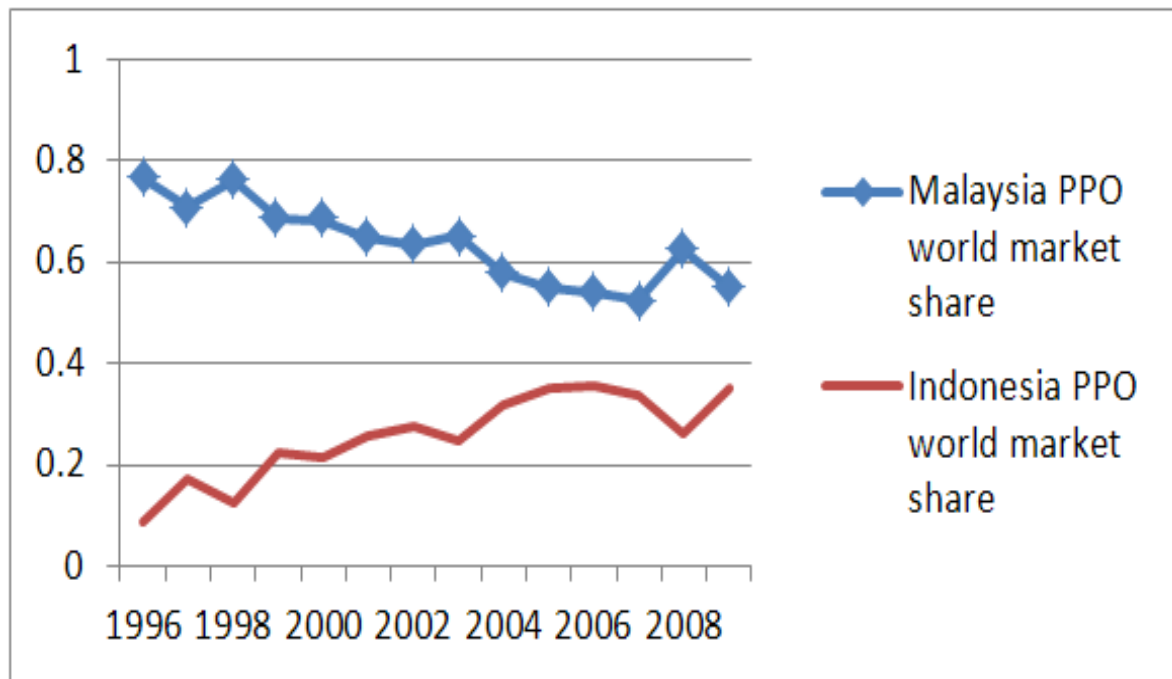


Figure 1: Malaysia and Indonesia PPO market share in the international market during the period (1996-2009)

Source: Graph has been drawn based on extracted data from UNdata website.

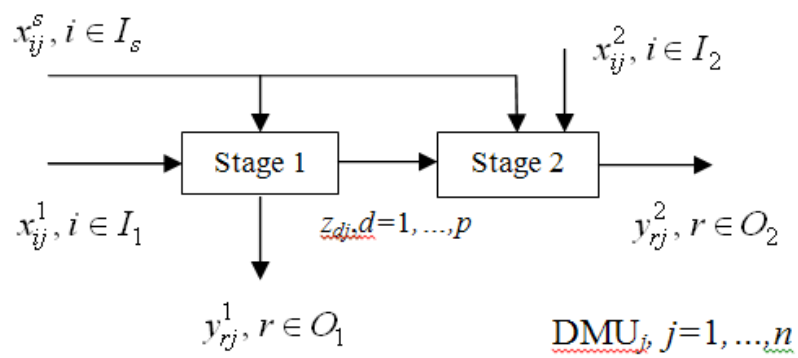


Figure 2: Two-stage process with shared inputs

Table 1. Data set of the 27 palm oil refineries in years 1996 to 2009.

Year		Shared inputs					1st stage outputs		Intermediate product	2ed stage outputs	
		labor	capital	water	electricity	fuel	RBD PO	PFAD	RBD PO	RBD Olein	RBD Stearin
1996	Mean	9.5	8369.21	378426.17	2542683.8	4069559.2	42369.17	15304.17	360655.78	68506.61	249780
	St. Dev.	1.54	6748.73	378574.95	3393621.1	10174749	60910.77	6743.62	140395.06	23924.19	129794.22
	Max.	12	27429.61	968432	9258120	41350500	191858	30988	595988	99331	496657
	Min.	6	785.43	82910	92582	247392.33	0	951	11894	2973	7731
1997	Mean	9.32	9117.58	417791.63	2572930.7	3912091.7	39622	16013.32	365361.32	71437.89	254301.42
	St. Dev.	1.38	7230.89	396857.77	3328788.9	9847483.4	60536.24	5730.34	133562.5	24431.66	120091.75
	Max.	12	29271.29	987834	9447062	41100092	225380	27004	585944	98730	487214
	Min.	6	797.64	89207	94620	241816.56	0	1001	12520	3130	8138
1998	Mean	9.6	9493.11	436836.7	2906017.7	5474525.6	27507.3	16781.6	381727.95	75409.4	278811.25
	St. Dev.	1.57	8264.22	386649.9	3535968	12278053	38836	6543.55	134822.69	23374.91	113646.69
	Max.	12	35935.04	985729	9639869	39839206	134575	33901	635654	105942	529712
	Min.	6	835.73	93100	94320	230005.68	0	1054	13180	3295	8567
1999	Mean	9.6	7822.02	426798.95	2941937.7	3686841.3	34994.05	17073.7	382618.5	73355.35	274269.1
	St. Dev.	1.57	6474.41	373826.43	3591234.3	9337373.4	35380.32	5931.74	129485.27	21566.55	106686.44
	Max.	12	25900.9	973244	9836591	39974229	92176	28620	607142	101190	505952
	Min.	6	710.65	96271	95660	224283.3	0	1171	14644	3661	9518
2000	Mean	9.68	6867.37	427247.59	2823150.6	3521921.8	38056.41	16508.41	395512.14	75189.05	282266.68
	St. Dev.	1.59	5145.17	381043.64	3528414.8	9169768.8	97637.31	6568.62	157199.33	27691.87	137226.28
	Max.	12	23106.89	967011	10037338	41010388	458318	27851	597384	99564	497820
	Min.	6	683.6	99337	96742	215332.33	0	1301	16271	4067	10576
2001	Mean	9.91	5795.95	435736.04	2344691.3	3416785.7	38738.43	14767.09	389423.22	74946.57	275738.22
	St. Dev.	1.68	4523.12	387702.57	3146958.3	9052311.3	70569.77	7417.16	167597.14	30942.97	139521.55
	Max.	12	20300.45	997431	10242182	41262762	333634	27017	578940	96756	482450
	Min.	6	19.74	101327	97592	210211.29	0	240	6592	1318	4284
2002	Mean	10.38	6163.78	415698.5	2712581.3	4405988.8	16710.71	13643.08	491062.29	66862.21	407489.38
	St. Dev.	1.76	5236.2	372180.66	3530791.2	9895303.7	51165.53	7615.04	259041.93	27917.41	255945.72
	Max.	12	20909.91	978327	10254324	38971183	240467	35402	360655.78	96962	785078
	Min.	6	21.04	98734	97272	214502.2	0	238	140395.06	1336	4342

Continue Table 1. Data set of the 27 palm oil refineries in years 1996 to 2009.											
year		Shared inputs					1st stage outputs		Intermediate product	2ed stage output	
		Labor	capital	water	electricity	fuel	RBD PO	PFAD	RBD PO	RBD Olein	RBD Stearin
2003	Mean	10.75	6295.92	423390.04	3074597.13	4584985.93	20313.71	14885.5	549784.96	71326.67	458144.58
	St. Dev.	1.75	5528.84	379988.25	3712375.21	10427597.46	57856.73	6911.25	311791.37	29430.26	310411.63
	Max.	12	22238.33	987364	10266480	39375586.29	259212	28123	957642	100442	871438
	Min.	6	22.53	102454	98808	212559.71	0	242	6790	1340	4413
2004	Mean	11.38	6639.01	420939.79	3112352	4907778.28	49333.75	15783.67	389042.5	76192.04	263516.71
	St. Dev.	1.53	5462.97	372709.38	3759786.11	11506681.97	90536.03	8051.21	163707.37	32286.94	150876.68
	Max.	12	22159.44	987622	10282460	41397060.09	345192	32004	685814	114302	571512
	Min.	6	25.12	100973	98756	193317.26	0	241	6980	1396	4102
2005	Mean	11.38	6114.39	435907.88	3111492.17	4724226.1	18165.42	16957.13	399835.04	75983.54	305686.08
	St. Dev.	1.53	5191.94	383328.51	3748250.2	11017377.82	27331.77	8165.19	165625.28	31345.76	137216.34
	Max.	12	20990.82	994033	10302000	40439983	109272	34720	638141	124002	562714
	Min.	6	24.56	103233	100264	207188	0	258	7020	1404	4703
2006	Mean	11.5	7081.37	444815.5	3586637.17	4728504.87	12635.17	16295.29	367992.42	75409.71	279947.54
	St. Dev.	1.44	6309.96	387763.97	4109018.1	11074088.29	24416.47	7577.23	140605.4	30832.45	112858.75
	Max.	12	22764.53	1000233	11214741	40793434.81	103935	38578	551124	137781	413343
	Min.	6	263.4	102776	100942	183114.95	0	262	7320	1464	4758
2007	Mean	11.54	6511.49	434330.73	3018208.04	4395895.13	25952.35	20433.81	363077.58	69778.62	267346.62
	St. Dev.	1.39	6481.66	369617.76	3754905.81	10774378.72	29606.46	25210.69	147429.61	30921.15	122841.93
	Max.	12	30592.91	1003721	10410202	40753763.59	89308	137280	612360	153090	496777
	Min.	6	85.65	105937	102924	173228.09	0	273	7420	1484	4971
2008	Mean	11.22	6543.94	435761.96	3241427.85	5401050.97	45919.41	17479.26	387685.52	73907.93	267858.19
	St. Dev.	1.78	6134.84	378337.59	3818049.6	11785804.01	75715.26	9808.23	159261.04	33896.05	137059.88
	Max.	12	29543.24	1176222	10510104	39020789.78	386305	47628	680400	170100	541375
	Min.	6	512.1	106210	104834	191336.54	0	283	7690	1538	5152
2009	Mean	11.22	6480.43	446045.7	2754043.48	4236985.89	40689.56	17859.11	395072.93	71851.67	282531.7
	St. Dev.	1.78	5873.26	391239.78	3629440.66	10130263.09	48400.84	10647.37	161025.06	36268.45	142333.81
	Max.	12	28220.98	1277622	10800000	39599132.98	217668	52900	756000	189000	567000
	Min.	6	504.37	106378	108000	190319.69	0	275	14263	1542	5011

Table 2 . Efficiency scores of 27 Palm oil refineries in years 1996 to 2009

	1996			1997			1998			1999			2000			2001			2002		
	Total	E1	E2	Total	E1	E2	Total	E1	E2	Total	E1	E2	Total	E1	E2	Total	E1	E2	Total	E1	E2
1	1	1	1	0.999	0.992	1	0.984	0.983	0.993	0.978	0.979	0.969	0.978	0.975	0.978	0.986	0.97	0.988	1	1	1
2	-	-	-	-	-	-	0.871	0.866	0.872	0.878	0.873	0.923	0.882	0.865	0.884	0.951	0.899	0.957	1	1	1
3	0.962	0.891	0.97	1	1	1	0.989	0.893	1	1	1	1	0.95	0.914	0.954	0.963	0.827	0.996	0.903	0.872	0.991
4	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	-	-	-	1	1	1
5	0.983	0.979	0.983	0.986	0.976	0.987	0.984	0.983	0.984	0.976	0.976	0.976	0.98	0.974	0.981	0.998	0.981	1	0.994	0.992	1
6	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	-	-	-	1	1	1
7	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
8	1	1	1	0.999	0.999	0.999	0.999	0.999	0.999	0.999	0.999	0.999	0.998	0.998	0.998	0.997	0.997	0.997	0.917	0.917	0.917
9	1	1	1	0.987	0.987	0.987	0.984	0.984	0.984	0.985	0.986	0.976	0.986	0.987	0.977	0.994	0.995	0.985	1	1	1
10	1	1	1	0.999	0.999	0.999	0.974	0.976	0.974	0.97	0.969	0.97	0.997	0.997	0.997	0.997	0.997	0.997	1	1	1
11	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0.999	0.994	1	-	-	-
12	-	-	-	0.994	0.994	0.994	0.996	0.991	0.997	0.991	0.995	0.991	0.994	0.994	0.994	1	1	1	0.987	0.982	1.001
13	1	1	1	1	1	1	1	1	1	1	1	1	0.999	0.999	0.999	0.998	0.998	0.998	1	1	1
14	1	1	1	0.996	0.995	0.996	0.983	0.976	0.984	0.972	0.964	1	1	1	1	0.96	0.945	1	0.929	0.911	0.998
15	0.998	0.99	0.999	0.999	0.998	0.999	0.998	0.999	0.989	0.995	0.995	0.995	1	1	1	0.999	0.995	0.999	1	1	1
16	0.991	0.99	0.991	0.99	0.988	0.99	0.994	0.994	0.994	0.987	0.986	0.987	0.999	0.999	0.999	0.999	0.999	0.999	0.942	0.895	0.947
17	0.985	0.985	0.985	0.988	0.989	0.979	0.984	0.984	0.984	0.985	0.986	0.976	0.986	0.985	0.986	0.993	0.987	0.994	0.984	0.983	0.984
18	0.978	0.976	0.978	0.972	0.973	0.973	0.974	0.973	0.974	0.97	0.967	0.97	0.748	0.733	0.754	0.751	0.74	0.772	0.754	0.738	0.783
19	0.989	0.989	0.989	0.988	0.988	0.989	0.991	0.99	0.991	0.99	0.99	0.99	1	1	1	0.884	0.804	0.893	1	1	1
20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.995	0.997	0.977
21	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	0.997	0.997	0.997	0.994	0.994	0.994	0.996	0.996	0.996	1	1	1	1	1	1	1	1	1	1	1	1
23	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1	1
24	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26	-	-	-	-	-	-	-	-	-	-	-	-	1	1	1	0.997	0.996	1	0.999	0.998	1
27	-	-	-	-	-	-	-	-	-	-	-	-	1	1	1	1	1	1	1	1	1
mean	0.994	0.989	0.994	0.994	0.993	0.994	0.985	0.979	0.986	0.984	0.983	0.986	1.994	0.974	0.977	0.968	0.956	0.979	0.974	0.969	0.983

Table 2 . Efficiency scores of 27 Palm oil refineries in years 1996 to 2009

	2003			2004			2005			2006			2007			2008			2009		
	Total E	E1	E2	Total E	E1	E2	Total E	E1	E2	Total E	E1	E2	Total E	E1	E2	Total E	E1	E2	Total E	E1	E2
1	-	-	-	0.861	0.849	0.969	0.847	0.834	0.964	0.851	0.84	0.95	0.811	0.8	0.91	0.829	0.819	0.919	0.786	0.765	0.975
2	1	1	1	0.688	0.667	0.873	0.708	0.671	0.967	0.696	0.69	0.75	0.679	0.673	0.733	0.693	0.688	0.738	0.682	0.665	0.768
3	0.88	0.844	0.884	0.867	0.829	0.989	1	1	1	0.994	0.994	0.994	0.901	0.875	0.998	0.904	0.837	0.911	0.973	0.963	0.999
4	-	-	-	0.948	0.946	0.966	1	1	1	0.966	0.962	0.992	0.94	0.936	0.964	1	1	1	0.952	0.948	0.96
5	1	1	1	0.841	0.828	0.958	0.85	0.944	0.004	0.838	0.826	0.946	0.8	0.788	0.908	0.809	0.797	0.917	0.778	0.762	0.922
6	0.966	0.951	0.976	1	1	1	1	1	1	1	1	1	-	-	-	1	1	1	1	1	1
7	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
8	0.909	0.909	0.909	0.912	0.912	0.912	0.905	0.905	0.905	0.897	0.996	0.006	0.944	0.944	0.944	0.922	0.923	0.913	0.932	0.935	0.905
9	0.906	0.899	0.969	0.919	0.913	0.973	0.94	0.936	0.976	0.959	0.956	0.986	0.981	0.978	0.982	1	1	1	-	-	-
10	1	1	1	0.998	0.989	0.999	0.997	0.99	0.998	1	1	1	1	1	1	1	1	1	-	-	-
11	1	1	1	0.978	0.978	0.978	0.986	0.985	0.995	0.991	0.991	0.991	0.997	0.997	0.997	1	1	1	1	1	1
12	1	1	1	1	1	1	0.974	0.93	0.979	0.969	0.912	0.986	0.917	0.891	0.999	0.748	0.747	0.748	0.97	0.965	1
13	0.997	0.997	0.997	-	-	-	1	1	1	0.998	0.998	0.998	0.996	0.996	0.996	1	1	1	-	-	-
14	0.933	0.913	0.99	-	-	-	0.988	0.985	0.998	0.888	0.84	0.97	0.967	0.955	0.999	1	1	1	1	1	1
15	-	-	-	0.883	0.868	0.885	0.938	0.928	0.996	0.877	0.857	0.987	0.914	0.894	0.916	1	1	1	0.875	0.853	0.999
16	0.784	0.755	0.787	0.969	0.957	0.97	0.906	0.878	0.909	0.976	0.92	0.982	-	-	-	1	1	1	1	1	1
17	0.994	0.992	0.994	0.78	0.748	0.784	0.768	0.748	0.77	0.751	0.742	0.832	0.747	0.746	0.756	0.764	0.744	0.944	0.748	0.746	0.766
18	0.845	0.52	0.937	0.798	0.741	0.804	0.811	0.743	0.819	0.818	0.744	0.826	0.825	0.746	0.834	0.848	0.752	0.859	0.856	0.755	0.867
19	-	-	-	0.821	0.759	0.828	0.831	0.79	0.836	0.828	0.779	0.833	0.75	0.748	0.767	0.824	0.8	0.983	0.791	0.761	0.997
20	1	1	1	1	1	1	0.858	0.845	0.975	0.834	0.82	0.96	0.819	0.807	0.927	0.91	0.911	0.901	0.822	0.801	0.99
21	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1	1
22	1	1	1	1	1	1	0.954	0.952	0.957	0.922	0.922	0.922	0.93	0.93	0.93	0.991	0.991	0.991	1	1	1
23	1	1	1	1	1	1	0.932	0.928	0.968	1	1	1	0.933	0.932	0.942	0.832	0.832	0.832	0.807	0.809	0.789
24	-	-	-	-	-	-	-	-	-	-	-	-	0.991	0.99	0.992	1	1	1	1	1	1
25	-	-	-	-	-	-	-	-	-	-	-	-	1	1	1	0.976	0.951	0.979	0.865	0.859	0.919
26	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
27	1	1	1	1	1	1	0.998	0.998	0.998	0.997	0.997	0.997	0.995	0.995	0.995	0.995	0.995	0.995	0.994	0.994	0.994
mean	0.961	0.939	0.972	2.994	0.908	0.949	0.925	0.916	0.917	0.918	0.908	0.913	0.91	0.901	0.937	3.994	0.915	0.947	0.91	0.899	0.952

Harmonization & Convergence of Accounting Standards Worldwide

Dr. H S Gitanjali
gitanjali_hs@yahoo.com

ABSTRACT

The entire Global market has become local. Entities are reaching new markets world over to sell their products & services, tap capital markets & banks for funds. Investors have started investing in shares & securities globally. All the stakeholders taking decision based on these financial statements need to be sure on one thing i.e. financial statement present a true and fair view and their understanding is in line with the person responsible for preparing them. This has necessitated the need for a financial statement, prepared using a uniform and globally accepted accounting principles.

However, different countries have local accounting standards or principles which spell out the accounting treatment and disclosure requirements for preparing the financial statement. These standards may have different accounting treatment for the same type of transaction in two different countries. This makes difficult for the end user to understand the financial statements for taking any economic decisions unless these are prepared based on uniform accounting standard. Financial statement prepared based on single, universally accepted GAAP will ensure a transparent financial statement across globe. This in turn will help global financial system to achieve next level. The objectives of the financial statements and disclosures either through Indian accounting standards, US GAAP, UK GAAP or the GAAP of other countries is mainly to ensure that the users of financial statements are made aware of the transparency and extent of financial results and operating results which will have bearing to exercise significant influence on operating decisions. Hence a set of uniform accounting standards all over the globe for a comparable analysis of the performance of a company in one part of the world to another is need of the day. The political boundaries is becoming irrelevant for the flow of business transactions and movement of capital and funds with information technology, communication facilities and e-commerce have accelerated the process of globalization and commerce. These developments have created an urgent need for harmonization of accounting and auditing of accounting practices. So the ultimate objective is to bring the accounting standards under the common platform facilitating financial statements prepared using single worldwide framework with fair and comprehensive disclosure. Therefore there is a need for speedy integration of local accounting standards of different countries with International accounting standards is the need of the day.

Key Words: GAAP, Financial Statement Analysis, Accounting Standards, International Accounting Standards, IFRS

INTRODUCTION

India has opened up economy in the early nineties, and as a result more and more sectors were opened up for foreign direct investments, facilitating entry of foreign investments in the businesses of our country. The volume of cross border investments and borrowings has increased manifold during this period. The investment from financial institutional investors has come after judicial study of financial performance and financial reports of Indian enterprises. Financial Statements communicates the financial performance of an enterprise exhibiting the true and fair view of its performance. At present

'Accounting Standards' are a set of rules and regulation formulated by a governing body to communicate a true and fair view of financial and operating results of an enterprise. The Indian companies are adopting Indian Accounting Standards laid down by Institute of Chartered Accountant of India for preparing their financial statements. The companies which have been listed at NASDAQ or NYSE are presenting financial reports as per US GAAP. If a true and careful comparison of financial reports based on Indian Accounting Standards and that of US GAAP is made; there is a significant difference in the results and disclosures.

Like any other language, accounting has its own complicated rules, and these have been evolved over many years as a product of collective experience of industrialists, governing bodies and practicing accountants. As a result, a wide variety of accounting methods were used by different countries. Our country allows financial statements based on Indian Accounting Standards, where as in United States and UK, the financial statements are based on US GAAP and UK GAAP respectively. As different countries of Europe use a common currency that is "Euro", it is found that, the business transactions has become much easy, fast and convenient. Similarly if a set of common 'Accounting Standards' are used to prepare financial statements by different countries cutting across, the barriers of border, environment, legal and currency consideration, we will be able to get a transparent and comparable financial results. Therefore, it is emphasized to adopt uniform Accounting Standards all over the world, for a comparable analysis of performance of an enterprise engaged with business activities, in any part of the world. Perhaps this is the true definition of globalization.

Globalization has come to dominate the world since nineties of the last century with the end of the cold war. The first step in the direction of globalization was liberalization in trade of goods and services which led to an unprecedented expansion of international trade between 1950 to 1970. This was followed by the liberalization of regimes for foreign investment leading to a surge in international investment which began in the late 1960s.

Government of India has adopted the policy of liberalization, deregulation and globalization as a prelude to economic reforms. As a result the country witnessed a tremendous increase in the volume of cross border investments with many multinational companies having made investments in the technology area and infrastructure development of our country. The capital market has also gone through major transformation from the

year 1992. The market has been growing in leaps and bounds with the investors showing great interest in the capital market.

Indian companies have started making beeline for overseas exchanges. Infosys technologies set the ball rolling with its NASDAQ issue in March 1999. Satyam computers, NIIT, Wipro have also got listed at New York Stock Exchange. Companies in other sectors have not been lagging far behind in their ambitions. ICICI listing on New York Stock Exchange (NYSE) in September 1999 has indicated investor's interest in non InfoTech companies. MTNL, VSNL, HDFC Bank Limited has also gone for overseas listings. There was frenzy for overseas listing in anticipation of better evaluation of their stock for investors and shareholders back home. Most visible at this juncture is the benefit that domestic investors derive due to better overseas valuation compared to Indian market. If we take Indian InfoTech companies this is especially true from the above point. In fact, US technology companies are more reasonably priced than their Indian counterparts.

The Infosys ADS was quoting at a 150 percent premium to its domestic price at that point of time. In the non technology sector ICICI Bank which was languishing at a low level, has seen its valuations in local market improve dramatically since its listing on the New York Stock Exchange (NYSE). In view of liberalization of Indian economy, faster integration between Indian and International accounting standards is warranted, to have the benefits of foreign investment. Therefore the accounting practices capable of producing accurate accounting information extending beyond national boundaries is the need of the day.

On October 18th 2008, the BSE sensx fell below 10,000 marks. The reason attributed for this collapse of stock market is

- United State's recession and overall a Global slowdown.
- Liquidity crisis in our banks.
- Redemption pressure by Foreign Financial Institutions
- Redemption pressure by mutual funds.

Because of this, small, medium and regular investors have lost their hard earned savings. The Net Asset Value of mutual funds has come down drastically putting the investors to doom and frustration. Even the fund managers of mutual funds failed to anticipate this kind of disaster, as the Net Asset Value of mutual funds melted down drastically. Ever since the United States investment banking giant Lehman Brothers filed bankruptcy there has been considerable outflow of Foreign Institutional Investment money from Indian Stock Markets. The Indian economy is also reeling under high inflation and moderate growth rate. The impact of this global turmoil on our country's economy has been worst, ever happened. The investor has to look towards the companies which make adequate disclosures, while it is mandatory to declare results segment wise, many companies are not doing it, the way it ought to be done, in order to serve the interest of investors. It is desirable that the financial statements prepared by these companies shall conform to the Indian GAAP. In fact, if financial statements of our companies are prepared as per to international standards, US or UK GAAP, we are sure to get fairly accurate financial disclosures. As the businesses are rapidly going International, accounting too needs to cross borders.

A crucial difference, which indirectly benefits investors, is the stringent accounting standards and disclosure norms demanded under US or UK GAAP (Generally Accepted Accounting Practices). For example, while Infosys showed a net profit of Rs. 135 crores for 1998-99 as per Indian standards, under US GAAP, it is Rs. 73 crores, lower by 46 percent. For the year 2008-09, it has shown a Gross profit of Rs. 9928 crores as per Indian Standards

as against Rs.9140 crores as per US GAAP; lower by 8 per cent. ICICI's financials too went through a sea change as it stepped into NYSE. The institution disclosed detailed information on its NPAs (non-performing assets), concerns over which it had for long time depressed its stock price. The new-look ICICI balance sheet disclosed industry-wise classification of NPAs over the past five years, no other Indian financial entity has disclosed so far. There were significant technical difference in the basis of accounting between US GAAP and Indian GAAP. In the merger of ICICI with ICICI Bank, the Bank is the legal acquirer. Under Indian GAAP, the bank is the accounting acquirer, whereas, as per US GAAP ICICI is deemed to have acquire ICICI Bank. As a result, the banks US GAAP account shown a profit of Rs.5.22 billion as compared to Rs.15.80 billion as per Indian GAAP for fiscal 2004.

The financial reports prepared by the companies is primarily used by Share holders, Investors, Employees, Fund Managers, Lenders, Regulators like SEBI and Government to evaluate the performance and probable returns if invested in the company. We see different countries having their own set of accounting rules and as such the financial reports prepared will satisfy the need of investors of that country. But if the Accounting difference is only on account of format, language, currency and terminology, we can naturally prepare and interpret the reports to a universally acceptable Accounting Standards. This will satisfy the stake holders/investors across the trans border to have an Internationally comparable financial information, therefore good harmony of different Accounting Standards which will lead to greater level of comparability and hence utility of financial statements facilitating access to the global capital markets.

The purpose of accounting is to provide information that is useful for making business and

other economic decisions. Accounting is commonly referred to as the language of business. There are several aspects that affect the system of financial reporting that prevails in a country, but as harmonizing Accounting Standards of different countries, we are on the way to work out a common set of Accounting Standards known as International Accounting Standards.

The International Federation of Accountants (IFAC), the United Nations centre on Transportation Corporation (UNCTC), The International Organization of Security Commissions (IOSCO), Organization of Economic Cooperation and Development (OECD), and European Commission (EC) and International Accounting Standard Committee (IASC), have taken initiative to promote a goal to reach common Accounting Standards. These Organizations formulate guidelines, laws and standards to achieve a set of common Accounting Standards. The International Accounting Standards Committee (IASC) has issued Accounting Standards known as International Accounting Standards from the year 1973 to 2001. Further the International Accounting Standards Board (IASB) basically the successor of International Accounting Standards Committee has started issuing Accounting Standards from 2001 onwards, known as International Financial Reporting Standards (IFRS). The International Financial Reporting Standards (IFRS) are in addition to the IAS, and any modification to International Accounting Standards to suit present day requirement, it is simply superseded by International Financial Reporting Standards (IFRS).

The International Financial Reporting Standards (IFRS) are the principle based set of standards now adopted all over the world. India is also preparing to adopt International Financial Reporting Standards from the year 2011. This will facilitate our country to advance in trade and commerce, invite Foreign Direct Investment, as our accounting

becoming more transparent and universally acceptable, so that our country will be ushering in an era of most economically developing country among the developing countries.

In India, the ICAI states that IFRS should be adopted by the listed entities, Banks, Insurance companies and large size entities for the accounting periods beginning on or after 1 April 2011. However, in the above statement there is a catch. Although, for IFRS convergence the accounting period specified is 1 April 2011, but for all practical purposes the entities preparing the IFRS financial statement has to prepare the same from the accounting period 1 April 2010. This will ensure the comparisons between two accounting periods. Convergence to IFRS will enhance Indian companies reach in global market for low cost fund. This will also help Indian companies in benchmarking their performance with the counterparts globally.

IFRS IMPLEMENTATION WORLD OVER & IN INDIA

The usage of IFRS as a universal financial reporting language is on increase world over simply due to its wide acceptance. Most of the country has started acting in this direction either by allowing the IFRS implementation or by their local GAAP converging to IFRS. Major stock exchange across the world today accepts IFRS financial statement. It is expected that more than 150 countries would follow IFRS by 2011. The U.S. allows foreign filers to IFRS financial statement. Going forward it may follow IFRS for local filers as well to ensure that it does not lose the capital market advantage.

CHALLENGES IN INDIA

IFRS compliance will need a lot of coordination amongst various regulatory authorities and framework viz. ICAI, SEBI, Companies Act, IRDA,

RBI, etc. IFRS implementation may result in inconsistencies with existing regulation and the above stated coordination will avoid such state. Reporting requirement governed by various regulations in India override other laws including the accounting standard. IFRS does not allow such deviations; hence appropriate steps need to be taken in time to avoid such conflict. In addition to regulatory challenges, IFRS convergence in India will face other challenges viz. Training, Shortage of Resources, Information systems, etc.

CONCLUSIONS

Many stock exchanges across the world allow the companies to file their financial statement as per IAS and IFRS. However the security and exchange commission (SEC) of US insists for submission of financial statements based on US GAAP or reconcile the reports prepared as per their domestic

GAAP to the report that are consistent with US GAAP. With high level of acceptance of IAS and IFRS by countries across the whole world, with some of the countries already preparing their financial statements as per Accounting Standards laid down in IFRS, The USA has not accepted the Accounting Standards as per IFRS, so far, though the convergence of US GAAP with IFRS is on card, but it appears that it may take few more years to materialize .

The US, Canada and Japan do not permit use of IFRS without reconciliation to their domestic GAAP. Therefore, it is very much essential to bring all the countries to accept a common Accounting Standards, viz IFRS, throughout the world, to have an internationally acceptable financial report. It is heartening to report that an initiative is already on its way to reach this goal.

A Study on Issues in Merger and Acquisitions in Telecommunication Industry: Special Focus on Cross Border Merger and Acquisitions

Shruti Bhardwaj
Symbiosis Institute Of Telecom Management,
Pune,
India

ABSTRACT

The rationale of this paper is to explore the factors that influence the merger and acquisition in telecom sector in India. The factors are evaluated with special reference to cross border merger and acquisitions. An exhaustive study of recent merger and acquisition in India is done to come up with cases having faced issues pre and post merger. The paper reflects how these factors have affected the merged entities in their operations and future decisions. The results list various issues faced by the merged entities under specific categories of influencing factors. The study reveals how the telecom companies must be vigilant about the rules and regulation set by government for mergers and subsequent operations. The paper clearly shows the clichés in the deals and the subsequent outcomes.

INTRODUCTION

The swift growth and development in telecommunication and mobile devices has made Indian telecom industry an attractive destination for foreign destination. There have been the biggest deals in past which have lead to vast development of the industry. However there have been failures of the mergers. The government policies are stringent on account of FDI in India. On deviating from such policies and laws the mergers land into problems. The cases from Indian telecom industry reveal how the biggest of the mergers suffer from penalty and other punishments. The foreign companies need to follow the guidelines for such deals beforehand.

LITERATURE REVIEW

Mergers and Acquisitions (M&A) are strategic tools in the hands of management to achieve greater efficiency by exploiting synergies and growth opportunities. Mergers are done due to the instinct to grow at a comparatively fast pace. This helps to grab market share and achieve economies of scale.

There have been studies giving the various obstructions that might occur in the merger and acquisition process of the companies. The regulatory framework for monitoring the telecom related operations including mergers and acquisitions involves TRAI (Telecom Regulatory Authority of India), FEMA (Foreign Exchange Management), DoT (Department Of Telecommunication), SEBI (Securities Exchange Board Of India). The Competition Commission of India (CCI) gave competition laws to ensure fair and healthy competition to keep up with the economy.

There have been disputes in past due to the different policies followed in India and abroad. The clearance for the merger is not always provided unless the companies meet the requirements set by government and law. It is the responsibility of the companies to abide by the rules. The studies have listed cases involving disputes in the merged companies over the differences in the working environment of two different companies. At international level there have been problems such as attaining the

approval for merger, information asymmetries between the two companies relating to their respective financial status and current deals.

Mergers & Acquisitions in Telecom Sector FACTORS AFFECTING

Technology Synchronization issues

There are issues concerning the synchronization of the technologies of the two companies pertaining to the telecom sector. The compatibility of the network equipments of the two participating companies is an utmost requirement or else there might be chaos created. The up gradation of the billing system, system integration, acquiring the value added services is all included here. The due focus also needs to be given to the customer care system, customer interface switch for smooth process such as activation of SIM, customer grievance resolution mechanism, comfort in contacting call centers, reporting mechanism for pending customer queries, order fulfillment for the proper integration of the systems.

Financial & Accounting issues

The financial issues give knowledge of the operations involved in the services delivery. The key aspects under consideration include. accounting policies on intangibles and deferment, contingent liabilities disclosed and undisclosed, statutory and workmen dues, finance cost and possibility of debt restructuring, capital structure, vendor and other dues and reason for delayed or nonpayment, list of all contracts and agreements and the review of all rates and terms, possibility of renegotiation of major commercial agreements and quantification of possible saving, details of pending export obligations under EPCG rules, details of bank guarantees issued, pending cost saving measures initiated in the company, internal control measures and processes, internal audit reports, fixed assets verification reports, and valuation reports.

Secretarial & legal issues

The acquirer needs to be aware of possible instances of violations if any and the quality of statutory compliances. The clashes may arise due

to unsatisfactory statutory approvals required, approvals taken and their renewal status, Minute books of AGM, EGM, Board and committee meetings, review of shareholders agreement, Memorandum and Articles. Also statutory clearances for all investments made till date, all major agreements (with BTS/BSC/MSR sites, collection and recovery agents, channel partner agreement, roaming agreements, network services providers, VAS services, DoT licence agreement), all legal cases filed by and against the company and current status, the statutory compliances, statutory liabilities (status of payment of various dues like PF, ESI, licence and spectrum charges, interconnect payments, liquidated damages if any levied by licensor), list of all IPR rights, IPR violation issues etc) can invoke an issue post merger. There are various instances in the telecommunication industry in India when such cases have come up.

Human resource & management issues

There can be issues relating to the different industry trends in the two different countries .There are chances of salary increase to be made under situations of merger. These issues may result in unearthing of certain facts and assist the investment banker to revise the valuation. From the acquirer's perspective, some change management problems can occur and should be managed before deal closes. For example, if it is revealed that the workforce of the target company is inflated, then he may insist for its rationalization as a precondition to deal closure. The management of two different countries may have conflicting issues in the way of operating the work force. The acquisition sometimes endangers job of some employees ultimately restricting smooth operation of merged entity.

RESEARCH METHODOLOGY

1. A vast search on the major issues any entity in telecommunication cross border merger and acquisition may face.
2. The exhaustive list of recent M& A in telecom industry

3. Segregating the deals which have faced controversies.
4. Grouping the issues faced by the resultant entity in accordance to the issues listed beforehand.

FINDINGS

The following are few cases which highlight the issues faced by the telecom industry during or post cross border merger. The controversies faced by the merged or the acquired entities fall in one or more categories of above mentioned issues

Vodafone-Hutchison

Vodafone Group joined Hutchison Essar Ltd (HEL) through a subsidiary based in Netherlands in 2007. The transaction through third party gave Vodafone over 67% stakes in HEL. The deal cost was about 411.2 billion.

Vodafone faced an issue of tax liabilities from Indian Income Tax Department over its merger with HEL in 2007. The Income tax department suggested that any transaction done in India was liable to pay taxes and hence charged Vodafone with tax and fine amounting to Rs 20000 crore.

The crux of the dispute had been whether or not the Indian Income Tax Department has jurisdiction over the transaction. Vodafone had maintained from the outset that it is not liable to pay tax in India and if tax was payable, then Hutchison is to bear the tax liability.

In January 2012, Indian Supreme Court passed the judgment in favor of Vodafone, clarifying that the Indian Income tax department had no jurisdiction to levy tax on overseas transaction between companies incorporated outside India. However Indian government was not convinced. It still stressed upon the fact that if Indian company Hutchison India Ltd conducts a financial transaction government should get its tax out of it. In May 2012, Indian authorities confirmed to charge Vodafone about Rs. 20000 crore (US \$4.5 billion) in tax and fines. The dispute has entered its second phase.

This issue falls under the financial issues of cross border merger and acquisition.

The deal has two aspects:

The acquisition of business can be done by either purchase of shares or purchase of assets of the company. According to the government policy for taxation the long term gains arising on the sale of the equity share through the standard stock exchanges in India are exempt from tax on the condition that the securities transaction tax is paid. On the other hand, all gains on sale of assets are taxable. As Vodafone had brought about the deal through purchase of asset so the government demanded for the liable taxes.

Another aspect is of the deal is the role of non-resident intermediary holding company. The Cayman Islands was the intermediary holding company between Vodafone and HEL. Such a method of acquisition can help reduce the liable taxes and provides the operator a more favorable tax treaty. According to Vodafone since the transactions were carried outside India, so it is not liable to pay any fine But the government is still imposing taxes.

Uninor

Uninor was the result of a merger between Telenor, a Norway based company and Unitech Wireless. Telenor acquired a 67.25% equity stake in Unitech Wireless, which had the requisite government approvals and licenses to provide mobile services pan-India. Uninor started its mobile services on 3 December 2009 in 21 of the 22 circles in India.

The dispute between Telenor and its Indian partner Unitech began as a war of words over who was at fault for their cancelled licenses and took the form of a damaging legal battle, as the Norwegian operator plans to set up a new company for its battered Indian operations.

The two companies have been trading increasingly bad-tempered statements since the Supreme Court cancelled 22 licenses belonging to their Uninor joint venture. Telenor's India unit

had reported an operating loss of \$806 million burdened by a huge impairment charge on its Indian operations owing to the cancellation of its 2G licences by the Supreme Court.

Subsequently Telenors' announced that it no hopes from partnership in future and would like to transfer its Indian telecom operations to a new entity. Telenor also seeks to transfer Uninor's business and seamlessly migrate its customers and employees to the new company.

To this Unitech reacted aggressively complaining that how could Telenor intend to transfer the entire business to a new affiliated entity owned by it.

According to them, Telenor's such decision were to be opposed due to following two reasons:

- Showed complete disregard and oppression of the minority shareholder by Telenor
- It is also against all principles of related party transactions.

The deal has turned so sour that the merger is coming to an end.

Telenor is also looking to either merge the assets of Unitech Wireless, its India venture, with that of Tata Teleservices or buy out the stake held by NTT DoCoMo Inc in the Tata Tele.

Etisalat and Swan Telecom

A yet another cross border issue arose among the second largest Arab telecom company Emirates Telecommunications Corp or Etisalat when it decided to buy a 45% stake in Swan Telecom Pvt. Ltd that acquired licenses to provide mobile telephony in India. The deal was cleared by the Foreign Investment Promotion Board, or FIPB The deal was en cashed for \$900 million (Rs 4113 crores). The remaining 55% of the shares of Swan Telecom are held by several entities, including its promoters Dynamix Balwas Group. The merger came to be known as EDB.

In accordance to the auction results Swan Telecom had licenses to provide mobile phone services in 10 out of 22 circles in India. Citigroup Global

Markets Ltd and Deutsche Bank AG were advisers for Etisalat and Swan Telecom. Swan Telecom's Balwa reverted that Indian shareholders would remain the controlling stakeholders in Swan Telecom after the Etisalat deal.

Due to the spectrum scam in India, the Supreme Court canceled all 15 licences of the joint venture EDB. Due to this all of Etisalat DB employees would be laid off. The decisions also impacted company due to bank loans amounting to Rs 2500 taken by the company.

Consequently, Emirates Telecommunications Corporation (Etisalat) initiated legal proceedings in the Bombay High Court against Shahid Balwa and other promoters of Swan Telecom for fraud and misrepresentation.

Etisalat booked an impairment charge of \$827 million on its Indian operator leading to a 24 percent drop in its net profit. Etisalat's case was that it was induced into its investment in the company that was then Swan, without any disclosure of the matters that have been alleged by the CBI and Supreme Court to have occurred in connection with the obtaining of 2G licences by EDB.

According to them all those events occurred a year before Etisalat's investment and due to them it faced significant financial losses on its investment in EDB despite its having no involvement in the 2G licence application or award process and being entirely innocent of any allegations relating to it. It held Balwa and other promoters responsible for the controversial matters.

In the counter action Balwa and promoters gave a joint statement saying that no notice of demand or suit papers was received by them. They insisted no wrongdoing by them or their directors. In their opinion they had filed a case for mismanagement in the CLB against Etisalat which was in management control of the JV (joint venture) company. The case was withdrawn on grounds of discussions by Etisalat which

promised to run the JV properly and was never kept. Swan technology's JV went nowhere under Etisalat management. The JV Company is also facing FEMA proceedings for the investments by Etisalat.

To add to woes the Telecom Disputes Settlement and Appellate Tribunal (TDSAT) also issued a notice to Etisalat DB on Reliance Infratel's plea seeking to recover Rs.1200 crore from the operator taken for infrastructure lease as Etisalat has already announced to exit India.

Idea Cellular & Spice communications

Aditya Birla group firm Idea Cellular had taken over Spice telecommunications in 2008 buying stakes of 49.90% in the partner company.

The Delhi High which acquired it in 2008, as the company did comply with the licence and merger guidelines.

The high court further said that it is "of the view that costs should be imposed on Idea for not bringing to the notice of this Court the rejection letters dated January 7, 2010 and January 18, 2010 issued by DoT and for not placing on record relevant." Directing Idea to pay Rs 1 crore to the Department of Telecom (DoT) within six weeks, the high court said, "The suppression of documents was not an innocent act especially in view of petitioners own understanding of licences and merger guidelines as reflected in the contemporaneous correspondences".

DoT had rejected the merger application of Idea and Spice for the merger of licence. The rejection letters dated January 7, 2010 and January 18, 2010 were issued by DoT. Still all the time Idea had been using the licences of spice for its own purposes.

Consequently Idea cellular was faced a judgment from court saying:

- To discontinue use of the six licences till DoT gives its permission to Idea to use the licences of the Spice Communication. The spectrum allocated for such overlapping licences was reverted back to DoT.
- It further ordered that as Idea has used the overlapping licences without any prior permission of DoT from February 5, 2010 in contravention of the Licence and Merger Guidelines, it was directed that it shall be open to DoT to pass any order for such breach.
- The court also slapped a fine of Rs 1 crore for not giving the correct information to the court by not putting the rejection letters by DoT on merger of licence and not placing on record the relevant documents and material documents like Licence, Merger Guidelines and correspondence exchanged between the parties

Consequently, the telecom tribunal TDSAT was asked to resolve the dispute on the transfer of Unified Access Services (UAS) licenses of Spice to Idea which got amalgamated in 2008.

Hutch-Essar

Hindujas, Indian Telecom Company sold their 5.11% stake in Indian mobile telecom major for \$450 million (about Rs 2,100 crore). The deal valued Hutch Essar at about \$9 billion.

The promoters of Hutchison Telecom and Essar Group failed to reach an agreement on the post-merger ownership structure of the 11-circle Hutchison-Essar. The differences came into the fore in the wake of the Hinduja group's decision to remain a minority stakeholder in the Hutch-controlled Fascel.

The Hinduja group did not exercise the put option to offload its 30% holding in Fascel to Hutchison indicating that the Hinduja wished to be part of the Hutchison-Essar merged entity, triggering a possible dilution in Essar Group's post-merger stake in the 11-circles. Hinduja decided against selling their 30% holding in Fascel as they wished to gain a better deal by being part of an 11-circle cellular operation that was expected to command a much higher enterprise valuation

The Essar Group's telecom arm, Essar Tele-Holdings, expected to hold 30% in the merged

entity. But that could not be done if promoters have to bring the Hinduja on board the Hutchison-Essar entity. Since the Hinduja hold 30% in a single Hutch operation (Fascel), its effective stake in the merged company was likely to stand proportionately diluted to well under 10%.

It could only be predicted that Hutch was game to shell out Rs 300 crore for the Hinduja's 30% stake in Fascel, based on an enterprise valuation of Rs 900 crore. Accordingly, Essar Tele-Holdings, Kotak Mahindra and the Hinduja are likely to collectively hold 51% of the equity in the merged company, while Hutchison Telecom, as principal international stakeholder, will directly hold 49% in the entity in keeping with the existing FDI guidelines. This case clearly shows how the minority stakeholders in the merged entity can influence the future decisions of the company. The major stakeholder could be forced to take some indifferent decisions in a merger when the issues are due to managerial decisions conflicts.

CONCLUSION

The main aim of the study was to investigate the factors that influence the merger and acquisitions in India with special focus on the cross border mergers and acquisitions occurring in India in telecommunication industry. To enlist the technological & integration issues, financial & commercial issues, secretarial & legal issues, human resource & management issues are few major issues faced by the telecom industry in India.

Thereafter the close study of various merger & acquisition occurring in India revealed various issues faced by few of the major mergers. Each of the issues had a different outcome. Where few entities were able to overcome the differences and continue to work smoothly, others ended up splitting and ending the merger. A few also came to peace through government intervention and yet some are left undecided.

A major observation in the study is that the telecom companies subsequently synchronize their technologies and integrate their systems. Due to

this the study revealed few telecom industries facing such issues post merger. On the other hand most of the companies face the financial and legal issues which may be due to the different tax policies, accounting standards and merger guidelines in India and abroad. The cross border merger also has issue relating to the work culture difference and management process. This sometimes hinders the merger itself. However the efficient management can help overcome all such restrictions.

India has been a destination for mergers in past decade due to its overwhelming subscriber base and wide opportunities available. In future also many more acquisitions are expected to occur and all such issues can be avoided by closely following the government policies and the prescribes norms and guidelines by the law.

REFERENCES

- Top ten issues for insurance M&A in 2012: Deloitte
- Taxation of cross border merger and acquisition, India: KPMG, international
- Mergers and acquisitions in Indian telecom sector: A study
- Telecommunications Mergers and Acquisitions: Key policy issues and options for state regulators: Edwin A. Rosenberg,
- Report on Economic Analysis of Competition and Merger Issues in the Indian Telecom Sector: Nishita Sinha
- Asia Pacific Merger and Acquisition Tax and Structuring Guide: Deloitte
- The United States, China and Japan: Economic Prospects and the Role of Foreign Direct Investment
- Kristin J. Forbes Council of Economic Advisers

TABLES AND RESULTS

Table 1.1					
MERGER & ACQUISITIONS IN INDIA : <i>Issues involved</i>					
COMPANY NAME	% STAKE	BUYER	SELLER	YEAR	ISSUE
Hutch Essar	5.10%	Hutchisson Group, Hong Kong	Hinduja	2006	Management and Legal
Vodafone	67%	Vodafone	HTIL	2007	Financial and commercial
Etisalat DB	45%	Etisalat UAE	Swan Technology	2008	Financial and Legal
Idea Cellular	49.9	Idea	Spice Telecom	2008	Financial and Legal
Uninor	67.25%	Telenor, Norway	Unitech	2009	Secretarial and legal

Corporate Decision Making - A case of Movie Flex

Salama EL Haskouri
MBA Student,
Newyork Institute of Technology,
Abudhabi, UAE.

Dr.K.Ravichandran
Assistant Professor,
Newyork Institute of Technology,
Abudhabi, UAE.

ABSTRACT

This is a case about Movie Flex which is an online media company is looking for expansion on its activities. The board has decided to take over similar online media companies in Europe and Asia. The company appointed an external valuation company to make a detailed financial analysis on its firm.

Key Words: FCF, EVA, MVA. Financial Analysis

INTRODUCTION

AS the founding CEO of Movie Flex Inc. founded in 2001, as we are the largest online streaming local media company worldwide, we have decided to diversify and expand to other regions in terms of finding new future prospects, unfortunately throughout the years, the company has been faced with a financial downfall, leading to significant losses in their profit accounts with low revenue. We have spoken to a financial specialist to conduct a financial analysis in relevance to our takeover or merger or possible liquidation of the company. Therefore specialist A will conduct the Analysis of our competitors and industry stating a full out of sale approach. This proposition will be presented to the board of directors on various aspects of the financial analysis conducted in terms of MVA, EVA, Comparison, ratio analysis and differentiation and many more relating to the company's performance. Due to the calculation's we found out the company performance was well with a slight glitch of a misconception that something went wrong, where the analyst might have misinterpreted the results or manipulated the chart readings which might lead to a disastrous ending.

Movie Flex

Movie Flex Inc. (MFLX) a public company that was incorporated in 2001 headquartered in Los Angeles,

California by Reed Hastings and Marc Randolph. In 1998 Netflix, the world largest on demand online streaming offered DVD movie rental service offering access to over a million members with fast free delivery. In 2001 sales were at a freeze where Group Movie Star invested \$30 million in the firm and a subscription plan debuts. In 2002 their revenue sharing deals were signed with Warner Brothers and Columbia film studios. In 2001, a partnership with Best Buy gave publicity within its 1800 stores. In 2002 Movie Flex had 495 employees and a sale of \$152.8 million. In 2003 Netflix encountered its first profitable quarter.

Movie Flex competitors

Industry profile includes the competitors; Barnes and noble as well as Amazon. Barnes and Noble (BKS) found in 1873 by Charles Barnes during World War I. It is the largest upscale store in the United States established in Manhattan; New York located in 112 Fifth Avenue by 1932. The company runs 750 stores in all the 50 states of the United States and the District of Columbia in addition to 636 college libraries, serving more than 4.6 million student and faculty members. In 1974 Barnes & Noble sold its bestselling titles at 40% off publisher's list price (The New York Times, 2012). During the 1970s and 1980s,

Barnes & Noble also began to publish their own books to mail order customer. In 2002 Stephen Riggio brother to Leonard Riggio was named CEO, on August 2010 the company was considering a sale to an investor led by chairmen; Leonard Riggio. According to Forbes, in 2001 Riggio was estimated to earn a salary worth \$786,358, as well as \$2,323,942 in other long-term compensation, for a yearly grand total of \$3,110,480. In March 2010, William Lynch, former president of company website was appointed CEO which emphasizes the vitality of digital books to the bookseller's future (The New York Times, 2012). As for Amazon Inc. (AMZN) online bookstore, assimilated in 1994 in state of Washington and was founded in 1995 entitled internet gold rush, offering 200,000 titles (Freidman, 2000). In 1996 it was re-assimilated in Delaware, in May 1997, under NASDAQ stock exchange, at a price of US\$18.00 per share. When the dotcom bubble burst happened, Amazon persisted making its first profit in the fourth quarter of 2001; \$5 million or 1¢ per share, on revenues of more than \$1 billion (Freidman, 2000).

Financial analysis

A valuation of Movie Flex profits an Enterprise Value of \$2,162,000,000 in February, 2009. Using the shares outstanding value provided in the 2008, Movie Flex's fair market value is \$35.48 per share. In addition to the assumptions there are several significant implications. Our growth horizon is stretched slightly under the new agreement. As Netflix acquires more titles and access to streaming video, growth can be expected to remain high for an extra year as Movie Flex emerges as a niche giant. As other competitors begin to implement similar strategies, growth rates are expected to come down and settle slightly higher than if this agreement would have not been made due to the strategic benefits.

On the financial statements, several major impacts are forecasted to occur as a direct result of the deal. Although customers will gain access to more titles

and in streaming capabilities, revenue is expected to drop slightly, as consumers will feel dissatisfaction because of restricted title access on "new release" movies. A 5% revenue decrease is expected in 2010 as customers are forced to deal with this inconvenience. Movie Flex executives are not worried about this slight drop. In their earnings call, they stated that the "new release" demographic only constitutes roughly 20% of their entire revenues.

The true benefits of the deal are realized on the expense side of operations. The primary cut will come from the lower title acquisition costs offered by Warner Bros. As the deal progresses, Movie Flex expects to see a 10% reduction in technology and development as new titles will be provided in a streaming content, reducing shipping and packaging costs. Movie Flex does purchase a large portion of their titles permanent, the transition to streaming video is expected to yield a 25% increase in cost of disposal of these DVD's over the 10-year period. Movie Flex Value As a result enterprise value is expected to be close to \$3,229,000,000. The primary reason for the major increase stems from this deal heading the major strategic move into streaming video. Despite the cutbacks in revenue, the savings in expenses is expected to raise the value of Movie Flex. As a result, the new expected fair market value in stock is \$52.97 per share.

CONCLUSION

The analysis in the research proves that market trends are clearly pointing toward a flowing market. Executives are prepping the company for a complete move into streaming and are assured that this is the best strategic move for Netflix. The valuation in this Movie Flex demonstrates a significant value increase as a direct result of the Warner Bros. deal. Stock prices are forecasted to rise about 30%, a strong indication of the potential of the company when they completely shift into streaming. As an investor, Movie Flex

should be closely monitored as a strong buy in the near future as they will continue to remain on the cutting edge of the video rental industry.

Case Questions:

1. Experts felt that one of the challenges faced by Movie Flex was its corporate operating decision dictated by its interest, how would management aim to fix it ?

2. During the possible financial downfall of Movie Flex, what effect would the corporate valuation have on the company's portfolio and how would u respond?

3. Should the Company sell out or buy out the company's shares compared to the financial analysis results?

4. Using a suitable diagram conduct a DuPont analysis

Movie Flex Balance Sheet				
Balance Sheet	Get Balance Sheet for:			
View: Annual Data Quarterly Data	All numbers in thousands			
Period Ending		31-Dec-10	31-Dec-09	31-Dec-08
Assets				
Current Assets				
	Cash And Cash Equivalents	194,499	134,224	139,881
	Short Term Investments	155,888	186,018	157,390
	Net Receivables	0	0	5,617
	Inventory	0	0	0
	Other Current Assets	290,580	90,771	58,559
Total Current Assets		640,967	411,013	361,447
Long Term Investments		0	0	0
Property Plant and Equipment		128,570	131,653	124,948
Goodwill		0	0	0
Intangible Assets		0	0	106,091
Accumulated Amortization		0	0	0
Other Assets		195,063	121,110	3,051
Deferred Long Term Asset Charges		17,467	15,958	22,409
Total Assets		982,067	679,734	617,946

Liabilities				
Current Liabilities				
	Accounts Payable	259,313	125,929	131,738
	Short/Current Long Term Debt	2,083	1,410	1,152
	Other Current Liabilities	127,183	100,097	83,127
Total Current Liabilities		388,579	227,436	216,017
Long Term Debt		234,123	236,572	37,988
Other Liabilities		69,201	16,583	16,786
Deferred Long Term Liability Charges		0	0	0
Minority Interest		0	0	0
Negative Goodwill		0	0	0
Total Liabilities		691,903	480,591	270,791
Stockholders' Equity				
Misc Stocks Options Warrants		0	0	0
Redeemable Preferred Stock		0	0	0
Preferred Stock		0	0	0
Common Stock		53	53	62
Retained Earnings		237,739	198,817	108,452
Treasury Stock		0	0	-100,020
Capital Surplus		51,622	0	338,577
Other Stockholder Equity		750	273	84
Total Stockholder Equity		290,164	199,143	347,155
Net Tangible Assets		290,164	199,143	241,064

Income Statement	Get Income Statement for:			
View: Annual Data Quarterly Data	All numbers in thousands			
Period Ending		31-Dec-10	31-Dec-09	31-Dec-08
Total Revenue		2,162,625	1,670,269	1,364,661
Cost of Revenue		1,357,355	1,079,271	910,234
Gross Profit		805,270	590,998	454,427
	Operating Expenses			
	Research Development	163,329	114,542	89,873
	Selling General and Administrative	364,394	289,077	249,375
	Non Recurring	0	0	-6,327
	Others	0	0	0
	Total Operating Expenses	0	0	0
Operating Income or Loss		283,641	191,939	121,506
	Income from Continuing Operations			
	Total Other Income/Expenses Net	9,778	11,288	12,452
	Earnings Before Interest And Taxes	287,325	198,667	133,958
	Interest Expense	19,629	6,475	2,458
	Income Before Tax	267,696	192,192	131,500
	Income Tax Expense	106,843	76,332	48,474
	Minority Interest	0	0	0
	Net Income From Continuing Ops	160,853	115,860	83,026
	Non-recurring Events			
	Discontinued Operations	0	0	0
	Extraordinary Items	0	0	0
	Effect Of Accounting Changes	0	0	0
	Other Items	0	0	0
Net Income		160,853	115,860	83,026
Preferred Stock And Other Adjustments		0	0	0
Net Income Applicable To Common Shares		160,853	115,860	83,026

Financials											
	2002-12	2003-12	2004-12	2005-12	2006-12	2007-12	2008-12	2009-12	2010-12	2011-12	TTM
Revenue USD Mil	153	272	506	682	997	1,205	1365	1,670	2,163	3,205	3,456
Gross Margin %	48.9	45.5	45.4	31.9	37.1	34.8	33.3	35.4	37.2	36.3	31.2
Operating Income USD Mil	-12	4	19	3	64	91	122	192	284	376	173
Operating Margin %	-7.6	1.6	3.8	0.4	6.5	7.6	8.9	11.5	13.1	11.7	5
Net Income USD Mil	-22	7	22	42	49	67	83	116	161	226	99
Earnings Per Share USD	-0.78	0.1	0.33	0.64	0.71	0.97	1.32	1.98	2.96	4.16	1.75
Dividends USD											
Payout Ratio %											
Shares Mil	28	63	65	66	69	69	63	58	54	54	57
Book Value Per Share USD	2.02	2.28	2.98	4.16	6.05	6.53	5.92	3.73	5.5	12.24	12.39
Operating Cash Flow USD Mil	40	90	148	163	248	292	284	325	276	318	154
Cap Spending USD Mil	-27	-64	-15	-31	-197	-45	-208	-46	-158	-135	-118
Free Cash Flow USD Mil	13	25	133	132	50	247	76	279	118	183	35
Free Cash Flow Per Share USD	0.47	0.4	2.05	2.04	0.74	3.59	1.21	4.77	2.18	3.38	
Working Capital USD Mil	67	76	92	106	235	204	145	185	252	606	

Profitability											
Margins % of Sales	2002-12	2003-12	2004-12	2005-12	2006-12	2007-12	2008-12			2011-12	TTM
Revenue	100	100	100	100	100	100	100			100	100
COGS	51.13	54.5	54.61	68.09	62.91	65.22	66.7			63.66	68.83
Gross Margin	48.87	45.5	45.39	31.91	37.09	34.78	33.3			36.34	31.17
SG&A	46.93	37.29	37.04	27.22	26.26	22.47	18.27			16.53	17.06
R&D	9.57	6.57	4.52	4.54	4.85	5.92	6.59			8.08	9.1
Other				-0.29	-0.48	-1.18	-0.46			□	□
Operating Margin	-7.64	1.64	3.82	0.44	6.46	7.56	8.9			11.74	5
Net Intlncl& Other	7.64	-1.64	0.48	0.78	1.6	1.69	0.73	0.02	-0.74	-0.52	-0.55
EBT Margin			4.3	1.22	8.06	9.25	9.64	11.51	12.38	11.22	4.46

Profitability												
Profitability	2002-12	2003-12	2004-12	2005-12	2006-12	2007-12	2008-12	2009-12	2010-12	2011-12	TTM	TTM
Tax Rate %			0.83		38.89	39.95	36.86	39.72	39.91	37.1	35.58	35.58
Net Margin %	-14.36	2.39	4.27	6.16	4.92	5.55	6.08	6.94	7.44	7.06	2.87	2.87
Asset Turnover (Average)	1.78	1.78	2.37	2.21	2.05	1.92	2.16	2.57	2.6	1.58	1.37	1.37
Return on Assets %	-25.5	4.25	10.1	13.63	10.08	10.66	13.13	17.86	19.36	11.16	3.93	3.93
Financial Leverage (Average)	1.46	1.56	1.61	1.61	1.47	1.5	1.78	3.41	3.38	4.77	5.05	5.05
Return on Equity %		6.45	16.06	21.97	15.33	15.85	21.35	42.42	65.75	48.47	19.42	19.42
Return on Invested Capital %		6.38	16.03	21.97	15.33	15.85	19.39	28.14	33.39	28.78	11.99	11.99
Cash Flow Ratios	2002-12	2003-12	2004-12	2005-12	2006-12	2007-12	2008-12	2009-12	2010-12	2011-12	TTM	TTM
Operating Cash Flow Growth % YOY							-267					
Free Cash Flow Growth % YOY				-19			-317					
Cap Ex as a % of Sales	17.55	23.69	2.96	4.49	19.81	3.72	15.22	2.76	7.32	4.21	3.42	3.42
Free Cash Flow/Sales %	8.7	9.29	26.2	19.4	5.06	20.49	5.59	16.7	5.46	5.71	1.03	1.03
Free Cash Flow/Net Income	-0.61	3.89	6.14	3.15	1.03	3.69	0.92	2.41	0.73	0.81	0.36	0.36
Efficiency	2002-12	2003-12	2004-12	2005-12	2006-12	2007-12	2008-12		2010-12	2011-12	TTM	TTM
Days Sales Outstanding												
Days Inventory												
Payables Period	79.56	65.2	54.41	44.5	45.8	46.04	41.06		29.36	98.48	132.17	132.17
Cash Conversion Cycle												
Receivables Turnover												
Inventory Turnover												
Fixed Assets Turnover	11.14	21.47	35.52	23.15	20.83	18.15	13.49		12.43	3.71	2.76	2.76
Asset Turnover	1.78	1.78	2.37	2.21	2.05	1.92	2.16		2.6	1.58	1.37	1.37

Current Valuation Movie Flex				
	NFLX	Industry Avg	S&P 500	NFLX 5Y Avg*
Data as of 10/22/2012, *Price/Cash Flow uses 3-year average.				
Price/Earnings	38.8	31.4	15.3	30.8
Price/Book	5.5	4.3	2.2	12.3
Price/Sales	1.1	1	1.3	2.1
Price/Cash Flow	25.1	15.1	9.3	18.7
Dividend Yield %		0.4	2.1	
Price/Fair Value	Premium			

Forward Valuation Movie Flex			
	NFLX	Industry Avg	S&P 500
Data as of 10/22/2012.			
Forward Price/Earnings	37.7		14.2
PEG Ratio	0		
PEG Payback (Yrs)			

British Petroleum: Impact of Gulf of Mexico Oil Spill (2010)

Eissa Al Hashmi
MBA student, New York Institute of Technology,
Abudhabi , UAE

INTRODUCTION

British Petroleum is an international energy company headquartered in London, United Kingdom and is considered as one of the six 'super-major' oil and gas companies in the world. (Fortune500, 2010). The company operates in more than 80 countries and is active throughout the whole spectrum of Oil and Gas operations such as exploration, production, refining, distribution and marketing of the petro-products, energy generation and trading. The company has been in news over the past years due to questionable business ethics and corporate responsibility, which has been strongly criticized by different management experts and environmental campaigners. The company has been involved in number of major environmental and safety incidents and has been able to get away due to its immense political influence. The current case study analyzes one of the most recent incidents involving the company and evaluates the impact of this incident on the financial health of the organization, as compared to its rival, Total.

Gulf of Mexico Oil Spill: April 2010

In April 20, 2010 an explosion and consequent fire broke out at the Deepwater Horizon semi-submersible Mobile Offshore Drilling Unit (MODU) in the Gulf of Mexico. The MODU was owned and controlled by a company called Transocean and was drilling under contract for BP about 40 miles SE of the Louisiana coast at a location named the Macondo Prospect oil field. This rig explosion took lives of 11 workers and injured 16 others while the other 99 people at the site survived without severe physical hurt. The fire at the explosion site burnt for

3 days before it could be put out and the oil seeped in the ocean for 87 days before the well was closed and sealed. In the following investigation, four corporate were found to be following unethical practices regarding safety and disaster management procedures in this incident namely BP, Transocean, Halliburton and Cameron. The explosion was big enough to cause the Deepwater Horizon to burn and subsequently sink, and this caused an enormous offshore oil spill in the Gulf of Mexico. The environmental disaster that followed the spill is now considered the second largest in U.S. History.

Aftermath of the Incident

In spite of being one of the most experienced and largest companies in the Oil and Gas industry, BP displayed unethical procedures and practices which lead to the incident. The company had not filed the crucial blowout management plan with the Federal marine agency, in spite of drilling at a critical location close to the mainland (Michael Kunzelman, 2010). This shows a callous disregard for the safety and ethical practices by both BP and the Federal agencies that allowed the company to proceed with the drilling without sufficient safety and precautionary procedures. Moreover, it had given instructed the associate companies to follow potential dangerous techniques to reduce the cost and time. Additionally, it was found that the BP had claimed to be capable of handling more severe oil spill scenarios in its license application, but in reality, it had simply exaggerated about its disaster management procedures. This should unethical and dishonest company dealings and

applications. BP has also been accused of using the 'fail safe' blowout preventer, although the associate companies complained that the blowout preventer was faulty and earlier incidents were recorded.

On the other hand, Transocean (the operator) has shown unethical practices by using faulty machinery and careless monitoring of the drilling process, in spite of handling such a critical operation. Unethical practices have been found from the side of Halliburton (manufacturer) as the company did a flawed capping of the oil well. The process was hurried up in order to save time and cost, which lead to a low-quality and faulty well cap which could not prevent the oil leak. Also, the blow out preventer machinery manufactured by Cameron (manufacturer) had defected hydraulic system and thus it was unethical of the company to supply such faulty equipment for the operation.

Impact of Financial Statements

Thus we observe a number of unethical practices by the involved parties in the incident. These unethical practices include insufficient government regulations, disregard for safety and ethical procedures and corporate dishonesty. Evaluating the financial ratios of the organization for the year 2010, the following values have been arrived at.

CONCLUSION

It can be observed that BP has reported barely a lower profit margin of 1%, in spite of having a huge sales value. This dismal performance could be due to its excessive operating costs in particular those associated with selling and administrative

expenses, and the effects of the Gulf of Mexico oil spill. However, it can also be noticed that the BP has been able to achieve a better RoA in spite of the incident. Furthermore, it can also be seen that the incident did have a major impact on the operating expenses of BP, thereby affecting profitability and closing balance of the company. This case study also highlights the need for ethical business practices and its financial impacts.

BIBLIOGRAPHY

- al., G. e. (2010). Business Ethics at British Petroleum . Hogeschool.
- BP. (2010, December). About Us. Retrieved April 2011, from BP Corporate Website: <http://www.bp.com/sectionbodycopy.do?CategoryId=2&contentId=7065607>
- BP. (2010, December). DeepWater Horizon Incident . Retrieved April 20, 2011, from BP Corporate Website: <http://www.bp.com/sectiongenericarticle800.do?categoryId=9036575&contentId=7067541>
- Fortune500. (2010). Global 500 - Full List. New York: Time Inc. .
- Lewis, P. V. (1985). Defining 'business ethics'. *Journal of Business Ethics* , 1-3.
- Wikipedia. (2011, April 21). Deepwater Horizon. Retrieved April 22, 2011, from Wikipedia: http://en.wikipedia.org/wiki/Deepwater_Horizon_explosion



Figure 1: Deepwater Horizon Explosion;
Source - Wikipedia



Figure 1: Location of the Incident;
Source: BP Corporate Website

Impact of Financial Statements			
Financial Ratios (2010)	Formulae	Company	
		BP	Total
a) Profitability Ratios			
1. Profit Margin	$\frac{\text{Net Income}}{\text{Sales}}$		
		1%	0.02%
2. Return on Asset	$\frac{\text{Net Income}}{\text{Total Assets}}$		0.02%
		1%	
3. Return on Equity	$\frac{\text{Net Income}}{\text{Owner's Equality}}$	3%	0.40%
b) Asset Utilization Ratios			
1. Receivable Turnover	$\frac{\text{Sales (credit)}}{\text{Receivables}}$	7.49	5.51
2. Inventory Turnover	$\frac{\text{Sales}}{\text{Inventory}}$		90.24
		11.33	
3. Fixed Asset Turnover	$\frac{\text{Sales}}{\text{Fixed Assets}}$	1.69	1.64
4. Total Asset Turnover	$\frac{\text{Sales}}{\text{Total Assets}}$		0.98
		1.1	
c) Liquidity Ratios			
1. Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1.15	1.45
2. Quick Ratio	$\frac{\text{Current Assets - Inventory}}{\text{Current Liabilites}}$	0.65	1.05
d) Debt Utilization Ratios			
1. Debt to Total Assets	$\frac{\text{Total Debt}}{\text{Total Assets}}$		58%
		65%	
2. Times Interest Earned	$\frac{\text{Income before Interest \& Taxes}}{\text{Interest}}$	3.12	2.23
Du Point Analysis	$\frac{\text{Net Income}}{\text{Equity}}$	3.50%	0.40%

Training Needs Assessment of Faculty in the Management Institutes of Coimbatore District

Mrs. Neena. P. C
Research Scholar, Anna University, Chennai
Assistant Professor,
SNMV Institute of Management, Coimbatore
MBA Department, SNMV CAS, Malumichampatti,
Coimbatore -50, Tamilnadu
Email : neenapchr@gmail.com

ABSTRACT

Training improves individual efficiency and induces behavioural changes in the areas of knowledge and competencies for better productivity. The objective of the training is to ensure that the employee fills the gaps to reach the specific standards of the job and to elevate the excellence of an output with optimal resources and time. The training needs will be assessed by evaluating the present status of performance with a specific target or benchmark set by an authorized regulatory body. The Training strategy to be opted for management faculty should be a combination of Cognitive, Group Dynamics Strategy, and Virtual Reality Strategy and Holistic strategy. A SWOT analysis done on the management education reveals that the charm of the management education is fading away as the years pass by. The role of the management education sector is to ensure the supply of quality fresh talents to industry at par with their expectation. Hence it is the need of the hour to update the knowledge and skill of the faculty with the current trends, needs and to nurture the new generation of professionals with advanced techniques and practices in the industry. Though our statutory bodies like AICTE or UGC had defined minimum requirement to ensure quality of management education such as qualification of faculty to serve at different levels of the hierarchy of the institution, involved in research and consultancy, industry experience etc., a question arises whether they are sufficient to devise an academic frame to deliver an adequate number of professionals of expected quality as industry needs. The recent level of increasing unemployment and high disparity in salary between management professional graduates urges attention for a quick revamp of the management education system with constant improvement of the quality of the faculty through training. As India had emerged as a destiny for the Global Corporate, our management education also must be uplifted to the global standards. We are already late to evaluate where our management education stands when comparing with Global Leading Business Schools and how to inculcate quality enhancing strategies in our education to narrow down the lagging in to reach the global level in the nearby future.

Key words: revamp of Management education, Management Faculty Training, ICT (Information & Communication Technology, training needs assessment (TNA)

INTRODUCTION

“Training is the organized procedure by which people learn knowledge and skill for a definite purpose”.

(Dale S Beach)

Training is any attempt to improve employee performance on a currently held a job or one related to it.

(H.John Bernardin)

A “Training needs assessment”, or “training needs analysis”, is the systematic method of determining whether a training need exists and if it does, what training is required to fill the gap between the standard and the actual performance of the employee.

The quality and growth of Management education is vital to empower Corporate to mould second line of executives and to sharpen their performance with cutting edge strategies. The

AICTE (All India Council for Technical Education) approval process handbook reveals that the number of management colleges swelled by 116.5% from 2006-07 to 2012-14 and intake by 306.5%. Most of the students opt for this expensive multidisciplinary Post graduation - Masters in Business Administration or Post Graduate Diploma in Management, dreaming a bright future in the corporate world and a high salaried job. But the corporate prefer only top ranked Business schools for their recruitment. The students from the other colleges manage with low salary jobs, not even sufficient to pay back their education loan. One question here arises, why do our corporate ignore the majority of management colleges during campus placement programs? Whether due to poor quality of education in these institutions or poor performance of students already recruited from these institutions?

In the highly competitive environment, to sustain in management education, the institutions must provide a service to the level of student's expectation, worth for what they pay. The pivotal role in the management education is vested on faculty as how they impart management concepts to students. The quality of faculty must be improved at par with the industry requirements to enhance the quality of students to perform in the high stress business activities. It is unfortunate to notice that academic activities in management education are just a continuation of undergraduate level except for the students from disciplines other than commerce and management streams.

University Grant Commission (UGC) and AICTE has framed guidelines for the qualification of faculty at different positions from Assistant Professor to Professor and other value added parameters to ensure quality in academics, in addition to the minimum requirements for infrastructure, library, laboratory and number of faculties as per student to faculty ratio (15:1). For getting approval for starting up the course, all the mandatory norms proposed by AICTE must be followed and the managements of the institutions invest millions to fulfill these norms. Even then there is a wide disparity in the quality of students passing out from

these institutions. Why do different surveys on management institutions rank some institutions high when all institutions follow the same norms and regulations of AICTE? It differs how they structure academic activities, implement continuous improvement process to ensure excellence at every level and in the implementation of innovative practices. It can be accomplished only through training of faculty.

In andragogy, the role of a faculty is as a catalyst in a chemical reaction or as a coach of a football team. The role of a faculty includes facilitating of learning, motivation, giving exposure to real time experience, and mentoring, continuous evaluation of improvement, promote involvement in competitions and tasks, develop self reliance, inculcate creativity and encourage doing experiments. The only factor that influences a student in his career modeling, nurturing and empowerment is the faculty who envisages his career prospects and guides him to achieve it. This provides the basis for the assessment of training needs of faculty.

The training needs assessment may be analyzed in the following stages:

1. Identifying training needs of self – What I lack in delivering quality service?
2. Identifying Training needs from the feedback of students – What my students expect from me?
3. Identifying Training needs of management – What my employer expects from me?
4. Identifying Training needs from employment trends – What recruiters expect from my students?

The self evaluation and feedback from students will reveal the areas where the faculty has to be improved.

The curricula of professional courses are designed to meet the dynamic demand of industry in technology and management. The technical and management institutions have two roles in an economy: supplying quality professionals and

supplement the industry growth with practical solutions for functional problems and innovative concepts for business growth. Hence more thrust has to be given to research and development. Research in management generally focuses on administrative, Operational and financial issues in business which is essential to reduce the cost of planning and execution of strategies. So research is one of the areas where more training has to be given to the faculties' in order to motivate them to involve in R& D. The main reasons those persuade the faculty to refrain from research are:

1. Time constraint in personal life
2. Lack of motivation
3. High administrative / Job responsibilities
4. Financial constraints
5. Difficulty in accessing learning resources

Since education is an intellectual and a skill nurturing process, the research will give an edge to faculty to explain the theory as well as applications. The academic research has a great role in the development of Economy & Growth in Business as the academicians can give a conceptual foundation in forecasting trends such as business cycle variation, human behavior, cost analysis etc. The research can be of self volunteered or sponsored or consultancy. 6LeClair discussed the emerging desire for business schools to focus specialization, which if designed and implemented successfully, enables faculty members to focus on their area of strengths, such as research or teaching.

It is unfortunate to notice that the gap between industry practices and academic curriculum is very high and widening more. The main challenge is that the faculty in management is not familiar with most of the tools and practices used in different functional areas like finance, human resource or marketing. For example SAP, Payroll tools, different accounting softwares etc. Many leading management schools have installed all these softwares in their Laboratory and the faculty are given training on it so that students can practice it. The exposure of students to latest techniques will increase probability of placement and to become an effective entrepreneur. It is very important to

provide training to the faculty with latest techniques and tools to enhance the quality of academics.

The publication of research articles in journals and participation in conferences to present papers are also important in promoting involvement of faculties in research. This will also motivate students to involve in research activities and publish their ideas. Conference are open forums for discussing different management issues and share views. This will help the fresh faculties to gather more knowledge and to initiate their research activities to bring out more solutions and views. The published conference proceedings are rich referrals for research scholars. The faculties involved in publishing and research use learning resources like library, e-libraries, e books maximum which will reflect on their course contents and response of the students. This will reflect in placement of students as they are also charged with the latest concepts and analytical skill. The question of faculty qualification is a common topic of discussion across higher education. In order to help its membership benchmark with their peers and other groups of comparable schools, AACSB5 collects the number of faculty listed as Academically (AQ) or Professionally Qualified (PQ) on two of its annual surveys, the Salary Survey and the Business Schools Questionnaire (BSQ). The role of faculty apart from academics is to supplement the industry with concept development functional solutions, cost reduction techniques and production optimization techniques.

REVIEW OF LITERATURE

The training needs assessment of faculties is a continuous activity as the need of the industry varies substantially, hence the knowledge and skill level of students should be upgraded accordingly. The training needs assessment will lay foundation to create a uniform strategy for the smooth functioning for the evaluation of performance of both students as well as faculty. Most individuals have a need to feel competent-

that is, to make use of their valued abilities, to realize their capabilities and potential.¹ **(Wayne F.Cascio., & Herman Aguinis. (2009).**

The role of faculty is to teach students different concepts in a way they can understand easily and develop critical thinking, involvement in collaborative as well as problem based learning **2 (Hutchings 2011).**

The objective of the training needs assessment is to identify the areas where the faculty has to improve to impart a quality education, cementing theoretical concepts to enhance the application and practice in the real work environment **(Travis, Hursh, Lankewicz , Tang 1996).**

The role of faculty cannot be limited in teaching. They are administrators as well as leaders. They have their own duties and responsibilities to keep department function smooth and sustain. The stress and work load issues are also matters of concern for a healthy academic environment. They need training to balance their research, teaching assignments, administrative workload and personal life **(CAL@cal 2007).**

Wider use of Information and computing technologies in education transformed the Indian education sector to a new level of teaching with methodology using internet , audio and video techniques and mass data transfer techniques in all levels from play school to professional education. Hence teachers must be trained to use these technologies to connect the students to the global level of education **(Tilak 1992).**

RESEARCH METHODOLOGY

The respondents of the research are faculty of MBA departments of different colleges in Coimbatore under ANNA University. The population size is 247 faculties of different specialization and the sample size is 73. The data are collected through a questionnaire. Feedback of students is also collected using a questionnaire for analyzing their expectations before they join the MBA and their views on what they had received during the two

years. The tools used in this research are simple percentage and Chi Square analysis.

OBJECTIVES OF THE RESEARCH

1. To analyze training needs of faculties in research, publications and usage of ICT * in teaching from their self evaluation feedback
2. To analyze the additional industry based courses / certificates gained by faculty to train students at par with industry requirements.

Findings

1. The respondents of the research are the faculties of different MBA colleges in Coimbatore under Anna University.
2. 26% of the respondents are fresh faculties and 20.5% have more than 10 years of service in academics. 53.5% faculties have service in between 1 to 5 years.
3. 16.4% of the respondents are awarded with Ph.D and 31.5% respondents pursue research.
4. 19.1% faculties have published their papers in international and national journals, 46.5 % in national level journals.
5. 28.9% respondents have presented their papers in international and national level conference , 41.1% in national level conference
6. 80.8% respondents used to attend FDP ., faculty development program
7. Only 1.3% respondents have published a research based book other than his Ph.D. Thesis. 9.6% respondents have published syllabus based books and 4.1% have published books on general topics.
8. 24.65% respondents use the library for referring subject books for preparing course material, 21.91% refer for research journals , 37% for updating business trends and opportunities and 53.4% for general updates
9. 56.1% respondents have membership in libraries of other institutions or public library other than library at the institution where they work

10. The chi square test is used to analyze whether the research scholars or Ph.D. holders are motivated by the managements of the institutions where they work. The result shows that neither the research scholars nor those who have completed are motivated by their managements. They carried out the research at their interest or expense
11. Only 3.9% research scholars have sponsored research and the rest of the scholars are doing their research at their expense
12. 52% of the respondents who did not register for research has financial constrain. The banks extend loan only to Full time research scholars. 75% of the research scholars are part time research scholars
13. 64% of the respondents who did not register for research find it difficult to do research due to work life balance
14. Insufficient information, confusion in selecting an area of research and inadequate coordination with research supervisors are reported as constraints by 67% research scholars and these constraints may extend the duration
15. The analysis of influence of teaching methodology using case studies, data collections etc. based on research and student's involvement in research using Chi square shows that there is a significant relation between the research based teaching methodology and student's involvement in research
16. Only 20% faculty has attained training in SAP and invested their own money for the same
17. No faculty is given a special training by any management in any of the special tools or certification other than one day or two day introductory faculty development programs.

CONCLUSION

The quality of management education has to be enhanced at par with global standards as well as up to the expectations of the industry, hence the

faculty has to be trained with current practices and tools used in industry and how to solve issues in the industry through research. The Indian Management faculty has to undergo a face lift by motivating them to undergo training in latest techniques such as SAP, ERP etc. so that the students will be trained to perform well in the job environment. This study had analyzed the areas where the faculty should be given training, which in turn to be imparted the same to the students to gear them up for the industry needs.

REFERENCES

- Wayne F.Cascio., & Herman Aguinis. (2009). ***Applied Psychology in Human Resource Management***. (6th Ed.). New Jersey: PHI, (Chapter 15).
- What new faculty need to know about assessment : Pat Hutchings, Spring 2011, [learningoutcomesassessment.org /brief.htm](http://learningoutcomesassessment.org/brief.htm)
- Preparing faculty for academic management : Needs Assessment & Bench Marking – CAL@CAL Creating Academic Leaders at CAL, Leadership development program (Jan 2007).
- Professional development needs of manpower in education in India : Jandhyala Tilak : National University of educational planning and administration, India .<http://www.aacsb.edu/publications/enewsline/archives/2010/vol9-issue1-faculty-trends-by-discipline.pdf>.
http://www.aacsb.edu/publications/enewslineasia/Archives/2011/March/Faculty_Qualifications.pdf

Footnote:

*AACSB : Association to advance collegiate schools of business

*ICT : Information and Communication Technology

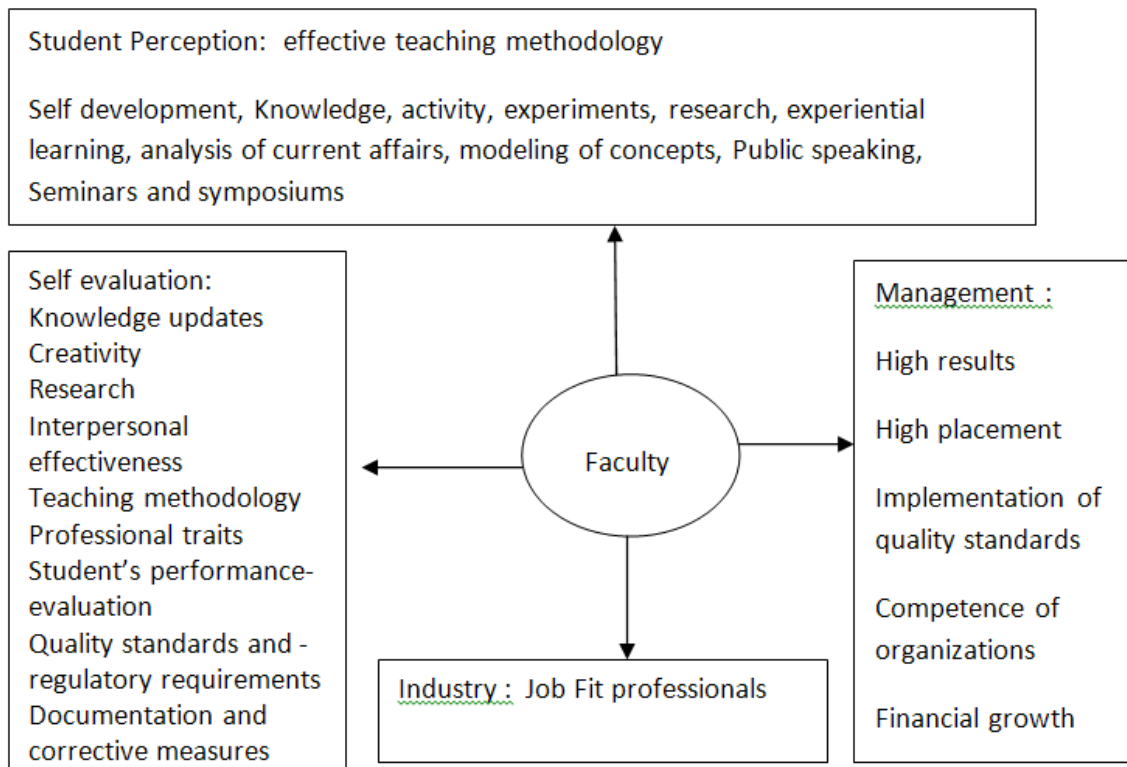


Figure 1: Selection of parameters for training needs assessment

Impact of Employee Attrition on People Management in Organisations

Santhosh Kumar A. V.
Lecturer,
Department of Commerce and Management
Seshadripuram First Grade College
Yelahanka, Bangalore, Karnataka
Mobile: 9880575468.
Mail ID: sankum7578@gmail.com

ABSTRACT

When people do jobs that just don't suit their liking, they start feeling irritated and it results in low productivity, dissatisfaction, low morale, absenteeism and other negative behaviors till the employee is shown the door. It is therefore necessary for the organization to avoid this before hand. The other expression for avoiding this type of behavior in organization is through effective people management. Talent management implies recognizing a person's inherent skills, traits, personality and offering him a matching job. If any other position is given it will cause discomfort, resulting in lack of talent pool, low productivity, inferior quality, dissatisfied customers and may even lead to shut down. A wrong fit will result in further hiring, re-training and other wasteful activities. This ultimately affects the society and the economy.

The objectives of the study was to find out Impact of Employee Attrition on People Management, Reasons for employee attrition, layoffs, mismatch between demand and supply and finally to develop ideas to manage talent with reference to financial Services in India. The paper highlights the topic in review of literature and analyzing the same. How can organizations retain talent, steps they can take and try to avoid attrition. The paper is compiled by collecting secondary data. It is the job of the Management, particularly the HR Department, to place candidates with prudence and caution. No matter how inspiring the Leaders are, they are effective only when they work as a team. A team's output is healthy only if the members are in sync. To achieve such harmony, the key ingredient is "putting the right people in the right jobs".

Key Words: Talent Management, Employee Attrition, Layoff, Re-Training, Productivity

INTRODUCTION

In an organization nothing is more crucial than fitting the right employee in the right position. Every person has a unique talent that suits a particular job profile. Yet there are some people who end up being in the area of work they should not belong to. Is it because there is shortage in demand for their talent or because they are lured by company compensation and benefits?

Take the second scenario, in current climate of change, its really critical to hold onto key people especially with tough competition around and greater opportunities from larger companies. Do HR personnel fail to recognize these opportunities and

talent with them? Do they fail to motivate them or does the organization culture does not allow them to grow?

In view of this the need of hour for every company is to recognize talent within their organization and create different strategies to retain the best. In brief, they should learn the art of Talent Management. This will help them in growing in their operations and building a sustainable economy.

REVIEW OF LITERATURE

- A study by IBM (NYSE: IBM) and the Human Capital Institute (HCI) shows that while 84

percent of organizations know that workforce effectiveness is important to achieving business results, only 42 percent of those surveyed say managers devote sufficient time to people management

- The study, Integrated Talent Management, was based on research with 1,900 individuals from more than 1,000 public and private sector organizations around the world. It was undertaken by IBM and HCI to identify the return on investment of integrated talent management.
- Heidi Sprigi, president of Knowledge Infusion defines talent management as:

“The process of managing the supply and demand of talent, to achieve optimal business performance is in alignment with organizational goals”.

A survey conducted in 2010 by Knowledge Infusion in conjunction with the International Association for Human Resource Information Management (IHRIM) found that approximately half of all respondents said their companies had no integration between systems and talent management processes, and only fair to poor organizational alignment of the workforce to business goals.

- According to Kevin Wheeler, internationally known expert in talent acquisition and management says, “Most companies perform two or three components of a talent management system well, but the total system seems to be elusive without executive level involvement.”
- In a recent article by Dr John Sullivan called ‘Talent Management Road Kill, Part 2’, he says, “There is a growing trend of choice HR jobs being awarded to non-HR professionals following years of senior management dissatisfaction with HR in general. Talent management is seen as a strategic task by senior leaders, but the perception is that HR

professionals are generally incapable of executing talent strategies.” While most senior managers may believe that HR lacks the skill set to effectively run a talent management programme, senior management has not determined how to create a fully integrated talent management strategy.

- Cindy Marsh says that key roles from the executive management team through lower levels should be included in the succession plan of an organization in order to prevent business disruption. A business strategy of an organization must include a talent-management element that incorporates a set of HR policies and practices that management commits to implement. The organization will be in a position to measure via an audit how well talent management is being addressed when accountability is in place. This audit model is organized around five components including values, people, development, systems, and processes.

OBJECTIVES OF THE STUDY

- To Study the Impact of Employee Attrition on People Management in Organisations.
- To find out the reasons for employee attrition.
- To analyze the reasons for layoffs.
- To develop ideas for nurturing talent
- To list out the role of HR strategies in talent management

REASONS FOR ATTRITION

Though the rising attrition within industries is a well discussed topic but very few HR executives have been able to pinpoint the ‘exact’ reason for this growing trend.

- A recent Hewitt “Attrition and Retention” survey shows one of the top reasons for talent attrition is inequity in compensation
- They also show that 27% of the employees in their EXIT interview mentioned compensation as the primary reason

The other reasons are,

- Limited career opportunities
- Role stagnation
- Mismatch of job profile
- Job stress and work-life imbalance
- Odd working hours
- Lack of authority provided to accomplish one's task
- Marriage, Social pressure
- Brand image of a new company
- Lack of Good working conditions

LAYOFFS

The Reasons are as follows:

- Due to lack of work
- Organizational change
- Termination of specific projects.
- Availability of fewer positions than there are employees entitled to such positions
- Employees ineligibility to continue in a position following its reallocation to a class with a higher salary range
- Employees ineligibility to continue in a position following its reallocation to a class with a lower salary range
- Elimination of positions due to work of the position being competitively contracted

IMPORTANCE OF TALENT MANAGEMENT

Globalization: Now for any jobseeker, the whole world is a potential place to find employment. One can know the opportunities available in any part of the world easily and the number of talent seekers has also increased.

Increased Competition: Increased competition in the market place has necessitated the need for consistently good performance on the part of organizations. These have made the companies to put in all efforts to hire and retain the best talent in the respective field of operations.

Increasing Knowledge: The knowledge era has necessitated the retaining of those talents which have the ability to assimilate new technologies and

knowledge, which are growing at a pace never seen before.

BENEFITS OF TALENT MANAGEMENT

The organization benefits from:

Increased productivity and capability; a better linkage between individuals' efforts and business goals; commitment of valued employees; reduced turnover; increased bench strength and a better fit between people's jobs and skills.

Employees benefit from:

Higher motivation and commitment; career development; increased knowledge about and contribution to company goals; sustained motivation and job satisfaction.

MANAGING TALENT

Here are some of the measures that should be taken into account to hire and retain talent in the organization, to be efficient and competitive in this highly competitive world: -

Hire the Right People: Proper care must be taken while hiring the people itself. It would be beneficial for an organization to recruit young people and nurture them, than to substitute by hiring from other organizations. Care must be taken to fit the right person to the right job.

Keep the Promises: Good talent cannot be motivated by fake platitudes, half-truths and broken promises. Unfulfilled expectations can breed dissatisfaction among the employees and make them either leave the organization or work below their productive level. Promises made during the hiring stage must be kept to build loyalty among the employees, so that they are satisfied and work to their fullest capability.

Good Working Environment: It has to be accepted by the organizations that highly talented persons make their own rules. They have to be provided with a democratic and a stimulating work

environment. The organizational rules must be flexible enough to provide them with freedom to carry out their part of task to their liking, as long as the task is achieved. Opportunities should also be provided to the employees to achieve their personal goals.

Recognition of Merit: It is highly motivating for any person if his talent is recognized and is suitably rewarded. One way is providing them with salary commensurate with their performance. Promotions and incentives based on performance are another way of doing it. Another way is by providing them with challenging projects. This will achieve two objectives - it makes employee feel that he is considered important (a highly motivating factor) and gets the work done in an efficient manner and brings out the best in the employee.

Providing Learning Opportunities: Employees must be provided with continuous learning opportunities on and off work field through management development programmes and distance learning programmes. This will also benefit the organization in the form of highly talented workforce.

Shielding from High Work Pressure: If an organization has to make the most of the available talent, they should be provided with adequate time to relax, so that they can de-stress themselves. It is very important to provide them with holidays and all-expenses-paid trips, so that they can come back refreshed to work and with increased energy. They must also be encouraged to pursue their interests which are also a good way of reducing work environment stress. Recreation clubs, entertainment programmes, fun activities within the work area will also reduce the work life stress of the employees and develop camaraderie among the workers and result in a good working environment.

SUGGESTIONS

Talent management practices can have crucial impact on society. It provides economic stability. A new frame work for talent management has to begin

by being clear about the goal. Here are few suggestions which company can look in to

- Target for completion of work should not pressurize an employee, care should be taken to see that it does not hamper an employee's personal life
- Counseling sessions should be conducted for treating depression among employees.
- Seminars can be conducted on how to balance personal and professional life
- Make employees always part of work culture.
- If possible, companies can try to fix flexible working conditions for those experienced and senior employees, who are working for long tenure
- Motivation is the biggest factor which drives work, so a word of appreciation, praise in front of others motivates an employee
- Along with it perks, increments, bonus can even increase the working tenure and productivity of an employee
- New entrants needs to be made aware of realistic situation from day one itself so that companies do not waste resources on providing training to them
- Keep an eye on competitors and try to bring changes accordingly
- Provide opportunities for development
- There should be open communication among levels in the company.
- Proper performance appraisal should be designed and explained with transparency
- New improved tracking system for effective recruitment can be used

CONCLUSION

HR managers should give close attention to reasons for attrition, who needs to be laid off, what is employee expecting from them and what makes them happy to contribute to organizations growth. To ignore why people are leaving the organization is to ignore the organization greatest assets – its people. People in organizations are needed to perform tasks, but they are not just mere tools. They represent organization dreams, ambitions, creativity and innovation. And to retain these valuable assets is one of the surest ways to build an organization. Approaching talent

management from a comprehensive view point will enable companies to analyze, plan, forecast and execute business plans. Roles and responsibilities will be well defined and performance measures are designed to reward employees that contribute to the overall well being of the company.

Highly demanding business environment makes it imperative for organizations to build competence in the form of superior intellectual capital. It is agreed by almost all CEOs of big companies that it is the human resource - a talented one - that can provide them competitiveness in the long run. So it is the duty of the HR department to nurture a brigade of talented workforce,

Right person for the right job - is the new mantra.

REFERENCES

Article by Prof Peter Cappelli, Professor of Management, Director, Center for Human

Resources, The Wharton School - University of Pennsylvania.

Managing Talent in Flat world – An INFOSYS Perspective by Nandish Patil

Talent Management FAQ - HR World

Trends in Human Capital Management, The Emerging Talent Management Imperative: A Knowledge Infusion White Paper.

Ebscohost site: Using talent-management audits can improve HR's results, by Preziosi, Robert C.1

www.nasscom.com

www.talentmanagement101.com

www.thehindu.com/business/article78173.ece

Corporate wellness: A healthy HR initiative

Prof. Niranjana. L. R
Christ University,
Bangalore
Email ID: niranjana.lr@christuniversity.in

ABSTRACT

Corporate wellness is no longer about a well equipped gym in office that nobody bothers to use or the occasional session of yoga that is forgotten as quickly as it was organized. Organizations have been improving their approach to shaping healthy employees.

Corporate Wellness is an evolving area and has moved from adhoc activities to a more structured program aimed at improving key aspects of an employee's health and wellness. The major focus of these programs is lifestyle modification towards stress management, diet control, exercise, smoking cessation, etc. Owing to busy work schedules, space or access constraints the traditional gym-yoga approach doesn't work.

Stepathlon is a race around a "virtual world" for companies across all sizes, across all industries and countries. A participant's daily steps are recorded on a pedometer and converted into kilometers and their team's position is mapped on Stepathlon's highly engaging and interactive online platform. Teams compete both internally and with teams from other companies, in a race through 40 different locations on Stepathlon's unique virtual map of the world. In the year 2012, IBM has adopted a Game approach. All IBMers are divided into groups with Managers as captains of each group. All the groups will compete with each other in tasks that include health & lifestyle assessment, fitness champions program and cardiovascular and diabetes screening camp. The activities are so designed to bring to the employees' notice important factors of well being such as BMI, total cholesterol, random/ fasting blood sugar and blood pressure among others.
"At Sapient Nitro, India cafeterias cater to the health conscious with diet food options.

Keywords: Nutrition, Lifestyle, Health promotion, Well being, Diet

INTRODUCTION

The health and well being of the workforce is a major factor in overall morale. People who are stressed out, in poor physical shape, and nutritionally deprived are not going to be able to do their best at any job. Employers may think that lifestyle is about personal choices that have nothing to do with the workplace. However, full time employees often spend about half their waking hours on the clock in the precincts of the company. Which means what they do at work is their lifestyle to a large extent. Wellness initiatives that boost physical and mental health aren't a waste of resources. They increase employee satisfaction by creating an environment where it is easier to make beneficial decisions.

Health Promotion initiatives by the companies come in different forms, but the main purpose is to encourage individuals to take preventive measures to avert the onset or worsening of an illness or

disease and to adopt healthier lifestyles. Employers may utilize a wide range of health promotion initiatives, from onsite gyms to simple newsletters. While some businesses have instituted very comprehensive health promotion programs, others have achieved savings or increased productivity with just a few simple activities. Having a plan, along with one or two health promotion activities, can serve as a foundation for building a more comprehensive program down the road.

Studies have shown that employees are more likely to be on the job and performing well when they are in optimal physical and psychological health. Employees are also more likely to be attracted to, remain with, and value a company that values them. Wellness in the workplace improves company productivity by:

- Attracting the most talented workers;
- Reducing absenteeism and lost time;

- Improving on-the-job time utilization and decision making; and
- Improving employee morale, which leads to a reduction in turnover.

In addition to improved productivity, health promotion programs have proven to be an effective tool in slowing the growth of health care costs. Choosing healthier alternatives may reduce an employee's chances of suffering from a disease. Less disease means employers can lower health plan use, thereby lowering health benefit costs, and in turn increasing the bottom line.

While medical cost savings from corporate wellness programs may be less evident than productivity gains, studies show that medically high-risk employees are medically high-cost employees as they use more health care and generate higher claim costs.

OBJECTIVES OF THE STUDY

1. To highlight few modifiable lifestyle risk factors which companies are trying to address.
2. To identify few initiatives by companies to address such health issues.

REVIEW OF LITERATURE

Unhealthy workers cost individuals, business, society and the economy. Absenteeism, high staff turnover, early retirement and increased stress have a negative impact on productivity which in turn damages the economy and society. The cost of unhealthy employees and absenteeism alone had been estimated at \$7 billion annually (Medibank 2005). Increased staff turnover, increased workplace stress and demotivated, disengaged staff (Russell 2009) are all consequences of unhealthy employees/workplaces. For example, healthy workers have only two days annual sick leave as compared to unhealthy workers who have 18 sick days. Indirect costs of unhealthy workers are harder to measure but include costs to the health and social welfare systems, reduced participation in the workforce and society in general and stress on families and communities. According to WHO, 'the workplace directly influences the

physical, mental, economic and social well being of workers and in turn the health of their families, communities and society' (WHO 2010).

Employees' health is influenced not only by their choices and actions, but also by opportunities to make healthier choices. These opportunities can be both limited by and offered in the workplace. The workplace is a valid and effective setting for health promotion for a number of reasons. Workplaces directly affect health (WHO 2010). Workplace policies, systems, practices and the physical environment can directly affect the ability of individuals to make healthy choices. Examples could include the availability of healthy food at or near the workplace, and the availability of quit smoking programs.

Some workplace interventions have been shown to be not only effective in achieving behavior change among employees but also to be cost-effective for organizations (Chau 2009; Russell 2009; Bellew 2008). A recent workplace health promotion initiative of the European Network for Workplace Health Promotion 'Move Europe' which included around 3000 organizations found reductions in absenteeism due to illness of between 12% and 36%. Existing infrastructures in workplaces can be used to support workplace health promotion. Employers can leverage this infrastructure, to enable them to offer relatively low-cost but effective interventions (PwC & WEF 2007). Using existing, familiar structures (e.g., teams, intranet, and communication channels) can provide a supportive environment and can be used to develop cultural norms and peer support to bring about changes in behavior (Russell 2009). More people at work in better health, more productive companies and less pressure on the public Health systems are goals worth working towards (Business Council of Australia 2008). Promoting health in the workplace is about enabling employees, employers and society to improve the health and well being of people at work (Burton 2010) Workplace health promotion can improve knowledge and awareness about healthy lifestyles, reduce the risk of chronic conditions like obesity, and encourage health

changing behaviors around physical activity, healthy eating, tobacco consumption and alcohol. They can also improve mental health and reduce stress (Chau 2009; Russell 2009). Healthy workplaces contribute to reduced absenteeism, increased job satisfaction, higher morale and improved working relationships (ENWHP 2005). The benefits flow through to families and the wider Community through greater likelihood of workforce and societal participation (ACCI 2009). Reductions in smoking and alcohol consumption can also benefit workers by reducing expenditure on tobacco on alcohol which benefits the individual and their family. Personal health related expenses may also be reduced. Reductions in stress can also benefit families. Investing in workplace health promotion can benefit workplaces and employers in many ways. Organizations Are facing challenges such as increased global competition, unstable financial markets and changing workforce demographics. Ensuring employees are sufficiently healthy to remain active participants in the workforce is key to future productivity and competitiveness.

Specific benefits of investing in workplace health promotion include:

- Reduced costs associated with absenteeism (Chau 2009)
- A resilient workforce (ENWHP 2007; Russell 2009)
- Reduced workplace injuries (Chau 2009; Russell 2009)
- Improved industrial relations (Russell 2009)
- Improved productivity (Russell 2009; Medibank 2005; WEF 2009)
- Improved recruitment and retention (Chau 2009; Russell 2009; WEF 2009).

Improved business reputation, corporate image and competitive advantage are also primary benefits of workplace health promotion. Workplace health promotion provides an opportunity to send a clear message that employees are valued (Russell 2009; WEF 2009). Workers are more likely stay with an organization where they feel valued (PwC & WEF 2007). Workplace 'wellness' programs are one factor which attracts employees to an organization and increases staff retention (PwC & WEF 2007).

Fewer staff, lower turnover, smaller profit margins and often no dedicated human resource function, can make it very difficult for small businesses to engage in the health and well-being agenda, yet smaller organizations can still implement health and well-being initiatives. There is little cost in promoting schemes to encourage active travel to work or providing advice and guidance on healthy working and living to their own staff (Black 2008)

METHODOLOGY

In this article, Literature review method coupled with secondary data collection from various research findings and corporate practices are employed using a descriptive study technique.

Findings

Indian Council For Research on International Economic Relations (ICRIER) in its study based on a survey of companies across 15 states of India, showed 12% of blue-collar workers were at a high risk of getting a debilitating disease compared to 4% of the medium and senior-level employees. While blue-collar workers are generally afflicted with acute as well as chronic infectious diseases like tuberculosis and AIDS, senior executives are more prone to lifestyle diseases, owing to lack of exercise and dietary control. ICRIER's survey corroborates what Apollo Hospitals found in its study 'Health and Wellness Survey'. The study said more than half of the executives were prone to lifestyle diseases. And nearly 71% of the employees and 82% of CEOs were overweight. It had also found nearly 48% of the employees and 69% of CEOs were physically unfit. The direct impact of employee sickness is reflected in man days lost. ICRIER's survey shows almost a quarter of the companies lose approximately 50 man days in a year due to sickness. Another 34% companies lose between 10 to 50 man days. This translates into an equal percentage of loss in their productivity and bottom lines.

The survey notes that companies are aware of how employee sickness affects their bottom lines.

To mitigate some of the cost, two-thirds of respondent firms have introduced preventive healthcare as part of their corporate governance strategy. However, less than one-third make provision for the whole range of preventive healthcare measures for their staff. Many of them feel providing health insurance is good enough. The report also suggests a well-designed employee wellness programme by companies could lead to 25% reduction in their health-plan costs, sick leave, and disability pay and workers compensation. Reducing just one health risk increases an employee's on-the-job productivity by 9% and cuts absenteeism by 2%. The report sums up with some suggestions both for the government and India Inc. These include conducting a health audit of all employees at regular intervals, introduction of preventive healthcare benefits and vouchers.

Modifiable lifestyle risk factors

Corporate wellness programs are a trend and a need of today's corporate work scenario. Long working hours, tight deadlines, targets and slouching on chairs for hours and hours has lead the workforce of the recent corporate to lead an erratic lifestyle and the health and healthy diet has become the last priority. Statistics show that an increasing no. of executives in the Indian Corporate world is ending up as victims of lifestyle diseases. Obesity, lack of physical activity, stress, tension, alcohol and smoking, unhealthy lifestyle and eating is leading them to nowhere but to diseases like Diabetes, hypertension, heart attacks, depression, cancer etc.

Physical activity, nutrition and weight

Tackling physical activity and nutrition together is effective for increasing physical activity, promoting healthy eating and preventing conditions like obesity (WHO 2010). There is insufficient evidence for single component interventions tackling nutrition and physical activity alone (Bellew 2008). There is strong evidence supporting the efficacy of telephone interventions aimed at promoting lifestyle behavior change in relation to nutrition and physical activity for a range of populations (Eakin et al. 2007)

and there is also evidence for the short to medium-term effectiveness of computer-tailored and expert system, nutrition information and to a lesser extent physical activity education (Kroeze et al. 2006; Norman et al. 2007; Vandelanotte et al. 2007; Van den Berg 2007). A number of techniques have been used to encourage physical activity at the workplace. A systematic review of the effectiveness of workplace physical activity interventions found the use of pedometers to increase daily step counts, walking to work (active travel) and workplace counseling to have a positive impact on physical activity behavior. Counseling as a technique to increase energy expenditure and cardio-respiratory fitness was found to be effective in a Randomized Control Trial as well. Another study found a communications-based campaign to be effective in increasing knowledge of physical activity and encouraging walking.

Smoking

Workplace interventions directed towards individual smokers include advice from health professionals, individual and group counseling, and pharmacological treatment to overcome nicotine addiction. These interventions are effective whether offered in the workplace or elsewhere. Tobacco policy and bans decrease use during work hours. However, incentives and competition do not appear to enhance long-term smoking cessation rates, with early successtending to dissipate when the rewards are no longer offered (Bellew 2008).

Alcohol

There is indicative evidence only that the following are effective:

- Embedding a low-intensity alcohol program with a broader workplace health promotion program
- Cardiovascular disease risk reduction programs as access for alcohol behavior change
- Employee assistance programs

- Face-to-face individualized strategies (Bellew 2008).

Diet

A diet high in fats and sugars and low in fruits and vegetables has been identified by WHO, WCRF and many other international organizations as a risk factor. Several interventions at the workplace are aimed at improving the dietary habits of employees. For instance, the Heartbeat Award (HBA) scheme, which is a nutrition labeling scheme in England was found to be effective in increasing four healthy dietary behaviors – increased fruit consumption, reduced fried food and sweets consumption, and a switch to lower fat milk. Another comprehensive intervention programme designed to target multiple levels of influence was found to be effective in increasing fruit and vegetable intake among employees. This increase was much more in the workplace-plus-family intervention relative to the workplace-only intervention, highlighting the importance of multi-component programmes.

Unhealthy food choices and a sedentary lifestyle, often exacerbated by job profiles, are risk factors to be monitored. Offering healthy options at workplace cafeterias is an effective and immediate approach to reduce risk factors among employees.

Substance Abuse

Programmes targeting substance use/abuse by employees have been found to be effective in reducing tobacco consumption as well as alcohol abuse. These intervention programmes have also found to be economically profitable for companies, particularly since substance abuse can greatly hamper an employee's productivity.

Corporate Initiatives

There are a variety of corporate wellness programs which help and ensure its employee wellness in one or the other way. Setting up fitness centers, spa facilities, meditation, yoga classes, aerobics, and healthy diet at the cafeteria and providing with dietitian within their own corporate are some of the

kinds of the corporate wellness programs. Corporate Nutrition is the commonest and a very important aspect while we talk of employee wellness since wrong eating is making the condition worse. This makes an important part of the corporate health packages.

Mazda

Mazda is promoting Company-wide health improvement activities to maintain and enhance the health of Company employees emphasizing on reduction of health risks by conducting health checkups, and recognizing as priority issues on mental health measures, lifestyle improvements, aging countermeasures and health maintenance support overseas. Similar activities are promoted and supported at domestic Group companies. In addition to legally prescribed health checkups for all employees, Mazda carries out comprehensive medical checkups covering a variety of areas for employees when they reach the ages of 30 and 35, and when they pass the age of 40. Based on the results of these health checkups, the Company also promotes health by offering personal guidance and health education by Company doctors and nurses in order to protect employees' health.

In 2003, Mazda declared its commitment to active cooperation between labor and management to promote employees' mental health in the Warm Heart Declaration. In addition, the Mazda Warm Heart Plan was formulated and is being implemented on an ongoing basis.

Mazda has set a target of reducing the percentage of smokers in the Company to 29.0% or lower (by the end of March 2014), and to this end, offers full individual support and promotes a nonsmoker friendly environment. Starting in FY March 2010, a new type of healthy meal that is low calorie, low salt, and uses high-fiber ingredients, is being offered as a regular part of the Company lunch menu.

Casio : Casio undertakes various measures to maintain and enhance the health of all employees and prevent occupational injuries. Casio goes

beyond employee health management. It also seeks, by taking active measures to promote better health, to improve employee motivation and raise productivity. Employees receive regular health checks that are more thorough than legally mandated, in order to maintain and enhance their health and to help prevent lifestyle-related diseases. An increased number of industrial physicians have been stationed at principal Casio sites, and careful health management activities are being carried out, including offering health guidance to employees after their regular health checks. In the effort to prevent lifestyle-related illnesses, Casio is promoting initiatives that focus on exercise and healthy eating. From September to November every year, Casio holds a Walking Campaign at its sites across Japan: 2,321 people participated in fiscal 2012. In this way, Casio is providing opportunities for employees and their families to improve their health through exercise.

The employee cafeterias provide healthy menu choices featuring a balance of calories and nutrition. Wellness Fairs are also held at all Casio cafeterias. In a new initiative for fiscal 2012, Casio held a total of 16 "Seminars to Improve Your Eating Patterns" at its Japanese sites, and 450 employees took part. Under the Japanese Health Promotion Act that came into effect in 2003, smoking is prohibited in all company buildings. Since fiscal 2011, Casio and its Health Insurance Association have been cooperating in the implementation of a practical Quit Smoking Encouragement Program that provides smoking-cessation aids. A number of employees have been able to quit through the program.

Offering a Helping Hand: Wipro's "Mitr" Wipro, one of the leading global corporations based in India, has a number of wellness programmes running in both its IT and BPO sectors. Essential components of the programmes are, for example, nutrition counseling, cafés offering low-calorie foods, health centers, medical camps, regular medical lectures and employee well-being events. One of its most successful initiatives has been the in-house counseling programme called "Mitr", launched in 2003. Literally meaning "friend", the programme trains employees to provide counseling

services to colleagues that are facing stress at work or in their personal lives. The employees trained for this purpose are volunteers, thereby ensuring high motivation and a desire to help. The selection of counselors from among the employee volunteers is stringent, ensuring that adequate motivation and commitment are accompanied by the necessary skills required to be a counselor. As a programme "for Wipro employees, by Wipro employees", it is highly sustainable and provides employees with a sense of ownership. The programme is highly publicized within the company, to ensure that as many employees as possible are aware of an available helpline, not only for work-related issues but also for personal problems. Certain key elements of the programme have made it highly successful – the use of technology such as the intranet, the involvement of key people and in particular of top management, which gives it then necessary support and backing needed for sustainability and further scalability, and interaction with external public health agencies and companies dealing with specific diseases, as well as with individual consultants

Reaching Out to the Family: The TCS Maitree Initiative Under the leadership of Mala Ramadorai, wife of S. Ramadorai, Chief Executive Officer of Tata Consultancy Services (TCS), Maitree was initiated to "weld TCSers and their families" together. The main objective of Maitree has been to reduce alienation and stress at work and increase a sense of empowerment and belonging among employees and their families. This is done by holding regular social gatherings to promote common interests and have a relaxed, healthy atmosphere at work. Events include clubs and workshops on diverse hobbies such as music, dance, yoga, trekking, origami, flower arrangement and theatre. The events are open not only to TCS employees but to their families as well – in particular, the focus is to encourage the spouses of TCS employees to become a part of the TCS family. The company has open days during which an employee's family can visit the office to get a feel for the work environment. An effort is made to involve the children of employees

as well, for whom special workshops and camps are organized. In addition, TCS Maitree provides counseling services to the 30,000 employees and their families, and there are several self-help groups within the organization that anyone can join. The idea is to build bridges between the company and its employees and their families, to encourage healthier, more meaningful lives.

Procter & Gamble (P&G)

To encourage and enable employees to follow and implement the newly initiated organizational structure and culture of Stretch, Innovation and Speed (SIS), Procter & Gamble Hygiene and Health Care launched the Vicks Wellness Programme in 2000, headed by P&G's Health Team. This entailed a full medical check-up for all employees, along with a fitness programme. It included interactive sessions with experts in the field – nutritionists, stress counselors, yoga specialists, etc., who could advise employees on how to adopt healthier lifestyles. It also entailed changes in the work environment, to make it a healthy place to work, both physically and mentally. For instance, the canteen not only served nutritious food, but was also converted into a recreational area where employees could relax and take a break from work. The programme also included an evaluation component, with feedback from employees informing the Health Team of the programme's impact on productivity.

Aditya Birla Group

A multinational corporation based in India, the Aditya Birla Group has opted for a comprehensive set of initiatives promoting the health of employees. It provides employees with the physical infrastructure necessary to maintain good health, including a well-equipped gymnasium, and a cafeteria serving nutritious food. Also, an onsite doctor caters to the needs of workers. The company organizes regular yoga sessions, and has a meditation room where employees can take their mind off work and home-related problems. In addition, clubs, auditoriums, walking tracks and other facilities are open to the families of

employees, and the company offers the facilities of various townships to the families of those who join the organization. These include sports and recreation, parks and gardens, and medical services. It also has several group events in which employees as well as their families can participate, such as family picnics, Kids' Day Out and SawanMela, further enhancing the feeling of well-being and connection among workers. Lastly, its health programme has a strong monitoring and evaluation component in the form of a biennial Occupational and Health Survey (OHS), which has proved useful, being the source of many of the health promotion initiatives of the organization.

Infosys

Infosys has adopted a very inclusive and comprehensive approach to health and wellness. The company has regular health check-ups, eye camps, dental camps, etc., performed by in-house doctors, as well as professional counseling services for employees. In 2005-2006, it introduced annual health checks for contractual employees as well. There are several health clubs at the Infosys campuses, which have been seeing a steady rise in membership. In line with this increasing participation, they have been expanding their gymnasiums and adding to the existing recreational facilities, such as bowling alleys. The health clubs provide employees with various facilities, including regular yoga and aerobics sessions, as well as on-site physiotherapists to help alleviate workers' ergonomics-associated problems such as spondylitis.

The company's most successful health initiative has been HALE, the Health Assessment Lifestyle Enrichment programme, which has six extensive elements: health, safety, leisure, stress, fun at work and team building. The health and safety elements are delivered through health awareness campaigns and lectures on relevant issues such as cardiology and stress management; the spread of awareness using enjoyable means such as health quizzes, puzzles and

competitions; health consultations on nutrition, diabetes, women's health etc.; and workshops and programmes on specific problems or unhealthy behaviors. For instance, in 2005-2006, Infosys conducted under HALE a nutrition programme which focused on the eating habits of employees, advising them on maintaining a balanced diet.

In the same year, a workshop was organized on ergonomics, educating employees about computer-related injuries, training them on maintaining good posture, and teaching head and neck exercises. The stress element under HALE is covered by the HALE Hotline – a 24-hour/365-day counseling service available to Infosys employees. A master health check and stress-relief campaign called HALE Health Week was organized in March 2008, with 6000 employees receiving extensive health checks and expert consultations. For monitoring and evaluation, the company has a HALE tool – an online questionnaire, examining and addressing the causes of stress. Responses to this questionnaire are regularly followed by the human resources department, and appropriate action is taken in the form of the “fun at work” and “team building.”

Depending on the type and size of the workplace, an employer can consider some of the following options:

Promoting the Service

An employer can promote the Service to employees, for example:

- At a staff induction session
- Hanging up posters in the office
- On the intranet with a link to the website.

Workplace Challenge

An employer could coordinate Get Healthy Service Challenges, such as:

- walk or ride to work
- eat more fruit and vegetables
- take the stairs instead of the lift.

Employee communication would focus on:

- promoting the benefits of adopting healthy behaviors
- informing employers about the benefits of promoting health in the workplace

It would not only target those who are likely to champion workplace health promotion in their

workplace (such as managers in human resources and occupational health and safety) but also senior management to raise their awareness of the benefits of workplace health promotion.

Employee communication would focus on:

- promoting the benefits of adopting healthy behavior to prevent ill-health
- providing employees with information in order to discuss healthy workplaces with their employers.

CONCLUSION

Human Resource is probably the only dynamic resource in the organization that changes on a daily basis. Obsolete machinery can be disposed off, a failed marketing strategy can be revived, quality standards could be confirmed to, financial losses could be made up for with better working capital management but an unhealthy, demotivated, disengaged staff is not only a white elephant but also a burden which affects productivity. Therefore companies are taking conscious steps to inculcate healthy practices and policies.

An effective corporate wellness program might have to consider the following:

1. Capture senior-level support. A commitment from the top is critical to the success of any health promotion initiative. Management must understand the benefits of the program for both the employees and the organization and be willing to put funds towards its development, implementation and evaluation. Descriptions of what competitors are doing in the way of wellness programs and even linking wellness goals to business goals, values and strategic priorities will help to secure senior management support. Managers who “walk the talk” and take part in the initiatives and activities will go a long way to driving others to participate as well.
2. Create a health promotion team. All teams should include a cross-section of potential program participants including employees.

Team should include individuals who will have a role in program development, implementation and evaluation. This ensures broad ownership of the program and more innovative ideas.

3. Collecting data that will drive health promotion initiatives. Once the team is in place and management is on board, it is time to gather baseline data to help assess employee health interests and risks. The results of the data collection will guide in what kind of health programs to offer. This process may involve a survey of employee interest in various health initiatives, health risk assessments, and claims analysis to determine current employee disease risk.
4. Crafting an annual health promotion operating plan. An annual health promotion operating plan should include a mission statement for the program along with specific, measurable short- and long-term goals and objectives. The program is more likely to be successful if it is linked to one or more of the company's strategic initiatives, as it will have a better chance of maintaining the support of management throughout the implementation process.
5. Choosing appropriate health promotion initiatives. The health promotion initiatives that are chosen should flow naturally from data (survey, HRA aggregate report, claims) to goals and objectives. They should address prevailing risk factors in the employee population and be in line with what both management and employees want from the programs and/or initiatives.
6. Creating a supportive environment. A supportive environment provides employees with encouragement, opportunity, and rewards. A culture of health that supports worksite health

promotion might have such features as healthy food choices in their vending machines, a no-smoking policy and flexible work schedules that allow workers to exercise.

7. Consistently evaluating health promotion outcomes. Evaluation involves taking a close look at goals and objectives and determining whether the desired results were achieved.

REFERENCES

- <http://wellnessproposals.com/wellness-articles/health-promotion/>
- <http://www.resources.hrbrainbank.com/employee-relations/articles/innovative-health-initiatives-can-boost-employee-satisfaction.html>
- http://www.mazda.com/csr/csr_vision/employee/health_maintenance.html
- <http://world.casio.com/csr/employee/employee05/>
- <http://www.healthizen.com/blog/index.php/employee-health-wellness/employee-wellness-an-indian-survey/>
- <http://www.scribd.com/doc/51217172/Employee-Wellness-India>
- <http://www.corporatewellnessmagazine.com/article/the-5-strategic.html>

Employee Relations in Global Workforce Management: The Primary Focus and Influences for MNC's

Prof. A. Suryanarayana
Department of Business Management
Osmania University
Hyderabad-500 007 (A.P.)
e-mail: professorsuryanarayana@yahoo.com
Phones: (M) 098493 61301 and 09848563756
(O) 040-27097481
Fax: 040-27098236

Dr. Feriz Ikbal
Principal
Department of Hospital Management
Deccan School of Management
Owaisi Hospital & Research Center
Hyderabad- 500 058
Email: manishas153@gmail.com
(M): 0-9704009232, (O): 040-24342632

ABSTRACT

Employee Relations, known simply as “ER” in many organizations, is the broad area of human resources dealing with the nature and quality of the relationship between organizations and their employees. This relationship is characterized by the manner in which employees are treated with regard to their physical, psychological, and economic well-being. This treatment is also influenced by several external factors such as unions and governments. The primary focus of ER in global workforce management is on the nature in which employees’ personal needs, interests, rights are protected, projected, promoted, and served by MNCs, which also are influenced by other external factors such as unions and government legislation. Critical challenges for human and employee rights in today’s global workplace include forced labor, harmful child labor, workplace discrimination, health and safety hazards, and job insecurity, and displacement. As part of their Corporate Social Responsibility, organizations should work hard to address and resolve these serious challenges, including cooperating and working closely with government and other non-profit organizations. MNCs also can do much to optimize the effectiveness of their ER policies and practices related to employee health and safety, fair and non-discriminatory practices, open communications, employee involvement and development, effective management of discipline, and, where necessary, termination. In this Paper, our broad use of ER is inclusive of both union and non-union work place arrangements and influences. In addition, our intended scope for global ER reflects the much broader and expanding array of employee work environments beyond industrial and heavy manufacturing. We would first examine several current and pressing ER issues in global workforce management and in their backdrop, consider important practices of MNCs for optimizing their success in globally managing the employment relationship followed by forms of influence and current issues related to labor unions.

INTRODUCTION

Ferocious global economic competition has spawned a relentless search by MNCs for the lowest production and operational costs. Their competitive survival often depends on their success in this search. On the supply side, the increasing accessibility of the world’s employees has created a huge pool of labor vying to compete for MNCs’ low-paying jobs, with little ability to refuse the unsafe working conditions that contribute to low operational costs. And many governments, desperate for increased jobs and national economic

strength provided by MNC Foreign Direct Investment (FDI), also compete with the tendency to seek the lowest labor cost and help to maintain employment in traditional markets—the advantage of locating business operations near consumers for company recognition and acceptance as well as for logistics savings.

Given this background of global competitive pressure and opportunities for achieving lower labor costs, much of the global labor force is vulnerable to workplace abuse by some shortsighted, unethical organizations—those that

seek to maximize their benefits at the expense of workers and their communities. Other organizations with no malicious intent may inadvertently contribute to employee workplace difficulties and abuse due to lack of awareness of the impact of their business activities, such as through their distantly managed operations that are outsourced and contracted to foreign companies and state-owned enterprises.

In this backdrop, we need to examine current critical global ER issues and challenges related to worker protection that companies should be aware of and consider in their ongoing business planning, including in cooperation with local governments, unions, and other parties concerned with employee protection. These issues include forced labor, harmful child labor, workplace discrimination, health and safety hazards, and job insecurity and displacement.

MAJOR CURRENT EMPLOYEE RELATIONS ISSUES

Forced labor

From an ethical perspective, the nature of the job in which one is engaged is just as important as whether one is employed. Some jobs are contrary to basic social and human rights and international law and will always be “bad” or unacceptable wherever they are found, regardless of the level of a country’s economic development. Many unacceptable jobs are represented by various forms of forced labor, or labor in which the worker is engaged involuntarily and under some form of duress or threat of negative consequence. A conservative estimate by the ILO places the number of victims of forced labor globally over 12 million, or at least four victims of forced labor per thousand workers. In one instance, a pickle factory in the US employed several Indian workers through an international labor-recruitment firm. Upon arrival in the United States, the workers’ legal travel documents were forcibly taken from them, and they were forced to work twelve to sixteen hours a day, six days a week, at well below the legal minimum wage. Finally, several workers escaped and eventually filed a civil suit against their employer.

Harmful Child Labor

An especially heinous form of forced labor for economic exploitation is harmful child labor. Through excessive working hours and under poor conditions, as well as at the neglect of education, the child’s personal development can be greatly compromised and permanently damaged, pointing to a life time of poverty and misery. This harmful child labor is a pervasive problem throughout the world, especially in developing countries, where work is frequently considered necessary to support family livelihood. Approximately, 180 million children between the age of five and fifteen are engaged in forced labor, or about one in eight children across the world. This situation calls for collaborative measures by local governments and businesses to eradicate the need for child labor by improving the employment wage conditions of parents and older children. For example, Nike announced that it would no longer employ workers younger than eighteen years of age in its shoe factories, putting an end to any fears that it was hiring child labor. But not all children stay in school and for them employment in an MNC’s manufacturing plant might be better than the next-best legal alternative: working in domestic industries or begging. An extreme, inflexible policy against all child labor, even part-time, under the age of eighteen could prove more harmful than the child labor itself. For example, in the 1990s, an ethics crusade was launched against major manufacturers of soccer balls, including such brand names as Reebok and Nike. Their balls were made mainly in Pakistan, often by children. Due to the outcry, the companies set up a new manufacturing facility and outlawed the use of child labor. Unfortunately, the community that once made the balls suffered when the companies quit the town due to higher labor costs, leaving the community with fewer job opportunities and no further educational prospects for local workers, especially women and children.

Here we see that ethical decision making leading to long-range positive outcomes also must take into account the prevailing relative level of

economic development and the potential unintended impact of well-intended decisions.

Workplace Discrimination

Another major global workforce ER challenge is workplace discrimination, which can have a harmful effect on the economic well-being and livelihood of people from several demographic groups within the global labor force, including racial minorities, members of particular religions, older individuals, women, the disabled, and regional migrants, and immigrants. Not only should discrimination be avoided to protect the interests and rights of individuals but efforts also should be made to prevent discriminatory practices where possible to ensure that business decisions are valid and based on relevant job-performance criteria—decisions associated with optimal business performance. For example, Britain has significant dependence on foreign nurses, with one in four nurses in some National Health Service (NHS) hospitals having been recruited from abroad, notably South Africa and India. One study found evidence that many of these nurses were being denied promotion due to institutional racism. There was a huge influx of internationally recruited nurses over several years. NHS is now increasingly dependent on them to plug its staffing problems. But these nurses are finding it very difficult to progress up the career ladder. Something has to be done about this, or else, these foreign nurses will be lured to other countries, such as America, and the NHS will be left unable to attract and retain international staff, which would be disastrous.

Health and Safety Hazards

The right to a safe and healthful workplace is under threat around the world as the competitive global economy puts tremendous pressure on reducing and minimizing costs associated with occupational health and safety regulations. Worldwide, according to the International Confederation of Free Trade Unions, there are two million fatalities on the job each year (3, 300 deaths per day) and 160 million new cases of work-related diseases. Moreover, it is estimated that for each fatality there are 1, 200 accidents resulting in three or more days off from work and 5, 000 accidents requiring first aid. MNCs

like Union Carbide have witnessed a seemingly unending spate of individual claims litigation supported by Alien Torts Claims Act against it due to the Bhopal disaster. The threat by this home country legislation, more than pressure from the governments of developing countries that host foreign operations, has forced firms to tighten safety procedures, upgrade plant safety precautions, and educate workers and communities.

Job Insecurity and Displacement

Job loss and worker displacement are major concerns in developing countries, such as China, where entry onto the world business competitive stage places great pressure on increased efficiency of operations and away from inefficient, overstaffed state-owned and subsidized enterprises. The availability of meaningful employment to protect an individual's ability to earn a decent wage and support personal and family livelihood represents one of the most fundamental global ER concerns. While handling employee termination and redundancies, MNCs should work closely with local governments to lessen the negative impact of operation closures and job loss and, wherever possible, actually contribute in the long run to greater skill development within the local labor force.

INFLUENCE OF MNC's AND UNIONS ON GLOBAL EMPLOYEE RELATIONS

The practice of ER throughout the world can differ dramatically, and in each business environment context, the practice of ER can have several external sources of influence. On the other hand, internal company factors such as company culture, general management philosophy, and prevailing management style also can be very influential in determining ER practices despite heavy government regulation and union presence in the external context, such as the case of McDonald's in Germany. For a long-term sustainable strategy of success, MNCs must adopt as part of their core values common high standards for managing their global human resources, including ER practices that will meet or surpass individual country standards and

regulations. Nike, Wal-Mart, and Reebok are just a few companies that have been under pressure to improve their global workforce ER acts, both in their home countries and abroad. And overall, they have responded very favorably to this pressure, raising the expectations for corporate social responsibility. In its own home country of the US, Wal-Mart has been charged, based on its own workplace data patterns, with a huge class-action lawsuit for sex discrimination related to compensation and career advancement. Although companies like Wal-Mart may truthfully deny conscious discriminatory practices, their human resource records and data patterns, unless they can be reasonably defended, may still provide sufficient evidence of discrimination and adverse "disparate impact" against a legally protected group, such as women or minorities. MNCs must not feel comfortable in merely being unaware of malfeasance and having a clear conscience regarding their ER practices but should actively examine their employment practices on an ongoing basis, including those covering their contracted workers, to ensure that legal and ethical ER practices and standards are followed.

IMPORTANT MNC PRACTICES FOR EFFECTIVE GLOBAL EMPLOYEE RELATIONS

Just as there are both serious costs of the neglect of worker health and safety and benefits to the organization when these needs are addressed, there can also be serious costs to organizations in the form of lowered productivity, fines and legal costs, and damaged image and reputation potentially affecting both consumer behavior and future recruitment when companies do not effectively attend to other important and other interrelated ER matters as employee involvement and development, open communications, employee correction and discipline, and employee termination. For these issues, we need to have recommendations for effective global ER practice that can guide initial planning and future, more detailed study.

Health and Safety

MNCs should have an ethical commitment to protecting employee safety and health and

minimizing the risk of work-related harm and injury associated with work assignments wherever they take place around the world. For example, since their start of the strategic focus on safety, Aloca has reduced lost workday injuries by 90 percent.

Seventy-five percent of its 487 locations worldwide had zero lost workdays in 2002, ten times better than the average record of its industry peers. However, there are critical areas to achieve success in planning and dealing with this as given below:

- **Management support:** An effective health and safety effort requires an investment in time and resources, both human and financial, which should be budgeted for and allocated appropriately by management.
- **Ongoing Risk Assessment:** The management at local operations should analyze work situations carefully on a regular basis to identify and protect against potential risks to health and safety as well as to keep accurate records of work-related accidents or injuries to identify trends and adjust accordingly.
- **Regular Audits and Inspections Based on World-Class Standards:** Related to the process of ongoing risk assessment, companies should conduct regular inspections and audits, both planned and unannounced, at their operations at home and abroad, including operations where company work has been subcontracted. For Mattell uses both internal monitoring and independent audits of safety in its worldwide toy-manufacturing facilities both owned and contracted, mostly found in the Pacific Basin. Its honest public disclosure supports Mattel's commitment and reputation for worker safety and sets a high standard for other companies.
- **Ongoing Communication and Training:** Very early communications and training are especially critical to counter the high risk of accidents during the first month of service.

For example, Pacific Northwest National Laboratory credits a weekly article feature in its internal electronic newsletter with greatly increasing staff awareness and involvement in creating a safer, healthier work environment.

- **Employee Participation:** At a minimum, employee safety and health concerns about their own work should be considered seriously, and no employee should feel forced into working under unsafe conditions until the concerns can be thoroughly assessed and alleviated.
- **Employee Feedback and Incentives:** A basic step in employee involvement is simply providing employees with regular feedback on their performance—both safety behaviors and outcomes—in promoting a safe and accident-free working environment. For example, the Bangalore-based electronics division of BHEL has been awarded the British Safety Council's International Safety Award for several years consecutively in recognition of its achievements in corporate health and safety. Such internal and external competitions can effectively serve to energize the MNC's global workforce toward improved performance in health and safety. However, management should be very careful to not allow the incentive, competition, and potential negative feedback to discourage honest reporting of accidents.
- **Employee Assistance Program (EAP) Support:** Beyond ethics and social responsibility, EAPs have the potential to demonstrate cost-wisely that companies are far ahead when they work to help employees overcome these challenges rather than ignore them and then suffer much more serious costs in dramatically reduced productivity, low morale, and new employee replacement and training. The concept of EAP centres on providing professional assistance to employees who are experiencing emotional or psychological difficulty with both employee well-being and overall productivity. Several common situations associated with these personal difficulties include alcohol and drug

abuse, marital or family difficulties, stress, financial troubles, depression, and grief.

Employment Involvement and Development

The active involvement of employees in providing input and making decisions related to their work has been found to lead to increased levels of motivation and job satisfaction and is associated with heightened worker productivity and retention and lowered absenteeism and tardiness. The best ideas come from the people in the field or on the production line. Generally, the lower the position, the better the idea. Examples of productive worker involvement include autonomous and semi-autonomous individual and group work designs as well as participation on special task forces, ad hoc committees, and ongoing problem solving and quality enhancement groups leading to improvements at the workplace and in the surrounding community.

Open Communications and Grievance Procedures

Productive and ethical ER practices provide for open communications where employees can be heard and their problems and complaints presented without fear and genuinely addressed. Supervisors should be trained to interpersonal communication skills to actively listen and work jointly with employees to resolve concerns at this informal level.

Employee Correction and Discipline

Ethical and progressive ER practices for dealing with employee correction and discipline have their focus on performance-problem resolution and improvement and a minimal emphasis on blaming and punishment. Only when initial efforts of employee correction do not bring about a desired change in employee performance, employee discipline should begin. For this, as a first step we need to have a disciplinary system in place that is sensitive and adapted to the unique needs, legal regulations, and cultural practices and expectations of the local workplace. Second, the nature of the disciplinary system, including the behaviors to avoid and their negative consequences if engaged in, should be clearly communicated to employees.

- **Progressive Discipline:** Disciplinary systems should always reflect a progressive movement of negative consequences, with each consequence appropriate for the particular order of infraction occurrence intended to be of minimally sufficient strength to effectively discourage future occurrence of the particular performance problem.
- **Documentation:** Effective documentation is an essential tool in managing discipline to maintain a professional and orderly manner in the process and to communicate its seriousness to the employee.

It also provides clear evidence if needed for review by other parties, such as a grievance procedure, and is especially important in defending manager and company actions in case of litigation.

Employee Termination and Displacement

Despite their effective efforts in correction and discipline, managers may finally conclude that there is no other recourse than to terminate an employee due to misconduct or inability to perform the work effectively. Of course, severance requirements do and can differ dramatically, from country to country. However, where employee termination is deemed necessary on the grounds of redundancy, before approval is granted many countries and regional trade agreements especially European Union, have legal requirements for providing detailed information and consultation with individual employees targeted for redundancy, appropriate labor regulatory bodies, and labor interest representatives. Often consultation is required to begin a minimum of thirty to ninety days before the dismissals may take effect.

Regardless of the reason for termination, efforts should be made to make the experience as comfortable and supportive as possible. Face saving is important in all cultures, and any form of humiliation—intentional or unintentional—should be carefully avoided. Although an ethical and socially responsible, proactive HR practices, might prove more costly in the short term, it can bring many benefits in the long-term with improved company morale, better external image and reputation, and minimal costly litigation.

ROLE OF LABOR UNIONS IN GLOBAL EMPLOYEE RELATIONS

The presence and potential influence of labor unions are carefully considered when MNCs are selecting locations for their manufacturing facilities. In a competitive global business market, MNCs carefully consider possible costs and disadvantages associated with unions in a given location. And governments in both developed and developing countries, in their interest in increasing Foreign Direct Investment (FDI) as well as in maintaining the domestic investment of their own companies, also are concerned about the possible negative impact of unions. Wal-Mart, for instance, has found the form of union representation in the People's Republic of China, heavily influenced by the Chinese government, to be very favorable to its significant FDI and expansion plans there. We also need to note that labor union structures, priorities, laws, and practices can differ dramatically within countries and from country to country. For example, the behavior of trade unions in Bangladesh, characterized by political activism and features momentous strikes known as hartals, have played a crucial role in most political changes in that country. Studies of the union effect on workplace health and safety in the UK, Canada, and the US have documented that union-supported workplace health and safety committees have had a significant impact on reducing injury rates. With their advocacy for the personal interests of union employees who also are voting citizens, unions can wield considerable power over local government leaders who desire the support of the electorate.

Union Strengths and Vulnerabilities

Of fundamental concern to MNCs, labor unions may restrict MNC strategic options and flexibility in four primary ways:

1. By influencing local government requirements for wage and benefits levels to the extent that labor costs become non-competitive. This is the present situation in Germany, where many firms, including

German-based ones, are opting to move business facilities elsewhere.

2. By restricting the ability of companies, through union influence on government regulations, to unilaterally change employment levels, such as through layoffs.
3. By the company's ability to utilize active participation and involvement initiatives that have demonstrated great effectiveness in quality and process innovation and strategy implementation, due to the claim that such employee group initiatives constitute company-sponsored union activity and interfere with legitimate and protected union activity, even in non-union organization.
4. By forcing MNCs to develop parallel operations in different countries to decrease vulnerability to powerful unions, thus hindering the MNCs' increased efficiencies of global migration.

A spirit of cooperation between management and workers is well known as *kyosei* among Japanese companies, in which individuals and organizations live and work together. Therefore, under these circumstances, employees are unlikely to sympathize with and organize labor unions, whose interests clash with employers.

Potential Challenge of Union Global Solidarity

Although MNCs are free to merge, consolidate, and grow larger, individual unions themselves cannot easily form solidarity for combined influence across borders for several reasons such as, (i) regulatory restrictions, (ii) reluctance to yield autonomy, and (iii) conflicting National and Union and Labor interests. Where governments fail to hold MNCs to account for decent labor standards, the international trade union movement will take up the issues and defend the rights of people who are denied fair wages and decent working conditions. Companies that portray themselves as good corporate citizens in developed nations like Australia, the United States, and Europe while exploiting workers in export processing zones and in less developed countries will find themselves the focus of internationally coordinated trade union campaign.

CONCLUDING COMMENTS

The primary focus of ER in global workforce management is on the nature in which employees' personal needs, interests, rights are protected, projected, promoted, and served by MNCs. Critical The issues and challenges in today's global workplace include forced labor, harmful child labor, workplace discrimination, health and safety hazards, and job insecurity, and displacement. MNCs should be aware of and consider them in their ongoing business planning while cooperating with local governments, unions, and other parties concerned with employee protection.

REFERENCES

- P. Lewis, A. Thornhill, and M. Saunders, ***Employee Relations: Understanding the Employment Relationship***, (New York: Prentice-Hall/Financial Times, 2003).
- Vance, Charles M. and Paik Yongsun, ***Managing a Global Workforce—Challenges and Opportunities in International Human Resource Management***, Prentice-Hall of India, 20007.
- J. Harrod and R. O'Brien, ***Global Unions: Theory and Strategies of Organized Labor in the Global Political Economy*** (London: Routledge, 2002).
- M. Rothman, D. Briscoe, and R. Nacamura, eds., *Industrial Relations around the World* (Berlin: Walter de Gruyter, 1993).
- G. Melloan, "Workers are the World are Shedding their Chains," ***Wall Street Journal***, 3 September 2002, A21.
- "A Future without Child Labor: Global Report under the Follow-up to the ILO Declaration on Fundamental Principles and Rights at Work," ILO Report I (B). (International Labor Conference, 90th Session, International Labor Office, Geneva, 2002).

Employee Engagement - Concept and Challenges

Vidya S. Patil
Lecturer
East Point College of Higher Education
Bangalore – 49
Email id: vidyahr2003@yahoo.co.in

ABSTRACT

Organizations of today are continuously facing two important challenges i.e. human capital and uncertain environment. This economic uncertainty, since 2008 has made a crucial impact on organizations and thereby the resulting decisions by management like effect of economic down turn on organizations and how strong they are in matching themselves with the changes of down turn. Irrespective of their business and size all organizations are concentrating on two key drivers' i.e. competitive advantage and innovation. These challenges can be met by a unique strength possessed by every organization i.e. its diverse workforce, adhering to all kind of changes and thus considered as the key component for business excellence. This has brought a tremendous change in the role of HR professionals and HR Practices. One such practice which is gaining popularity in recent times is employee engagement, an innovative HR Practice that helps organizations to cope with uncertainty and turbulent conditions.

Employee engagement is the level of involvement and commitment an employee has towards his organization, vision, mission and its values and has emerged as a critical drive towards business success today. Employees who are engaged and committed give crucial competitive advantages like high productivity, retention better performance and low turnover. Thus all organizations are investing substantially in such HR Practices that focus on engagement and commitment. Jack Welch CEO General Electric quotes that employee engagement comes first with customer satisfaction and free cash-flow coming in second and third respectively. According to Cisco a company's success depends on employee engagement and has resulted into several benefits like virtual quarterly company meetings, further the employees are allowed to bring their own technology to perform work and carry their daily business which is called BYOD (Bring your own device). TCS has come with a plethora of employee engagement activities or channels like speak up, grievance redressal system, Proactive employee engagement program (PEEP), process improvement proposals (PIP), stress management. The social edge employee engagement platform at Infosys provides the crucial competitive advantages like productivity, efficiency and faster innovation. Aon Hewitt's employee engagement model goes beyond measuring people's satisfaction and prioritizes areas for improvement based on their potential impact. In this paper an attempt has been made to understand the concept of employee engagement and the practices of different organizations in order to meet the challenges of innovation and competitive advantage.

Key words: Competitive Advantage, Employee Engagement, Human Resource, Innovation, Virtual Organizations.

INTRODUCTION

Work without joy is drudgery, drudgery will neither produce champions nor does it produce great organizations – John wooden

The key challenge for organizations is not just retaining talented people but involves in fully engaging them, capturing their hearts and minds at each stage of their work lives.

A survey by Dulye and company, a workplace communication and consultancy the key challenge for today's organizations to be successful in today's competitive market place is employee engagement. Employee engagement not only affects employee productivity retention and loyalty but also acts as a key link to customer satisfaction, company reputation and stakeholder value.

Employee engagement also called work engagement or worker engagement is a business management concept and has become a topic of great concern for business organizations. It is also called human resource craze (Endres and Mancheno-smoak 2008), it helps organizations in being competitive and acquiring competitive advantage (Robinson, perryman and Hayday, 2004). Research by decision wise identified engagement as a combination of three factors: satisfaction, effectiveness and motivation. The book titled "first break all the rules " (Bunckingham and Coffman) popularized the term employee engagement in the corporate world.alpha measure defines employee engagement as the level of commitment and involvement an employee has towards his organization goals and its values. Emotional commitment is were engaged employees actually care about their work and company and not for the pay check or for next promotion for example an engaged computer programmer works overtime when required without being asked or an engaged retail clerk picks up the thrash on the store floor even if the boss is not watching . Employees and their behavior are at the center of business success. Ensuring that employees invest discretionary effort in the right behaviors is critical in delivering business results during ups and downs of businesses. Engaged employees deliver better performance, understand their role in business strategy and have a strong connection and commitment to the company and are more involved and strive to go above and beyond in their jobs. Thus an immediate need of organization is to adopt a culture of employee engagement because of the changing demography of today's workforce and further engagement has to be equal on both ends i.e. both employer and employee and is a barometer

that determines the association of person with the organization.

OBJECTIVES OF THE STUDY

- 1) To have an in-depth understanding on the concept of employee engagement
- 2) To understand the challenges of employee engagement and actions taken to address

REVIEW OF LITERATURE

Employee engagement is derived from early studies in 1920's on morale or a group's willingness to accomplish organizational objectives the concept was matured by US army researchers during world war-II to predict unity of effort and attitudinal battle- readiness before a strike. The Gallup Research Group coined the term employee engagement as a result of 25 years of interviewing and surveying employees and managers (Little & Little, 2006) Employee engagement has also been referred to as a fad (Saks, 2006; Endres & Mancheno-Smoak, 2008) and as being 'old wine in new bottles' or a new word for an old thing (Little & Little, 2006; Ketter, 2008). This various research on employee engagement has linked the construct to increased positive organizational outcomes such as productivity, retention and customer satisfaction (Endres & Mancheno-Smoak, 2008), it has identified top drivers of engagement (Ketter, 2008) and nearly all major consultancy firms offer assessment tools that identify drivers and programs to increase employee engagement (Bakker & Schaufeli, 2008). Endres and Mancheno-Smoak (2008) mention that different interpretations of employee engagement are a result of the Gallup Organization research spending the majority of their work explaining the meta-analytic techniques used to find the relationships between the items in their questionnaire and the business unit level outcomes rather than spending time defining and validating the construct. Practitioner literature focuses on employee engagement as a positive work-related outcome that an organization needs

to employ in order for them to reap the benefits of decreased turnover, increased commitment and retention and increased productivity (Seijts & Crim, 2006; Ketter, 2008).

Gallup researchers, Harter, Schmidt & Hayes (2002) define employee engagement as „the individual's involvement and satisfaction with as well as enthusiasm for work. This definition focuses on the employees work and uses other related constructs to explain the concept. Harter, Schmidt and Hayes (2003) (as cited in Simpson, 2008) model of employee engagement identifies four antecedents that are necessary for employee engagement to occur. These antecedents are: clarity of expectations and basic materials and equipment that is provided; feelings of contribution to the organization; feeling a sense of belonging to something other than oneself; and feeling as though there are opportunities to discuss progress and grow (Simpson, 2008, p.9).

These antecedents are reflected in the Gallup Organisations measure of employee engagement, namely the Gallup Workplace Audit (GWA). Seijts & Crim (2006) define an engaged employee as someone who is fully involved and enthusiastic about his or her work, which is similar to Harter et al' s (2002) definition. DDI (2005) (as cited in Little & Little, 2006) use the definition „the extent to which people value, enjoy and believe in what they do. DDI's (2005) definition also refers to the work of the employee that is , what they do and includes the element of feeling valued. The organization must work to develop and nurture engagement, which requires a two-way relationship between employer and employee' (p.2). Flemming, Coffman & Harter (2005) as cited in (Little & Little, 2006) used the term committed employees as a synonym for engaged employees. These definitions found in the practitioner literature, mostly stemming from consultant or research organizations, clearly highlight the fact that definitions of employee engagement vary greatly across different organizations (Vance, 2006). Macey & Schneider (2008) highlight that it encompasses both attitudinal and behavioural components.

Academic

Simpson (2008) identified four lines of engagement research, namely employee engagement, personal engagement, burnout/engagement and work engagement. Kahn (1990) introduced the term personal engagement and disengagement. He provided a theoretical conceptualization of engagement in a study - which focused on psychological presence during particular moments of role performances. Kahn (1990) defines personal engagement as the, simultaneous employment and expression of a person's "preferred self" in task behaviors that promote connections to work and to others, personal presence and active, full role performances (p.700).

Gallup (2006) proposed that employees could be divided into three types with regard to their level of engagement, the engaged, not engaged and the actively disengaged, with the later being of most concern to the employer brand as a result of sharing their discontent with their coworkers and the wider world. One explanation may be that whilst many employers are aware of the importance of employee engagement and that HR and organisational development professionals have a strategic and pivotal role in raising levels (Hemsley Fraser, 2008 cited in The HR Director, 2008), many are uncertain of how to enable the conditions for engagement to flourish (Pech and Slade, 2006).

IES research into engagement to date has been widely tested, firstly in the NHS and then in eight other organisations spanning the private and public sectors. Our key research to date has focused on:

Defining and measuring engagement: IES' first research step was to investigate what HR professionals understood when they used the term engagement and this prompted IES to offer our own definition (Robinson et al., 2004) Identifying engagement drivers: promoted by the interest of IES HR Network members,¹ IES undertook a study to define engagement, devise

a method of measuring it and establish its drivers (Robinson et al., 2004)

Developing an engagement diagnostic tool: IES has developed a robust measure of engagement which can be assessed using a series of attitude statements (Robinson et al., 2007).

RESEARCH METHODOLOGY

With descriptive research methodology and secondary data collection through different research findings, in this article an attempt is made to understand the concept of employee engagement, challenges faced and actions taken by organization for better implementation and also to understand the influence of employee engagement on various factors like productivity, finance and employee related factors

Findings

Origin of employee engagement

History records that about 2300 years ago, Alexander (356 BC – 323 BC) was able to march ahead and conquer unknown lands as he had an engaged army that was willing to abide by its commander. Employee engagement is derived from studies of morale or group's willingness to accomplish organizational objectives which began in late 1920's. the morale was matured by US Army researchers during world war –II to estimate unity of effort and attitudinal battle – readiness . in the present modern business environment and with advent of knowledge worker, with more emphasis on individual talent management , a term was required to describe an individuals emotional attachment to the organization, his co workers and job. This led to the birth of the term employee engagement which is an individual emotional phenomenon whereas morale is a group emotional phenomenon composed of similar features. Thus employee engagement is the raw material of morale consisting of 15 intrinsic and extrinsic drivers (**Scarlett Survey's 2001**)

Conceptual framework of employee engagement – defining engagement

The concept of employee engagement has been defined and developed in numerous ways in literature so much so that the term has become ambiguous , further it has been related to various constructs like psychological or affective state (commitment involvement attachment), performance construct (role performance, effort, observable behavior, organizational citizenship behavior) or attitude. It is also related to a specific constructs such as altruism or initiative (**Macey and Schneider, 2008**)

Company definitions

Organizations ultimately want the theory of engagement to put into practice and their perspective is on how it can be used in the real world

Following is the brief on how organizations across various industries define employee engagement

Vodafone defines employee engagement as 'an outcome "measured or seen as a result of people being committed to something or someone in the business – a very best effort that is willingly given" (**Suff, 2008**)

Johnson and Johnson define employee engagement as 'the degree to which employees are satisfied with their jobs, feel valued, and experience collaboration and trust. Engaged employees will stay with the company longer and continually find smarter, more effective ways to add value to the organization. The end result is a high performing company where people are flourishing and productivity is increased and sustained'.

(**Catteeuw et al., 2007 p. 152**)

Barclays suggests a formal definition of employee engagement might be, 'the extent to which an employee feels a sense of attachment to the

organization he or she works for, believes in its goals and supports its values.' Barclays also suggest that it is possible to 'gain a good sense of someone's engagement by asking a simple question, would you recommend Barclays as a good place to work?

(Barclays, 2008)

Dell refers to being engaged as 'giving time and talent to team building activities'.

(Dell, 2008)

Employee engagement does not mean employee happiness or employee satisfaction but refers to the emotional commitment employee has towards the organization and its goals.

(forbes)

British Broadcasting corporation defines employee engagement as "creating a shared meaning and understanding in such a way that people actively participate (BBC)

Nokia Siemens Networks describes being engaged as 'an emotional attachment to the organization, pride and a willingness to be an advocate of the organization, a rational understanding of the organizations strategic goals, values, and how employees fit and motivation and willingness to invest discretionary effort to go above and beyond'.

(Nokia Siemens Networks, 2008)

Summary of these definitions

Definitions on employee engagement by different organizations view engagement as an outcome, i.e. something given by the employee. They often refer the term to employee commitment, loyalty and attachment, effort and time they are willing to expend and ways to add value and use talent to the fullest.

Academic Definitions

Similar to Kahn's definition, Maslach, Schaufeli and Leiter (2001, p. 417) also refer to engagement as a psychological and emotional state, a 'persistent, positive affective motivational state of fulfillment'

and Hallberg and Schaufeli (2006) define it as 'being charged with energy and fully dedicated to one's work'. Rothbard (2001) supports and expands Kahn's definition to suggest that engagement also reflects being absorbed and intensely focused in one's work. This is consistent with Schaufeli et al.'s (2002, cited in Sonnentag, 2003) definition which reports vigour, dedication and absorption as being the core dimensions of engagement.

Other academic definitions have focused more on engagement as an outcome similar to organizations

'An engaged employee extends themselves to meet the organization's needs, takes initiative, is proactive, reinforces and supports the organization's culture and values, is in the flow, shares the values of the organization, stays focused and vigilant and believes he/she can make a difference'.

(Macey, 2006 cited in Kaufman et al., 2007).

Macey and Schneider (2008a) define engagement as 'discretionary effort or a form of in - role or extra role effort or behavior' (p. 6), involving innovative and adaptive performance and going 'beyond preserving the status quo, and instead focus on initiating or fostering change in the sense of doing something more and/or different' (p. 24). Similarly, Tasker (2004) describes engagement as 'a beneficial two way relationship where employees and employers "go the extra mile" for one another'.

The academic definitions on employee engagement, like organizations do focus on outcomes of engagement i.e. dedication advocacy and effort but also give due preference on psychological state of engagement. They describe engaged employees as being fully involved in work, charged with energy and highly focused. They also concentrate on additional outcomes such as fostering change, being innovative and doing something different. They also emphasize on the two- way beneficial relationship between employer and employee

CATEGORIES OF EMPLOYEE ENGAGEMENT

According to Gallup, consulting organization there are three different types of people

Engaged: Engaged employees are builders, employees who work with passion and feel a profound connection to their company. They drive innovation and move the organization forward by performing consistently at high levels. Engaged employees always inspire company innovation.

Not Engaged: These employees concentrate more on tasks rather than goals or outcomes they have to be told what to do. They feel that their contribution is being overlooked because they don't have productive relationships with their managers or coworkers. These employees do not work with passion or energy.

Actively disengaged Actively disengaged employees are the cave dwellers. They are not just unhappy at work but are busy acting out their unhappiness. They sow and reap seeds of negativity for every opportunity they get and further undermine what their engaged coworkers accomplish

Further research by Gallup, reveals that 29% of the employees fall in truly engaged category, 54% of the employees fall into not engaged category and 17% of the employees are actively disengaged.

CHALLENGES OR ISSUES CONFRONTING EMPLOYEE ENGAGEMENT

Employee engagement is the top concern of HGR Leaders in all organizations and everybody is enthusiastic about the concept. But the real focus should be on addressing the challenges related to engagement

The challenges related to engagement are categorized into five types

Challenges related to proving its business impact Engagement is not productivity or output

The primary goal of every business organization is increasing productivity, output or innovation. An employee may be fully engaged and emotionally connected to a firm but without proper training, leaders and resources no amount of commitment will improve the results.

An unclear definition: employee engagement is perceived in different ways by academicians, research consultancies and organizations and this has led to many contradictory definitions of employee engagement, thereby hard to accurately compare the results. because of many factors, where some factors are duplicated.

Engagement is a byproduct for improvement not a cause: empirical studies on employee engagement and an attempt to connect engagement with retention, customer satisfaction, productivity by using statistical correlations can never prove cause and effect. Any organization that implements or practices new methods of management, when employees are productive, well rewarded, recognized, and well managed and when new products are in the pipeline, open communications, better training, these changes naturally increase employee engagement and eventually company performance. Thus engagement may be a byproduct and not the only factor that drives productivity.

Low ROI: The costs of employee surveys are high as they involve survey costs and the paid time spent on filling, analysis, interpretation, presenting the results and also includes costs on actions taken by the company to improve employee engagement. If the same time and money is spent on productivity and innovation it results into better organizational growth.

Influence of external factors: Many external factors like unemployment rate increased cost of living turbulences in environment etc influence employees feelings towards a company. For example during times of uncertainty employees are emotionally connected to the firm as the firm has provided them with the job. Thus the entire

credit for improved employee engagement cannot be attributed to single HR Department.

High engagement levels lead to turnover: A study by Accenture proved a weak connection between engagement and turnover and 43% of highly engaged employees had a lukewarm intention to stay thus resulting into loss of key talent.

Loyal employees make things worse: Professionalism, pride, pay, job security etc cause individuals to perform well and stay in an organization, loyalty may be overrated if a firm operates in a fast changing environment and further loyal employees are resitant to change and make matters worse by consciously pushing the most needed change agents and innovators outside the firm. Employees act more on emotions than facts and thus hampers decision making. Surveys on employee engagement may not lead to increased productivity and retention. Many surveys on employee engagement include different questions in different organizations. External results cannot prove that increased engagement increases productivity and retention.

Challenges related to actions taken on improving employee engagement

Results may not be actionable employee engagement measured through surveys report only the employees view on level of engagement but not the exact causes or factors that improved engagement level

Time taken for actions to increase engagement:

The challenge here is in understanding the actions to be taken to improve engagement and how long it takes as under employee engagement the feelings and emotional attachment are considered, further it takes years to decide on the most effective approaches that permanently increases the scores. Diverse employees and different generations are engaged by different things: employee engagement rely on principle that similar factors and actions improve engagement. From the research studies it is evident that the role of work and company loyalty differs dramatically among generations.

Challenges related to survey process

Unreliable responses engagement surveys suffer the same problems like all employee surveys, lack of interest, year surveys are given (i.e. immediately after bonus season), employees who are disgruntled, excited, and not so busy respond disproportionately.

Anonymous surveys all engagement surveys are anonymous i.e. not sure about the representative sample who have filled them thus leading to anonymous results.

Challenges related to managers and employees Who really owns engagement? Managers often think that its HR's responsibility but HR professionals are not directly linked with employees, further managers and employees find it confusing, another significant issue is managers are not rewarded for participating in employee engagement efforts and they are not actively involved in doing so. Employee engagement process is effective only if managers fully understand and take proper actions on low engagement scores.

Challenges related to engagement program administration

Limited goals and metrics: several engagement programs in organizations concentrate on one goal i.e. improvement of engagement scores and make use of single metric or measure. This makes the organization difficult to cover all areas or factors that have a definite impact on business

Actions Taken to Meet These Challenges or Improvising Employee Engagement Programs

Culture It is the foundation of employee engagement and includes leadership, values, vision, effective communication, HR Policies and strategic plans and thus has a major impact.

Composition It relates to the formation of teams and leaders should involve those people who can generally fit between all members else it becomes difficult to engage

Clarity It is necessary to ensure that employees understand the aspirations and expectations i.e. leaders need to help employees where the organization is moving or the end goals of organization and how employees can contribute in meeting the goals.

Competence Employees should be given an opportunity to build their skills and talents required and every employee should be equally competent in understanding aspirations and expectations of organizations

Cooperation Working together helps in building trust, employee loyalty and bonding thus improving general engagement levels as most people prefer to work in a collaborative environment

Compensation In its broadest sense compensation refers to rewarding people for the contributions they make and this is an important element like feedback and recognition.

Communication Regular and effective two way communication helps in keeping employees engaged

Conflict Conflict management can have a major impact on engaged employees and further constructive conflict which leads to new ideas and solutions should be encouraged and well managed so that employees get a feeling that they can contribute better.

Support from top management or employee engagement should start from the top and should not be outsourced or delegated to HR Department

Elements of employee engagement

12 statements emerged from the pioneering research work carried out by Gallup a consulting firm across organizations, levels, industries and countries. These 12 statements or elements are as given below

1. Expectation from employees
2. Materials and equipment to do a job right.
3. Opportunity to do best every day.

4. Received recognition or praise.
5. Care.
6. Encouraging development.
7. Opinions seem to count.
8. Connected with the mission of organization.
9. Co-workers are committed to doing quality work.
10. Best friend at work.
11. In the last six months, someone has talked about progress.
12. In the last year, opportunities at work to learn and grow.

Employee Engagement Practices in Indian Organizations

Google google believes that feedback and discussion are important for doing business and allows employees not just to raise problems but also helps in solving them. It uses variety of feedback channels to encourage employee involvement every Friday google holds a program called "Thank Goodness its friday" (TGIF) and encourages active conversation from product decisions to people related decisions and policies Infosys has come with a unique employee engagement program called social edge that improves work force productivity, efficiency, fosters innovation, deepens employee engagement by connecting and engaging with employees. It has come with variety of employee engagement initiatives like

- Skill Management
- Employee Network Management
- Employee On-boarding
- Sales Collaboration
- Knowledge Networks
- Alumni Networks

TATA GROUP

TATA MOTARS The organization has come up with a platform called SEVA, that enables employees to take up voluntary opportunities and contribute to social causes. These opportunities provide employees with greater sense of responsibility, purpose and enhance

engagement. One of the unique contest they came up with was “kisme hai kithna dum” contest where employees took on self initiated innovative projects guided and funded by their superiors. Tata chemicals conveyed the globalization initiatives by involving employees who created theatrical skits TATA AIG General insurance company limited truly believes in creating vibrant culture through various employee engagement activities like annual celebration, success matrix, employee town hall sports tournaments, world of work,celebration of festivals, online library service.

IBM

IBM promotes employee engagement through social media and thus has a website called “ IBM Social Computing Guidelines” and employee are empowered as global professionals innovators and citizens through interactions and discussions.

CONCLUSION

Employee engagement is of great concern and a significant HR Challenges for all organizations and all employee engagement programs have a great deal of potential. However the real effort lies in addressing the challenges of employee engagement as the actual business impact is often lessened and most important the focus should be on identifying the potential problems of the organization and providing the right solution. Further every person involved in employee engagement should consider himself as a true business partner and apply all HR tools to critically

assess and improve every component of the program.

REFERENCES

www.itsmyascent.com/web/...hr...

www.google.com

articles.economictimes.indiatimes.com

www-07.ibm.com/in/careers/lifeatibm.html.

Infosys Social Edge – Employee Engagement
[www.infosys.com/social edge/.../Employee - engagement /.../Index.aspx](http://www.infosys.com/social%20edge/.../Employee-engagement/.../Index.aspx)

“Involve Your Employees, ”
[www.businessweek.com/managing/content/](http://www.businessweek.com/managing/content/Engaging_employees_inspiring_trust_and_loyalty)
“Engaging employees, inspiring trust and loyalty” – Tata Group [PDF]

“trends in employee engagement” - Aon [PDF]

“Employee Engagement” A literature review [PDF]

What’s wrong with employee engagement – Dr John Sullivan [www.ere.net/.../what’s wrong with employee Engagement](http://www.ere.net/.../what's%20wrong%20with%20employee%20Engagement)

What engages the employees the most
www.iveybusinessjournal.com/.../What-engages-employees-the-most-...

A live case on Work life balance at Polyhydron Pvt. Ltd, Belgaum, Karnataka.

Prof. Sanjay Deshpande
Assistant Professor, Department of
Management Studies and Research (MBA)
Gogte Institute of Technology,
Udyambag-590008, Belgaum

ABSTRACT

The case about a business firm called Polyhydron Pvt. Ltd located at Belgaum, Karnataka narrates a success story. It conveys about the beneficial outcomes in the form null attrition, reduced absenteeism, reaped by Polyhydron Pvt. Ltd as a result of introducing and implementing employee friendly culture, policy, norms, facilities and behavioral styles. Work Life Balance depicted through decades of Tenure & Trivial Attrition at Polyhydron Suresh B. Hundre, the son of a shop-keeper, graduated in engineering from the Regional Engineering College at Suratkal, and worked afterwards as an assembly & testing assistant in a hydraulic manufacturing company for 15 months until the end of March in 1974. Though Bombay seemed to be the most promising place to pursue his career, he finally decided against doing so and persuaded two of his colleagues to become entrepreneurs and start a company with him in Belgaum. All three - Hundre himself, D. S. Chitnis, and V. K. Samant - finally got together and started Hydrotechnic in April 1974. The initial investment was Rs. 5,000 from each plus a Rs. 25,000 loan from the bank and with that they started a hydraulic tube fitting and related equipment manufacturing unit in a building previously used for producing soap.

Note: As a result of relentless and untiring efforts taken up by the management towards (CMD In particular), Employees, Customers, Society, Govt Polyhydron today claims itself as "the temple of ethics" .

Key Note: Polyhdron Pvt. Ltd has completed 28 Years of corruption free business, it's documented that Polyhydron Pvt. Ltd has not generated one rupee in black and paid one rupee of bribe.

PROFILE OF INDIAN FOUNDRY INDUSTRY

The Indian Metal casting(Foundry Industry) is well established. According to the recent World Census of Castings by Modern Castings, USA India Ranks as 2nd largest casting producer producing estimated 7.44 Million MT of various grades of Castings as per International standards.

The various types of castings which are produced are ferrous, non ferrous, Aluminium Alloy, graded cast iron, ductile iron, Steel etc for application in Automobiles, Railways, Pumps Compressors & Valves, Diesel Engines, Cement/Electrical/Textile Machinery, Aero & Sanitary pipes & Fittings etc & Castings for special applications. However, Grey iron

castings is the major share approx 70 % of total castings produced.

There are approx 4500 units out of which 80% can be classified as Small Scale units & 10% each as Medium & Large Scale units. Approx 500 units are having International Quality Accreditation. The large foundries are modern & globally competitive & are working at nearly full capacity. Most foundries use cupolas using LAM Coke. There is growing awareness about environment & many foundries are switching over to induction furnaces & some units in Agra are changing over to cokeless cupolas. Belgaum, in north Karnataka is known for its foundry industry for decades. One third of the state's foundry units

are located in six industrial estates of Belgaum. They produce 110,000 tonnes of castings per annum. However, the units were hit by the infrastructure bottlenecks and a lack of common facilities. Belgaum houses about 193 foundries in and around it. Present fiscal, a growth of 60 per cent over 2007-08 and generate a combined revenue in excess of Rs 700 crore per annum.

Foundry units in and around Belgaum are serving the automobile industry, general engineering and agriculture sectors. Automobile majors like Mahindra and Mahindra, Bajaj Auto, Ashok Leyland, TAFE, Caterpillar and engineering companies like Kiroskar Oil Engines Ltd, Alfa Laval, Simpsons are some of the companies sourcing castings from Belgaum. The Belgaum foundries also export to countries like the US, Germany, Belgium and West Asia. China

Belgaum Foundry Cluster

Belgaum, a backbone for automobile industry and nerve centre for foundries in Karnataka, will soon have a foundry cluster. The work on the Belgaum Foundry Cluster (BFC) project started three years ago at an investment of close to Rs 25 crore,

Polyhydron Pvt. Ltd (PPL) is the flag ship company of Polyhydron Group of Industries (2008-2009 Group Turnover is 75 Crores+). Three young,

dynamic entrepreneurs, namely, Mr. S.B.Hundre, Mr. V.K.Samant and Mr. D.S.Chitnis started a company called Hyloc Hydrotechnic in the year 1974 . In the course of time , two more companies were established, namely Polyhydron Pvt. Ltd. in 1982 and Polyhydron Systems Pvt. Ltd. in 1986 (Now this company is known as OilGear Towler Polyhydron Pvt. Ltd.). Polyhydron manufactures Hydraulic Radial Piston Pumps, Industrial & Mobile Hydraulics Valves and Accessories. It has a effective Stockist Network through out India which markets PPL products.

Polyhydron products are priced unbeatably low and PPL has changed the prices very marginally in last 25 years This strong marketing strategy is maintained through careful implementation of Just In Time production System, Kanban System etc... where in waste elimination is the key.

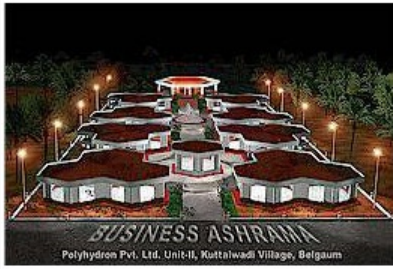
Polyhydron has maintained a compound growth rate of > 30%

Polyhydron is known for its Ethical Management. People from all over India visit the company to interact and understand the systems. It has become a kind of "Pilgrimage Center" for the corporate world of India.

Facilities offered by the company for employees	Impact / Beneficial outcomes
Convenient working hours and no over time. With Intent to allow the employees spend sufficient time with their family, the company has designed and framed convenient work hours of 8:30am to 5:00pm, which accounts for 8 hours with intermittent lunch and tea breaks, the concept of overtime does not exist at polyhdron Ltd	Stress Free Working, Joyous working , No phobia of extending work timing, No mental sickness of being at the workplace till late hours, The work timings are just not on paper but in practice in the most religious possible manner, this has ensured family commitments can be executed, no uncertainty of exit time from the company.

Facilities offered by the company for employees	Impact / Beneficial outcomes
<p>Meditation hall and Library (Temple of Peace)</p> <p>To induce the concept of spirituality in management into the minds of personality of employees, the company has meditation hall, which promises peace, tranquility and shuns away all the evil thoughts creeping in mind , this concept is based on the philosophy .</p> <p>“Western Efficiency and Dynamism combined with Indian Spiritual Values will create the Best Management System in the world”. - Swami Vivekananda (1894)</p> <p>Additionally, the company had built a meditation centre where the employees could meditate before they started working. The meditation centre had a collection of books on spirituality, religion, and the art of good living</p>	<p>Recognizing Divinity (Spirit) in all beings will make us a Complete Human. (Body-Mind-Intellect-Spirit)</p> <p>Spiritualizing Economics has reduced Friction(Both at Personal and Professional level) Evident from the fact that no workplace disputes of family disputes have been reported or noted</p> <p>PPL has won many awards for its method of functioning. The reputation of the company as an excellent work place and ethical organisation was very strong. PPL had won the President's Awards (National Confederation of Small Scale Industries - Small Industries Management Association) for excellence in management instituted by the National Confederation of Small Scale Industry in Chennai in 1992</p>
<p>Work culture, Communication, Open-door-policy& Expedited Grievance redressal mechanism</p> <p>PPL had an open-door policy and any employee could meet the MD to discuss any issue without a special permission. Everybody was free to enter any other section. Though communication in the company was possible both ways, in reality there seemed to be little bottom-up communication. Employees spoke among themselves but the management aspects were not communicated much. One Manager was of the opinion that there was a lack of team work and mutual help in the organization, which he could not understand. These developments had occurred in his opinion over the last years and they had to be changed again if the company really wanted to reach its target of Rs. 25 crores in revenues.</p> <p>One to one discussions during lunch breaks, Tea Break where Mr. Hundre (MD) sits on the same table with staff, Ethical standards and lessons have been always taught</p>	<p>Finding from the primary research done at the firm enumerates the following information</p> <p>a. 47 % of the employees feel the company provides the scope for aiming at personal goals to certain extent, 39 % of the employees company does not provide the scope for aiming at personal goals, 15% of the employees agreed that company definitely provides the scope for aiming at personal goals.</p> <p>b. 100 % of the employees feel that their grievances are handled perfectly and are also given appropriate solution.</p> <p>c. 56 % say that the facilities provided by organization have high de stressing ability, and 44 % of the employees feel that , the facilities provided by organization have very high de stressing ability.</p>

Concept of Business Ashrama A Place for Grooming KarmYogi's



This EXPERIMENT is based on the fact that "Integrating Spirituality into Business produces excellent results.

This concept believes in treating employees are treated karmayogis and make them morally bound by certain ethical value systems, to ensure their greed, undeserving aspirations are curbed and checked by their own selves, traits of self control are imbibed in them

Wealth sharing

The mission statement of the company emphasized good and fair treatment of all its stakeholders. Therefore, Hundre(MD) started very early on to look for some material on the issue of profit sharing. He came to know about the Nikkerin system and started to introduce schemes of sharing the wealth that the company generated. He was searching for a formula for profit-sharing. He adapted the Nikkerinsyatem and came up with the Value Addition Scheme, which was introduced in 1991-92 and employees profited from it until 1996-1997, when the value addition bonus was 74% of the basic salary plus 20% statutory bonus, which summed up to a bonus of 94% of base salary for each employee. We first calculate the wealth created and then we share 30% with employees, 5% with shareholders, 1 % with society and balance 64% remains in the business for growth. Of course, this is all after the payment of corporate tax as per existing rules."

100 % Bonus System

A transparent system of wealth generation and a link of compensation to employees ensures that the employees earn their wages and need not be paid. This system makes the employees responsible for their returns and in turn improves wealth generated per employee. It promotes multiple skill, reduces total manpower requirement. Polyhydron has established wealth-sharing scheme. It ensures 30% of the wealth generated gets distributed (100% Bonus is the limit.)

The belief and concept is reflected in the vision and Mission statement of polyhydron, it reads: **Vision Statement :**

We will create an island of Excellence through focus on Customer, Employee Empowerment and continuous improvement.

Polyhydron Mission:

We will nurture an Ethically Managed Organization. We will not exploit our Customer, Employees, Suppliers, Government, Society and Nature.

Finding from the primary research done at the firm enumerates the following information.

1. Only Ten People have tendered resignations over the last decade out of current workforce of 200.
2. Resignations have been tendered in the first six months of joining; probation period extends for two years.
3. No resignations have been recorded after two years of tenure at PPL (PolyhydronPvt Ltd) over the last decade.
4. No cases of absenteeism have been recorded at PPL till date.
5. Job and pay cuts despite the economic crisis and recession, have been executed at Polyhydron Pvt. Ltd. Making it a safe shelter to be under,

Gymnasium (Temple of health)	At PPL. MD believes to ensure maximum output, health plays a vital role, it builds immunity hence can reduce absenteeism caused due to illness, incumbents also get an opportunity to participate in body building competitions, many of the employees have even awards, cash prizes, which is also a recognition measure facilitated by PPL, Employee engagement is reinforced strongly through this measure
Flat Organization Structure	The buildings are cellular blocks resembling a close looped honeycomb and ordered in concentric circles, indicating co-ordination rather than hierarchy. There is no strict hierarchy in the organization even MD wears the same uniform as the other staff members, there is no discrimination but it's one big family at PPL

Key facts / Highlights about Polyhydron Pvt. Ltd (PPL)

1. The Turnover of PPL has been in an ascending scale of the years

2. TAX MATTERS

PPL enjoys the reputation of being the highest tax payers in the Belgaum amongst all 193 foundries present,

Challenges ahead

1. Hundre believed his non-bribing policy had not taken any business from him, though he also stated that this was once the case with Oil Gear Towler. They lost business from the government, because they did not bribe. For him the values are the skeleton of a company and do not change no matter what the conditions. Much less clear was the future of PPL from a business point of view.
2. With all these thoughts in his mind, Hundred focused again on the question of which

products would bring him to Rs. 25 crores in the next years, what changes were necessary at this point in time, and what markets should be enter next.

3. Can PPL continue to script more success stories in the years, can it wade through tough situation with same strides as before is all to be closely monitored bfcindia.co.in/

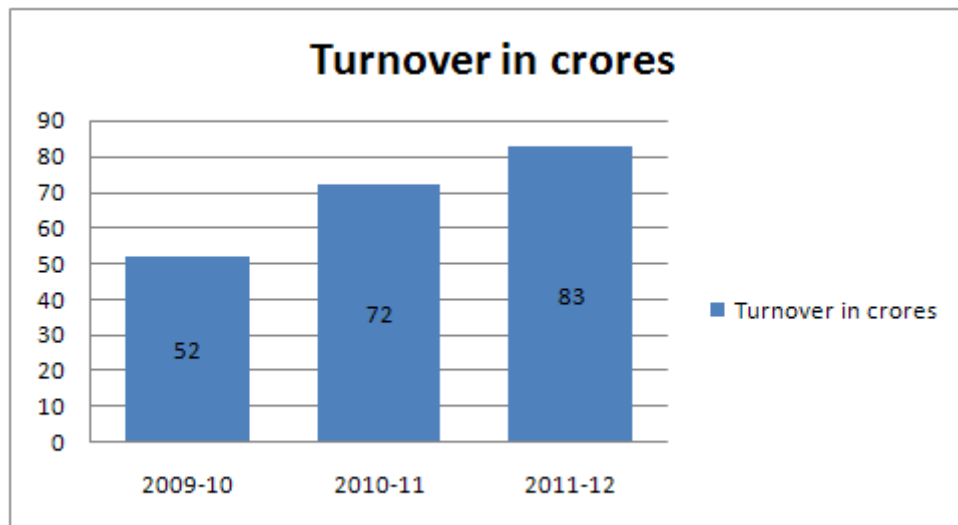
REFERENCES

Secondary data sources

1. <http://www.polyhydron.com/>
2. bfcindia.co.in/
3. www.business-standard.com › Home › Companies & Industry

Primary Sources.

1. Primary research / Data collection through interaction, questionnaire.



The Turnover of PPL has been in an ascending scale of the years

About Polyhydron Pvt. Ltd

Company Profile : Polyhydron Pvt. Ltd, Belgaum

Welcome to the temple of Ethics



Employee Engagement: A key to Enhanced Performance

Sheeba. S
Sr. Lecturer
Visvesvaraya Technological University
Department of Management Studies,
East Point College of Engineering and Technology,
#147, 'Jnana Prabha', Bidarahalli,
Bangalore - 49
Mobile No.: 9845632544
Email ID: ssheebasamuel@gmail.com

ABSTRACT

The effects of engagement on employee productivity, retention, and recruitment are no less astonishing. Watson Wyatt further found that companies with highly engaged employees experienced 26% higher employee productivity, lower turnover risk, greater ability to attract top talent, and 13% higher total returns to shareholders over the last five years. Authentic engagement programs that empower, recognize, and encourage personal growth can save companies a significant amount of cost to the organizations. Many organizations recognize that highly engaged employees create dramatically higher levels of customer satisfaction. Highly engaged employees are less likely to quit and leave — or to quit and stay. A workplace with engaged employees is 2 – 3 times safer, more productive, creative, and producing much higher quality. This paper focuses on engaging for success. It throws light on how organizations can enhance the business performance through employee engagement. The paper throws light on how the employees can be engaged by creating a culture of engagement. Once the culture is created, engagement becomes 'the way we do things around here' and it does not have to be recreated year after year.

Keywords: Employee engagement, innovations and customer service, disengaged employees, employee engagement model, employee engagement culture

INTRODUCTION

As the recession drags on, company leaders are looking for any solution to boost morale, increase productivity, and help gain competitive advantage. Employee engagement is rapidly becoming the answer for many organizations.

Why should you care if your employees are engaged? The research on the bottom-line benefits of employee engagement is clear. Towers Perrin has found that companies with engaged employees boosted operating income by 19% compared with companies with the lowest percentage of engaged employees, which saw operating income fall 33%. The effects of engagement on employee productivity, retention, and recruitment are no less

astonishing. Watson Wyatt further found that companies with highly engaged employees experienced 26% higher employee productivity, lower turnover risk, greater ability to attract top talent, and 13% higher total returns to shareholders over the last five years.

Additionally, highly engaged employees are twice as likely to be top performers—and miss 20% fewer days of work. They also exceed expectations in performance reviews and are more supportive of organizational change initiatives.

So you're convinced you need to get your employees more engaged. But what does that mean? The definitions of employee engagement

seem endless and include increased line of sight, greater commitment, and willingness to give additional discretionary effort.

2011 was a challenging year for employers and employees world wide, and 2012 showed continued challenges in engaging employees and in reaching out their set goals.

Employers want employees who will do their best work or 'go the extra mile'. Employees want jobs that are worthwhile and that inspire them. More and more organizations are looking for a win-win solution that meets their needs and those of their employees. What they increasingly say they are looking for is an engaged workforce.

Instead of trying to define employee engagement, let's look at what an engaged employee looks like, how they behave while at work, and how to replicate that in the organization. One definition of an engaged employee is one who gives additional discretionary effort. That doesn't go far enough. That additional effort, willingly and happily given, must be put toward something that matters to the company. The most worthwhile engagement is seen in employees who happily want to give additional effort and know where to apply it. This combination of action and line of sight results in an engaged employee who willingly works harder to deliver against your company's strategic objectives in their own daily tasks.

The three types of Employees

1. **ENGAGED** employees who work with passion and feel a profound connection to their company. They drive innovation and move the organization forward.
2. **NOT-ENGAGED** employees are essentially 'checked out'. They are sleepwalking through their workday putting time – but not energy or passion – into their work.
3. **ACTIVELY DISENGAGED** employees aren't just unhappy at work; they are busy acting out their unhappiness. Everyday, these workers undermine what their engaged coworkers accomplish.

When it comes to innovation, business leaders aren't necessarily looking to traditional sources, like research and development departments, to contribute big new ideas. Rather, they're counting on ideas from their employees, customers, and partners to help drive the organization forward. And engaged employees are most likely to contribute those innovations, according to a recent Gallup Management Journal (GMJ) survey of U.S. Workers.

GMJ surveyed U.S. employees to discover what effect employee engagement may have on team-level innovation and customer service delivery. Gallup researchers studied employee responses to several items about innovation in the workplace to see which factors differed most strongly among engaged employees (29% of respondents) and those who were not engaged (56%) or actively disengaged (15%). Gallup research has shown that engaged employees are more productive, profitable, safer, create stronger customer relationships, and stay longer with their company than less engaged employees. This latest research indicates that workplace engagement is also a powerful factor in catalyzing "outside-the-box" thinking to improve management and business processes as well as customer service. When GMJ researchers surveyed U.S. workers, 59% of engaged employees strongly agreed with the statement that their current job "brings out [their] most creative ideas." On the flip side, only 3% of actively disengaged employees strongly agreed that their current job brings out their most creative ideas.

The study also showed that engaged workers were much more likely to react positively to creative ideas offered by fellow team members. When asked to rate their level of agreement with the statement "I feed off the creativity of my colleagues," roughly 6 in 10 engaged employees (61%) strongly agreed, while only about 1 in 10 actively disengaged employees (9%) gave the same answer. This suggests that higher levels of employee engagement not only increase the likelihood that individual employees will generate new ideas, it also suggests that idea generation

among engaged employees can be amplified when it occurs in a team setting.

GMJ researchers also explored the role that workplace friendships play in promoting innovation. About three-fourths of engaged employees (76%) strongly agreed with the statement "I have a friend at work who I share new ideas with." On the other hand, only 2 in 10 actively disengaged employees (21%) strongly agreed that they have a friend at work with whom they share new ideas. Clearly, friendships do play a significant role among engaged employees when it comes to setting the stage for idea creation and refinement.

The results also suggest that there are significant differences in how engaged and actively disengaged employees view their company's encouragement and acceptance of innovative ideas. Only 4% of actively disengaged employees strongly agreed with the statement "My Company encourages new ideas that defy conventional wisdom," while more than half of engaged employees (55%) strongly agreed that their company encouraged such ideas.

Innovation and customer service

GMJ researchers also investigated the effect of employee engagement on customer service innovation. Nearly 9 in 10 engaged employees (89%) strongly agreed that "At work, I know where to go with an idea to improve customer service," contrasted with only 16% of actively disengaged employees.

Engaged employees also involved customers in the innovation and improvement process. When asked to rate their level of agreement with the statement "At work, we give our customers new ideas," 74% of engaged employees strongly agreed that they shared new ideas with customers, contrasted with just 13% of actively disengaged employees.

Gallup's employee engagement research has consistently shown a connection between employee engagement and customer engagement. One factor that can influence customer engagement is an

employee's willingness to change -- or to "learn and grow" -- to meet the customers' changing needs. When Gallup asked workers to rate the statement "I have grown in my ability to positively affect our customers," the results were telling. Almost 9 in 10 engaged employees (85%) strongly agreed that they have grown in their ability to positively affect their company's customers, while only 2 in 10 actively disengaged employees (19%) strongly agreed.

Finally, more than half of all engaged employees (51%) strongly agreed with the statement "At work, my coworkers always do what is right for our customers." This was in stark contrast to the actively disengaged employees: Only 1 in 10 strongly agreed that their coworkers always do what is right for their customers.

Gallup's research into the relationship between employee engagement and innovation strongly indicates that engaged employees are far more likely to suggest or develop creative ways to improve management or business processes. They're also far more likely to find creative ways to solve customer problems or to involve their customers in creating service innovations. Company leaders who want to drive growth through innovation should first create an environment that welcomes new ideas -- and should make engaging employees a key component of that strategy.

What does a disengaged employee do?

Persevere + evasiveness = Persevasiveness:

Disengaged employees focus all of their energy on eluding any work task that may be assigned. They waste an incredible amount of time ensuring their boss thinks they are busy. They'll schedule fake meetings in their Outlook calendar to clear out an entire day or week to ensure they avoid work and meetings.

Web surfing is their 1st job, bathroom breaks are their 2nd: It isn't that a disengaged employee loves the Internet. It's that the Internet loves them. Social networking, searching for

another job, entertainment, sports and chatting are some ways in which disengaged employees engage with internet. When the monitor becomes too stressing for the employee then he would opt to take a break for wash rooms.

An exaggerated sense of how evil their employer or manager is: Disengaged employees reach a level of hatred that runs very deep. In some cases, disengaged employees become disenchanted with the entire corporate culture, while others lose interest in their job because of a bad manager. Even when a manager or company has the best of intentions, a disengaged employee will find a way to put a negative spin on it. Disengaged employees reach a point where anything a manager does is considered pestering.

They aren't happy until they convince the world they are right: Rather than spreading the good word, disengaged employees are missionaries of malice. Making others feel unhappy about their job makes them feel better about the fact that they are also miserable.

They'll find any way to sneak out of work early: Whether it is the back staircase or the lack of coat technique, disengaged members of the workforce are always scamming to leave early. They don't find it good to be in the workplace for whatever reason and tries their best to leave home early.

Increased interest in working from home: All disengaged people want to work from home, but not all people who work from home are disengaged. Telecommuting is a dream come true for disengaged employees. It opens up a whole new world of opportunities. At work, their only escape is the Internet. In fact, some argue that 75% of the websites would cease to exist if it weren't for disengaged employees and their entertainment limitations at the workplace. If given the opportunity to work from home, disengaged employees are welcomed to the world of television, movies, and naps on the couch.

A firm belief that everyone they work with is incompetent: This is usually true. A disengaged employee feels like they are the right people in a wrong or an alien place and amongst the incompetent people. They would not keep quiet with this attitude but start reflecting it their behaviours.

Outings, balloons and ribbons won't work

Often we heard of and practiced fun and games at work programs and activities. Events like birthday celebrations, picnics, trekking, games, monthly or weekly celebrations etc., are some of them. But this might not seem to be interesting for certain people and will not really engage employees to their work. Not all employees are same and the same thing does not motivate all of the employees in an organization.

It is important to differentiate between engagers and motivators. All the above activities work better in breaking the monotony and stress of the employees at workplace rather than engaging them to their work.

The frequency of lunches, performance reviews, volunteer program outings and team-building exercises does not produce higher levels of employee engagement. Employee engagement is determined by the quality and meaningfulness of these interactions, and the journey managers are enlisting their employees to engage in.

What can engage an employee?

The following model can lay out the roadmap to increase employee engagement. A major point is the conviction that the best way to increase employee engagement is to focus on creating a culture of engagement. Once the culture is created, engagement becomes 'the way we do things around here' and it does not have to be recreated year after year.

On the left side of the model are the five most important drivers of a culture of engagement. Each driver must be translated into practical

systems, practices and structures that are embedded in the organization.

Two-way feedback: Most organizations do well in terms of communication down from management to employees. What are often missing are mechanisms for employees to communicate up on a regular basis. Relying on a suggestion box and an annual employee survey just doesn't do the job. Two helpful ways to ensure the upward flow of feedback are employee meetings and quarterly online surveys to capture the changing concerns of employees.

Trust in leadership: Trust can be shattered instantly when executives appear to suddenly change directions or seem to break promises. Building trust is a slower process. Executives build trust by developing a clear vision of the organizations' future and communicating this to all employees. Creating a sense of trust in the minds of employees actually makes them feel secured about their work and hence makes them more engaged to their jobs.

Career development: Engagement levels rise when there is a formal career development system that includes components such as formal career tracks, mobility systems to help employees move about in the organization, and annual career conversations. Employees will not put in the 'discretionary effort' to engage themselves until they feel that they are valued and required by the organization. Lack of career development system in organizations clearly indicates that it has no plans of the employees' growth and retention with them.

Employees' understanding of their role in success: Employees need to understand how their job fits into the big picture and what they must do more of and do differently to help the business succeed. HR can help by clarifying what are the competencies, the capacities that the organization needs to grow and helping employees upgrade their skills to match the needs of the future.

Shared decision making: When employees participate in making decisions, they take feel more engaged in the organization. Decision-making needs to be pushed down to the lowest possible level. It may not be a major decision always. Even the smallest decision of planning the meetings and other motivating activities can be shared with the employees. This would enhance their commitment to the decisions taken.

Rewards for engagement: Organizations want engaged employees for one simple reason: Engaged employees contribute more towards the company's goals than do less engaged employees. However, these additional contributions to the organization aren't matched by commensurate contributions from the organization. Have you heard about the companion program to Employee Engagement? Sure, employees can get an ephemeral boost from the flow experience of being engaged at work, they can experience the camaraderie of working with others to surmount challenges, and they can have a sense of pride as they reflect on their role in the organization's accomplishment. But are those benefits big enough, or substantial enough, to make all the extra discretionary effort worth it for the employee?

CONCLUSION

As another year begins, organizations will continue to be challenged. There will be more opportunities for both- employers and employees in the days to come. In addition, the dynamics of the workforce are changing and forcing organizations to make difficult choices. Employers can set themselves up for continued success by focusing on the key engagement drivers that make a positive impact on their workplace and thus keep their employees engaged. The companies that have a highly engaged workforce have risen to the challenge. They proactively respond to the environment, competition and changing workforce needs. Overall, employee engagement is one of today's most important business issues. It is a place where the HR is in a position to make a real

difference. However, if the management feels that engaging employee is only HR's responsibility alone then the whole effort would be of no use. All leaders from the top management to the front line managers should play a role in engaging the employees. Most of the time employees quit not the company but their managers. In fact front line managers should be accountable to the senior management for the way they treat their team members. If you want an employee to be engaged in their work, there is no training for that. Engagement is a matter of employee selection, leadership, and creating an environment that doesn't get in the way of (and encourages) an engaged employee. Honestly, a solid dose of communication, transparency, and performance management could go a long way in taking care of that.

REFERENCE

CV Harquail, 3 Reasons **Why Employee Engagement is a Scam**, May 10, 2010

Dudley Dawson , **The seven habits of highly disengaged employees, Careers & Workplace**, July 24, 2009

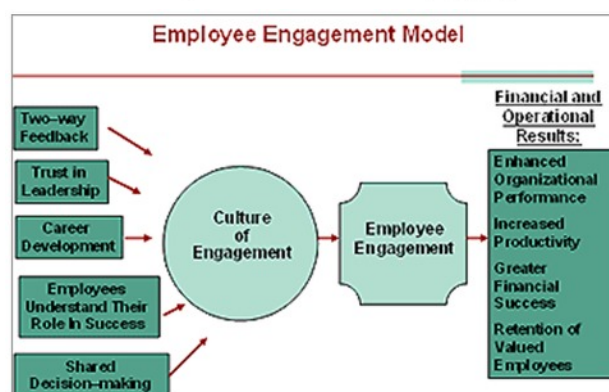
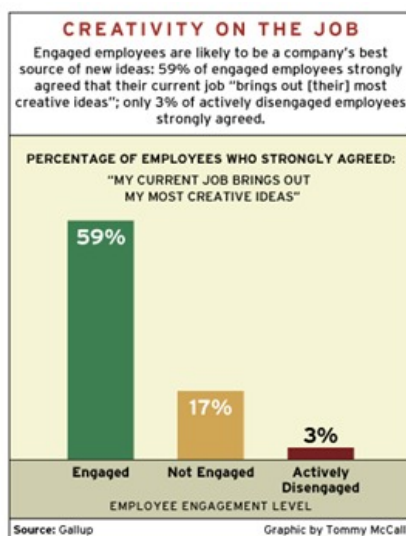
Gallup Study: Engaged Employees Inspire Company Innovation

Indian cos rank highest in employee engagement: Study, PTI Sep 25, 2010

Katharine Esty and Mindy Gewirtz, **Creating a culture of employee engagement**, 06/23/2008

Kristin Samuelson, **Aon Hewitt finds employee engagement rising globally**, Tribune reporter, June 04, 2012

Lance Haun, **Five Reasons Your CEO Doesn't Care About Employee Engagement**, Oct 29, 2010.



Health and Safety- Need of Today's Competitive Business

Prof. Akshata Anand Joshi, M.Com, GDC&A,
Qualified NET (National Eligibility Test)
Institute-K.G.Joshi & N.G.Bedekar College of Arts and Commerce
Thane West, Maharashtra State.
Email-aaj296@gmail.com
Contact-9167023851
Address- B/8 Madhav Ashirwad CHS, Tilak Nagar,
Near Samaj Mandir Hall, Dombivali- East,
District- Thane,
State-Maharashtra. Pin-421201

INTRODUCTION

Human resource management is an important function of management which helps the management as well as the organization for better quality of work life and improving productivity. It creates sense of belonging and good working conditions.

Thus human resource is management functions which focuses on organization employees and works towards hiring, motivating and retaining staff in an organization. Hence the scope of Human Resource Management (HRM) is vast. HRM is a set of program, various functions and activities which are conducted in the organization with an ultimate aim of maximizing employee productivity as well as organizational effectiveness.

OBJECTIVE

The objective of this paper is to create awareness about safety needs of employees and how to protect the health of employees from various hazards which may adversely affect their productivity.

Scope of HRM

Scope of HRM covers certain aspects of management like staffing needs, staff motivation, staff well being, staff rotation, staff retention.

What Is Safety?

Safety means protecting staff from accidents and trying to prevent the hazards which may cause ill

effects on physical and mental health of employees. Thus it is a freedom from risk or injury. Unfortunately many people die or lose their important body organs every day due to the industrial accidents.

Thus it is extremely important for every organization to identify various causes of accidents which may result in death or prolonged injury or disability to the employee.

Accident is an unplanned or uncontrolled event which results in personal injury, so it becomes an immense responsibility of every management to take proactive steps to eliminate the causes for accidents. Apart from risk benefits it also reduces the cost for the organization. (Like direct cost for paying compensation and cost of risk management).

Apart from it is a moral responsibility of every management to protect its employees from every industrial calamity, now it is legal requirement to make your organization accident free and protecting your employees from every hazards. Just to name few major accidents

- Bhopal Gas Leakage in Union Carbide plant, in 1984
- Nagothane November 1990 Explosion at Indian Petrochemicals
- In August 2011, 23 employees of ONGC were killed in helicopter crash in the offshore Heera Panna Oilfield's Neelam area

So certain measures and policies must be undertaken by every organization to make the factory accident free.

REMEDIES WHICH CAN BE ADOPTED BY THE COMPANIES

The management must understand that health and safety is an investment. So their personal involvement is required to implement safety policies. Following measures can be adopted

Safety Training

Systematic Training should be given to industrial employees. Even if while recruiting the employees their aptitude experience may be tested, they must be trained as per the type of job, size of company and awareness of safety management. To train the workers to avoid accidents is not just sufficient, but they should also be trained to minimize damage and first aid procedure if accident takes place.

Basic trainings specific to type of industries like

- Operating common safety devices like CO₂ cylinders, water hoses, Dry powder cylinders.
- Certain chemicals, if come in contact with body parts may cause serious damage to lives, so workers should be given training about handling such chemicals with care and provide certain devices to protect the body parts while handling such chemicals.
- Even machineries which require high power to work should be handled carefully. Special instructions should be given on such machines, as well as displayed as white boards at work places in factories and in a language with which workers are comfortable.
- Training should be given to foremen or supervisors who are responsible for job. Some companies are appointing safety specialists who supplement foremen. They impart training to qualified persons in the factory.

Role of Management and Workers Union

Some times accidents take place because of indifferent attitude of managements as well as carelessness of workers even if safety methods are

followed and devices are available in a factory. Unsafe acts of workers or overconfidence may become a cause for accident. Engineering revision should be done by the management. So management must form safety committees, which must constitute members of management, representatives of workers, employees and members of trade union. Safety should be an integrated part of management.

Safety Posters and Film Shows

Safety posters with attractive slogans should be displayed in the factory. The National Safety Council has published a series of slogans like "Provide Guards Avoid Accidents", "Overconfidence leads to Tragedies" Film shows can be more effective than posters because it has direct impact on the individuals as it has audio visual effect. But these films should be in the regional language which appeals to the workers.

Safety Week and Awards

Companies can announce a safety week every year. Various safety training sessions can be arranged, film shows can be displayed or workers in groups can perform plays which indicate the importance of safety. Also safety awards can be given to workers as motivation that will increase inclination towards work with care and caution.

Safety Policy

The top management must form safety policies and guidelines for protecting the workers and encourage voluntary participation of staff members to make a plant accident free.

Safety Programs

- Frame general rules on safety habits
- Maintaining equipments and machineries with periodic inspection and testing
- Special rules for work done at height or on electrical device
- Safety inspection

- Personal protective devices and its effective use
- First aid training to be given to responsible employees and necessary aid should be available in the factory. Safety Programme model can be prepared
- THINK SAFE + WORK SAFE = HOME SAFE Programme
- Occupational Health and Safety Programme to be prepared for creating awareness about occupational injuries in work place like fractures, accidents. So management should support and initiate occupational health and safety programme. Management should promote, demonstrate and model good practices for occupational health and safety.

Safety Audit

Audit is a critical and in depth analysis of safety facilities, devices and employee awareness in the factory. This helps identify the gaps in the safety program and immediate action/road map can be worked upon by the management. This audit can be done by safety specialist.

CASE STUDY FOR SAFETY MEASURES ADOPTED BY COCA COLA COMPANY NZ

Organization was facing worst trend in key workplace safety measures.

Lost time injuries were increasing (from 22 to 32) and also frequency rate (per million hours worked) reached up to 15.2 (from 11.7) where average 1100 employees were getting hurt.

This was unacceptable, so organization's senior leadership team worked on Safety Leadership Model targeting Zero Harm.

The key thoughts were

- Understand that health and safety is an investment
- Get personally involved
- Recognize contributions and health and safety achievements

Key elements of this successful programme –

Set measurable goals

Goal of the programme was zero harm-no work related injuries-no work related illness. This was a target to measure the progress.

World Class System

Team updated safety management and hazard management system and worked on improved safety training, improved induction for employees, contractors and managers.

Changing culture

Organization focused on changing the culture, improved the awareness that problem existed, and build a desire for change. Team conducted work shops for all the staff members.

Practical Programme

Sprain was the most common injury as manual handling was the most common reason. So pre-shift stretching programme was arranged twice a week, by gym staff, which resulted in drop of 75% of injuries.

Leadership-

Important factor in safety and health programme was strong and visible leadership, commitment to be actively involved in Zero Harm Programme

To protect the lives of employees from hazards is a legal binding on all the organizations.

SAFETY PROVISIONS OF FACTORIES ACT, 1948

- As per section 21, dangerous parts of machinery must be properly fenced. It was per section 22, machinery which is in motion must be examined by experienced employees.
- Section 23 says that young and inexperienced persons should not be allowed to work on dangerous machines without giving proper training to operate such machines.
- As per section 24, no traversing part to be allowed to run within a distance of 45 centimeters from any fixed structure.

- Section 26 says casting should be done in such a way to prevent danger
- Section 27, stipulates that women and children should be prohibited from going near cotton openers.
- According to Section 28, hoists and lifts should be in good condition and must be examined after every 6 months .Also chains, lifting machines, ropes must be periodically checked. (in every 12 months)
- As per section 30, a notice must be displayed near the machine regarding maximum safe working speed of grind stone or abrasive wheel.
- Section 32, requires that all the floors of factory, passages, steps, gangways should be safely constructed and maintained. Pumps and pits should be properly fenced.
- Section 34, explains that no person shall be employed in the factory to carry or lift excess weight which may cause a physical injury.
- Section 35 has made it mandatory to use goggles or screens to protect eyes in case of working on certain machineries which emit rays which may damage eye sight.
- Overcrowding to be avoided in factory. Sufficient space (work area) should be provided to all workers (sec 16)
- Sufficient lighting should be provided in the factory (sec 17)
- Latrines and urinals should be provided for both male and female workers and should be kept clean with proper lighting and ventilation.(sec 19)
- Safe drinking water should be provided to all workers if there are more than 250 workers, water needs to be cooled (sec 18)
- Sufficient spittoons must be provided (sec 20)

Practices organizations can follow to maintain the physical and mental health of employees

PHYSICAL HEALTH

The worker who is healthy can always work with his full potential as he is always cheerful. Ill health of employees reduces the productivity of workers even the absenteeism can also increase. The physical health of employees might be affected due to various reasons like radiation from factory plant, chemical fumes ,cotton and coal dust, high noise level, smoke of cigarette, benzene etc.

As said earlier, it is a moral responsibility of management to protect the health of employees. We already looked at few important provisions of Factories Act regarding health protection and safety measures to be adopted by the organizations.

Many progressive organizations are well equipped with necessary medical aids. Also certain managers know the importance and merits of good health and healthy work force. Companies can provide health services to the employees like

- Keeping factory clean from dirt and effluvia (sec 11)
- Adequate ventilation and temperature should be maintained in a factory (sec 13)
- Arrangements for disposal of wastages should be made (sec 12)
- Artificial humidification should be fixed in the factory (sec 15)
- Pre appointment medical check ups can be conducted for all employees
- Even periodic health check ups for all the employees can be conducted.
- Special examination of eyes teeth and ears as and when needed.

In recent studies, it is observed that due to changing working environment, employees are not mentally and physically strong to take work pressure. Hence due to unstable mental and physical conditions accidents may take place .Thus organizations should first need to identify whether employees have any physical or mental instability. Working in a particular industry for long period or working on dangerous machines or working in chemical factories may cause certain serious health issues for the employees.

HEALTH MEASURES AS PER FACTORY ACT 1948

- Maternity and child welfare
- Treatment of minor complaints like fever, cold etc
- Proper sanitary facilities for disposing the wastage
- The surrounding of the organization should be healthy like tree plantation, good residential quarters etc
- Rehabilitation of worker who has been cured after a serious injury but still has some physical disability.

MENTAL HEALTH

The mental health of employees is again a point of attention to all the managements now a day, mainly in case of managers, top level executives or employees who have higher responsibility and accountability. Due to the mental ill health, the productivity of an employee is reduced which in turn results in less profitability to the organization. Mental illness can be in various forms like alcoholism, job insecurity, personal issues related to family, stress due to unrealistic expectations etc.

How to overcome the mental illness

Mental illness is weakness of mind due to various factors. Stress is one of the crucial reasons for mental health.

What is stress

Stress is a mental, physical or emotional disturbance of mind because of physical or mental tension. Stress is an interaction of person and the environment. Stress is a self developed pain by thoughts. When a person is not in a position to respond to present environmental condition it creates stress. Stress affects a person physically and mentally. Normally stress is assumed to be negative, but it has a positive dimension also. Eustress is a word used to describe positive stress. When a person continuously gets a success, he is motivated to work better and with dedication. Such a stress to maintain the success level can be helpful to an individual but when it creates a sense of alertness, urgency and threatening environment for

an individual the Eustress becomes distress and turns to negative stress.

The intensity of stress and to tackle with the stress depends on the perception of every individual. Some people when experiencing stress are always anxious or nervous but some people do not exhibit stress and do all the activities in time.

Stress may not be because of work pressure only, so what are the sources of stress?

- Individual level Stress
 - Types of persons- person who is impatient and in hurry and one who is not in hurry, relaxed
 - Load due to role in the organization
 - Role conflict
 - Role Ambiguity
- Organizational stress
- Group level stressors
- Stress in the personal life

Measures to be taken by an organization to manage stress

- Improving the work environment
- Changes in workload and job rotation
- Redesigning of jobs
- Flexible working hours
- Appointing an expert in Yoga and meditation who can train the employees to relax
- Career counseling
- Providing well equipped gymnasium
- Introducing well equipped library with various kinds of journals, novels, books etc
- Arranging various sports activities-indoor and outdoor games.
- Appoint well trained instructors
- Counseling cells can be formed with panel of expert doctors (psychiatrists)

Measures to be taken by an individual to manage stress

- Listening good music
- Developing some hobbies

- Laughter therapy
- Always interacting with your best friend
- Going for long walk
- Introducing humor by watching such movies or cartoon films
- Meditation and yoga

If stress is not managed properly its outcome may be harmful. A stressful person may one day burnout and may result in hyper tension, heart attacks, mental depression, any chronic health issues and emotional exhaustion.

Thus organizations can have EAP (Employee Assistance Programme), Fitness programme as an aid to improve the health of employees.

ASSESSMENT OF SAFETY PROGRAMME

To assess the effectiveness of safety programme, certain organic measures can be adopted by the concerns. Organic measures may include solutions to certain questions like

- Is the attitude of workers is changing for unsafe behavior?
- Is safety programme effective?
- Are physical injuries corrected in time by providing medical and financial assistance?
- Are all the provisions of Factories Act complied with?
- Even organizations can be more systematic in their efforts to analyze the safety procedures implemented by calculating incidence ratio, severity ratio, cost of accidents
- How effective is safety department or safety programme to prevent accidents.

- Employee Safety Quiz
- Safety Week and road plays

CONCLUSION

It is important to constantly monitor and measure safety process to make sure they are best and address organizational needs as well. Employees and employer should remember that observation, learning and experience are the key to recognizing potential safety hazards in work place. The companies who have implemented efficient safety and health programme have improved productivity of workers, relations with employees and trust. These measures also help to reduce down time that may be caused due to injuries.

KEYWORDS

Factories Act, Safety Audit, Eustress, Occupational safety, Organic measures

REFERENCES

Human Resource Management

– by K Aswathappa

Human Resource Management

– by C.B. Mamoria

Management and Human Resource Development

– by Michael Vaz

Business Leaders Health and Safety Forum



Figure : 01

Using Visual Merchandising as a Strategic Marketing Tool in Indian Retailing

Dr. Smitha Sambrani
Assistant Professor
Department of Business Management
Osmania University
Hyderabad-500 007 (A.P.)
E-mail: smithasambrani@yahoo.com

Dr. A. Suryanarayana
Professor
Department of Business Management
Osmania University
Hyderabad-500 007 (A.P.)
E-mail: professorsuryanarayana@yahoo.com

ABSTRACT

In this information laden consumer world, shoppers are increasingly asking for better and newer products. Most of the times, the consumer is more knowledgeable than the store employees. In this background, a successful retailing business requires that a distinct and consistent image be created in the customer's mind that permeates all product and service offerings. Visual Merchandising (VM, in short) is the answer for raising the bar of what retailers and the store employee should know. It can take the retail experience to a different level. It can help create that positive customer image that leads to successful sales. It not only communicates the store's image, but also reinforces the stores advertising efforts and encourages impulse buying by the customer. It is a major factor often overlooked in the success or failure of a retail store. It is second only to effective customer relations. In this Paper, an attempt is made to explore how Visual Merchandising can be strategically used by the retailers as a powerful marketing tool.

INTRODUCTION

The retailing sector, an important agribusiness option, is witnessing a paradigm shift having long-term implications on the way food retailing will evolve in the emerging economies like India. The organized food retail industry in India is still at the infancy stage with a share of less than one per cent in the total food retail market, in spite of the fact that food is the largest component in the consumer's spending basket. Retailers are trying to capture a larger share of consumer's spending by expanding their product portfolio. The share of private labels in the basket of key food retailers is also increasing, with in-house brands competing fiercely with well-established brands. Further, with the opening of supermarkets and international corporate groups are quickly grabbing investment opportunities in the Indian retail sector and the quantum of investments is likely to skyrocket. Amidst this competition where products and quality will be almost similar, the only point of differentiation will be the 'experience' that the consumers will get while shopping. The biggest role of providing the shoppers with an unforgettable experience will be that of visual merchandising. In the present competition the retailers are leaving no

stone unturned to gain the loyalty of the consumer. One bad experience, the loyal consumer is gone for good. This not only implies assuring good shopping experience every time a consumer enters a store, but also to retain them by ensuring an impressive visual treat. We get one chance to create the first everlasting impression. This would either create a loyal consumer or would eliminate their chance of ever stepping into the store again. A store that projects a different image and branding definitely gains in the long term. With this competition in the retailing, only merchandise and the brand name of the retailer would not help eliminate the competitors. Instead, more attention and fine detailing needs to be done in terms of designing the store, visual merchandising in the store, competitiveness in pricing, availability of products, etc.

CONCEPT AND MEANING OF VISUAL MERCHANDISING (VM)

VM can be defined as everything the customer sees, both exterior and interior, that creates a positive image of a business and results in attention, interest, desire and action on the part

of the consumer. A story can be told that communicates to the prospective customer what the store is all about. It includes the dramatic presentation of merchandise as well as other important, subtle features that create the store's overall atmosphere. Visual merchandising is the art of implementing effective design ideas to increase store traffic and sales volume. VM is an art and science of displaying merchandise to enable maximum sale. VM is a tool to achieve sales and targets, a tool to enhance merchandise on the floor, and a mechanism to communicate to a customer and influence his decision to buy. VM uses season based displays to introduce new arrivals to customers, and thus increase conversions through a planned and systematic approach by displaying stocks available.

VM is the activity of promoting the sale of goods, especially by their presentation in retail outlets (New Oxford Dictionary of English, 1999, Oxford University Press). This includes combining products, environments, and spaces into a stimulating and engaging display to encourage the sale of a product or service. Visual merchandising is not a mere arrangement of products but goes deeper and wider into the essence of physicality of the store (Davies and Ward, 2005). It has become such an important element in retailing that a team effort involving the senior management, architects, merchandising managers, buyers, the visual merchandising director, designers, and staff is needed. Eighty percent of our impressions are created by sight; that is why one picture is worth a thousand words (Bastow-Shoop et al., 1991). Each customer has a mental image of a store and its merchandise. A store should have an inviting appearance that makes the customer feel comfortable and yet eager to buy.

VM starts with the store building itself. The management decides on the store design to reflect the products the store is going to sell and how to create a warm, friendly, and approachable atmosphere for its potential customers. Many elements can be used by visual merchandisers in creating displays including color, lighting, space,

product information, sensory inputs (such as smell, touch, and sound), as well as technologies such as digital displays and interactive installations. It is more like an art in the sense that there are implicit rules but they may be broken for striking effects. The main principle of visual merchandising is that it is intended to increase sales, which is not the case with a "real" art. VM is one of the final stages in trying to set out a store in a way that customers will find attractive and appealing and it should follow and reflect the principles that underpin the store's image. The basic objective for VM is a desire to attract customers to a place of business in order to sell the merchandise. It is offered to the customer through exterior and interior presentation. Each should be coordinated with the other using the store's overall theme. It is necessary to continually determine what the customer sees. The VM from the customer's perspective should start on the exterior and work completely through the interior of the store. The top five tips for visual merchandising are entice, impact, inspire, identify and add on.

HOW EXACTLY DOES VM HELP RETAILERS?

VM basically helps in (i) Educating the customers about the product/service in an effective and creative way, (ii) Establishing a creative medium to present merchandise in 3D environment, (iii) thereby enabling long lasting impact and recall value, (iv) Setting the company apart in an exclusive position, (v) Establishing linkage between product, product design and marketing by keeping the product in prime focus, (vi) Combining the creative, technical and operational aspects of a product and the business, (vii) Making it easier for the shopper to locate the desired category and merchandise, (viii) Making it easier for the shopper to self-select, (ix) Making it possible for the shopper to co-ordinate and accessorize (x) Informing about the latest trends or offers by highlighting them at strategic locations, (xii) Publicizes the business/product, (xiii) Publicizes the product, (xiv) Builds prestige, (xv) Supports popular trends, (xvi) Establish, promote, and enhance the store's visual image,

(xvii) Harmonizes pure business interest with aesthetics, (xviii) Arouses Interest, (xxi) Creates Desire, (xxii) Causes decision to buy, (xxiii) Takes Advantage of highest profile location, (xxiv) Directs and redirects common customer traffic patterns, (xxv) Introduce and explain new products, (xxvi) Encourage the shopper to enter the store, and finally (xxvii) Entertain customers and enhance their shopping experience

ALL ABOUT VISUAL MERCHANDISING TOOLS

- **Exterior Presentation:** VM begins where the consumer connects first with the store- the exterior of the store. This part sets the tone for a shopper's experience. The quality of a store front is a major determinant for a customer, particularly a new customer, and should not be underestimated. The exterior appearance of one store, a block of businesses or a cluster, silently announces what customers can expect inside. Good exterior visual merchandising attracts attention, creates interest and invites the customer into the business. The exterior presentation can offer a conservative, progressive, and lavish or discount image to the customer. How a store visually welcomes customers has a lot to do with whether or not they enter the store. Although good prices and positive word-of-mouth advertising is important, it is hard to overcome the negative image of a poor store exterior. The VM tools for exterior presentation are: (1) Exterior Signs, (2) Awnings, (3) Walks and entries (Entrance), (4) Landscaping, and (5) Window displays.
- **Exterior Signs:** A sign is a silent salesperson, and part of a shopper's first impression of a store. In less than 10 seconds the sign must attract attention, tell who the business is and what it has to sell. An effective sign will communicate what type of business is being conducted. Off-premise signs provide information and direction, especially for travelers and new residents. Signs can also help effectively communicate a poor location. The lettering should be large enough to read from 200 feet. Signs with 8-inch letters can be read from a distance up to 250 feet. A sign's design conveys a great deal about the business inside.
- **Marquees:** This special type of sign is used to display the name of a store. An effective marquee must stand out from the other businesses to attract attention. It can be used to announce a change in seasons, a special event or a promotion.
- **Banners:** Banners are used increasingly as an inexpensive but colorful, eye-catching means of promotion. A new and interesting appearance can be offered by changing the banners frequently. Consumers will think exciting changes are taking place, and be drawn into the store. To provide continuity, the same banner design, reduced in size and scale, can be hung from the marquee and displayed inside the store. However, do not overuse banners because shoppers will stop noticing them.
- **Awnings:** Color and appeal can be added to a store's exterior with the use of awnings. They provide the customer with protection from weather and makes viewing the window display more pleasant as it reduces heat, cuts down on glare and reflection, and prevents fading of the merchandise from exposure to the sun. However, an awning in poor condition may do harm by distracting from the total store image. Many businesses are updating their storefronts with new back-lit awning systems. Other names for these may include electric awnings, interior lit canopy signs, and back-lit conventional awnings.
- **Walks and Entries (Entrance):** Approximately 75 percent of first time customers remember a store's entrance, which provides the first and last view of the store's interior. Picture walking up to an expanse of wall whose flat surface is pierced only by a plain glass door, as opposed to the

protective feeling offered by walking under a porch or canopy. A properly designed canopy or porch not only protects the customer in bad weather, but can add to the aesthetics of the building. When adding an entryway, be sure it is designed to blend or be consistent with the architecture of the building.

- **Landscaping:** It should lead the customer's eye to the focal point by using color and texture to provide contrast and harmony. The focal point is the business sign and/or the building itself. Landscaping can also screen undesirable sights such as garbage receptacles, power transformers and refrigeration equipment.
- **Window Displays:** Special emphasis should be placed on a store's window displays because they are the information link to the potential customer. A good window display enhances communication of the product, brand and image. As many as one in every four sales, could be the result of a good window display. Window displays should attract attention, create interest and invite people into the store to purchase goods. Window displays should be in harmony with the entire surroundings. When planning a window display consider the building facade, street, people and their perceptions, color harmony, lighting and viewing angle
- **Interior Presentation:** Selling space is the most important part of a store and therefore, efforts to utilize each square foot will help to maximize sales. One proven way to do this is through interior displays that effectively show merchandise to the customer. When planning interior displays, remember that the theme and image presented on the exterior must be carried throughout the interior of the store to provide consistency for the customer. The purpose of interior display is to develop desire for the merchandise, show what is available, and encourage both impulse and planned buying.
- **Display Design:** An effective way of attracting customers to a store is by having good displays, both exterior and interior. A customer will be

attracted to a display within three to eight seconds; that is the time a customer spends to determine interest in a product. Every display should be planned and have a theme. Good design makes a visual presentation come together. This means the design attracts attention in a way that strengthens the store image, as well as introducing merchandise to the customer. The display does not totally determine purchase, but does make it four times more likely (Kerfoot et al., 2003). The store environment has to be designed consciously designed to positively affect the consumer (Kotler, 1973–1974).

To execute a display that will sell merchandise, it is necessary to have a working knowledge of the principles of design. When applied appropriately, all parts of the display are pulled together to create a purposeful, effective and aesthetically pleasing presentation. An understanding of these principles will make it easier to design a display for all types of merchandise.

- **Balance:** Balance involves the equilibrium and weight of elements between two sides of a display. Two types of balance include traditional or symmetrical balance and Informal or asymmetrical balance. Traditional or symmetrical Balance is large on one side and large on the other. This can be effective where expensive and quality merchandise is being presented. Informal or asymmetrical balance creates flow or rhythm and a feeling of excitement. The two sides of the display appear to be of equal weight, but they are not replicas of each other.
- **Emphasis:** Emphasis is the point of initial eye contact. From this spot all other eye movements flow. Emphasis is therefore the formulation of a focal point, with all else in the display subordinate. There should be emphasis in all displays. This can be by virtue of the focal point's

size, color or position. The merchandise is the focal point in a majority of displays.

- **Proportion:** Proportion is the ratio of the parts to the whole display. It is a comparative relationship of distances, sizes, amounts, degrees or parts. Each item may look normal when isolated, but if it is inconsistent in area or dimension with neighboring items, it seems out of proportion.
- **Rhythm:** Rhythm or flow involves the measurement of organized movement; a self-contained movement from object to object, background to foreground, and/or side to side. The rhythm in a display should lead the viewer's eye from the dominant object to the subordinated object(s) or from the primary presentation of the grouping down to the arrangement of accessories or alternate parts of the display. Rhythm may be broken-up or continuous; clearly stated or subtly suggested; repeated or vaguely similar.
- **Harmony:** Harmony is agreement in feeling and consistency in mood; i.e., the feeling that all parts of a display relate to each other and to the whole display. Without harmony, the observer is uncomfortable and will not be enticed to purchase merchandise. Three forms of harmony (functional, structural and decorative) must be in agreement in a display. Functional harmony deals with how something works physically, which means it must be realistic and must work. Structural harmony is correctly fitting together all the pieces; merchandise should not be out of place in the display. Decorative harmony includes the parts of a display that are included only for decorative purposes. If an atmosphere of spring is being developed, butterflies and/or flowers may be used as props. These items are attractive and add to the theme.
- **Color:** Color contributes significantly to people's impression of a display, as well as a store's overall appearance. Color in a display can catch the eye and make people pause and look. The color combinations of the ceiling, walls, floor covering and the overall decor can affect the atmosphere of a store. Changing the color scheme can change people's attitudes and perceptions of a store, and can increase (or decrease) business. Color can change the shape and add interest to a dull room, and can direct attention toward a specific object or away from problem areas. People tend to respond a certain way to different colors. Colors alter the meanings of the objects or situations with which they are associated and color preferences can predict consumers' behavior
- **Lighting:** Lighting is essential in calling attention to merchandise in a display. A shopper's eye is drawn automatically to the brightest item or area. Lighting treatment may be used to draw attention to part of the display area, a specific item in the display, or to coordinate parts of the total display area. Lighting can also be used to direct shoppers through the store, attracting them to various displays along the way. Because of this tendency to follow a lighted path, display lights should be two to five times stronger than lighting in other parts of the store. Supplemental lighting treatments had a positive effect on consumer behavior, as qualified by display. Interactions between lighting and display were found to be statistically significant (Teresa A. S. et al., 2001)

● Props, fixtures and signage

- **Props:** A prop is something used with a product in a display that clarifies the function of the merchandise being sold or the story being told. Props are an integral part of a display. They are used

in visual merchandising to tell a story about the product, the merchandise concept or the store itself. A display prop may be something that is not for sale, such as floor coverings, wall treatments, backgrounds, mannequins, shelves and steps. Props may also be merchandise that is for sale, but is not the theme merchandise. When using salable merchandise as a prop, be sure it is appropriate for the theme of the display and in sufficient quantity to meet an increase in demand arising from the display. Prominently display theme and prop merchandise in their respective departments for easy access by the customer.

- **Fixtures:** Goods can be effectively displayed on a variety of fixtures such as gondolas, tables, cubes, mannequins, waterfalls and other racks, display cases, and manufacturer point-of-purchase displays. A fixture should not only complement the merchandise, but also the atmosphere created in the store. Each fixture should present the merchandise to the public and thereby act as a silent salesperson.
- **Interior Signage:** Retail signages are of various types such as Standee, Wobblers, Drop- Downs, Shelf Stock Signage, Wall/Pillar Paintings, and A-4/A-3 Signage, etc. The purpose of application of these signages is to acquaint the customer with various product categories available at the store and aid him in making the purchase.
- **Retail Planogram:** A retail planogram is a diagram that shows how and where specific retail products should be placed on shelves or displayed in order to increase customer's purchases. A skilled planogrammer at retail store develops these planograms for different types of visual merchandising displays (such as shelf-displays, pegboards, or slat board). These are developed based on the information available for the product such as the amount of

inventory left for the product, volume of sales per square foot of retail space, and other specific information about products (such as stock keeping unit numbers, product codes, etc.).

- **Tools:** Visual merchandising (VM) is an important function and lots of tools in West have been developed in west. The new tools of VM apart from colour, lighting, texture, mannequins and other traditional aids to engender the much-used 'wow effect'.

IMPLEMENTATION OF VISUAL MERCHANDISING: ISSUES AND CHALLENGES

The VM encompasses a number of activities starting with the designing of layout for the store and packaging of products to the final display of products in the store. All these activities are carried out through the joint efforts of various teams, such as category team which deals with a particular category of products like staples, fruits and vegetables, etc.; marketing team which plans promotional strategies. Out-of-house team takes care of places outside the reach of customer and visual merchandising team. The major task of final designing and implementation of VM is carried out by the visual merchandising team which comprises visual merchandiser (one each at head office and at the respective store) category team and coordinator.

Some of the common errors commonly occurring in visual merchandising are: (i) Too much merchandise, (ii) Too little merchandise, (iii) Lack of underlying theme, (iv) Too many props, Poorly selected props, (v) Displays changed too seldom, (vi) Length of time necessary to change a display is too long (vii) Limited or no display budget, (viii) Lack of attention to detail, and (viii) Errors in applying the principles of display.

Tips used for Visual Merchandising: (1) Take it outside (2) Identify everything (3) Creating displays - think about composition. Set the mood

with your windows. Show them how it will look at home (4) Group like with like (5) Group by lifestyle (6) Embrace all the senses (7) Use color effectively and don't be afraid of color (8) Invest in decent mannequins (9) Bright ideas on lighting - use the spotlight (10) Be creative with themes- integrate motion (11) Be brief on signage (12) Change your displays often (13) Remember rule of three - while creating a display work in sets of three. If we group by height, have tall, taller, tallest if in a group of price have good, better, best.

Some final dos and don'ts in Visual merchandising:

(i) DO use your imagination (ii) DO stick to the rules (iii) DO change your displays regularly (iv) DON'T have dirty display areas DON'T copy your neighbors' ideas.

Some of the Problems in VM Implementation are: (1) Undefined Areas of Responsibility, (2) Lack of Coordination (3) Improper Communication, (4) Limited Freedom of Thought, (5) Poor Time Management, (6) Poor Synchronization of Activities, and (7) Poor Monitoring and Evaluation. Additionally, designing VM for perishable products like fruits and vegetables at the store has become the major area of concern for visual merchandiser, as excessive lightning display deteriorates them due to changes in the sensitive pigments present in these communities, causing huge wastage. In other product categories like that of beverages, light used for VM causes their oxidation, leading to foul smell and off flavor.

CONCLUDING COMMENTS

Visual merchandising is the art and science of presenting the products you sell in the most attractive way possible, in order to generate traffic, create interest and buzz - and of course, generate sales. Many retailers struggle with visual merchandising - after all, we're retailers, not artists or designers! Luckily, this is one area where you can improve quickly - without having to spend a ton of time or money. Visual merchandising is both an art and a science. Approach it with an open mind. If something doesn't work this time, change it! Try something else. Keep a record of displays you've

tried - with a digital camera this is quick and easy! - and noting how well merchandise sold with any given display. After a while, you might start to notice a pattern: particular types of display might work well with your customers. Obviously, use those types of displays more often. And if something doesn't work? Change it. Your merchandise is still good; your store is still great: the stores that thrive are the stores that adapt and change to changing customer behavior. Just keep track of results and try new things often.

REFERENCES

- Ann Marie Fiore, Xinlu Yah, and Eunah Yoh. (2000). "Effects of a Product Display and Environmental Fragrancing on Approach Responses and Pleasurable Experiences", *Psychology & Marketing* Vol.17 (1):27–54.
- Anushree Agnihotri, and Prathap Oburai. (2009). "Shoppers' Interaction with Visual Merchandising Elements in Organized Grocery Stores", *3rd IIMA Conference on Marketing Paradigms for Emerging Economies*.
- Arora.V.P.S. Shivasharma, and Nirdesh.K.Singh. (2007). "Nature and functioning of Visual Merchandising in Organized Food Retailing", *Agri. Economics Research Review*. Vol. 20.
- Bastow-Shoop, H.; Dale, Z. and Gregory, P. (1991). *Visual Merchandising: A Guide for Small Retailers*, Arnes, IA: Iowa State University.
- Davies, B.J. and Ward, P. (2005). "Exploring the Connections between Visual Merchandising and Retail Branding," *International Journal of Retail & Distribution Management*, 33(7), 505–13.
- Gandhi, M.K. (2006). *"Store Image and Positioning"*, Retail Biz, November. 2006

- Kerfoot, S.; Davies, B. and Ward, P. (2003). "Visual Merchandising and the Creation of Discernible Retail Brands," *International Journal of Retail and Distribution Management*, 31(3), 143–52.
- Kotler, P. (1973-74). "Atmospherics as a Marketing Tool", *Journal of Retailing*, 49, 48 - 59.
- Manish Prateek. (2008). "Don't Standardize... Visualise!" *Progressive Grocer*, August.
- Paula Reidy. (2011). "**Visual Merchandising: Dressing your business for success**", Factsheet, www.inpsyde.co.uk.
- Raaker. (2008). "Visual Merchandising Tips", www.Blogspot.doc.
- Rick Segel. (2009). "**The Top Twelve Visual Merchandising Tips**", [www. Retailers advantage.com](http://www.Retailersadvantage.com)
- Teresa A. Summers, and Paulette R. Hebert. (2001). "Shedding some light on store atmospherics: influence of illumination on consumer behavior", *Journal of Business Research*, 54(2), 145-150.
- Tucker, J. (2003). "**Retail Desire: Design, Display and Visual Merchandising**", Rotovision Publishers, New York, p.79.

Customer Satisfaction with 3 G Services – A Study in Hyderabad

Dr. Y. Malini Reddy
Academician and Consultant
Plot No. 18A, Road No. 2,
Jubili Hills,
Hyderabad 500033.
Andhra Pradesh . India
Email: malinireddy.y@gmail.com

Mr. Shahbaaz Khan
Student PGDM
IMT Hyderabad, Survey No. 38,
Cherlaguda Village,
Shamshabad Mandal, RR District,
Hyderabad- 501218. Andhra Pradesh . India
Email: shahbaz1989@gmail.com

ABSTRACT

The 3G mobile networks in India are weighed down by tremendous expectations from customers and have encountered several problems related to technology and user acceptance. This study attempts to understand the customer satisfaction with 3 G services provided by various telecom operators of Andhra Pradesh circle, specifically in the city of Hyderabad. The paper evaluates the various underlying parameters of 3G mobile services that could contribute to its success. The findings provide insights that would help not only 3G but also 4G service providers particularly in the area of service development and communication strategies.

Keywords: 3G, 4G, User Acceptance, Mobile Communications, Telecommunications, Customer Satisfaction.

INTRODUCTION

The third generation of mobile telephony technology, popularly known as 3G services, was introduced by Japan in 2001. While the development of 3G services have economic and social benefits for all countries, it is of particular importance to developing countries as it can help close the technology gaps and digital divide. By 2012, most developing economies in Asia such as China, Bangladesh, Philippines, Thailand and off course India have launched the 3G services, at least in the major cities. Initially launched by state owned Mahanagar Telephone Nigam Ltd. (MTNL) in Delhi and Bharat Sanchar Nigam Ltd. (BSNL) several private-sector service providers that have started the services include Tata DOCOMO, Vodafone, Bharti Airtel , Air cel, Idea, and Reliance.

Of the 900 million mobile subscribers in India, about 30 million use mobile internet services and only 10 million have subscribed to 3G services. There is therefore a huge potential for growth. However,

there are several factors due to which the services are not growing at the potential pace. Affordability of the handsets required, not being able to meet the promise of high-speed downloads and uploads at nearly 21 mbps (mega bytes per second) compared with the existing 2G bandwidth speed of nearly 144 kbps (kilo bytes per second) are the often sited reasons for the same. Despite slower than expected service and growth, the segment holds a lot of potential. Some of the factors that could help accelerate the adoption of 3G services include the declining in prices of the 3G-enabled handsets, the projected mobile phone penetration rate of 97% by 2015, innovations in applications and services that would meet the stated and unstated needs of different customer segments, growing popularity of mobile entertainment in the form of games and video-based content requiring high speed internet connectivity. Given this scenario, the need of the hour is to identify all the factors that could possibly hinder the acceptance of 3G services and present the findings of the study to service providers to

help improve their performance and communication strategy.

STUDY

Satisfaction with a service drives future purchase intentions and behaviour. A thorough understanding of what drives 3G customer satisfaction will provide telecom operators with insights required for influencing consumers' purchase behaviour in the short and long term. Literature presents the following factors and findings as influencers of customers' satisfaction with 3G services include: (1) Pricing of the services (Indian consumers are very price sensitive; the average income in India is increasing; currently the prices of 3G services is higher due to the expense incurred by service providers in buying 3G spectrum; in order to upgrade technology for providing 3G services the operators are left with no choice but keep price higher); (2) Speed of service (It is a key factor which drives a customer as 3G is supposed to give better performance in terms of speeds; customers are not clear about the distinct advantage in terms of speed offered by 3G over 2G); (3) Battery life (customers expect the battery life to be unaffected by use of services); (4) Functioning of other mobile applications (While using a particular service in handset, customers do not want other functionalities of the mobile phone to be affected by 3G services; hurdles posed for running other applications upset the customers).

This study was conducted in the city of Hyderabad during February 2012 to May 2012 using participant observation, interviews, and survey method. Structured questionnaire was administered using a simple random sampling method and complete usable questionnaires received were 110. The data collected was analysed using Chi square analysis and regression testing to identify associations and relations between various factors.

The sample consisted of 80 males and 30 females with age of 35 years and 84% being single. 71% of the respondents were students and the rest working professionals. Majority of the sample (65) had a monthly income of 25 000-50 000, 32 had income

between Rs.50 000-100 000 per month and 13 had an income of Rs.100 000 and above per month. 45% of the customers had touch screen handsets. It was found that 64% of the respondents were Airtel customers followed by equivalent small share of customers of reliance, Vodafone and BSNL. In the sample used in this study, Tata Indicom/Docomo had the lowest number of customers. Also important to note is that of the 110 respondents, 36% had been using 3G services for more than 9 months; 25% for 6-9 months and the rest for less than 6 months.

RESULTS AND FINDINGS

The measure of overall satisfaction level showed that respondents who were using the services for more than 9 months were the most satisfied. The results showed a positive correlation between the duration of usage of 3G services and satisfaction levels. Perhaps, new users were not aware of all the features and facilities. This however needs to be investigated further. There was no significant relation between the type of handset used and kind of 3G services preferred. Facebook application was found to be the most cited reason for availing 3G service followed by use of email application which was positively correlated with the age of the respondent. The services preferred by specific age groups of customers was beyond the scope of this study. However, the findings of such a study would be very useful to service provider particularly in developing their pricing strategy.

Surprisingly, there were no differences with regard to services preferred by touch screen handset users and users of handsets without touchscreens. Another finding contrary to expectation and previous studies was the lack of a significant relationship between gender and awareness level about 3G services. Almost all the respondents stated the reduction of efficiency of battery life while using 3G services. However, unlike findings from earlier studies, this had no negative effect on the satisfaction levels of the customers. The same results were found with regards to effect of 3G services on other mobile

functionalities. Speed of downloading and uploading as well as using the applications was found to be the single most reason for choosing a service provider.

A significant relationship was found between monthly income and positive perception about the tariff plans of various operators. While the majority of the customers perceive the tariff plans as high priced but worth the price. The respondents who found the tariff unaffordable were all from Rs 25 000 to 50 000 per month income bracket. An interesting finding was that tariff charged by providers had no bearing on the overall satisfaction level of the customers.

CONCLUSION

The study found that customer awareness about 3G services is very low with 3G being synonymous with fast internet access. Service providers need to bring about awareness about the entire gamut of facilities such as video calls, live streaming, watching television, interactive games etc that are supported by 3G mobile telephony.

Exclusivity of content is another area of focus for the service providers. The right kind of apps and services developed for specific market segments would go a long way in enhancing demand for 3G services. Operators need to explore the technology and make it usable for rural markets, health care services, e-governance services and so on. Such applications would be of immense value to customers. Carefully planned targeting advertising for the applications could be a very strong source of revenue.

The issues of high tariff and moderate coverage need to be addressed by the operators at the earliest along with operational issues of Spectrum deficit, stability of networks, load balancing due to high data usage in big cities. Convincing the customers to move from the extremely price sensitive pre-paid plans to post-paid plans.

The market for 3G services holds a lot of potential. Developing differentiated content relevant and

useful to the target market, use of effective pricing strategies and use of promotional methods to bring about awareness would help the service providers to satisfy and retain customers.

REFERENCES

Database of business source complete, Total Telecom magazine (February 2010), "**Asia set for 3G surge**"

Khanna and Gupta (2009) "**Uptake of 3G services in India**" Evalueserve (September 2009)

"**India has 9 million 3G users in 2011**" , accessed on 1 June, 2012 from <http://thenextweb.com/in/2011/05/20/india-has-9m-3g-users-adds-11-1m-gsm-users-in-april/>

A survey by IMRB and Nelson via articles "**the future rise of smart phones in Indian market**" can be accessed on 19 May 2012 from <http://takemetoyourleader.com/2011/05/09/the-future-rise-of-smartphones-in-india/>

Article "**slow start of 3G uptake below expectations**" can be accessed on 15th May, 2012 from <http://www.telecomindiaonline.com/telecom-trends-past-and-future-coai.html>

An article "**3g services not been a success so far by sibal**" in Indian express news paper can be accessed from <http://www.indianexpress.com/news/3g-services-not-been-a-success-so-far-sibal/934977/>

"**Rural Connectivity Mobile Broadband Penetration**" accessed on 8th May, 2012 from <http://indiatechonline.com/juxtconsult-india-mobile-phones-study-2011-545.php>

A study on customer satisfaction about "**3G LIVE**" data services in Tamil Nadu with special reference to Coimbatore City by Dr. N. Kathirvel accessed on 12 May 2012 from

[http://lotus.edu.in/publication/index.php?Option=com_content&view=article&id=75:a-study-on-customer-satisfaction-about-3g-live-data-services-in-tamil-nadu-withspecial-reference-t & c a t i d = 3 8 :marketing-zephyr-vol-3-ii&Itemid=56](http://lotus.edu.in/publication/index.php?Option=com_content&view=article&id=75:a-study-on-customer-satisfaction-about-3g-live-data-services-in-tamil-nadu-withspecial-reference-t&c&catid=38:marketing-zephyr-vol-3-ii&Itemid=56).

Sudha Singh (2010) "***The forecasting of 3G market in India based on revised technology acceptance model***", International journal for next generation networks, Vol 2.

Study on Consumer Perception Vs Consumer Expectation for New Era of Indian Quick Service Restaurant - Qsctv Model

Srivalli Jandhyala,
Research Scholar,
JNTU,
Hyderabad
Email : srivallisrivalli7@gmail.com

ABSTRACT

India is global village with wonderful awareness regarding globalization, privatization and information technology which made the India to elaborate its business opportunities, change in economic transitions and cross cultural activities. The increase in literacy and exposure to western lifestyles, increase in urbanisation which made Indian consumer to change in their consumable habits. In past decade the Indian cuisines were restricted to limited menus with traditional food where consumers have limited choice of selection of food items. Today the upcoming Indian Quick Service Restaurants (QSR) with strong back-ends controlling the quality, hygienic and cost designed on the format of necessity based eating out have filled in the lacuna. The present study identifies the consumer perception and consumer expectation for new era of Indian quick service restaurants, purchase decision and consumer preference on perception of quality from major categories of food, the analysis is also made using porter's five force model to estimate various factors affecting the choice of quick service restaurants by Indian consumers. The study also helps in analysing the factors influencing the choice of quick service restaurants by Indian consumers in the metro city of Hyderabad. The study also drafts a new model called QSCTV model for Indian QSRs.

Key words: Quick Service Restaurants, consumer perception, porters five force model, multivariate analysis

INTRODUCTION

Indian is a globalized village where the sharing of work, profits, information tastes are widely increased. The choice in each and every sector has made people to pit different items from same place, portability in receiving items, time management and leading to a new world . Indian largely adapted to western food and fast food chains is due to its hygienic, ambience, quick service. What was available in Indian cuisines is largely focussed on fine dining and had an elaborate and high calorie menu with increased price points. Today, the upcoming Indian quick service Restaurants (QSR)

with strong back-ends controlling the quality and cost designed on the format of eating out have filled lacuna. The life style is growing massively with socio-economic changes which are also reflected in its food habits. Increase population in Hyderabad metro city with majorly nuclear families, mind set, time management, fast compelling consumers of all age groups had explored the concept of “ necessity based eating out” .The following are some of the factors dominating the trend in India and Hyderabad. Large young people called youth, Time management, Double income, Consumer confidence and reliability, Large working women.

REVIEW OF LITERATURE

Fraj, Martinez (2007) focussed on environmental and natural attitudes as predictor of ecological behaviour of consumers. Kotler (2003) The fast food restaurant service fall mid way on the 'pure goods-pure service' continuum. Strugnell (1997) concluded that urban location comprising young men were significantly more likely to consume chilled ready meals in Ireland. Sukalakamala, boyce (1998) says in his study that consumer preferences, perception, expectations observed that demand, price estimation is essential to success. MacCoolb, Feinstein (1998) concluded that consumers consider value for price as most important factor when selecting food item. The results also showed that familiar and healthy foods also contribute to selection process and purchase decision.

According to research and analyst firm Frost & Sullivan, the good growth in the Indian economy, coupled with strong desire among the Indian consumers to maintain a healthy lifestyle and growing awareness of functional ingredients such as herbs, minerals, vitamins and omega fatty acids are giving thrust to demand of functional foods markets which are likely to witness an expanding consumer base due to their specific health benefits.

Parasuraman, Zeithamal and Berry (1985) proposed a service quality measurement scale named 'SERVQUAL' which contributes an important land mark in the service quality literature and has been extensively applied in different settings. Over the years few variants of this scale have also been proposed known as 'SERVPERF' scale put forward by Cronin and Taylor (1992) in early nineties. With roots in disconfirmation paradigm, the gap model of these two scales maintain that satisfaction is related to size and direction of disconfirmation of a person's experience vis-à-vis his/her initial expectations (Churchill and Surprenant, 1982; Parasuraman, Zeithamal and Berry, 1985; Smith and Houston 1982). The service quality measurement scale comprising of total 58 items (28 for expectations and 30 for perceptions).

METHODOLOGY

Objectives of Analysis:

1. To analyse the important factors that affect the choice of QSR's by Hyderabad metro Consumers.
2. To know and identify the factors affecting consumer purchase decision from QSR's outlets in Hyderabad metro city.
3. To compute and evaluate the consumer's preference on perception of quality about different categories of Indian fast food products
4. To know different opportunities and challenges faced by Indian QSRs over MNC's QSRs in Hyderabad, India.

Research design: exploratory

Population: consumers of different quality service restaurants in the city of Hyderabad, India.

Sampling element: consumers of Indian and the MNC QSR operating in Hyderabad, city

Sampling technique: purposive sampling technique

Sample size: 150

Scaling technique: likert's 5 point scale (1 – minimum 5 – maximum agreement)

Data collection: questionnaire using field survey

Reliability measure of questionnaire	
Cronbach's Alpha	0.787
Number of items	58
It is resulted that reliability test value is above 0.700 in reliability method applied, so, the questionnaire is highly reliable	

Analysis of validity :

Face validity method was used to the questionnaire and resulted to be satisfactory. To check the face validity couple of franchisee of Indian QSR and MNC QSR were identified to

evaluate ease of understanding of questionnaire. Structured questionnaire was pre-tested as a pilot study on a representative sample of 50 to obtain necessary inputs for refining the same. The suggestions were used for improving the proposed scale and to edit the items to enhance clarity, reliability, content adequacy.

Research hypothesis

Ho: Significance difference does not exist in customer's preference of the price range of Indian fast food items.

Ho : significant difference do not exist in standardisation of the skills set of service personnel employed at the Indian QSR

Ho: there is no significant difference in consumers' preference in hygienic and low calorie content tasty food.

Ho: there is no significant difference in consumer's preference of Indian over MNC fast food.

There is no significant difference in service delivery, cleanliness, ambience speed of delivery etc.,

ANALYSIS

1. Consumer preference for Indian QSRs

Factor Analysis:

To analyse the factors affecting consumer's preferences of Indian QSRs 58 parameters were used. Using Barlett's test of sphericity and Kaiser Meyer Olkin

Measure of sampling adequacy was used to examine the appropriateness of factor analysis.

Barlett's and KMO Test		
KMO measure of sampling		0.73
Barlett s test	Apprx.Chi-square	137
	Degree of freedom	45

0.73 is > 0.5 hence factor analysis is appropriate for further analysis on the basis of Varimax rotation with Kaiser Normalization 58 parameters are confined into 10 factors.

2. Percentage analysis of consumer's preferences on various comparison variables Consumer's preferences on the various comparison variables as the visiting hours, price range, preference of Indian QSRs, cleanliness, standardization of skills, localite, low calorie speed of service are shown in a graphical form below as follows:

The variables like price range, low calorie, hygienic ,ambience ,location, preference to Indian QSRs over MNC QSRs have placed almost near to 90% of acceptance where 100% is take as maximum.

3. ANOVA which is used to study the cause and effect relationship of the various comparison factors as found among the Indian QSRs alone operating in Hyderabad metro city. One –way ANOVA was conducted to analyse whether there is any significant difference between comparison variables and Indian QSRs

4. Chi-square test

When cross tabulation is being used some of the factors like location accessibility, standard skills hygienic, low calorie, cleanliness, ambience of Indian QSRs have less importance when compared with MNC QSRs .so to avoid the complexity in identifying significance Chi-square test is being used to know if there is any significant difference between Indian QSRs and Indian QSRs using the following factors in table.3

The two sided asymptotic significance found to be significant at 5% for most of the factors so the evidence says that that differences are due to location accessibility, standard skills hygienic, low calorie, cleanliness, ambience of Indian QSRs to MNC QSRs.

Service Quality scales and other measures –correlation coefficients

Customer expectations, perception, importance for each service quality were measured to point rate scaling method from 5-strongly agree to 1-strongly disagree

The above analysis says that there are some negative values which says higher the negative value greater will be the gap which the Indian QSRs should improve in use of technology, equipment, prompt in service, hygienic & quality and convenience to attract consumers.

Porter's five force model related to present study

The study is linked to porter's five force model an out-side in-side business unit strategy tool to draw an analysis in relation to challenges, opportunities, threats to overcome and be a leader of Indian QSRs sector.

The analysis is made by five fundamental forces:

- The Indian fast food industry is growing as to achieve the international standards especially Hyderabad a city with multicultural food habits is growing in its style to gain more consumers in competition to MNC QSRs.
- Bargaining power of Indian (Hyderabad) consumers.
- Overcome existing rivals with price
- Threats of substitutes with Regional tastes

Based on the porters five force model and statistical analysis of QSR sector the research suggest a critical success factor model called Quality – Service-Cleanliness- Value model which would lead to 100% customer satisfaction .If as suggested Indian QSRs of Hyderabad metro city follow this model it would lead them to leader of QSRs of India even if MNC QSRs are back of them.

Findings

- Even with disposal income of consumers are still looking for an outlet with available price range QSR should take into consideration while deciding their product pricing.
- Clearly all the consumers of Hyderabad are not purely western food oriented but they look for

a palate which is readily available with all a traditional touch in that.

- Standardization of skill, speed of delivery, location accessibility etc., are some of the factors where Indian QSRs need to concentrate.
- Finally SERVQUAL and SERVPERF implicate that opportunity for growth can be done by using technology enhancement, hygienic and quality.

Limitations:

- The study is limited to Hyderabad metro city consumers and Hyderabad placed QSRs
- The study is limited to 150 consumers
- The study used SERVQUAL and SERPERF scales for expectations and perception but the analysis do not the consideration of initial expectations of consumers.

CONCLUSIONS

The present study says that Indian consumers are ready and shows preference for future QSRs in India with traditional taste, quality, service, and value for money, cleanliness. It lies in the hands of Indian players to grab the opportunity.

REFERENCES

- Bolton, R N and Drew, J H (1991b). "A longitudinal Analysis of the Impact of Service changes on Customer Attitudes" *Journal of Marketing*, Vol.55, January, pp 1- 9.
- Parasuraman, A, berry, L L and Zeithaml, v A (1990). 'Guidelines for conducting service quality decrease, "Marketing research, Vol .2, Issue .4, pp 34-44.
- Parasuraman, A, Zeithaml, V and Berry, L L (1994)."Reassessment of expectations as a comparison standard in measuring service quality: Implications for further research," *Journal of Marketing*, Vol .58, Jan.pp 111

Obisaw, Clara opera, Docea A .g, fianu and kezia
awadzi (2000). 'changes in family f o o d
Habits: the role of migration", *journal o f
consumer of studies & home Economics*",
vol.24, Issue 3, pp145-149.

Books

Kotler, P (2003). *Marketing Management*,
Newdelhi: Prentice hall of India.

Teas, K R(1993). " Expectations, Performance
Evaluation and Consumer's Perceptions of
Quality." *Journal of marketing* .Vol .57,
October

Normann, R(1984). *Service Management* ,New
York :wiley.

Use of demographic variables											
Age		Educational level		Source of household income		Income per month		No of adults		Children	
<25	45	<10th	3	Family business	25	<5k	4	1	4	1	40
26-35	40	10	24	Pvt.Job	42	5k-10k	24	2-3	67	2-3	90
36-45	33	inter	44	Govt .serv	17	10k-20k	33	3-5	46	3-5	20
46-55	28	Grad	62	Agr & allie	10	20k-30k	23	>5	53		
>55	4	P.G	20	I.T	20	>30k	50				

Factor Analysis				
FACTOR NAME	Factor loading	Eigen value	%variance	Parameters leading >0.5
Visiting hours				
	3.395	2.166	0.8664	Daily
	2.658	2.108	0.84	Fortnight
	2.412	2.106	0.83	Monthly
	2.162	2.076	0.85	Occasionally
	1.967	2.109	0.83	During party
	1.782	1.982	0.81	Convenience
	1.501	1.992	0.799	Special event
	1.333	1.97	0.774	Offers
	1.244	1.67	0.667	Family outing
	1.051	1.48	0.591	No special time
Price Range	1.593	1.443	4.728	20-60
	1.32	1.451	4.69	60-100
	1.32	1.352	4.56	>100
Preference of Indian fast food over MNCs				
	6.9	2.97	19.2	Location
	2.41	2.9	18.72	Attentiveness
	1.4	2.45	18.77	Promptness in service
	1.2	2.31	18.01	Value for money
	1.06	2.21	18.33	Take away in time
	1.01	1.9	18	Indian flavour

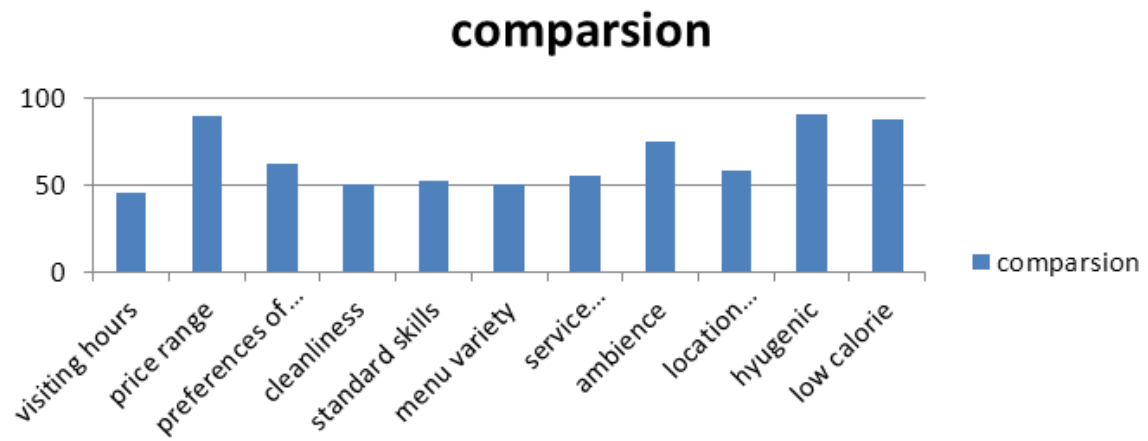
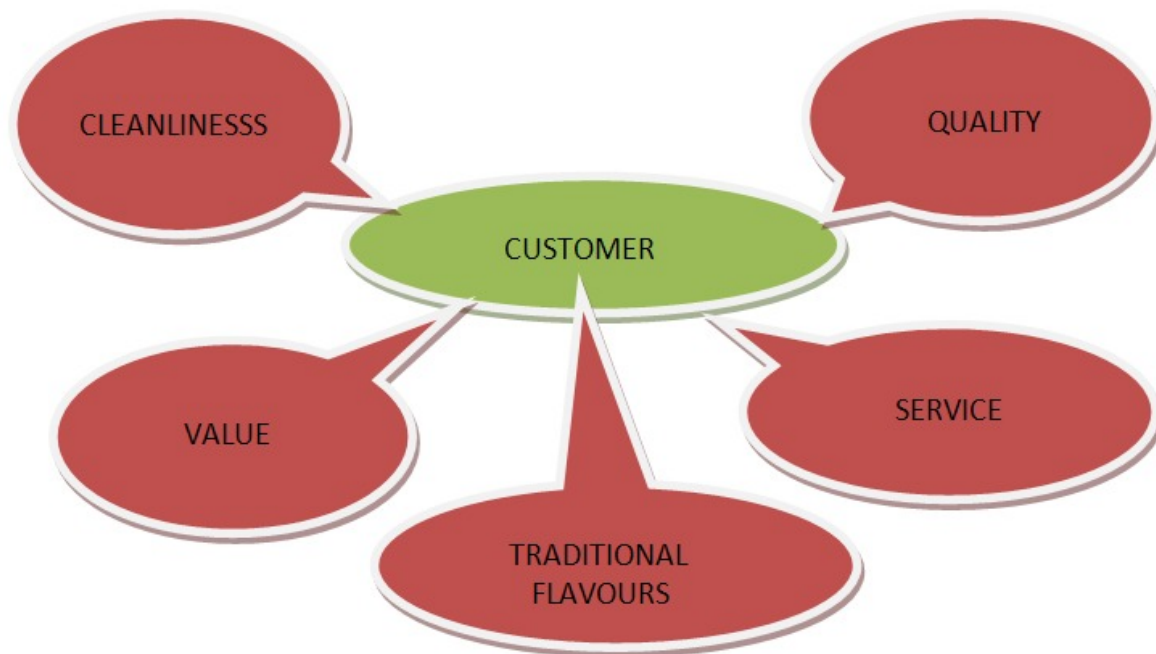
Preference due to friendliness & response of staff				
	2.34	1.9	18.2	Responsiveness
	2.18	1.61	19.72	Caring
	2.13	1.51	18.77	Not arrogant
	1.97	1.35	18.01	Good ambience
	1.67	1.31	18.23	Clear explanation
	1.65	1.06	18	
Standard skill for QSRs				
	8.9	3.72	3.18	Communication
	2.41	3.4	3.16	Mannerism
	2.33	3	3.07	Personality
	2.17	2.64	3.06	Courtesy
	1.9	2.34	3.02	Attitude
	1.61	2.18	3.03	Friendliness
	1.51	2.13	3.07	Responsiveness
	1.35	1.97	3.05	Delivery
	1.31	1.67	3.06	Promptness
	1.06	1.65	3.02	loyalty
Menu Variety				
	1.76	1.75	1.47	Indian palate
	1.03	1.1	1.37	More specialized
Service delivery speed				
	2.01	1.72	4.08	Good service in time
	1.66	1.56	4.6	Deliver speed
	1.39	1.5	4.54	Availability of service options
	1.44	1.41	4.03	Take home facility
Cleanliness& atmosphere				
			2.99	Ambience
	2.55	1.92	2.87	Experience
	1.85	1.86	2.61	Relaxing atmosphere
	1.5	1.62	2.53	Interior
Location accessibility				
				Locational preferences
				Accessibility
				Parking space
				Surroundings
				In malls
				Vicinity of location
Hygienic ,low calorie				
	2.18	2.21	61.18	Quality of food
	2.65	2.1	61.14	Cleanliness
	1.41	2.07	61.03	Calorie content
	2.16	2.05	60.05	Taste
	1.99	2	60.8	Flavour
	1.77	1.99	60.78	Freshness

ANOVA		
S.No	Name of the factor	One-way ANOVA
1	Visiting Hours	Significant difference
2	Price range	Significant difference
3	Preference of the Indian food	Significant difference
4	Preference due to friendliness & responsiveness of staff	Significant difference
5	Standard skills for service	Significant difference
6	Menu variety	No Significant difference
7	Service delivery speed	Significant difference
8	Cleanliness & standard	Significant difference
9	Locational accessibility	Significant difference
10	Hygienic, low calorie	Significant difference

Chi-square test	
FACTOR	
Location accessibility	Assymp.sign(2-sided)
Location	0.265
Accessibility	.0007**
FACTOR	
Standard skills	Assymp.sign(2-sided)
Prompt in service providence	0.012
Behaviour of staff	0.011**
Staff response	0.001**
Staff courtesy	0.112
Loyalty	0.070*
Attire	0.148
Mannerism	0.084*
Communication	0.062*
Friendliness	0.05**
Attitude	0.229
FACTOR	
Hygienic, low calorie content tasty food	Assymp.sign(2-sided)
Quality of food	0.014**
Cleanliness	0.003**
Calorie content	0.002**
Taste	0.031**
Flavour	0.054*
Freshness	0.001**
Cleanliness & Ambience of service	Assymp.sign(2-sided)
Ambience	0.031**
Experience	0.100**
Relaxing atmosphere	0.021**
Interior	0.175
Cleanliness	0.010**
Take home facility	0.000**

a. SERVQUAL vs SERVPERF Scales							
	SERVQUAL	SERVPERF	Weighted SERVQUAL	Weighted SERVPERF	Overall Service	Overall satisfaction	Behavioural intentions
SERVQUAL	1						
SERVPERF	0.736						
Weighted SERVQUAL(p-e)	0.985	0.766					
Weighted SERVPERF(p)	0.758	0.993	0.771				
Overall Service	0.415	0.543	0.398	0.531			
Overall satisfaction	0.42	0.556	0.424	0.553	0.723		
Behavioural intentions	0.291	0.44	0.309	0.458	0.57	0.528	1

b.SERVPERF scores and GAP (P-E) or SERVQUAL scores								
Item	SERV	Max score	Gap	Imp	Weighted	Expectation	Gap (P-E)	Weighted
description	PERF		(p-m)	Score 1	SERVPERF	(E)	SERVQUAL	SERVQUAL
	Score(P)						score	
Use of technology & equipment	3.08	5	-1.92	4.28	16.99	4.37	-0.4	-1.71
Prompt service	3.51	5	-1.49	4.09	12.6	3.57	-0.49	-6.01
Hygienic& quality	3.31	5	-1.69	3.67	12.88	4.05	-0.54	-1.98
convenience	3.39	5	-1.03	4.05	13.37	3.04	-0.27	1.09

**Comparison****QSCTV MODEL**

An Empirical Study on Consumer Behaviour of Women with Reference to Durable Goods in Bangalore City

Dr. H. S Adithya, M.B.A., M.Phil., Ph.D.
Assistant Professor & H.O.D – M.B.A
B.T.L Institute of Technology & Management,
Bangalore.
Email: adithyhs@hotmail.com
Mobile: 09945523240

ABSTRACT

Consumer behavior is the study of when, why, how and where people do or do not buy a product. Advancement in science and technology has made life more comfortable and enjoyable. Consumer buying behavior is influenced by various factors. There are many underlying influences, both internal and external, from the social environment. The combination of these inputs and internal factors can never be complex indeed. Perfect prediction of behavior is never possible, but properly designed research efforts can significantly lower the risks of the types of product failure. While the consumer cannot knowingly be induced to act in a way contradictory to his or her own goals, motivation and behavior can be influenced by outside sources. This influence is understood through research. This study has been taken up to know the consumer behavior of women with reference to durable goods in Bangalore City.

Keywords: Consumer Behaviour, Women, Durable Goods, Bangalore City.

INTRODUCTION

All the purchases made by a family follow a certain decision making process. The character and the extent of interaction between a husband and wife present an extremely important dimension in the decision making process. No sale can be effective, unless a favorable decision is made by a buyer towards a particular product of a company. The role of a spouse in the routine versus new decision process, the role of rational decisions of the particular household poised for changes in income, employment expenditure, saving, etc. change according to a given situation pattern. Husband and wives derive information from internal sources and external sources. Some information may bombard the individual without his explicit consent, although he may, at times, engage in a search for information. The actual purchase observable behavior is related to the individual's intention, which in the words of Howard & Sheth Buyer forecast as to when, where and how a consumer is likely to buy a brand.

Scope of the Study

Though the main objective of this study is to analyze the women's purchase behavior and their role in purchase decision, the scope of the study extends to the following related aspects namely, socio - economic characteristics of the respondents, the factors influencing purchase behavior, problems faced by women during and after purchase, mode of payment and mode of carrying goods.

Statement of the Problem

Non-durable goods like grocery, vegetables, fruits, cosmetics, toiletry, clothes, etc. are the basic products used by the consumers. They need these goods to satisfy their physiological needs. The companies are trying to make their products more popular and thereby, try to be successful. In the competitive market, the prospective buyer is prepared to choose the right brand based on her needs. An understanding of

purchase behavior of women is an essential aspect as it reflects the influence of brands, buyer & customer type on the purchase of a particular brand etc. The success of the market or its failure depends on the purchase behavior of consumers. Nowadays, the role of women in all fields is increasing. At present, the role of women in purchase decision has also increased. Hence, the present study has been undertaken to find out the answers for the following questions:

1. What are the factors influencing women's purchasing behavior?
2. What are the problems faced by women during and after purchase?

OBJECTIVES OF THE STUDY

1. To analyze the factors influencing women's purchasing behavior
2. To find out the problems faced by women during and after purchase.

RESEARCH METHODOLOGY

Sample Size

A total of 125 respondents residing in Bangalore City were selected for the study. Convenience sampling method has been followed for collecting the response from the respondents. The data has been collected from the customers who have visited the departmental stores, grocery shops, vendors, super markets etc.

Sources of Data

The study is based on both primary and secondary data. The primary data has been collected by using a questionnaire and the secondary data has been collected from books, manuals and the Internet.

Tools for Collection of Data

The questionnaire is the major tool administered for collecting primary data from the respondents. The first eight questions were devoted to the basic information relating to the respondents personal

factors such as Name, Age, Education, Occupation, Marital Status, Monthly Income, Nature of Family and Number of Members in the family. Thereafter, the questionnaire contains other factor questions.

Tools for Analysis

The statistical tool used for the purpose of the analysis of this study is simple percentage technique. After the collection of data through the questionnaire, editing was done carefully. Based on the responses of the samples, tables were prepared. The data collected were analyzed and interpreted with the help of tables and figures. Weighted scaling technique and ranking technique has also been used for analyzing the factors determining the level of satisfaction and factors influencing the purchase behavior of women consumers

ANALYSIS AND INTERPRETATIONS

The Table1 indicates that factor which influenced 10% of the respondents purchase behavior was convenience, 71% of the respondents were influenced by quality, 2% of the respondents were influenced by the quantity, 4% of the respondents were influenced by the cost, 6% of the respondents were influenced by the service, 1% of the respondents were influenced by the shop keeper's attitude and 6% of the respondents were influenced by the loyalty to the brand. Thus, the majority of the respondents purchase behavior was influenced by the quality of the product and only very few were influenced by the factor-shop keeper's attitude.

The Table2 reveals that during the purchase, 12% of the respondents face the problem of unavailability of products, 27% of the respondents feel that some products are of poor quality, 31% face the problem of harassment, 10% of the respondents suspect malpractice in quantity, 18% face the problem of the product adulteration and only 2% of the respondents face the problem of customer care.

Weighted Average Score Analysis

Weighted Average Technique was used to find out the weighted average for each category of respondents over several study factors to know their level of satisfaction towards the quality, price, availability, service, size & design of the products. For this purpose, the qualitative information was converted into numerical one using five point scaling technique. While using five point scales, score

5 – was given to Highly Satisfied, 4 – was given to Satisfied, 3 – was given to Moderate, 2 – was given to Dissatisfied, 1 – was given to Highly Dissatisfied.

It is inferred from the Table3 that respondents whose education is up to school level are highly satisfied with product quality and satisfied with other factors like price, availability, service, size and design of the product and are satisfied with other factors. Postgraduates are highly satisfied with quality, size and design of the product and are satisfied with other factors. Diploma holders are highly satisfied with quality, availability and services rendered and are satisfied with other factors. Professionals are highly satisfied with quality, price, service and design and are satisfied with availability and size of the product. Most of the respondents are highly satisfied with product quality irrespective of their educational qualification.

It is clear that professionals are highly satisfied with product, quality, service and design and are satisfied with availability, price and size. Businessmen are highly satisfied with product quality, price and design and are satisfied with other factors. Employed respondents are highly satisfied with product quality, availability and design and are satisfied with other factors. Agriculturists are highly satisfied with product quality and are satisfied with other factors. Students and homemakers are highly satisfied with product quality, service and design and are satisfied with price, availability and size of the product.

Factor Ranking Analysis

Factors considered by the respondents were analyzed by ranking method. For this purpose, respondents were asked to assign the rank to the factors. As per this technique, the number of respondents multiplies the rank assigned by the respondents. The preference is taken as total score assigned to a factor. The factor scoring the least value is the most important rank and was determined with ascending order. By using this technique, it was decided to analyze the factors by ranking for some preference.

It is inferred from the table5 that the first rank is given to the product quality under age groups – 18-30 years, 31-40 years, 41-50 years and above 50 years. Last rank is given to the service rendered under the age groups – 18-30 years and 31-40 years. Respondents belonging to the age group of 41-50 years and above 50 years had given the last rank to quantity of the product. Most of the respondents under various age groups have given the highest preference to the product quality.

It is clear from the above table6 that the first rank is given to the product quality by all age groups. Last rank is given to service rendered by graduates, post graduates, professionals and school level respondents, diploma holders have given the last rank to product brand. Most of the respondents under various educational levels are giving the highest preference to product quality and least preference to the service rendered.

FINDINGS & CONCLUSIONS

- The distinctive feature of the higher income group respondents is that, they shop as and when they like. Similarly, the housewives shop almost weekly but the working women shop only when the need arises.
- Education also plays a key role in shopping behavior, in the sense that, in comparison to the respondents with no formal education,

respondents having a good educational background shop more often.

- In majority of the respondent's family, a woman plays a major role in purchase decision, and they prefer to prepare an item list before purchasing. The involvement each family member has in the family matters influences their behavior to a greater extent.
- Majority of the respondents preferred to purchase products from departmental stores rather than other types of shops, as they feel it is economical and products are of good quality.
- Most of the respondents are interested in recommending the product purchased by them to others and are satisfied with the service of the salesmen.
- This clearly indicates that in family purchase decisions, in spite of an individual's age, income, level of education, status, family size, etc., the interaction they have with each other leads the way for best 'buy'. Ultimately, greater the interaction better is the involvement and it may lead to satisfactory purchase.
- Most of the respondents under various personal factors have given highest preference to product quality.
- Most of the respondents were satisfied with all the factors like price, quality, availability, service, size and design and no one is dissatisfied with the above mentioned facts.

SUGGESTIONS & RECOMMENDATIONS

- Purchase is to be made on the basis of the quality, income and according to the budget. Women must know the standard shops which sell products at reasonable prices with excellent service. They should give importance to the package date, manufacturing date, ISI marks,

expiry date, brand, etc. while purchasing. They should bargain and should clarify their doubts regarding the product they buy.

- Women should be aware of the new products introduced in the market and of their special features, price, quality etc. They should be capable of identifying duplicate products and should avoid purchasing unnecessary items.
- Maximum numbers of women consumers are not aware of the consumerism and consumer rights. Hence, the government can conduct some consumer awareness programs for the women consumers and it can help to improve purchasing behavior among the consumers and it can save consumers from falling into the traps of the deceiving sellers.

REFERENCES

- Philip Kotler, **Marketing Management**, Prentice Hall India Pvt. Ltd., New Delhi, 1995, Pg.357.
- Xavier M.J, **Marketing In The New Millennium**, New Delhi, Vikas Publishing House Pvt. Ltd. 1999.
- LG KG920, **Living Digital**, November 2007, A Cyber Publication, Pg29 – 31.
- Shishir Kumar, **Marketing Master Mind**, June 2004, Pg.44.
- Latiff T.A, **The Practice of Marketing**, New Delhi, S.Chand and Company Ltd., 1976, Pg.44.
- Bhauvana Kaul, **Magazine of the new economy**, Business World, July 2001, Pg.65.

Table 4 : Occupation & Factors Considered for Product Satisfaction

S.No	Occupation	Professional	Business	Employed	Agriculturist	Others Specify
1	Quality	3.83	4.42	4.33	4.42	4.43
2	Price	3.83	4.04	3.74	3.83	3.8
3	Availability	3.67	3.75	4	3.75	3.93
4	Service rendered	3.5	3.88	3.7	3.75	4.05
5	Size	3.67	3.54	3.67	3.42	3.75
6	Design	3.33	4.13	4	3.67	4.04

Source:Primary Data

Table 5 : Ranking Analysis for Age Group with Order of Preference of Purchase

Particulars	18 - 30 years		31-40 years		41-50 years		Above 50 years	
Age	Score	Rank	Score	Rank	Score	Rank	Score	Rank
Quality	3.51	I	4.21	I	4.22	I	4.5	I
Quantity	3.31	II	3	II	2.39	V	1.5	V
Cost	2.91	III	2.89	IV	2.5	III	4	II
Service Rendered	2.63	V	2	V	2.44	IV	2	IV
Brand	2.78	IV	2.95	III	2.83	II	3	III

Source:Primary Data

Table 6 : Ranking Analysis for Educational Qualification with order of Preference for Purchase

Particulars	School Level		Graduates		P.G		Diploma		Others	
Educational Qualification	Score	Score	Score	Rank	Score	Rank	Score	Rank	Score	Rank
Quality	4.38	I	3.59	I	3.54	I	4	I	3.67	I
Quantity	2.9	III	3.05	II	3.18	III	3.75	II	3.33	II
Cost	2.43	IV	3	III	2.73	IV	3	III	2.67	IV
Service Rendered	2.28	V	2.6	V	2.18	V	2.25	IV	2.17	V
Brand	2.95	II	2.76	IV	3.27	II	2	V	2.83	III

Source : Primary Data

Rural Marketing Strategies of LIC

Mrs. S. Mallika
Ph.D Scholar,
Urumu Dhanalakshmi College,
Tiruchirapalli, Tamil Nadu

Dr. Christy Selvarani
Associate Professor
Urumu Dhanalakshmi College,
Tiruchirapalli, Tamil Nadu

ABSTRACT

Life Insurance is a social security tool. It provides the much needed security and when the income of the head of the family ceases owing to the unexpected risk, the family is protected to the extent of insurance coverage. More than 70% of Indians live in villages but the rural life insurance penetration is also was 25% as at March, 2009. The Government of India has nationalized life insurance industry in 1956 by the amalgamation of two hundred and odd private companies and established LIC of India with a mission to spread the message of life insurance to rural areas. In as pan of four decades, the LIC of India made rapid strides both in premium income and number of lives but its spread to rural India was limited to 20% of the insurable public as at 2000. The Government of India established Malhotra Committee to study and recommend structural reforms in insurance industry. As per its recommendations, the government has opened up the industry to private players and established a regulating agency called IRDA¹ in 2000 with an object to regulate and develop insurance to all the deserving lives. As at March, 08, we have nearly 21 life insurance players operating in the Indian market. This study concentrates on the rural marketing strategies followed by LIC in Kancheepuram and Chengulput districts.

Key words: Life insurance marketing, Personal selling, Distribution channels, Alternative channels, Bank assurance, e-channels, Rural channels Hybrid channel strategies.

INTRODUCTION

Life insurance is a social security tool. This is more pronounced in rural areas that promote and sustain the life links of the economy. The various programs of the government promoting agriculture and tiny industries, the scientific agricultural practices, the agrarian re forms, the empowerment of village panchayats and such other activities have created reasonable disposable incomes in the hands of the rural folk. At the same time we find the rural economy dependent on vagaries of monsoons. The existence of Below Poverty Line (BPL) families, the stark illiteracy, and the low levels of awareness are the major stumbling blocks to protect themselves against risks. The life insurance penetration in rural areas as percentage of Gross Domestic Product (GDP) is around 2.8% as at 2005 and again the so called penetration is catering to the needs of rural rich (Life Insurance in India by H.Sadhak, page no 187). The distribution costs,

product designing to the needs of the rural people, the viability of opening offices in rural areas are preventing major life insurance companies to opt out of this market. In this is an effort is made to study the rural life insurance market and try to identify the major factors inhibiting the insurance companies leading to ignore this market. The techniques that are being adopted by the top 5 insurance companies in the rural market, the limitations of their techniques and specific recommendations of marketing techniques for wide spread insurance coverage etc are discussed. The study is based on the analysis of the data collected from at least 500 individual policy holders having insurance policies in one or more number of insurance companies and also from two hundred agents. An attempt is made to find the lacuna in the existing marketing techniques adopted by different life insurance companies and suggestions based on the data collected and

analysis are provided to develop tailor made techniques suiting the rural poor.

For understanding the rural insurance market and the marketing techniques, a brief understanding of the life insurance and its concepts are also felt necessary.

There forms in life insurance sector and its opening to private players saw huge rise in premium income. The insurance office branches grew from 2100 in March, 2000 to 8913 as at March, 08. The agency force grew from 10lakh to 25.2 lakh strong force in the

Same period. The growth is more of urban centric and rural penetration hardly increased by 5%. The rural obligations as put forth by IRDA that at least 16% of rural lives are to be underwritten in the first five years of operations were viewed more as obligations only and never reached the stage of commitments. It is, therefore, felt necessary to study whether the insurance companies are really interested in rural business, whether the rural people have sufficient insurance awareness levels, whether the marketing techniques of different companies with regard to developing need based rural centric products, pricing and promotion have deficiencies and if the marketing techniques have drawbacks, what techniques can be suggested for more rural insurance coverage.

REVIEW OF LITERATURE

Stern et al(1996) defines marketing channels as sets of interdependent organizations involved in the process of making a product or service available for use or consumption.

Gera (2003) argues that distribution in the life insurance industry includes the promotion and the personal selling functions. The customer needs to be moved through the stages of awareness, interest, desire, action to generate a sale and then provide after-sale functions viz. policy delivery, premium payment reminder and claims settlement etc.

Jawaharlal & Seethapati (2002) opine that most of the personal selling methods and techniques developed because of the challenges of selling unsought goods. Personal selling in life insurance is done primarily through the agents (Independent Financial Advisors). Most organizations have also started deploying their own direct sales teams

Conventionally, insurance products have been sold through IFAs/agents, who are not the regular employees of the organization but the organizational success, however, critically depends on the effectiveness of these people (Bhat, 2005)

Jawaharlal (2003) too maintains that since insurance organizations have realized the importance of prompt customer service in the competitive market, the insurance agents must have to be on their toes catering to the growing customer needs and serving them always.

Jampala (2005) finds this channel more useful for corporate sales (group insurance business) and even for catering to the High Net-worth Individuals (HNIs).

Gorsch (2000) reveals that multiple opportunities of increase the scope for differentiation and may lead to higher customer retention rates. A combination of electronic and conventional channels allows the provision of value to the customer beyond the 'core' product.

Pranav Prashad in his essay, 'Catalyst for Financial Inclusion- Insurance in the Rural & Social sector' asserts that several production systems of the rural folk have associated risks which may lead to income and revenue loss; and these can be mitigated through insurance leading to stabilization of income and reduced poverty'.(IRDA journal, April,09).

Banumathy & Manickan in their research article conclude that agents offer good services before the policy is issued and while it is in operation don't offer good services at the stage of matu-

rity when a customer approaches them for settlement of claims. It, therefore, makes sense to look at well-balanced, alternate channels of distribution.

Rajendra Prasad Sharma & Karunesh Saxena, in their research article, 'Life insurance marketing in India: Leveraging the strengths of multi-channel distribution', have come out that the channels for distribution of insurance products in rural areas are the panchayats, district cooperative banks, agricultural & dairy cooperatives, and of course the agents. Since no player is using these channels for effective rural reach, it can be well said that the rural market is not sleeping any longer: the insurance players are. These channels have the potential to make the difference as they enjoy the trust of the people.

Mishra, K.C., in his article, 'bonding benefits' presents the feedback obtained from existing bank assurance customers and found that 13% of the customers did not know the details of the policy they have purchased and its future usage or benefits, 19% of their family, 96% of customers rated LIC as the best financially stable insurance company and 17% of customers felt private insurers can better service the claims than PSU insurers but rest 83% considered PSU insurers as better in claim paying ability and systems.

D.S.Narain, a former member of IRDA, argues that insurers may have to adopt the high pain, high gain' opportunity to unlock the potential of the huge low-income consumer segment that has the exposure, but also has low purchasing power. The answer lies in innovations in product and business systems to deliver on price and make a profit.

Dwivedi says that financial awareness is very low in India and therefore buying online will first be restricted to people who have some degree of knowledge about insurance products and prices.

Naren N.Joshi argues that the general notion that it is expensive to do business in rural areas due to the inaccessibility and other factors, does not hold good due to the institutional infrastructure there, which can be profitably harnessed for reaching out

to these areas. The challenge of developing a cost effective delivery system is not insurmountable and there is enough scope for innovative collaborations. The process of penetration in the rural areas could be pushed further through an appropriate use of IT.

OBJECTIVES OF THE STUDY

- To study the awareness levels of rural people with regard to life insurance and the imperceptions of private companies with regard to safety aspects.
- To study the factors that influences customer satisfaction in rural areas.
- To study whether the life insurance is equally sought after by both genders in rural areas.
- To study the factors that influences the purchase decisions of rural customers with reference to life insurance.
- To study the knowledge levels of the agents and the motivational factors for the agents in selling rural policies.
- To study the effectiveness of advertisement and other promotional activities of life insurance companies
- To study whether the life insurance companies really show interest in rural areas.
- To study the pattern of life insurance canvassing in rural areas.

METHODOLOGY

The survey for doing this research was conducted in these 2 districts of Tamilnadu viz, Kancheepuram rural and chengulput rural districts. The offices of all LIC branches are located in Kancheepuram and chengulput district is selected. About 10 branches from these two places are selected randomly for the study. Simple ran-

dom sampling is adopted to ensure the representation of the data for the whole population. The customers of LIC were the samples and about 300 samples were collected from the 10 branches.

ANALYSIS

From the educational background of respondents 47 and 37 illiterate which workout to 18.8% and 14.8% of the total sample literates up to or prior to degree, it comes to 59.2% and 54.8% of the total respondents. 26% Kancheepuram rural and by 55% of chengulput rural agents face hurdles in selling rural policies. 77.2% Kancheepuram rural and 63.6% Chengulput rural respondents opting for direct sale of policies by the insurance companies. . 58.4% of Kancheepuram rural and 75.2% Chengulput rural respondents show interest in loan protected plans. 95% of the respondents wish to take pension products on the whole. 51.60% of Kancheepuram rural and 62.4% of chengulput rural respondents want their premiums to be collected daily in the form of pig my collections. 79% of Kancheepuram rural agents and 89% of Chengulput agents feel that the insurance companies are not really interested in rural business. 85% of Kancheepuram rural and 79% of Chengulput rural are not familiar with or not knowing this option. The analysis shows that the insurers need to either educate or develop new mechanisms in collecting the premiums instead of relying on e-methods in rural areas.

CONCLUSION

Basing on the analysis, suggestions are made to insurance companies and to the IRDA for maximum rural coverage. They include) setting up of a consortium life insurance companies with the involvement of IRDA for imparting insurance education and highlight the role of regulatory body to obviate the security perceptions of the rural customers, b) to introduce Branch Service Index meters in all operational matters by all companies to ensure and enhance customer satisfaction; c) designing need based products like family coverage policies, hybrid products incorporating both life

insurance and general insurance, premium holiday products taking in to consideration the seasonal incomes of rural people, d) creation of rural career agents scheme separate from urban agents, e) popularizing liability insurance and pension schemes, f) innovative premium collection mechanisms like pigmy collections, passbook entry system of collecting part premiums, g) rewarding the existing customers through Generations Relationship Rewards Scheme, h) floating new business competitions to bank managers for the success of bank assurance i) compulsory coverage of liabilities by liaising with the co operative societies and ensuring formal board approvals by co operative members, j) creation of rural vertical departments by the insurance companies, k) establishing rural life insurance training academy to cater to the needs of rural agents, l) implementing various IT initiatives like E-choupals, data warehousing and video conferences and m) adopting multi level marketing techniques.

DISCUSSION OF THE RESULTS

Life insurance awareness in rural areas and the initiatives of the life insurance companies in improving the awareness levels. The knowledge of regulatory mechanism (IRDA) in orderly regulation and development of insurance market among the rural populace. The security perceptions of the rural customers over their investments by way of premiums in government and private life insurance companies. The role of caste/ religion / sex of the agents in influencing the purchase decisions of the rural customers. The role of opinion leaders and village elders in molding the purchase decisions. The relationship between the satisfaction levels and the decision for repeat sales in the rural areas. The marketing techniques of the life insurance companies in designing the need based products tailored to suit the specific requirements of the rural population. The potential of pension market and the evaluation of marketing techniques of life insurance companies in tapping this market segment. The demand for

insurance coverage of liabilities and the supply levels of the products meeting the specific need. The innovative collection mechanism of premiums and the techniques of life insurance companies. The marketing techniques with regard to alternate channels of business, direct marketing and bank assurance for the objective of rural coverage. The motivational factors for the rural push/wider rural coverage required for the agents. The raising expectations of the customers and the training techniques of the life insurance companies in equipping the agents and reduce the attrition levels. The IT initiatives of the life insurance companies aiming at wider rural coverage and the evaluation of the IT strategy. . The short term and long term techniques for wider rural coverage.

REFERENCES

- Pranav Prahlad (2009), Catalyst for Financial Inclusion - Insurance in the Rural & Social Sector, *IRDA Journal*, April, 09, page 20-21
- Aggarwal V (2004), "Bancassurance: Concept, Framework & Implementation", *The Journal of Insurance Institute of India*, Jul- Dec., P34-51.
- Bhat (2005), "Insurance Industry in India: Structure, Performance & future challenges." Colloquium, *Vikalpa*, IIMA, Vol. 30 No.3, July-Sept. 2005
- Banumathy S & Manickam S (2004) "Customer services provided by Life Insurance Corporation of India- A case study, *The Insurance Times*, June, p 30-33
- Chandarasekhar & Das (2003), "Data warehouse, data mining & CRM", National Insurance Academy, *Bimaquest*, July
- Chari VG (2003), Bank assurance: A business sourcing model to Indian banks, *Insurance Chronicle*, Sept. 2003, The ICFAI University Press p 32-35
- Chris Gentle, Deloitte, London, UK The distribution dilemma: Why Insurance organizations need to change their business models.
- Gera R (2003) "Distribution of life Insurance in India- A fresh perspective, *Insurance Watch*, April, pp 30-32
- Giggles, Klein & O'Keefe: Disintermediation, re-intermediation or cyber intermediation? The future of intermediaries in electronic market place.
- Borsch (2000): "The Impact of Hybrid Channel Structures on the Customer Purchase Process: A Research Outline
- http://www.wipro.com/pdf_files/Wipro_XML_in_Insurance.pdf, Rai UK (2005) Realizing XML benefits in Life Insurance, White Paper, Wipro Technologies
- India Info line. "**Alternative channels of Insurance distribution**" article (retrieved on 21 August 2004)
- Jampala RC (2005) Insurance sector: Emerging distribution Channels, *Indian Journal of Marketing*, July 2005, p 24-27
- Jawaharlal U & Seethapati K (2002) Life Insurance Vol. II, *Insurance series*, ICFAI University, Annexure p33-54
- Jawaharlal U (2003) Customer Service: Challenges Ahead, *Insurance Chronicle*, Sept. ed., The ICFAI University Press, p 20-22
- Kalyani, KN (2004) *IRDA Journal* Volume III No.1, Dec. 2004
- Koirivi, S.R. (2004) Insurance Sector in India – Challenges Ahead, *Insurance Chronicle*, January, p. 38-40.
- Kumar M (2000) Bank assurance: A SWOT Analysis, Financial Express, April 11, re

-
- trieved from <http://www.einsuranceprofessionals.com/inscomp.htm>
- Mishra KC (2004) , Bonding benefits, ***Asia Insurance Post***, Nov. p 17-18
- Muralidharan S (2004) "Distribution Strategies: New Avenues", ***Chartered Financial Analyst***, February.
- Parihar (2004) Bank assurance: Challenges and opportunities in India, ***Insurance Chronicle***, July 2004, p 51-56, The ICAI University Press.
- Rao CS (2004) Emergence of bank assurance in India, Address at the Banking Technology Excellence Awards (2003-2004) & Launch of National Financial Switch on 27th August, 2004 at IDRBT
- Stern et al (1996) ***Marketing Channels***, 5th ed., Prentice Hall
- Verma V (2004), Insurance Broking In India: Scope Challenges and Prospects" ***The Journal of Insurance Institute of India***, Jul- Dec. , Pp 106-116

A Study on the Factors Influencing Customer Satisfaction in Multi-brand Apparel Retail

Prof.Ram Mohan
Institute of Management,
Christ University,Hosur Road,
Bangalore-29email:
ram.mohan@christuniversity.in/
mob:9663080235

Prof.Bhama T
Department of Management Studies,
Christ University,
Hosur Road,Bangalore-29
email: bhama.t@christuniversity.in/
mob:9535874722

ABSTRACT

A number of research studies have been conducted in the field of retail services, but hardly any research exists that attempts to take into account both service quality and features and measure their impact on customer satisfaction. The importance of such a study is immense in one of the fastest growing retail markets like India, where the impact of service quality and features on customer satisfaction from the retail users' point of view is a very crucial field of discussion. After extracting different variables of service quality and features from studying a body of literature on services in apparel retail, this study attempts to identify the factors that influence customer satisfaction in multi-brand apparel retail. The main factors are extracted from the variables using factor analysis. Then the factors extracted have been used as independent variables and an attempt has been made to explore the impact of these factors on customer satisfaction as dependent variable.

Key words: apparel retail, retail service quality, customer satisfaction, customer retention

INTRODUCTION

Globalisation has led to increase in competition with every apparel retailer trying to attract new customers and retain existing customers. This is possible only if the apparel retailers ensure customer satisfaction.

Also, managers the world over believe that improving customer satisfaction leads to improved business results in terms of company sales and profitability.

Customers are satisfied with an apparel retailer when their desires and expectations are either met or exceeded in the course of experiencing the service. In the context of multi-brand apparel retail, most of the retailers try to achieve competitive advantage by ensuring that their customers' experience is beyond the level of 'just satisfied' to 'exceeding their expectations'. The multi-brand apparel retailers offer a wide range of branded apparel, all under one roof. Some of the popular multi-brand apparel retailers are Shoppers Stop, Central, Brand Factory, Westside, Lifestyle etc.

With so many competitors, the apparel retailers need to find ways to meet customers' expectations and ensure customer satisfaction and retention.

REVIEW OF LITERATURE

Overall, operational elements related to product availability, product condition, delivery reliability, and delivery speed, in addition to relational elements such as communications, responsiveness, and cost elements have been found to influence customer satisfaction and purchasing patterns positively (Davis-Sramek et al., 2008).

Seth et al (2005) in their model suggest that service quality is dependent on the interactions between the service provider and receiver.

Price plays a central role in the decision to maintain a relationship with a retailer because it is an important driver of the perception of value,

which, in turn, has an effect on satisfaction (**Varki and Colgate, 2001**).

The quality of service interactions between the service staff / provider and the customer determines the satisfaction toward the service (**Grönroos, 2001**).

McIlroy and Barnett (2000) suggest that it is important to incorporate customer satisfaction when developing a customer loyalty program.

In the context of retail markets especially, slow growth and intense competition accentuate the need to retain existing customers (**Sirohi et al., 1998**).

Satisfaction is seen as important, with some authors associating higher levels of satisfaction with increased customer retention (**Jones & Sasser, 1995**).

The satisfaction is determined in terms of what the customers perceive they get from the service encounter (**Roest and Pieters, 1997**).

Factors frequently cited in the literature include price, availability, convenience (**Cronin and Taylor, 1992**), quality perceptions (**Rust and Zahorik, 1993**), or even variety seeking (**Kahn, Kalwani, and Morrison, 1986**).

Muller (1991) argues that customer satisfaction will become a key factor for business success in the future.

The customers' retailer experiences are based on the availability of the products and interactions with the service staff (**Westbrook, 1981**).

Oliver (1981) argued that customers' attitude comprises affective components that are based on evaluation about the store characteristics, product availability and the process of interaction.

Hence there is a need to identify the main factors influencing customer satisfaction in multi-brand

apparel retail which will lead to customer retention and customer loyalty.

STATEMENT OF PROBLEM

The study is to understand the various factors influencing customer satisfaction in multi-brand apparel retail.

SCOPE OF THE STUDY

The study involves mainly in understanding the factors influencing customer satisfaction in the multi-brand apparel retail industry.

The study will be done in Bangalore. It includes study of differences in customer perceptions about different apparel retailers among different genders based on their needs and expectations which will determine their level of satisfaction with an apparel retailer.

NEED AND RATIONALE OF THE STUDY

With fast growth of apparel retail stores in India and growing competition in this segment, it is becoming a challenge to ensure customer satisfaction and retention.

- It is very essential to understand the factors influencing customer satisfaction in apparel retail to enable companies to formulate strategies and marketing activities to attract customers and retain them so that they remain loyal to the retailer.
- It also helps to understand the demographics of people who visit the store and factors that influence their purchase and satisfaction leading to retention and loyalty to the retailer.

VARIABLES UNDER INVESTIGATION

1. Independent Variables

For the purpose of this study certain variables have been identified, which can be classified into various categories, as mentioned below;

- Shopping Convenience-Convenient store location, Convenient store operating time, Flexibility in payment mode.
- Store Environment-Cleanliness of the store, Display of the products, Store ambience, Spacious shop floor.
- Merchandise category-Availability of brands, Variety of products, Quality of products, Easy to locate products.
- Pricing and offers-Promotion offers (schemes and discounts), Price of products
- Customer Service-Staff responsiveness to enquiry, Staff assistance during purchase.
- Billing-Billing procedure time, Correctness of billing.

Dependent Variable

Customer Satisfaction in Multi-Brand Apparel Retail.

OBJECTIVE OF THE STUDY

- To study the various factors influencing customer satisfaction in multi-brand apparel retail.

HYPOTHESIS FORMULATION

Research Question 1: Is there a significant influence of the factors on customer satisfaction in multi-brand apparel retail?

Null Hypothesis(H₀): There is no significant influence of the factors on customer satisfaction in multi-brand apparel retail.

Alternate Hypothesis(H₁): There is a significant influence of the factors on customer satisfaction in multi-brand apparel retail.

RESEARCH DESIGN

Study Design : Descriptive Study
Setting : Bangalore
Duration of Study : 3 months

Sample Size: The sample size in the Pilot study is 42, consisting of multi-brand apparel retail consumers.

Sampling Technique: Convenience Sampling
 Data: Primary data and secondary data are used in this research.

DATA COLLECTION METHOD

Primary data collected primarily through structured questionnaire designed to capture the factors influencing customer satisfaction in apparel retail.

Secondary data collected through magazines, journals and articles.

DATA COLLECTION INSTRUMENT

- Primary Data collected through Survey Method (using Structured Questionnaire) choosing the respondents through Convenience Sampling Method.
- A Questionnaire used to collect the data with the sample size of 42.
- The Questionnaire contains Multiple Choice and Likert Scaled Questions.

METHOD OF DATA ANALYSIS

- **SPSS and MS Excel** used for the analysis purpose.
- **Factor analysis:** This is to ensure data reduction. Instead of several variables they are represented by few major factors.
- **Correlation and Regression Analysis:** To identify the relationship of the Factors identified in Factor Analysis (Independent Variables) and Customer Satisfaction (Dependent Variable).
- **Charts, Tables and Graphs** used for Data Analysis and Interpretation of various factors considered for this research.

LIMITATIONS OF THE STUDY

- Geographical limit is restricted to only Bangalore.
- Responses could be biased because the research is conducted in open market place where numerous variables such as mood, feelings act on research settings.
- Consumer is a focal point in this market research and his buying motives are difficult to judge precisely and accurately.

FINDINGS

- Reliability test results: Chronbach Alpha-0.9 means the data collected using the likert scale is reliable.(Table1)
- The KMO and Bartlett's Test shows that Factor Analysis is significant(p value-0.00) at 95% confidence interval.KMO Measure of Sampling Adequacy=0.638>0.50 which means that the sample is adequate.(Table2)
- Factor Analysis has reduced the 17 variables to 5 Factors which influence Customer Satisfaction in Multi-brand Apparel Retail.(Table3)
- Following are the 5 factors from Factor Analysis

1. Customer Service: Variables - Staff responsiveness to enquiry, Staff assistance during purchase, Price of products, Billing procedure time, Correctness of billing, Quality of products, Promotion schemes and offers.

2. Store Environment: Variables-Cleanliness of the store, Display of the products, Store ambience, Spacious shop floor.

3. Brand Variety: Variables - Availability of brands, Variety of products.

4. Convenient Location: Variables - Convenient store location, Easy to locate products.

5. Shopping Convenience: Variables- Convenient store operating time, Flexibility in payment mode.

- The ANOVA Table shows that the Regression model is significant(p value=.000143) at 95% confidence interval.This means there is a significant influence of the factors on customer satisfaction in multi-brand apparel retail.(Table5) Hence,**Null Hypothesis(H0) is rejected.**
- RSquare value=0.487 means that 48.7% of variance in dependent variable(Customer Satisfaction) is explained by the 5 Factors.(Table4)

SUGGESTIONS

Multi-brand apparel retailers can focus on the factors identified in this study to improve customer satisfaction and refine their approach to reach out to their consumers and retain them, when they come to shop in their retail store.

CONCLUSIONS

This study captures the 5 main factors that influence customer satisfaction in multi-brand apparel retail,which can help apparel retailers formulate strategies and marketing activities to attract and retain customers.

REFERENCES

- Hyun-Hwa, L., & Kim, J. (2008). The effects of shopping orientations on consumers' satisfaction with product search and purchases in a multi-channel environment. *Journal of Fashion Marketing and Management*, 12(2), 193-216.
- Irani, N., & Hanzae, K. H. (2011). The effects of variety-seeking buying tendency and price sensitivity on utilitarian and hedonic value in apparel shopping satisfaction. *International Journal of Marketing Studies*, 3(3), 89-103.
- Leanne,H., Anne,L. And Peter,C.(2001).Relationship Marketing and Customer Loyalty in a Retail Setting:A

- Dyadic Exploration. ***Journal of Marketing Management***, 17, 287-319.
- Garbarino, E. and Johnson, M.S. (1999). The Different Roles of Satisfaction, Trust, and Commitment in Customer Relationship. ***Journal of Marketing***, 63(4), 70-87.
- Robert, E., Kathy, H., Patricia H., and Wendy, L. (2000). First-Store Loyalty and Retention. ***Journal of Marketing Management***, 16, 307-325.
- Noh, M., & Eun-Jung, L. (2011). Effect of brand difference on multichannel apparel shopping behaviors in a multichannel environment. ***International Journal of Business and Social Science***, 2(18).
- Velitchka, D., Robert, D. And Parasuraman, A. (2010) The Impact of Customers' Relational Models on Price-Based Defection. ***Journal of Marketing Theory and Practice***, 18(1), 5-22.
- Henry, J. and Jillian D. (2003). Contact management and customer loyalty. ***Journal of Financial Services Marketing***, 8(1), 71-78.
- Weinstein, A. (2002) Customer retention: A usage segmentation and customer value approach. ***Journal of Targeting, Measurement and Analysis for Marketing***, 10(3), 259-268.
- Edward, A., Clive, N. and Merlin, S. (2001). The meaning and measurement of customer retention. ***Journal of Targeting, Measurement and Analysis for Marketing*** Vol. 10(1), 79-87.
- Halowell, R. (1996). The Relationships of Customer Satisfaction, Customer Loyalty, and Profitability: An Empirical Study. ***International Journal of Service Industry Management***, 7(4), 27-42.
- Euphemia, F. and Sian, S. (2010). The effect of retail service quality and product quality on customer loyalty. ***Journal of Database Marketing & Customer Strategy Management***, 17(3), 222-240.
- Nor, A., Che, A., Rosidah, M. And Muhamad, A. (2010). Program Benefits, Satisfaction and Loyalty in Retail Loyalty: Exploring the Roles of Program Trust and Program Commitment. ***The IUP Journal of Marketing Management***, 9(4), 7-28.

Reliability Table 1 - Case Processing Summary			
		N	%
Cases	Valid	42	100
	Excluded(a)	0	0
	Total	42	100
Reliability Statistics			
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items	
0.904	0.901	18	

Factor Analysis Table 2 - KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.638
Bartlett's Test of Sphericity	Approx. Chi-Square	414.119
	df	136
	Sig.	0

Table 3 - Rotated Component Matrix(a)					
	Component				
	1	2	3	4	5
Staff assistance during purchase is good	0.866				
Staff response to enquiry is good	0.77				
Price of products is reasonable	0.728				
Billing time is always less	0.639				
Promotion schemes and offers are good	0.62		0.547		
Quality of products is good	0.586		0.541		
Billing is always correct	0.504				
Store ambience is good		0.809			
Display of the products is proper and neat		0.802			
Cleanliness of the store is good		0.757			
Shop floor is very spacious		0.556			
Many Brands are available always			0.885		
Variety of products is good			0.751		
Store location is convenient				0.888	
Easy to locate products				0.546	
Mode of payment is flexible(cash/card)					0.863
Store operating time is convenient				0.512	0.636
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 10 iterations.					

**F1-Customer Service,F2-Store Environment,F3-Brand Variety,F4-Convenient Location,
F5-Shopping Convenience**

Regression Table 4 - Model Summary			
R	R Square	Adjusted R Square	Std. Error of the Estimate
0.698	0.487	0.415	0.636
<i>a Predictors: (Constant), F5, F3, F4, F2, F1</i> <i>b Dependent Variable: Overall you are Satisfied with the Apparel Store</i>			

Table 5 - ANOVA					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	13.82587	5	2.765173	6.828106	0.000143
Residual	14.5789	36	0.404969		
Total	28.40476	41			
<i>a.Predictors: (Constant), F5, F3, F4, F2, F1</i>					
<i>b.Dependent Variable: Overall you are Satisfied with the Apparel Store</i>					

“Key Challenges and Strategies – Women Attrition in Organization” (A Conceptual Analysis in Indian Perspective)

R. Pankajakshi
Associate Professor,
Department of MBA,
Dr. Ambedkar Institute of Technology,
Mallathahally, Bangalore – 560 056
Ph: (O): 080 23211504 - 6 Extn. 341,
Mobile: 98447 52338
Email_id: pankaja_avi@yahoo.co.in

S.V. Arundathi
Assistant Professor,
Department of MBA,
Dr. Ambedkar Institute of Technology,
Mallathahally, Bangalore – 560 056
Ph: (O): 080 23211504 - 6 Extn. 341,
Mobile: 9740989472
Email_id: arupai81@gmail.com

ABSTRACT

With the paradigm shift and the growth in the career development women in India are more focused, and decisive enough to capture the opportunity. Thanks to the social reformers, social activists and government policies which has empowered the women in all possible aspects. Education and economic participation is the very important issue where women started contributing in the economic development of a country. But women quit the job majorly for the personal reasons.

Women is the hottest issue in the corporate where women is welcomed after a break for the critical positions because of her multitasking and the policies which are family friendly boosts the energy of women in order to have a work life integration. This inturn has resulted in women attrition, is a reduction in the number of employees in an organization through retirement, resignation or death. The High Attrition rate in the ITES sector has always been a subject of much concern. It hits the bottom line and affects quality and a critical factor for the survival of the industry. Employee attrition levels seem to be stabilizing with the talent acquisition, development and retention initiatives being undertaken by the players beginning to deliver results.

This paper focuses on the factors influencing women attrition and the strategies need to be opted by the organization to overcome attrition and retention of talented and potential women employees. Many companies have adopted these strategies and the results are yielding good benefits to the organization.

Keywords: Attrition, Empowerment, Integration, Retention

INTRODUCTION

Economic reforms introduced in the year 1990 has brought revolutionary changes in society causing, among other things, drastic changes in the role of women. The major consequence of economic reforms is the emergence of “Knowledge based globalized competitive economy”. Indian women are more optimistic in the world compared to their counterparts in the developed nations. The status of Indian women has undergone considerable change. Though Indian women are far more

independent and aware of their legal rights, such as right to work, equal treatment, property and maintenance, a majority of women remain unaware of these rights (age of marriage, extent of literacy, role in the family and so on). The result is that the empowerment of women in India is highly unbalanced and with huge gaps.

It can be observed that the Economic reforms brought out phenomenal growth and development in recent years which was never seen before

mainly through technological change along with the concomitant changes in needs, values, beliefs etc. Technology acts as a stimulant to growth. Growth means change and change means the change in structural relationships destroying the well established social equilibriums both in the family and in the organizations and, this is causing changes in the relative roles of men and women.

Accordingly, knowledge (its acquisition, application and assimilation) has become a strategic intangible resource for growth and development of both the individuals and the enterprises. Since knowledge is easily acquirable without any physical drudgery and since it is gender-neutral, the knowledge based economy triggered the revolutionary changes in the roles of women in society. Of course, it has its own indispensable far reaching impacts on the institution of family and its structural operations. In this regard, it may be noted that the technology has made the roles exchangeable.

The women who are economically independent and literate is observed that in spite of the stress, health and financial problems faced, Indian women are spending on their beauty product, Spas, electrical gadgets and now having control over their life styles. A survey (Indian women most optimistic in world: Survey) of 6,500 women across 21 developed and developing countries revealed that Indian women are most optimistic about opportunities for growth, with 78% of the lot confident about better financial stability and better chances for education for their daughters.

"Indian women are now more able in making simple day-to-day decisions. It is getting increasingly important for marketers to understand their attitudes. While 58% said they had more opportunities to reduce stress compared to their mothers, 78% believed that their daughters would have more opportunities than them. Despite getting increasingly indulgent in clothes, health and beauty, more than three-fourth of the surveyed lot gave more importance to saving for their children's education. In terms of media consumption too,

51% of Indian women are now viewing more television than they were two years ago, as compared to 40% of the female respondents globally. 77% of Indian women believe that their daughters will have more opportunities in accessing technology. Indian women are slowly being influenced by their use of technology and access to the internet, though their remains a significant reliance on traditional media." said Surekha Poddar, Executive Director, Customized Research, Nielsen Indian Region.

According to the survey it is seen that the greater empowerment of women has led to greater stress too. Around 87% of Indian women said they often felt pressured for time, while 64% said they felt stressed all the time, as opposed to 54% and 38% of women respectively, in the developed countries. Balancing traditional responsibilities with the new-age pressures is a big challenge for Indian women. The growing expectation to perform the tasks efficiently results in stress. So the organizations need to come up with effective strategy in order to attract and retain them.

The Role of women in Organization

The role of women as is retained today in the mental maps of men folk, has been defined, indoctrinated and implanted in our minds particularly when the works (all kinds) were essentially labor-intensive and demanding more physical inputs than mental inputs. This is the legacy of the continuing past and we need to come out of its clutches. Now, the very nature of "works" has been changed from labor-intensive to technology-intensive or even knowledge-intensive. Technology is reducing the labor-intensities in all the "works" giving an increasing place to technology intensities. This changed-scenario calls for a relook and a redefinition of the role of women as also a change in the mindsets of men.

According to survey conducted by ASSOCHAM, on 1000 women professionals, around 80 per cent of the households expect their daughters-in-

law to prioritize household requirements over the official work and physical and psychological abuse by the in-laws and husband. A major problem faced by the working women is sexual harassment in the work place. Further, women employees working in night shift are more vulnerable to such incidents like Call Centers, Nurses – Hospitals, Garment industry etc. This has led to women attrition in the organizations.

Attrition is a reduction in the number of employees through retirement, resignation or death. Attrition cannot be blindly classified with a negative connotation. A healthy attrition rate in any industry is necessary for new ideas and innovation to flow in as well as to facilitate the overall growth of the industry in terms of knowledge sharing. But after a particular level the same boon becomes a bane. The effects of attrition are wide varying and impacts the firms in terms of losses (due to training and administration cost, high recruitment cost), incompetent processes, inability to offer services for highly technical process etc.

Factors influencing Women Employee attrition in Organization:

Salary Packages: Many HR experts believe that money, though a key factor, is not the only one which makes employees quit.

Working conditions: Employees feel uncomfortable about their team-mates. It is relatively rare for people to leave jobs in which they are happy, even when offered higher pay elsewhere. Most staff has a preference for stability.

Organizational culture/Work environment: The culture of an organization is determined by the quality of the relationship between bosses and their subordinates. According to a popular saying employees never leave the company, they leave their bosses.

Organizational behavior: is instrumental in extending the tenure of employees in the organization as it increases their self-esteem, confidence, morale and motivation.

Domestic circumstances: outside the control of any employer, as is the case when someone relocates with their spouse or partner.

Work timings in BPO are very odd. This affects the family life of the employee. The male to female ratio in BPO is quite low. The number of females in BPO can be as large as 35%.

Career growth is becoming quite frequent. Only 2 out of 10 employees on an average go on to be at the senior level.

Higher education: This is a problem as most of the employees in this sector are pretty young and aspiring and join the firm due to lucrative salary. But with time, they try to move on to other sectors or top management and one of the ways to do this is higher education.

Apart from these issues, there are certain general problems such as: Repetitive Nature of Work, Insufficient Holidays, Grievance Redressal Machinery missing, Sexual harassment at the workplace Health Issues, Lack of service rules and policies, fringe benefits and so on.

Strategies to be opted by the organization to attract and retain Women employees

Attrition rates significantly increase the investments that are made on the employees. The problem of losing funds in employee acquisition is more prominent in the high-end BPO segment. Companies invest a lot of time and money in training a candidate for the first few months. But these investments do not always get converted into actual profits, as it is been observed in the industries that the employees leave the organization in a span of six to one year time.

Attrition normally brings decreased productivity. People leave causing others to work harder. This contributes to more attrition, which contributes to increasing costs, lower revenue. This often forces additional cost reductions and austerity measures on an organization. This in turn makes working

more difficult, causing the best Performers with the most external opportunities, to leave.

In order to retain the talented and potential employees the organization need to adopt suitable strategies such as:

- Proper match between the employee profile and job specification of the company.
- Fine tuning of the HR practices to put the right kind of employees at the right place at the right job.
- Should be introduced to the organizational culture to have a healthy working environment.
- Team leaders must meet regularly to exchange information about the challenges and successes of their respective teams.
- Healthy work environment through maintaining good employee relation management
- An HR professional should act as an employee's advocate and a bridge between top management and employees.
- Feedback through various employee relationship management tools should be captured to address the grievances through Women Grievance Cell.
- The parameters for performance appraisals should be clearly defined and communicated to the Employees.
- Fringe benefits like travel plans incentives etc., should be provided along with leave benefits and if required Work from Home can be considered.
- The organization should groom an employee in developing next-level skills that will keep them ahead in the job market, and finally result in better compensation.
- Should be encouraged in updating skill & knowledge through providing sponsorship for higher education.
- Employee's family should also be considered in the limelight during festival celebrations, workshops or organizing an exclusive family day.
- Organizing day-long activity on a quarterly basis; stress management programmers for spouses. Creche facility can be provided along with pick up and drop facility to make working mothers feel at comfort.

The role of Government in supporting Working Women

- Establishing Social welfare association for women to address women related issues.
- 24 hours toll free helpline number made accessible for women for any problems and queries
- Counseling centers for women to handle both personal and professional matters
- Introducing preference and Quotas for women in jobs
- Legal laws addressing to the rights of the women.

CONCLUSION

"There is no chance for the welfare of the world unless the condition of women is improved. It is not possible for a bird to fly on only one wing" said Swami Vivekananda. God has gifted women with compassion, tender-heartedness, caring nature, concern for others. These are very positive signs which imply that women can be leaders. Twenty-six laws have been enacted so far to protect women from various crimes. The recent law on the 'protection of women against domestic violence' satisfies the long pending demand of the women activities. In the political field, the reservation for women is a significant step forward towards their political empowerment. When thirty-three percent reservations for women in Parliament becomes a reality, women's voice will be heard in the highest forum of democracy.

Ensuring women empowerment both socially and economically and access to control over resources requires an integrated approach towards growth and development of the organization. Organization need to understand that the women employees not only need salaries but they are certain essential factors which play a dominant role in employee retention. HR practices are needed to be fine-tuned so as to get the right kind of employees at the right place at the right job. The Times of India (newspaper) has brought out the fact that the companies headed by women as the CEO's performed better than

the others. Further, some empirical studies reveal that the women are proved to be better manager, better decision makers and better problem-solvers than men.

REFERENCES

- BPO India (2004), "**Attrition in Indian BPO Industry**", <http://www.bpoindia.org/research/attrition.shtml>, last accessed February 11, 2010.
- Come Back Women article by K.V.Kurmanath, The Hindu Businessline. article3985077.ece.
- Catalyst, 2004, The Bottom Line: Connecting Corporate Performance and Gender Diversity. New York.
- Devlin and Associates Canada, "**Workforce Diversity**: A Royal LePage Relocation Services Training Seminar", 2001.
- DOLE approves special leave for women in the private sector who undergo surgery, A March 8, 2011 press release by the Department of Labor and Employ.
- Domestic Violence India Laws: Factors to Consider, Thu, 05/27/2010 - 11:55 - LIG Reporter.
- Employee Attrition a Concern? Ways to Retain Employee by Sudakshina Bhattacharya, August 22, 2011.
- Indian women most optimistic in world: Survey, TNN Jun 30, 2011, 03.36 am IST.
- Indian Law: Are Working Women Safe?, Sat, 06/19/2010 - 15:57 — LIG Reporter.
- Kawar, Mary. 1997. Gender Employment and Life Course: the case of working daughters in Amman Jordan. Ph D. Dissertation, London School of Economics, Gender, Institutions, and Development Data Base (GID).
- The Challenge of Retaining Top Talent: The Workforce Attrition Crisis by B. Lynn Ware, Ph.D., and Bruce Fern.
- (<http://www.growthsourceinc.com/Articles/ChallengeofRetainingTopTalent.pdf>)
- UNIFEM. 2004. Report on the Status of Jordanian Women: demography, economic participation, political participation and violence. Amman – Jordan.
- <http://www.wisegeek.com/what-is-employee-attrition.htm#did-you-know>
- <http://www.walesonline.co.uk/news/letters-to-the-editor/south-wales-echo-letters/2012/05/04/creches-in-workplaces-would-ease-the-stress-of-parenting-91466-30896632/#ixzz2ECiN8ThT>
- <http://www.walesonline.co.uk/news/letters-to-the-editor/south-wales-echo-letters/2012/05/04/creches-in-workplaces-would-ease-the-stress-of-parenting-91466-30896632/#ixzz2ECi8S>
- <http://www.publishyourarticles.net/knowledge-hub/essay/an-essay-on-the-empowerment-of-women-in-india.html>
- http://www.yale.edu/ciqle/rc28/posters/Margarita%20Torre%20Fernandez_Abstract.pdf
- <http://www.forbes.com/sites/sylviaorhausersmith/2012/07/02/how-to-stop-employee-turnover-in-india/>
- <http://www.oecd.org/dev/institutions/GIDdatabase>. OECD 2006
- <http://www.lawisgreek.com/indian-law-are-working-women-safe>
- <http://www.lawisgreek.com/domestic-violence-india>
- <http://www.lawisgreek.com/indian-laws-for-women-sexual-harassment-policy-for-workplace-implementation>.
- <http://www.madhyam.org.in/admin/tender/Women's%20Empowerment%20and%20the%20New%20World%20of%20Microcredit%20Evangelism.PDF>

Entrepreneurship Education in India: Influence on career intention of students

Y. Muralidhar Reddy
M.Sc, M.B.A, Department of Management,
Cambridge Institute of Technology, Bangalore,
Karnataka. Research Scholar, Rayalaseema
University, Kurnool, AP.
E-mail: ymuralidharreddy@gmail.com

Dr. Hanuman Kennedy, PhD, MBA, LLB,
Professor,
Department of MBA,
PESIT, Bangalore,
Karnataka.
Email: kennedy@pes.edu

ABSTRACT

A primary objective of the university education is to build the skills in students which help them to succeed in job and entrepreneurial career. The entrepreneurship course is designed to graduate students in engineering studies who aspire to become leaders in the future. This paper explores the impact of entrepreneurship education on engineering students. The study adopted a survey design and data were collected using structured questionnaire. The data collected were analysed using frequency count and mean score. Findings focus on the entrepreneurship education influences on the career intention of students

Keywords: Entrepreneurship Education, Intention, Students

INTRODUCTION

Entrepreneurship has found its way into the education institution curriculum and there is an increasing focus on entrepreneurship education in non-business courses and extra-curricular settings (EC, 2008). Entrepreneurship education implicates that entrepreneurship is not 'special' and should be viewed as one of a number of career options for graduates, being an area of expertise which can be taught and learnt (Greene and Rice, 2007). A central issue of entrepreneurship research has been is to find an answer to the question of what triggers and reinforces entrepreneurial intention and entrepreneurial activity of individual (shane and Venkataraman 2000). Entrepreneurship education is a central strategy at education institutes to foster Entrepreneurial intentions among students (Linan 2004). The essential requirement behind this plan is that Entrepreneurship is both teachable and learnable.

Definition of Entrepreneurship

Due to variety of topics including elements of several domains such as economics, sociology, and psychology, there are still no generally accepted definition of 'Entrepreneurship'. The lack of

commonly recognized definition of these terms is seen as one major obstacle for researchers in contributing to the understanding of Entrepreneurship (shane and Venkataraman 2000). A large number of definition have been given in many research contribution dealing often solely with the issue of defining Entrepreneurship. Gartner (2001) takes a behavioural approach and consider Entrepreneurship as a role that individuals undertake to create organisations. Stevenson et al (1989) proposed 'Entrepreneurship is a process by which individuals pursue opportunities without regard to the resources they currently control. Following this definition, researcher defines Entrepreneurship in the context of this paper as the discovery, evaluation and exploitation of opportunities to create future goods and services by the natural individual through the creation of a new business venture.

Entrepreneurship Education

In the study on Entrepreneurs Van der sluis et al 2005 found that the individual education positively affects Entrepreneurial success. Studies dealing with timely decision to start an own business

during the time of education shows the relationship between education and Entrepreneurial activity. Researchers believe formal education in general do not encourage Entrepreneurship, rather it prepares students for corporate domain and suppresses creativity and Entrepreneurship (chamard 1989) Weber et al (2009) suggest that the effects of entrepreneurship and enterprise education and its resultant impact on individual students will differ from student to student 'because students have received signals of their entrepreneurial ability prior to the entrepreneurship courses taken at a university'.

These signals come, not only from family and peer groups or from educational experiences, but from wider collective cultural arbitraries, including gendered notions about the skills and abilities necessary to succeed in particular roles (Bourdieu, 1998). Gupta (1992) in his survey among Indian Entrepreneurs obtains a similar results that education is not an important driver of Entrepreneurial attitudes. Garavan and O'cinneide 1994 argue for classification and differentiate between 'Entrepreneurship education' and 'education and training for small business owners'. The goal of Entrepreneurship education is conveying necessary knowledge about starting and leading a business to increase the number of students who are willing to undertake new business venture. Linan (2004) focus on Entrepreneurship education which provides a whole set of education and training activities within the educational system that try to develop Entrepreneurial knowledge and desirability of the Entrepreneurial activity that affect the intention, where the 'intention' means to start an own business. The transfer of knowledge and skills to be able to start an own business, but also associated attitudes and personality characteristics. It also serves as a borderline to education that does not deal with personality and career attitudes and intentions of the students. Linan 2004 list four categories of Entrepreneurship education:

I Entrepreneurial awareness education: the objective is creating knowledge about small enterprises, self-employment and

Entrepreneurship. The goal is not the immediate creation of more Entrepreneurs. After taking a course, participants should be able to make a more educated decision about their future career. Instructors do not actually try to transform participants into Entrepreneurs, but only allow them to make their future professional career choice with a grater perspective.

II Education for start-up: courses in this category aim at the preparation of individuals to be the owner of a small business. The focus is on the people with entrepreneurial intention, and trying to further develop it. The practical aspects related to the start-up phase are to be imparted.

III Education for Entrepreneurial dynamism: this type of Entrepreneurship education applies to Entrepreneurs who already passed the start-up phase of their business. It promotes dynamic Entrepreneurial behaviour after the initial phase. Here the participants acquire knowledge about strategies for expanding their business and open up new markets to secure growth.

IV Education for Entrepreneurs: a specialized version of education in generally designed tom allows improvement of the Entrepreneurs abilities. The courses mostly found in education institutions belong to the Entrepreneurial awareness education. Many of the short term courses would be working as awareness program (curran and standworth 1989). These courses allow students to assess their own Entrepreneurial skills and aptitude to make decisions about their own career. These courses are implemented in education institutions at the beginning of the year, when students' career intentions are still not well-defined (Collins et al (2006).

The objective of Entrepreneurship education at education institutions namely of creation of more start-ups and more jobs may not be the appropriate one. Preventing a student, who is not suited to an Entrepreneurial career, from failing at an experiment such as starting an own business can be also considered a success of education.

Gibb and Dyer 1996 claims that specialized entrepreneurship education might give some people the confidence they need to start their own business. It is also pointed out that attitudes towards entrepreneurship are ideal connecting factor for entrepreneurship education. Robinson et al (1991) claim that attitude of entrepreneurship has transformed entrepreneurship education programs as attitudes are open to change and can be influenced by educators and practitioners. Some studies try to measure the direct outcome using the number of new businesses started or indirect measures like increased entrepreneurial intentions among the participants. Clark et al 1984 survey students participating in introductory entrepreneurship course. By the end of the course, 80% intend to start an own business and indeed these plans have often been executed. 76% declare that attending the course had strong influence on their decision to enter the entrepreneurial career. The course evaluation of five entrepreneurship courses Garavan and O'Connell 1994 measure the success of these courses by means of the number of started businesses and created jobs. The results from 755 participants have created 2,665 jobs. To evaluate entrepreneurship education on a macroeconomic level using figures such as the number of jobs created was criticized (Souitaris et al 2007). The effects of such program on an individual are a complex issue and measurable results creation of jobs can often be observed years after the course. That is why researchers concentrated on the individual attending the course rather than outcome. Behavioral approaches delivered the central variable of interest to measure the effects of entrepreneurship education on individuals. Walter and Walter 2008 generate a dataset of 2621 computer science, electrical and information engineering and business administration students at 30 German universities. They differentiate between not application based and application based entrepreneurship education and aim at examining the relationship between the fact that entrepreneurship courses of either types are offered and the entrepreneurship intentions among students. Their results indicate that by offering not application based courses a university cannot significantly affect entrepreneurial intentions

among students at all, and only male students seems to be attracted by application based courses.

Entrepreneurship Education and Entrepreneurial Traits

Hansemark 1998 examine how attending an entrepreneurship courses affect personality traits that are associated with entrepreneurs. Researcher found that entrepreneurship education participants exhibit a higher need for achievement and locus of control compared to member of a control group. Collins et al (2006) assess the effect of entrepreneurship course on the level of entrepreneurial self-efficacy is lower among students. Overall entrepreneurial self-efficacy is higher among students who have completed the course than among students who have not yet begun the course. Fayolle et al (2006) found after evaluation of three day entrepreneurship course at a French University that the effect differ among several sampled students. Courses have a positive impact of the course on students entrepreneurial intention, who have not previously attended an entrepreneurship course and who have not been exposed to entrepreneurship through their family. The impact of the entrepreneurship course on the entrepreneurial intentions is dependent on the level of intention. The psychological literature suggests that entrepreneurs possess certain characteristics or traits, such as:

Risk-taking ability: The theory suggests that entrepreneurs are risk-takers, Very nature of their activities and roles performed in the society. However, there is no apparent agreement with respect to risk-taking, and the prevailing belief appears to be that entrepreneurs are more prone to taking calculated risks than are other sectors of society (Cromie and O'Donoghue, 1992), and that they are more able to cope with the uncertainty than are non-entrepreneurs (Koh, 1996).

Need for achievement (nAch). First propounded by McClelland in 1961, this suggests that

entrepreneurs have a high need for achievement, and achievers will choose situations that are characterized by: individual responsibility, moderate risk-taking, knowledge of decisions, and future possibilities. It is the prospect of achievement that motivates them. Empirical research support for McClelland's theory of nAch has been somewhat conflicting and it is generally held that 'although people with a strong need to achieve might well act entrepreneurially (Cromie, 2000)

Locus of control. This is based on the work of Rotter (1966). Entrepreneurs are believed to possess a high internal locus of control and believe that the achievement of a goal is dependent on their own behaviour or individual characteristics. Cromie, (1987) have found significantly higher 'internal' scores compared to experienced managers, while others researchers (Cromie et al., 1992) have found no differences between the scores of these two groups. Additionally, it has been suggested, as Cromie (2000) has recognized, that high achievers will also exhibit these behaviours.

RESEARCH OBJECTIVE

Entrepreneurship courses designed to introduce students to the principles of business and management have tended to 'teach students how to become proficient employees instead of successful businesspersons' (Solomon, 1989). Since these statements were made, numerous entrepreneurship programmes have been introduced in many parts of the world (Brockhaus, et al., 2001). Often such programmes equate entrepreneurship with new venture creation or/and small business management and educate about entrepreneurship and enterprise rather than educating for entrepreneurship. Entrepreneurship education should be focus on developing in their students the skills, attributes and behaviour of the successful entrepreneur. Entrepreneurship orientation and awareness programmes which focus on general information about entrepreneurship and encourage participants to think in terms of entrepreneurship as a career. 'The skills traditionally taught in business schools are essential but not sufficient to make a successful

entrepreneur'. While students still need to develop their business skills and understanding, more attention needs to be paid to the development of their entrepreneurial skills, attributes and behaviours. This means introducing courses specifically designed to develop in students the awareness and characteristics of the entrepreneur. To offer entrepreneurship education courses so as to enhance the skills acquisition of education graduates for self-employment. This paper therefore attempts to find out the impact of entrepreneurship education on entrepreneurial intentions

RESEARCH DESIGN

The study was a descriptive survey design. The objective is to test the validity of the concepts entrepreneurial tendencies of 152 full time BE (Mechanical Engineering) students from the affiliated colleges of Vishveswaraya University of Technology, Belgaum, Karnataka State, India. Final year students in the 2011 - 2012 academic sessions were used for the study. These category of students were chosen because they are about to face their professional career choice and they belong to the higher entrepreneurial inclination segment of the population. The instrument used to test entrepreneurial tendencies of the students at the beginning and end of the experiment. It is a 36-item questionnaire designed to assess— Need for Achievement (12 items), locus of control (12 items), and Risk-taking (12 items). Each item is a statement and participants are required either to agree or disagree with it. The survey was taken after the completion of entrepreneurship course by students of BE.

RESULTS

The students had lower performance scores on all of the measures, suggesting a somewhat lower propensity to be entrepreneurial. The findings indicate the challenge facing in management education if they are to create entrepreneurs as, increasingly, appears to be required. The respondents were asked to indicate their career

intentions after graduation. Results revealed that majority of the respondents 29.6% indicated employment, 26.8% indicated self-employment, 21% employment and part time business, 15% further studies, 7.6% indicated not yet planned, and this outlines the career intentions of students. These results give rise to several interpretations (Refer table 1). It appears that most graduates still prefer to be in the employment of others which is an indication of high preference for remunerative job. This corroborates the earlier findings of Onuma (2009) that most graduates aimed for wage employment in the formal sector. Their social expectations are oriented to working in the management of private enterprises. The fact that 26% had intention of starting their business is an indication that entrepreneurship education has created a positive impact on the respondent to consider self-employment as a career option. This finding affirms Autio et al (1997) research that entrepreneurship education created a positive image for entrepreneurship as a career. It also corroborates Fayolle (2005) view that entrepreneurship courses create more entrepreneurship students which in turn lead ultimately to a greater number of students willing to start their own businesses. This finding also agrees with that of Kolvereid and Moen (1997) that graduates with entrepreneurship major were more likely to start new businesses and had stronger entrepreneurial intention than other graduates. Through mean analysis the result states that- The need for achievement scores 9 (max12), risk taking scores 8.3 (max 12) and locus of control scores 8.5 (max 12). While BE students appear, to possess a relatively high need for achievement, they underscore somewhat in terms of their belief that (Saravanan, 2012) they control their own destinies, and their preparedness to take risks. These characteristics can be developed in them, but not by using the more traditional, pedagogic teaching methods and styles nor by teaching the standard functional competences traditionally taught in management education.

The students in this study were asked to rate the level of skills acquired after undertaking entrepreneurship education. Clearly, a significant

proportion of the participants indicated moderate skills 47.2%; 28.8% high skills and 24% low skills. The result of this study upholds that, entrepreneurship courses can indeed raise the level of students' skills on entrepreneurial activity and training can influence the development of entrepreneurial role. Evidently, the result of this study is an indication that entrepreneurship educations have created a positive impact on the respondents and has raised their level of skills. Moderate skill is also an indication that much of what is done is theoretical with little or no exposure to practical aspect.

CONCLUSION

Form the research it can be adopted the principles promote here in the way students are educated for entrepreneurship; it is possible to increase their entrepreneurial tendencies, both as a group and as individuals. It would seem that if the education system is to meet the challenge of developing more entrepreneurial attitudes and behaviours in its students, then there does need to be a very significant transformation in not only what is taught but also how it is taught. Developing entrepreneurs in the classroom is about developing the enterprising environments and approaches to learning in which entrepreneurial aptitudes and capabilities can flourish, alongside business insight and understanding. It must not be assumed that entrepreneurship education is solely about encouraging 'students' to set-up and run their own businesses. While there is some evidence that experience in a small firm can help the development of more enterprising individuals. Research and knowledge about how to teach entrepreneurship remains relatively underdeveloped, despite the increasing demand, globally, for more entrepreneurially oriented graduates. It is the intention that this paper to provide some insights into how the educational process might need to change and develop, and will act as a catalyst for research that will progress the subject and ensure business schools retain their premier position in the creation of entrepreneurs.

REFERENCES

- [Autio, E., Keeley, R., Klofsten, M. & Ulfstedt, T. (1997). Entrepreneurial Intent among Students: Testing an intent model in Asia, Scandinavia and in USA. **Frontiers of Entrepreneurship Research**, Babson conference proceeding
- Brockhaus, R.H., G.E. Hills, H. Klandt and H.P. Welsch (2001), **Entrepreneurship Education: A Global View**, Aldershot: Ashgate.
- Bourdieu, P. 1998. Practical reason: On the theory of action. Cambridge: Polity Press
- Chamard, J. (1989). Public Education: Its effect on entrepreneurial characteristics, **Journal of Small Business and Entrepreneurship**, 6(2), pp 23-30.
- Clark, D., Lotto, L. and Astuto, T. 1984. Effective schooling and entrepreneurship courses: Analysis students career. **Educational Administration Quarterly** 20, pp. 41-68.
- Collins, L. A., Smith, A. J. & Hannon, P. D. (2006). Discovering entrepreneurship: An exploration of a tripartite approach to developing entrepreneurial capacities. **Journal of European Industrial Training**, 30(3), pp188- 205
- Cromie, S. (1987), 'Motivations of aspiring male and female entrepreneurs', **Journal of Organisational Behaviour**, 8, pp251-61.
- Cromie, S., I. Callaghan and M. Jansen (1992), 'The entrepreneurial tendencies of managers: a research note', **British Journal of Management**, 3, pp 1-5
- Cromie, S. and J. O'Donoghue (1992), 'Assessing entrepreneurial inclinations', **International Small Business Journal**, 10 (2), pp 66-73.
- Cromie, S. (2000), 'Assessing entrepreneurial implications: some approaches and empirical evidence', **European Journal of Work and Organisational Psychology**, 9 (1), pp 7-30.
- Curran, J. and Stanworth, J. (1989). Education and Training for Enterprise: Some Problems of Classification, Evaluation, Policy and Research. **International Small Business Journal** 7(2), pp11-22.
- European Commission (2008) Entrepreneurship in Higher Education, Especially in Non-Business Studies. Online: http://ec.europa.eu/enterprise/newsroom/cf/getdocument.cfm?doc_id=3581 Accessed 8 June 2012
- Fayolle, A. (2005). Evaluation of Entrepreneurship Education: behaviour performing or intention increasing. **International Journal of Entrepreneurship and Small Business**, 1(2) 1, pp89 - 98.
- Fayolle A., Klandt H., (2006), **International Entrepreneurship Education**. Issues and Newness, Cheltenham (UK): Edward Elgar
- Garavan, T. N. and O'Cinneide, B. (1994). Entrepreneurship Education and Training Programmes: A Review and Evaluation – Part 1. **Journal of European Industrial Training** 18(8), pp 3-12
- Gartner, W. B. (2001). Is there an elephant in entrepreneurship research? Blind assumptions in theory development. **Entrepreneurship Theory & Practice**, 25 (4), pp27-39
- Gibb, A.A., (1996), "Entrepreneurship and small Business Management: Can we afford to neglect them in the twenty-first century business school?" **British Journal of Management**, 7:4, pp 309-324.

- Greene, P. G. and Rice, M. P. (2007) Entrepreneurship Education: Moving from 'Whether' to 'What', 'How' and 'Why'. In Greene, P. G. and Rice, M. P. (Eds.) **Entrepreneurship Education Cheltenham and Northampton**, MA: Edward Elgar Publishing Ltd pp. xiii – xxviii
- Gupta Anil K 1992 Creativity, Innovation and Experimentation at Grassroots Level: Building Upon Indigenous Ecological and Technological Knowledge Systems, Draft paper, Mimeo
- Hansemark, O.C. (1998). The effects of an entrepreneurship program on need for achievement and locus of control of reinforcement. *International Journal of Entrepreneurial Behaviour & Research*, 14(1), pp28-50.
- Koh, H.C. (1996), 'Testing hypotheses of entrepreneurial characteristics', *Journal of Managerial Psychology*, 11, pp12–25.
- Kolvereid, L. & Moen, O. (1997). Entrepreneurship among business graduates: Does a major in entrepreneurship make a difference? *Journal of European Industrial Training*, 21 (4), p 154.
- Liñán, F. (2004): "Intention-based models of entrepreneurship education", *Piccola Impresa /Small Business*, Iss. 3, pp. 11-35.
- Onuma, N. (2009). Rationale for youth preparation and entrepreneurship education in the face of global economic crisis in Nigeria. *Annals of Modern Education*, 1(1), pp 224-232.
- Patricia G. Greene, Mark P. Rice 2007 Entrepreneurship Education Cheltenham, UK ; Northampton, MA : Edward Elgar,
- Rotter, J.B. (1966), 'Generalised expectancies for internal versus external control of reinforcement', *Psychological Monographs*, 609 (80), 1.
- Saravanan.S (2012). 'Entrepreneurship education shaping students entrepreneurial intention' *European journal of social sciences*.33(2).
- Shane, S., & Venkataraman, S. 2000. The promise of entrepreneurship as a field of research. *Academy of Management Review*, 25(1): p217.
- Solomon, G. (1989), 'Youth: tomorrow's entrepreneurs', *ICSB Bulletin*, 26 (5), p2.
- Weber, R., von Graevenitz, G. and Harhoff, D. (2009) The Effects of Entrepreneurship Education Discussion paper Munich School of Management. Available at: http://epub.ub.unimuenchen.de/10966/3/EEE_WvGH_LMUe.pdf Accessed 8 June 2012

Table 1: Career intentions of students		
	Number of respondents	Percentage
Employment	45	29.6%
Self employment	41	26.80%
Employment & Part time business	32	21%
Further studies	23	15%
Not planned	11	7.60%

Table 2: level of skills acquired during entrepreneurship programme		
	Number of respondents	Percentage
Moderate skills	71	47.20%
High skills	43	28.80%
Low skills	36	24%

Making Electronic Commerce Strategies Innovatively competitive and Sustainable: Challenges and Solutions

Professor A. Suryanarayana
Former Chairperson Board of Studies
Department of Business Management
Osmania University
Hyderabad-500 007 (A.P.)
e-mail: professorsuryanarayana@yahoo.com

INTRODUCTION

We already know how organizations use various types of information systems, including transaction processing systems, database management systems, data warehouses, and decision support systems, to handle the present, remember the past, and prepare for the future. Now, we need to consider how businesses and organizations around the world are taking advantage of an existing application of information systems—electronic commerce (e-Commerce), which involves carrying out transactions over networks as it had become a growing part of the world economy. To understand the need for an e-Commerce strategy, one must first understand business strategy. In general, business strategy consists of the long-term plans that describe how a firm will achieve its desired goals. Usually, the overarching goal of any business is to survive. Sub-goals that help an organization achieve this goal include increased profitability, increased revenue, lower costs, and so on. For example, Dell's business strategy involves selling computers directly to customers rather than going through retailers. Based on this concept of strategy, electronic commerce strategy is the manner in which electronic commerce is used to further the goals and aims of the business or organization.

UNDERSTANDING E-COMMERCE TECHNOLOGY AND STRATEGY

E-Commerce is not restricted to the internet, however—many transactions occur within organizations or between trading partners. A study

of electronic commerce should look at both strategy and technology. E-Commerce strategy deals with what companies should be doing to use electronic commerce to reach their goals, whereas electronic commerce technology deals with how companies go about this endeavor. Web sites can be classified in several ways, ranging from business versus personal Web sites, the technology of the Web sites, to the types of applications for which they are used. Business-related Web sites can be categorized based on their Web topology: Internet, intranets, and extranets. The Internet has a global scope and is used for business-to-consumer electronic commerce. Intranets have an organizational scope and are used for business relationships. Business models provide another way to categorize Web sites: e-tailers/e-malls, portals, auctions, Communities of Interest (Col), information intermediaries, process/service improvement, value chain service providers, and value chain integration.

If there were a poster child for electronic commerce, it would be Dell Computers. The Dell Web site (www.dell.com) has made the direct sales model the heart of its approach to electronic commerce. Michael Dell has used electronic commerce as a part of his company's strategy to become the top-ranked computer maker in the world. By providing greater convenience and efficiency to its customers, the Web site simplifies the process of selecting and purchasing a computer. Customers get exactly what they want as Dell custom-builds every computer and, by

having no middlemen with old inventory to push, the customer always receives the latest in technology. The limitations of computer networks pose little or no problem when the good being purchased is itself electronic or can be converted to an electronic form. Electronic goods include computer software and games, audio and video products, news sources, and electronic books (e-books).

Because these electronic goods can be transmitted directly over the Internet or a local network as a series of bits, no picking, packing, and shipping problems occur. Likewise, returns are a simple matter; if a problem occurs with the electronic product, the company can send out a new one to replace the defective product. A common strategy used by companies dealing in electronic products is to make reduced-functionality versions of their products available for no charge or full-functionality versions of their products available for a test period, typically 30 or 90 days. This strategy assumes that the user will either pay no upgrade to the full version from the reduced-functionality version or buy the full version when the test period ends.

THE NEED FOR E-COMMERCE

Companies have found out the hard way that e-commerce does not automatically mean increased profits. In fact, it can actually mean increased downward pressure on prices as consumers learn more about manufacturer and retail price structures through Web searches. E-Commerce can also result in a need for dramatic changes in advertising due to a change in the nature of communication brought on by the Internet. Finally, it can lead to more demanding consumers who want greater choice in their purchases. These changes will require companies to rethink their electronic commerce strategies. In a sense, the business world has gone from an existing but unreal period to a more mundane but sustainable period of electronic commerce. With a few exceptions, such as Monster.com and eBay, dot coms with no connection to physical companies have, to a large

extent, been overtaken by clicks-and-mortar companies, which combine physical locations with a Web presence. Even the poster child for electronic commerce, Amazon.com, took several years to reach profitability at the end of 2001, and some writers predicted that it will eventually fail or be taken over by a traditional company such as Wal-Mart. [<http://www.mcleanreport.com>]

EFFECTS OF THE INTERNET AND WEB ON BUSINESSES

When e-Commerce was first introduced in the mid-1990s, it was hailed as an almost automatic way for companies to increase their customer base, increase revenue, reduce costs, and generate higher profits for their stockholders. It has since become clear that the Internet and its multimedia application, the World Wide Web, can have decidedly different effects on manufacturers and retailers. Three Internet effects (or threats) that one should consider in this context are: price transparency, communications flip-flop, and customer demand for perfect choice. In price transparency, customers use the Web to learn about the prices of products from a variety of sellers. In communication flip-flop, instead of sellers controlling the flow of information through print and media advertising, the customer controls the flow of information by first finding Web sites and then choosing which ones to visit. Finally, instead of sellers offering a minimum of choices at a fixed price, customers demand perfect choice in which they have a wide range of products available and a choice in how to buy them at a variable price.

In each Internet effect, one of the three risks faced by every business—efficiency risk, demand risk, and innovation risk—is exacerbated. Efficiency risk is the risk associated with not providing the product or service efficiently, demand risk is the risk arising from a lack of demand for the good or service, and innovation risk is the risk of not keeping up with the competition through constant innovation.

ELECTRONIC COMMERCE STRATEGIES

Given the effects of the Internet on businesses, companies need to implement e-Commerce strategies that counter these three threats. In all cases, they should emphasize innovation, because innovation is the one thing that is most difficult for other companies to imitate. To counter the price transparency effect, companies need innovative pricing strategies that enable them to increase revenues without encountering customer resistance. In response to the communication flip-flop effect, they need innovative Web strategies that attract visitors to their Web sites, encourage them to purchase either there or at a physical location, and keep them coming back. Finally, to counter the perfect choice effect, companies need innovative strategies that will provide customers with the choices they demand in the networked economy.

E-COMMERCE STRATEGIES FOR HANDLING PRICE TRANSPARENCY

Price transparency arises when customers use the Web to search for information on retail companies as well as industrial suppliers. Companies then have a much more difficult time hiding their costs and charging higher prices, which results in a potential for lower profits. In the past, companies have dealt with this problem and the associated efficiency risk by increasing their efficiency so as to reduce their cost structures. That approach may not suffice in the networked economy as other companies can quickly work to match this strategy. Instead, to combat problems with price transparency, companies must undertake innovative steps. These approaches involve new ways of marketing products that move the firm away from price competition and toward competition based on quality, differentiation of products, one-to-one marketing, or the experience provided by the Web site. These strategies using electronic commerce include the following:

- Improving the benefits that goods and service offer
- Using creative pricing strategies
- Bundling goods and services
- Using Customer Relationship Management (CRM) to create one-to-one marketing
- Creating a Web-based experience for the customer that transcends price

E-COMMERCE STRATEGIES FOR DEALING WITH PERFECT CHOICE

With perfect choice, networked economy customers are much more demanding about the goods and services they purchase. They are no longer willing to take what is available on the shelf or car lot; instead, they seek to fulfill specific wishes or needs with their purchases. This demanding nature of consumers actually has a positive side for the firm because it moves customers away from focusing on price and toward focusing on finding a product that meets their needs. Because customized products are seldom standardized, comparisons become more difficult. In addition, the customer is often more than willing to pay a higher price for a customized product.

There are several ways to provide a wider degree of choice to the customer, including virtual showrooms, increased channel choices, wider component choice, and use of mobile technology. Possibly, the largest new channel offered by electronic commerce involves mobile devices using wireless networks to create mobile commerce possibilities entailing the use of laptops, mobile telephones, and Personal Digital Assistants (PDAs) to connect to the Internet and Web so as to carry out many of the activities normally associated with electronic commerce. Surpassing mobile commerce in terms of its potential as a channel is U-commerce, in which U stands for a number of things, including ubiquitous, universal, or unison. Thanks to the increasing prevalence of mobile devices, customers are made to constantly be on the lookout for ways in which companies use it to market and sell their products and services in new

and different ways as they seek ways to deal with the Internet effects. Another strategy for dealing with perfect choice gives consumers increased component choice. It involves providing customers with more information—something at which electronic commerce excels. Using this information, customers can build their own systems, whether they are computers, cars, or high-end sound systems. In essence, the economy will move from capacity-based “push” systems to consumer-based “pull” systems in many industries.

E-COMMERCE STRATEGIES TO DEAL WITH COMMUNICATION FLIP-FLOP

Because communications flip-flop has changed the direction of communication between seller and buyer such that customers now converge on an organization's Web site, any electronic commerce strategy needs to be developed around a company's Web site. With billions of Web sites already available and millions being added every day, the buyer has many options available. To counter this problem, companies must know how to develop Web sites that attract potential customers, offer them goods and services they need, and cause them to want to return. To understand how to build this type of Web site, one must first recognize the opportunities provided by Web advertising and the various types of Web sites possible in order to be able to move forward creating an electronic commerce strategy that will attract customers who will purchase goods and services via the site. As with other e-Commerce strategies, the emphasis should be on innovation as it represents the only way to develop a long-term competitive strategy.

A firm can utilize both traditional media and Internet communication (e-mail, lists, and news) to create open communication links with a wide range of customers. Today, common practice is for companies to use print, radio, and television advertising to provide URLs for their Web sites as a way to push customers toward them. In terms of Internet communication, both outbound and

inbound e-mail can facilitate frequent communication with Internet-active customers. Companies advantageously create e-mail lists to enable any customer to request product changes or new features so that other customer reading an idea may contribute to its development and elaboration. Firms can also monitor relevant newsgroups to discern what consumers are saying about its products or services as well as those of competitors. Once a firm has decided on a business model to use in developing its Web presence, it must then find ways to attract customers to its site—not just on a one-time basis, but on a repeat basis as an attractor by concentrating on the most influential stakeholders. All Web sites that are good attractors, especially for repeat visits, share the feature of interactivity, which is the capability to interact with the user in some way. In most cases, the greater the interactivity, the greater the site's perceived attractiveness. The only caveat to this statement is that a high degree of interactivity should not make the site slow and unresponsive. In all cases, firms must avoid creating Web sites that reproduce their print advertising and publicity—so-called brochure-ware—that usually bores visitors. Beyond interactivity, it is often necessary to identify the features and strategic properties of a Web site that will make it attractive to selected stakeholders.

In a two-stage strategic planning model to attractiveness, the first stage involves identifying the target stakeholder groups and using some sort of influence filter that makes the site more attractive to the selected stakeholder group. Once this group has been attracted, the site's developer should develop a method for customizing the Web site to meet their needs, called the target refractor. The refractor is used to create the desired degree of customization of a Web site: broad, specialized, or personalized. With broad customization, a Web site attempts to communicate with several types of stakeholders or many of the people in one stakeholder category.

INNOVATIVELY COMPETITIVE SUSTAINABLE e-COMMERCE STRATEGIES: SOME PRACTICAL ILLUSTRATIONS

GENERAL MOTORS (GM): GM started allowing its customers in Europe and Brazil to configure, pay for, and track new car deliveries online. A similar system appeared eventually a little later in the United States.

GOODYEAR TIRE & RUBBER COMPANY: Using broad customization strategy, the company's Web site, with its information on tires, targets the general tire customer. A broad Web site provides content with minimal adjustment to the needs of the visitor. Many visitors may not linger too long at the site because little particularly catches their attention.

TESCO: Tesco used a very different approach to Web-based grocery shopping from that used by Webvan and has been very successful. Tesco started small by picking and packing from existing stores and leveraged its brand, suppliers, and database of affinity card users to launch its online grocery services for just \$56 million. The venture started with one store in 1996, then gradually rolled out its service until about one-third of the company's stores were involved. This put it within reach of 91 percent of the U.K. population. In contrast, Webvan spent \$1.2 billion to create its service but had no customers initially. Interestingly, none of its board members came from the grocery industry. Webvan tried to enter 24 markets in the first three years, and it opened warehouse in three market areas in its first 15 months. It kept building warehouses even when none of the first three had broken even. Bucking the trend of the late 1990's toward free delivery of goods, Tesco.com charged \$7.25 per order for delivery.

It started receiving millions of orders online weekly and collects millions of dollars annually for deliveries alone, making the difference between profit and loss. In contrast, Webvan tried to woo customers with free delivery for orders less than \$50. As a result, on every order it delivered, it lost

in the range of \$5 to \$30 thus adding millions in unrecovered costs. Tesco.com does not have to make it on its own, because the grocer views its online grocery service as a way to extend its brand. In fact, half of Tesco.com's customers come from rival stores, and the parent company hopes they will shop at its supermarkets after purchasing from its Web site. In contrast, Webvan operated as an online company with no bricks and mortar component. Given its failure, the Webvan approach might not be the best way to go for online grocers.

FAREAST FOODS: In an effort to deal with the effect of the Internet and Web, FarEast Foods has decided to implement some changes. First, its management added higher-quality products to its line for which it can charge higher prices. Later, the company worked out a strategy to sell its products through auction sites such as eBay to provide for variable rather than fixed pricing.

It studied several ideas and started rewarding its frequent purchasers with discounts. Finally, it started using CRM to learn more about its customers, with hopes of installing a one-to-one marketing system.

DELL has found ways to offer customers more choices, while other computer companies for ways to merge with other companies to survive in computer market. The rationale for this electronic commerce strategy is that perfect choice always exacerbates demand risk by causing companies that fail to provide choice in products, components, or channels to lose demand. It also increases innovation risk by forcing companies to find more and better ways to provide customers with the choices they want. Failure to provide the choices sought by informed customers—choice of products, choice of channels, and choice of components—could result in a more innovative competitor increasing its customer base or its demand by providing additional choices at its rival's expense.

Dell also has popularized component choice that consumers always wanted that allowed them to build a computer by selecting the computer by selecting the components that will go into it. Through Dell Web site, customers can build a computer to suit his or her specific needs. As predicted by the experts, this has led to the practice of allowing customers to order an automobile, motorcycle, bike, or high-end sound system online with exactly the options they wanted.

- EDMUND's provide a wealth of information on almost anything to do with a purchase in the automobile industry. Instead of having to resort to a friend or relative in the industry to obtain a good deal, one can go to Web site that makes such information freely available. A growing number of such sites provide reliable and independent information on products and services as well as testimonials or complaints about the products. On a more general note, ClarkHowar.com provides information on the best deals as well as scams to avoid on a wide variety of products and services. Similarly, mySimon.com provides a listing of prices, including shipping costs, for the first edition of the book from a number of book sellers.
- An intelligent agent, also known as bot, is a software program that gathers information or performs some other service on some regular schedule without our immediate presence. Typically, the agent searches all or some parts of the Internet, gathers information based on parameters one has set, and presents it to him/her on a periodic basis. Intelligent agents come in many flavors, including those used to shop the Web for the best price on a particular item. They have also found a home in the business-to-business context, where Web sites are set up to enable buyers to find sellers, and vice versa, thereby widening the number of suppliers from which a company can choose.
- Many traditional retailers such as Home Depot, JCPenney, and Best Buy have recently

adopted the clicks-and-mortar approach by offering goods over the Web. On the other hand, erstwhile telephone-or Web-based retailers are going the other way: they are setting up physical locations. Gateway is an example.

- America Online implemented tiered pricing, in which goods and services are offered at different price points to meet customers' needs. It offered five different pricing plans depending upon the services provided and the payment conditions. It offered even more plans for customers in different parts of the world where connections are different. The same is true of long distance plans and mobile telephone contracts. It becomes necessary to use such creative online pricing strategies when customers have a good understanding of prices on comparable products. Businesses need to adopt any or some of these several approaches that are possible, including the revenue management techniques.
- **Customization through a CRM Strategy:** This is a strategy that moves firms farther away from price competition and creates a one-to-one marketing experience for the customers. The Web generates a huge amount of data on customer buying habits, preferences, amount typically spent, and so on. Armed with this data, companies can use CRM to tailor their products and prices on their Web sites to the individual buyer. This customization creates a closer match to the customer's real needs, which, in turn, increases the probability that the visitor will return to the Web site for another purchase.
- **Avoiding price competition through Web sites that stage experiences for customers:** This is the ultimate way for this purpose. Instead of using sensory cues such as smell, feel, taste, or sound to encourage customers to purchase on the basis of

emotion rather than price, as is often done with print, radio, and television advertising or personal selling in a shop, e-commerce firms must find other ways to sell their products based on other factors. Some firms have approached this issue by employing Web as a theatre to stage unique personal experiences for which customers are willing to pay. These personal experiences can be aesthetic, entertaining, educational, or escapist. In every case, however, the intent is to provide customers with something that has nothing to do with price and that encourages other purchases.

- **Personalized Web sites:** Database technology and back-end application software permit a Web site to be personalized to meet the needs of the individual. The marketer's ultimate dream is to develop an interactive relationship with individual customers, and a personalized Web site. For example, many "MY" Web pages exist, such as MyYahoo!, MyScudder, MyNetscape, and so on. With these sites, after completing a registration form, the visitor can then select what to see on future visits. For instance, with MyNetscape, one can determine the content included in his/her page, ranging from Horoscopes to News to Sports. One can also select the layout and settings for his page. On future visits to the same site, one can obtain a quick view of everything of interest to him. All of the information on these "My" sites is controlled by a user name and password for security and privacy reasons. Two types of personalized attractors exist: Adaptable and Adaptive sites. Adaptable sites can be customized by the visitor who establishes the content, layout, and settings that fit his or her needs by answering questions or selecting options. In contrast, adaptive sites learn from the visitor's behavior and determine what should be presented via a small data file, called a cookie.

- Amazon.com is among the best known of the adaptive sites. It tries to discover what type of reading material and music the visitor likes so that it can recommend books, CDs, DVDs, and so on in a special Web page that appears the next time one visits the company's Web site. Web sites such as Amazon.com have proved very successful in terms of mass customization, because every visitor feels as if the site has been customized just for him through a personal welcome and a suggested list of books. This is true even though thousands of people visit the same site each day.

- **Charles Schwab:** in an attempt to find ways other pricing to compete, this firm has bundled goods and services to provide a higher perceived value for the price of the bundle. This firm has avoided direct price competition with online brokers by providing online services such as research tools that enabled it charge somewhat higher prices without additional variable costs for the services. On similar line, Internet service providers used to offer customers a discount on the purchase of a PC in return for signing up for three years of Internet service.

SUMMARY AND CONCLUSIONS

Originally experts thought electronic commerce would change business operations by increasing profits and cutting costs while keeping prices up. Companies believed that they simply had to create a Web site and the customers would immediately gravitate toward it. Many experts predicted that the so-called dot-com companies would drive the more established companies out of business. Today, bricks-and-mortar companies are making widespread use of e-commerce to increase profits and market share. The Internet and its multimedia application, the World Wide Web can have Internet effects on manufacturers and retailers through price transparency,

communication flip-flop, and customer demand for perfect choice.

Electronic commerce strategies should deal with price transparency and perfect choice through innovation because innovation is highly difficult to imitate. To counteract price transparency, a company needs an innovative pricing strategy that enables it to increase revenues without encountering customer resistance. This effort includes increasing the value of goods and services, using tiered pricing and revenue management, bundling goods and services, implementing Customer Relationship Management (CRM) to create one-to-one marketing and, creating a Web-based experience for the customer that transcends price. To combat perfect choice, a company needs innovative strategies that provide customers with the choices they demand in the networked economy. Those approaches include virtual showrooms, increased channel choices, wider component choices, and use of mobile technology.

Electronic commerce strategies to deal with the communications flip-flop rely on an understanding of the opportunities provided by Web advertising and the various types of Web sites that can be used. Once a company has selected the Web technology and type of site, it must find ways to attract customers to its Web site. This effort can involve

the use of an influence filter, which brings in targeted stakeholders, and a target refractor, which determines the degree of customization. Three degrees of mass customization are possible: broad, specialized, and personalized. A broad customization attempts to communicate with several types of stakeholders or many of the people in one stakeholder category. In contrast, a specialized attractor is aimed at a single person. Two types of personalized attractors exist: adaptable and adaptive. The customer carries out the customization on an adaptable attractor, whereas an adaptive attractor customizes itself based on the customer's tastes and purchases.

REFERENCES

- Patrick McKeown, "Information Technology & The Networked Economy", 2nd ed., Thomson: **Course Technology**, 2003.
- Gary P. Schneider and James T. Perry, "Electronic Commerce", 2nd ed., Cambridge: **Course Technology**, 2001.
- Richard T. Watson, Sigmund Akeisen, and Leyland F. Pitt, "Building Mountains in the Flat Landscape of the World Wide Web." **California Management Review**, Winter 1998, pp. 36-56.

Islamic Moral System in the perspective of Millennium Development Goals

Shahina Qureshi
Acropolis Technical Campus, Devi Ahilya Vishwa
Vidyalaya, H.No.1823-24, Tall Mohalla,
MHOW, Distt: Indore, 453441,
Madhya Pradesh, India.
E-mail: shahinaqureshi@gmail.com
Cell: +91-9907327773

Bhawna Pal
Institute of Management Studies,
Devi Ahilya Vishwa Vidyalaya,
Indore (M.P.), India
E-mail: palbhawna@rediffmail.com
Cell: +91-9713903967

ABSTRACT

Societies are changing so do the world. The world is in transition period and whenever there is transit some changes comes out with its positive or negative implications. In developing economy, mostly trial and error technique is been using for financing development among poor with the hope of selecting right option or strategies for achieving development objectives. This is with a view to properly connecting resources in the best possible manner for the empowerment of the poor and their development. The situation has become appropriate with the materialization and worldwide agreement of the Millennium Development Goals in September 2000. The goals are destined to achieve three basic things; Poverty Eradication, Healthcare Provision and Environmental Sustainability together in the developed and developing countries. Author has raised the issues in this paper whether "The Islamic moral system can achieve the first goal of MDGs i.e., Eradicate extreme poverty or hunger?" This paper concludes Islamic moral system is more a "way of life" than a mere religion. In a nutshell, it teaches how a believer has to oblige to the commitment to his faith. Zakah is to help peoples out of their earning. For every Muslim individual it is the duty to help mankind by way of providing 2.5% share of Zakah out of his income. Secondary data have been used to gain knowledge about teachings of Islam and how they can be practiced in order to manage Zakah effectively.

Keywords: Islamic Moral System, Millennium Development Goals, Zakah Fund, Poverty Eradication, Poor Empowerment.

INTRODUCTION

Islam places the highest emphasis on ethical values in all facets of human life. In Islam, ethics governs all aspects of life. Literal meaning of Islam is submission to the society on behalf of Allah SubhanaWa-Tallah. Islam has given birth to an exceptional system "The Islamic Moral System". The Islamic Moral System satisfies individual's personal salvation which is dependent on doing good and compassion to others. Hence, Philanthropy turns into a way of selfishness and giving the poor & needy becomes a way of fulfilling one's personal spiritual upliftment. In this view a distinctive aspect of the Islam is Zakah which is known as third pillar of Islam became functional from so many decades. Zakah literally means 'to purify, to develop, and, to cause to grow'. It comes after prayers, as the most important service to society which is mandatory duty for every affluent

Muslim individual. It is basically a financial religious duty levied on all Islamic peoples for the empowerment of the poor. It is the well designed tool to eradicate poverty and hunger by Islamic communities. An individual allowed paying Zakah is called Muzakki and the individual allowed to receive Zakah is called Mustahiq. The main aim of Zakah fund is to help those who need money and want to do some productive work. It must be noticeable that not anywhere in Qur'an mentioned the dependency on this fund by any poor. It is not for the encouragement of addiction of money by poor on some people. It is meant for the upliftment of the poor individuals not for their regular consumption needs. Islam is the religion that gives a straight right in the wealth of the rich and considers refuting this right as equal to disbelief in full legal sense. Qur'an says: Those in whose wealth and possessions there exist a given right for the needy and the underprivileged. (70:24-25).

The Prophet Muhammad said: "He is not believer who eats his fill when his neighbour is hungry". Hence, the economic order could be controlled in accordance with Islamic teachings is based on justice and improvement in all directions. According authentic statement of Prophet Muhammad Zakah is third pillar out of five pillars of Islamic religion. In most of the verses in Qur'an Zakah was mentioned in the name of Sadaqa (the Qur'an, 9:58, 60, 74, and 103). If we take an overlook on worldwide level we can see the number indicates the ratio of Zakah proceeds to GDP is between 0.3% and 0.6% in countries that have mandatory payment to the Government enforced by proper administration and law such as Saudi Arabia, Pakistan, Sudan and Yemen. This percentage goes down to below 0.1% in Libya and Malaysia where it is voluntary payment. (Zakah, Monzer Kahf)

Furthermore, 'the poor and the needy' (referred to here after as the poor) must be the first group to receive Zakah, as fighting poverty is the primary goal of Zakah (Qaradawi, 1981, 1994). Moreover, since Zakah dues are paid voluntarily, experience shows that there are individual Muslims who are taking Zakah as seriously as it is supposed to be taken, i.e. as an act of worship. Experience also shows that, potentially, many more individuals would come forward if Zakah received more serious attention and if significant results were obtained (among others, Guermat et al. 2003).

The main features of Islamic Moral System are Charity and Economic Empowerment. Charity occupies central position in the Islamic Scheme of poverty improvement. The broad term for charity is Sadaqa. When sadaqa is mandated on an eligible Muslim, the one who earns more than prescribed minimum, it becomes Zakah. Funds generated through this medium fluctuate from time to time and may not lend themselves to proper planning and implementation. Further, these funds are meant for the extremely poor and functions for meeting their urgent and basic needs. Economic empowerment is to make person economically strong on various aspects like education, healthcare, societal status

and their business. Here in this system Islam strongly encourages charity from the giver's point of view, it seeks to minimize dependence on charity from the beneficiary's point of view. Its main aim is to empower the poor of the poorest and needy those who are not in a position to generate money from other sources but they are skilled individuals and want to do something. Ahmad F.Oran mentioned in his research Zakah Funds and Wealth Creation that poverty can be reduced and goals can be achieved only by proper wealth creation with fair redistribution. He emphasized that Zakah management is necessary rather than its solution. He said management should be direct and entirely responsible for investing Zakah funds on behalf of the beneficiary groups before redistribution takes place. A Case Study of the Rumah Zakah Yogyakarta Indonesia" in Islamic Finance for Micro and Medium Enterprises (2008) reveals that the peasantries which constitute more than forty-four percent of population of Indonesia have experienced a process of marginalization and economic exploitation for decades. Zakah is expected to play a significant role in economic empowerment of these oppressed people. The Rumah Zakah is one of leading Zakah organizations in Indonesia. Since May 2004, the Rumah Zakah Yogyakarta is operating an empowerment program called Jaring Pengembang Ekonomi Rakyat.

Estimation of Zakah

Zakah is obligatory annual levy on wealth of an adult and sane Muslim individual who earns more than prescribed minimum. Zakah is not levied on income, which is used for consumption and items of wealth, which are used for the personal and family purposes. Zakah is levied on savings that is transformed into wealth and remains in the ownership of the individual for one calendar year including agricultural output, if any. It is also levied on the stocks like Gold, Silver, the inventory of trade and livestock. Zakah is not charged on these items like means of production, such as,

tools and equipments, machinery etc. There are fully fledged rules are available in the Qur'an about Zakah fund estimation. The rates vary with forms of wealth. With most of the financial assets, the rate is Two and half percent (2.5%).

Eligible Beneficiaries

The holy Qur'an defines the eligible beneficiaries (mustahiqeen) of Zakah. "The offerings (Zakah) given for the sake of Allah are (meant) only for fuqara (poor) and the masakeen (needy), and ameleen-a-alaiha (those who are in charge thereof), and muallafat-ul-quloob (those whose hearts are to be won over), and for fir-rigaab (the freeing of human beings from bondage), and for al-gharimun (those who are overburdened with debts), and fi-sabeelillah (for every struggle) in Allah's cause, and ibn as-sabil (for the wayfarer): (this is) an ordinance from Allah- and Allah is all knowing, wise." (9:60)

Zakah is principally in the nature of a safety net to take care of the basic necessities of life of those who cannot afford them. The first two categories, namely fuqara (the poorest of the poor) and masakeen (the needy and destitute) include individuals with no means of livelihood or inadequate income to meet their basic necessities of life that would include orphans, the sick and the disabled, and the homeless (Mohammad Obaidullah, 2008).

Zakah and Economic Empowerment

The chief objective of Zakah fund is to drag out an individual from economic suffering by fulfilling his/her crucial needs. Here, crucial needs does not mean daily consumption but for meeting their economic needs like education, skill improvement programs, training, grants or loans for starting their micro-enterprises depending upon their vulnerability, sustainable means of livelihood and transform them from the category of Zakah recipients into that of Zakah payers. Hence, the implementation of effective Zakah management would meet the goals of Zakah which are to

eradicate poverty totally, to nullify hardship by making an effort to find sources to improve lives which gradually bridges the gap between the rich and poor in terms of their income level (Mujaini 2005) [19]. Patmawati (2005) points out that apart from providing recipients with basic necessities through the gift of Zakah, Zakah also serves to help the recipients in the long term. Hence, Zakah acts as medium to create equality and alleviate poverty in the society. This aim can be fulfilled if there is a form of monitoring in the Zakah collection and distribution context. Similar view is also expressed Husein (2003) who considers the role of Zakah as not only improving the standard of living for the poor and downtrodden but also making the recipients productive members of the society. The gift of Zakah is not only interim, providing relief to the recipients, as they will also be aided with the purchase of tools and equipment that they can utilize to gain their sustenance for their living. Zakah fund also acts as additional capital subsidized by the society to support the unemployed, orphans, widows, physically disadvantaged people, the sick and others. In other words, Zakah functions as an important social insurance for every members of the Muslim community in which a bright future is guaranteed (Zulkifly et al., 2002).

Efficient Zakah distribution management, observes Azizan (2005), will showcase the macro and micro elements of holistic approach which could resolve various socio-economic problems faced by Muslims including poverty, financial planning, and social development. If the Zakah recipients' lives remain the same regardless of the gift of Zakah, this indicates there are shortcomings in the Zakah fund management, in particular in the aspects of distribution and monitoring of Zakah for the poor and needy asnaf. The weakness in the system is still prevalent because Zakah distribution primary objective has not been realized, which is the returning the rights of the have-nots to ensure economic equality and justice. Therefore, the poor must be motivated and encouraged to be independent and self-

sustained by fully utilizing the Zakah disbursement (Azizan 2005) .

Forms of Distribution

Mahyuddin Haji Abu Bakar (2011), Zakah can be given in two forms: direct financial support for the poor and needy those who do not have the capacity or good health, and support to help the recipients sustain themselves. Zakah that can be offered can come in the form of tools that can be used in industry and trade such as work equipment for the able-bodied, business capital for those who have business skills, seeds for those interested in agriculture and other supports deem relevant to the recipient's physical condition and skills. Similar view is also held by Imam al- Nawawi (n.d.) who suggests that the poor and needy asnaf must be assisted based on their skills with enough Zakah proportion so that they can be pulled out of poverty. There are two concepts for Zakah distribution for the poor and needy:

- Long term distribution concept (Kifayah al Umr)
- Short term distribution concept (Kifayah al Sanah)

The Kifayah al Umr concept has been implemented as poverty cannot be eradicated within a short time as such action requires careful planning. Kifayah al-sanah is a yearly support concept that needs annual planning. In the context of identifying proper forms for Zakah distribution, Qardhawi (1987) asserts that this issue goes hand in hand with defining what is poor and needy. According to Qardhawi, the poor and needy can be categorised into two—those who are able to work and find work on their own but need support to provide for their family. This group of people includes the craftsmen, farmers and traders. Support can be given in the form of capital, tools and equipment to enable them to operate their means of living so that they will no longer become the recipients of Zakah in the future. The second category is the poor and needy those who do not have the capacity to work such as those who have prolonged illness, the elderly, widows and

children. This group of people deserves to be given enough Zakah for a period of one current year. Zakah distribution can be paid out to them either all at once or in monthly installments, if there is a question that the recipient might squander the gift (al Qardhawi 1987). According to al Qardhawi (1987), Imam Ahmad bin Hanbal once mentioned about how a land owner, owner of a plantation was given Zakah although he gained some profits from his plantation. It was said that although there were some return, the earnings were not enough to cover for his living expenses. He was entitled for Zakah to make ends meet. Hence, Zakah could be given to any recipients in large proportion if such proportion is necessary to fulfill the basic necessities for the recipient and his dependents for the whole year. Wahbah al Zuhaily (2005) highlights that Zakah given to support the poor and needy does not necessarily come in the form of monetary aid only. Actions must also be made to assist those who are working if they are able-bodied.

The recipients' daily struggle could be lessened with the monetary aid given. If implemented properly, Zakah distribution can cut down poverty and destitution and alleviate the governments' burden in overcoming poverty. Although the above discussion has demonstrated differences in the opinions of the Muslim scholars in terms of the proper amount of Zakah that should be given to the recipients, all of them agree on one ground, which is the distribution of Zakah fund must be adequate to support the recipient and his dependents. There are also clear views on the notion that Zakah must make the recipient rich as expressed by Imam Malik and Imam Nawawi from the Syafie school of thought (al Kasani (n.d.), IbnRushd (1966), IbnQudamah (1968), AlSyirazi (n.d.)). In similar context, Muslim scholars in Malaysia share the view that Zakah distribution must be implemented according to the actual objective of the distribution. AbdMonir (2001) argues that paying out Zakah and distributing Zakah is an obligation to protect the religion of Islam. The rightful recipients have been

determined. Hence, neglecting the obligation goes against the law of Allah. AbdMonir also stresses that it is the responsibility of the mufti (religious adviser) to define the categories of recipients, in particular the categories of asnaf who are entitled for Zakah in the absence of such provision.

Zakah fund distribution cannot be uniformed in terms of the proportion of Zakah fund given out to each recipient as it should take into consideration the needs of the asnaf. For the poor and impoverished, Zakah fund should provide them relief from hardship. In relation to this issue, ZainalAbidin (2001) underlines that all Zakah fund that is collected must be spent within the current year. Indeed Zakah fund should not be kept as savings as the monthly installment given to the recipientis as low as RM 250 for a family in the Federal Territory. The monetary aid needs to be increased to ensure recipients are freed from poverty, and at the same time they are provided with expert support to help recipients sustain themselves independently.

Abdul Monir (1994) and Parid (2001) points out that the Zakah distribution proportion for the poor and need must be made at certain levels in which they are given enough to get basic necessities to get on with their lives. Apart from that, Zakah distribution must be enough to provide comfort for the recipient and his dependents and ensures that the standard of living is more than satisfactory. Hence, to ensure the continuity of comfort life through Zakah distribution, the allocation of Zakah proportion for Zakah recipients must not only suffice to cater for their basic necessities but it must also be enough to help the recipients expand their Zakah fund. Otherwise, the Zakah recipient will carry on receiving Zakah in the following years. Al Fanjari (1988) suggests that the role of Zakah security must take into consideration the economic environment of specific locations apart from social and political changes.

The collection and distribution of Zakah can cater for the needs of a Muslim accordingly. With regard

to this issue, Nik Mustapha (2002), proposes that each State Islamic Council (Majlis Agama Islam Negeri) (MAIN) must create an R & D department, among others, that investigates and establishes the most efficient Zakah management. MAIN must be pro-active and optimistic on any Zakah potentials that can be used to eradicate poverty and enhances Zakah recipient's independency (self-sustenance) by fully utilizing the Zakah fund received. Rigorous efforts must be made in ensuring that Zakah officers have the right ability to assist the poor and needy in mobilizing the Zakah fund to develop themselves.

This is mainly because the asnaf, namely the poor and needy, tend to use Zakah to support their present life and have not considered long term investment that guarantees the continuity of their self -sustenance. In addition, the fund given is small and does not allow them to utilize the fund for other purpose. Although there has been some distribution in the form of craft tools such as sewing machines, motor boat engines and so on, the outcome of such distribution has not been positive. Serious monitoring is a must to ensure that the poor and needy optimize the tools provided in order to move out of poverty (SyukriSalleh, 2002). Sami Hasan (2006) has placed Zakah as a social support system like Takaful. Inclusive in the concept of Zakah is the concept of helping each other (taawun) among Muslims. What this means is that Islam has established an obligatory social support system in the Muslim society.

Millennium Development Goals: Bird's eye view

The Millennium Development Goals (MDGs) are eight goals to be achieved by 2015 that respond to the world's main development challenges, the focus being the human dimension. The MDGs are drawn from the actions and targets contained in the Millennium Declaration that was adopted by 189 nations-and signed by 147 heads of state

and governments during the UN Millennium Summit in September 2000.

Goal 1: Eradicate extreme poverty and hunger

Target: Halve the proportion of people living on less than a dollar a day and those who suffer from hunger.

Goal 2: Achieve universal primary education

Target: Ensure that all boys and girls complete primary school.

Goal 3: Promote gender equality and empower women

Target: Eliminate gender disparities in primary and secondary education preferably by 2005, and at all levels by 2015.

Goal 4: Reduce child mortality

Target: Reduce by two thirds the mortality rate among children under five

Goal 5: Improve Maternal Health

Target: Reduce by three quarters the maternal mortality ratio.

Goal 6: Combat HIV/AIDS, malaria and other diseases

Target: Halt and begin to reverse the spread of HIV/AIDS.

Target: Halt and begin to reverse the incidence of malaria and other major diseases.

Goal 7: Ensure environmental sustainability

Target: Integrate the principles of sustainable development into country policies and programmes; reverse loss of environmental resources

Target: Reduce by half the proportion of people without sustainable access to safe drinking water

Target: Achieve significant improvement in lives of at least 100 million slum dwellers, by 2020

Goal 8: Develop a global partnership for development

This goal gives due recognition to the fact that there is interdependence between growth, poverty reduction and sustainable development and emphasizes that the achievement of MDGs was

founded on a global partnership between developed and developing countries.

India continues to maintain the 127th Rank out of 177 countries in terms of human development for the third year in a row (Human Development Report 2005); it has been ranked as the 12th largest economy by the World Bank in terms of its GDP at \$785.47 billion in 2005. Millennium Development Goals-A review of the Progress report in India shows that India still not able to achieve its target of MDGs. There are plenty of work needs to be done. Education and poverty are still not achieved as we targeted. Report reveals that current level of action is inadequate to achieve the goals by 2015. Human development reports, 2005 reveals that government is spending 4.1% of GDP in Education and on health its 1.3% which is very low. With the government facing a resource constraint, an effective solution could emerge in terms of active involvement of NGOs and the civil society. Other than interventions by international agencies, active participation of NGOs becomes essential for us especially if we want to convert our optimistic economic growth into meaningful social and human development. Moreover, information and research about advancement towards the MDGs in India remains concentrated at the national level.

Department for International Development (DFID) India is committed to continuing to develop a strategic programme at the national level as well as supporting programmes in its four partner states: Andhra Pradesh, Madhya Pradesh, Orissa and West Bengal. DFID disbursed around £280 million in 2005-06 towards development assistance in India. DFID has established a £27 million Poorest Area Civil Society Programme (PACS). PACS aims to enhance the ability of poor and socially excluded people in India's one hundred poorest districts to realize their rights to services and resources. DFID's International Partnership Agreement Programme with

International NGOs will directly address issues of social exclusion, including gender, caste and ethnic discrimination.

Action plan – 2005-2008 says that the World Bank has partnered with India to reduce poverty, move closer to achieving the MDGs, and improve the living standards of its people. To achieve these goals, the Bank Group laid emphasis on investing in people and empowering communities, improving the effectiveness of government, and promoting private sector-led growth.

Several steps have been taken by India on this issue since 1997; the Bank Group has focused its support on reforming Indian states that were the leaders of change. The new strategy, however, aims to spread Bank support more widely. Lending is to be based on “guidelines for engagement” for each key sector, with a special effort to help the poorest and weakest states qualify for support. Policy dialogue, primarily on fiscal and governance reforms, is to be offered in partnership with other donors (ADB, DFID) to the 12 largest states with 90percent of India's poor, regardless of their progress in the implementation of reforms.

These states are: Andhra Pradesh, Assam, Bihar, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal. Going beyond the basic dialogue on reforms, capacity building efforts will focus on the four poorest and largest states - Bihar, Uttar Pradesh, Orissa, and Jharkhand to enable them to use government funds more efficiently. In this paper the focus is totally on reducing poverty with the help of Islamic Moral System that is proper Zakah distribution among poor and destitute. Millennium development goals can be achieved only through proper redistribution system it is still needed to reform the system. Muslim communities all over the world are using Zakah fund system but in India it is not there. So here focus is to implement proper system for Zakah in India for Muslim Communities.

MDGs in the beam of Islamic Moral System

As we have already seen that 189 countries has signed a pact in the summit of September 2000 during the UN Millennium. Its main aim is to achieve eight goals for the development of the society by 2015. It is the main development challenge for the world. Welfare of the society was the prime objective of this summit. Islamic Moral System also works for the welfare of the human being. Government, Non-Governmental Organizations, Self Help Groups and Several Microfinance institutions are working for the societal change and welfare. Zakah fund is the new concept for the diverse culture of India other than Muslim communities, those who are following this concept from thousands of years.

But there is no proper channelization of this fund which is still need to be adopted like other gulf countries. If it is adopted by other communities it possibly will help the nation to achieve MDGs first goal that is “Eradicate extreme poverty and hunger”. This model is new for India however it is functional in Gulf Countries and doing well. Their Government collects Zakah fund by Muzakki (Payers) in the form of tax revenues and formed a separate fund account in the bank for Zakah. Further, it is distributed to the needy or the country which is facing economic problems. In actual fact it is mandatory for every Muslim Individuals, so flow of fund is regular and no discrepancies occurs.

The focus of this study revolves around this fund; if it gets applicable as social obligation or service to every individual in India it will help society at the large extent. But, there is need to generate awareness among peoples to adopt this concept. It is noticeable that this model is functional and running successfully in Gulf Countries. If it happens that day is not far India will achieve its goal of poverty eradication and social welfare. It is to be noticed that this paper raising the issue to get this model implemented in Muslim Communities.

The Proposed Model

Mohammed Obaidullah(2008) in the book chapter Introduction to Islamic Microfinance mentioned a mission-based approach to poverty alleviation and development in Islam involves several not-for-profit mechanisms, such as, sadaqa, Zakah, awqaf and qard-hasan.

Figure 1: Model using Islamic not-for-profit modes (Refer Figure 1 at the end of paper)

1. Program creates Zakah Fund with contribution from the Muzakki in the form of Cash, Waqf & Physical Assets.
2. Physical Assets used to facilitate education and skills training and monetary assets fills requirement for starting their microenterprise or business.
3. Program carefully identifies the poorest of the poor and destitute that is economically inactive and directs a part of Zakah Fund towards meeting their basic needs like grants, seeks to provide safety net.
4. Program provides skills training to economically inactive individuals and converts them into economically active individual. Beneficiaries are formed into groups with mutual guarantee under the concept of Kafala. Financing is provided on the basis of Qard Hasan (loan). Group members' payback and in turn provided with higher level of financing.
5. Finally, group members are encouraged to save under appropriate micro savings and micro insurance schemes for empowering their social status.
6. At the end the poor individual will become Muzakki (Donor).

SCOPE OF THE STUDY

Report reveals that current level of action is inadequate to achieve the goals by 2015. So many aspects have been seen and every report reveals that India still needs a proper system. In this paper a proper redistribution system is been introduced

by the authors. Mohammed Obaidullah has presented in his book a model of Zakah. In this research that particular model is been modified to make it simple and easy to work upon. There is further more scope in the study. This will help as the secondary data for the researcher those who wish to do some work on Zakah redistribution system in India.

SIGNIFICANCE OF THE STUDY

A Proposed model of Zakah is presented in the paper which is successfully running in gulf countries as we have already discussed in above sections. If this model is applied to affluent Muslim individual in Indian society the flow of money will be smoothen and the real poor will get benefit of it. In this paper linkage between the Zakah model implementation, MDGs Goals and Indian Muslim societies are presented. The focus of this study revolves around Zakah fund; if it gets applicable as social obligation or service to every individual in India it will help society at the large extent. But, there is need to generate awareness among peoples to adopt this concept. It is noticeable that this model is functional and running successfully in Gulf Countries. If it happens, that day is not far when India will achieve its goal of poverty eradication and social welfare. It is to be noticed that this paper raising the issue to get this model implemented in Muslim Communities. This paper is opinion research for the betterment of the society so it is also to be noted country's welfare is main aim of the study.

CONCLUSIONS

Zakah fund is the new concept for the diverse culture of India except Muslim communities those who are following this concept from thousands of years. But there is no proper channelization of this fund which is still need to be adopted like other gulf countries. If it is adopted by other communities it possibly will help the nation to achieve MDGs first goal that is "Eradicate extreme poverty and hunger". This model is new

for India however it is functional in Gulf Countries and doing well. Cases of successful Islamic moral experiments in Muslim societies are small in number. Zakah Funds generated through this medium fluctuate from time to time and may not lend themselves to proper planning and implementation. Further, these funds are meant for the extremely poor and functions for meeting their urgent and basic needs. Economic empowerment is to make person economically strong on various aspects like education, healthcare, societal status and their business. Government must do something in this regards. That day will not far when all poor will be economically happy, their standard of living will increase, if this system is properly implemented. Resultant India will achieve MDGs first goal and will get a proper model of distribution.

REFERENCES

- Abdul MonirYaacob, **“GarisPanduan Agama DalamPengagihan Dana Zakat”**, DalamNik Mustapha Nik Hassan (ed.) KaedahPengagihan Dana Zakat: SatuPerspektif Islam Kuala Lumpur, IKIM, 2001.
- Ahmad F.Oran, “Zakah Funds and Wealth Creation”, **Review of Islamic Economics**, Vol.13,No.1, pp 143-154,2009.
- Al Fanjari, M Syauqi, **“Ekonomi Islam MasaKini”**, Dar al Fikr, Kuala Lumpur, 1988.
- Al Qarhawi, **“Fiqh al Zakat”**, Muassasah al Risalah, Beirut, 1987.
- Al Qarhawi, **“Fiqh al Zakat”**, Muassasah al Risalah, Beirut, 1987.
- Al Qarhawi, **“Fiqh al Zakat”**, Muassasah al Risalah, Beirut, 1987.
- DaniMuhtada “The Role of Zakat Organization in Empowering the Peasantry: A Case Study of the Rumah Zakat Yogyakarta Indonesia” , Islamic Finance for Micro and Medium Enterprises,ed. M. Obaidullah and Abdullateef S, **IRTI, Islamic Development Bank**, Saudi Arabia,2008.
- Government of India, **“Ministry of Statistics and Programme Implementation”**, Millennium Development Goals, India Country Report, HDR, 2005.
- Guermat, C.; Al-Utaibi, A. T. and Tucker, J. P., “The Practice of Zakat: An Empirical Examination of Four Gulf Countries”, **Discussion Papers in Economics, School of Business and Economics**, University of Exeter,U.K.,2003.
- HuseinSahata, “Muhasabah al Zakah”, Mesir, Dar al Syuruq, Cairo, 2003.
- IbnRusyd, “Kaherah: Maktabah al Kulliyat al Azhariyyah”, Bidayah al Mujtahid, 1966.
- Ibn. Qudamah, “Kaherah: Matba’ah al Qahirah”, Al Mughni, 1968.
- Mahyuddin Haji Abu Bakar, “Towards achieving the Quality of life in the management of Zakah Distribution to the Rightful Recipients (The poorest and needy)”, **International Journal of Business and Social Science**, Vol.2, No.4, March 2011.
- Mohammad Obaidullah, **“Introduction To Islamic Microfinance”**, IBF Net (P) Limited, India, 2008.
- MohdParidShaikh Ahmad, “KaedahPengagihan Dana Zakat: SatuPerspektif Islam (edited by Nik Mustapha Nik Hassan)”, KaedahPengagihan Dana Zakat

- Satu Perspektif Islam, Pusat Pungutan Zakat, Kuala Lumpur, 2001.
- Monzer Kahf, "**Economics of Zakah**", Book of reading, Islamic Research and Training Institute, IDB, Jeddah, 1997.
- Muhammad Azizan bin Abdullah, "Zakat: Penaja Kewangan, Penjana Sosio Ekonomi Ummah – Pena Zakat", Selangor, 2005.
- Muhammad Syukri Salleh, "**Lokalisasi Zakat: Satu Cadangan Teoritis**", Paper presented at Zakat Specialist Meet, UKM, 21-22 December 2002.
- Mujaini Tarimin, "Zakat Menuju Pengurusan Profesional", Utusan Publications and Distributors, Kuala Lumpur, 2005.
- Nik Mustapha Nik Hassan, "Institusi Ekonomi Islam Di Malaysia: Satu Analisis Cadangan", In Nik Mustapha Nik Hassan (ed.) Ekonomi Islam dan Pelaksanaannya di Malaysia, Kuala Lumpur, IKIM, 2002.
- Patmawati bte Hj Ibrahim, "Peranan Agihan Zakat Dalam Meningkatkan Tahap Ekonomi Ummah", Paper presented at the National Convention on Zakat and Taxes 2007 at PWTC, Kuala Lumpur, 2007.
- Sami Hasan, "Muslim Philanthropy and Social Security: Prospects, Practices and Pitfalls", Paper Presented at the 6th ISTR Biennial Conference held in Bangkok 9-12, July 2006.
- Wahbah al Zuhaili, "Usul al Fiqh al Islami", Dar al Fikr Damsyiq, 2005.
- Yusuf al Qaradwi, "Fiqh al Zakah", Mu'assassat al Risalah, Beirut, Lebanon, Several editions (Arabic).
- Zainal Abidin Jaffar, "Pengalaman Jakim Dan Kementerian Luar Bandar Dalam Menangani Masalah Kemiskinan", Paper presented at the National Workshop on Poverty and Social Security for the Poor and Needy Asnaf, UiTM Melaka July, 2001.
- Zulkefly Abdul Karim and Mohd. Azlan Shah Zaidi, "Pendapatan Sasaran Perbelanjaan di Negeri Kedah", Perak, Selangor dan Negeri Sembilan, Paper presented at the Zakat Specialist Meet, 21 – 22 December, UKM, 2002.
- DFID, [http:// www. Dfid. Gov. UK/ countries/ asia/ india.asp](http://www.Dfid.Gov.UK/countries/asia/india.asp)
- MDGs ,2005, [http:// www.undp.org /mdg /basics.shtml](http://www.undp.org/mdg/basics.shtml)

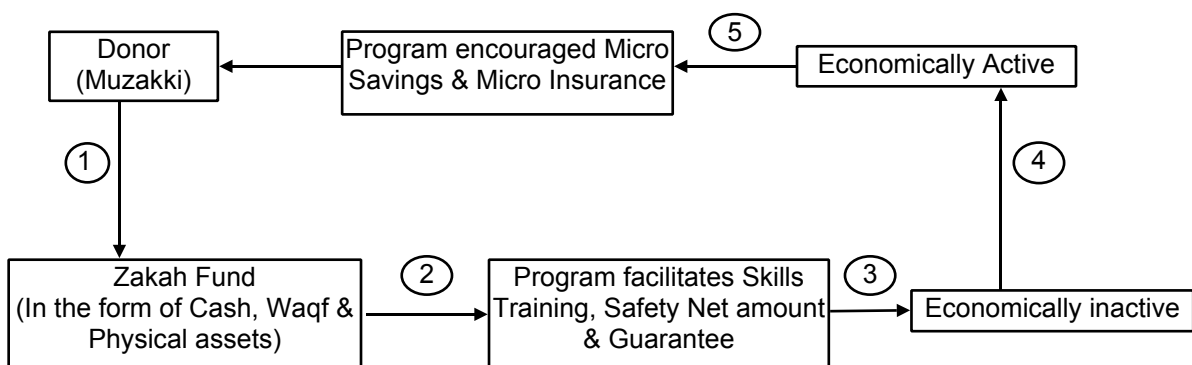


Figure : 1

Communication in Business Information Systems - New Perspectives

Pavel Ocenasek
Brno University of Technology, FIT
Bozotechnova 2, 612 66 Brno
Czech Republic,
email: ocnaspa@fit.vutbr.cz,

Miroslav Sveda
Brno University of Technology, FIT
Bozotechnova 2, 612 66 Brno
Czech Republic,
Email :sveda@fit.vutbr.cz

ABSTRACT

This paper outlines new perspectives of the effective design of communication in the business information systems. It deals both with the security and safety properties of the communication. The paper extends the theoretical principles and issues with the practical solutions.

Keywords: Protocol, design, implementation, authentication, payment, business.

INTRODUCTION

This paper extends the author's previous research (Ocenasek, 2006) and includes an extensions of the previous paper (Ocenasek, 2012) with the practical results that come out from the project of E-Commerce protocol design (Matuska, 2011) and includes partial information and research results from the author's dissertation (Ocenasek, 2010). E-commerce is not simply about business transactions that run over the Internet, but is fundamentally about the flow of information. The areas of E-Commerce and electronic processes are briefly described in (Glushko, et.al., 2005). Nowadays the boundaries of organizations are more fluid than they used to be. Supply-chain management forces companies to streamline the ways they manufacture, distribute, and sell products and ultimately will improve the way organizations conduct business. The supply-chain cycle begins with a customer's order. The manufacturer passes the order through the usual intra-enterprise activities, for example, sales, marketing, manufacturing, distribution, purchasing, and fiscal accounting. Usually the manufacturer turns to outside support from suppliers, utilities, transportation, and other providers of goods and services that are needed to make the product. The information exchange pertains to such matters as requests for quote, bids, purchase orders, order confirmations, shipping documents, invoices and

payment information. (Ocenasek, 2006) In this way multiple enterprises within a shared market segment collaboratively plan, implement, and manage the flow of goods, services, and information along the value system in a way that increases customer-perceived value and optimizes the efficiency of the chain. Company value chains are transformed into integrated value systems if they are designed to act as an "extended enterprise," creating and enhancing customer-perceived value by means of cross-enterprise collaboration. (Ocenasek, 2006; Datta, 2003; Ocenasek, 2012).

Security Properties

This chapter outlines definitions of properties and security goals specific for security protocols. Some of the definitions come from or are inspired by (Ocenasek, 2010).

Authentication

This term denotes the process of identity verification.

ENTITY AUTHENTICATION

Assuring one party identity through the presentation of evidence and/or credentials of the identity of a second party involved in a protocol, and the fact that the second party has actually

participated during the execution of the current run of the protocol.

MESSAGE ORIGIN AND INTEGRITY

The protocol must provide means to ensure confidence that a received message or a piece of data has been created by a certain party at some time in the past, and that this data has not been corrupted.

REPLAY PROTECTION

Assuring one party that an authenticated message is not old. This property deals with the freshness of messages.

Key Agreement

KEY AUTHENTICATION

Mechanism where one party is assured that no other party aside from a specifically identified second party may gain access to a particular secret key.

KEY CONFIRMATION

One party is assured that a second party actually has possession of a particular secret.

FRESH KEY DERIVATION

The protocol uses dynamic key management in order to derive fresh session keys.

Confidentiality (Secrecy)

The property that a particular data item or information is not made available or disclosed to unauthorized individuals and remains unknown to the intruder.

Non-Repudiation

Non-repudiation protocols must ensure that when two subjects exchange information over a protocol, neither one nor the other can deny participation in this communication. A typical non-repudiation protocol can provide a number of different non-repudiation services (Ocenasek, 2010), like non-repudiation of origin, non-repudiation of receipt and fairness, but the actual non-repudiation services provided by a protocol depend mainly on its application.

PROOF OF ORIGIN (NRO)

Non-repudiation of origin provides the recipient with the evidence NRO, which ensures that the originator will not be able to deny having sent the message. The evidence of origin is generated by the originator and held by the recipient.

PROOF OF DELIVERY (NRD)

Non-repudiation of delivery (NRD) is intended to provide evidence that the recipient received the message. This service also only applies when the protocol uses a third trusted party. Evidence of delivery is generated by the delivery subject, and will be held by the originator.

PROOF OF RECEIPT (NRR)

Non-repudiation of receipt provides the originator with the evidence NRR, which ensures that the recipient will not be able to deny having received the message. The evidence of receipt is generated by the recipient and held by the originator.

PROOF OF SUBMISSION (NRS)

Non-repudiation of submission (NRS) is intended to provide evidence that the originator submitted the message for delivery. This service only applies when the protocol uses a third trusted party. Evidence of submission is generated by the delivery subject, and will be held by the originator.

Fairness

The fairness can be defined as a function of non-repudiation of origin and of non-repudiation of receipt. If either both these properties are ensured or both are flawed for a given message, then we have fairness.

Design Process

Regardless of the method we use to create a protocol, we must be accurately aware of what goals and requirements the new protocol attaches (Matuska, 2011). The main objectives are in most cases, authorization and secrecy. Another requirement may be, for example non repudiation. (Matuska, 2011; Datta et.al., 2003) So, we suppose that the protocol that we propose must fulfill given goals. There are many ways to

implement them. Most of the available methods are not dealt with these problems, but trying to solve them simultaneously, which is not as simple when increasing number of targets increases the sophistication. The composition method (Choi, 2006) solves these problems at a time. The look for a solution for one requirement is much easier for a designer than seek a solution that would meet all the requirements at once. Each problem is implemented using independent mechanisms that are verified mutually and are then combined into one unit, which will ensure that all requirements are fulfilled at once. (Matuska, 2011)

The approach is similar to modular programming. It allows us to satisfy more complex goals, and it simplifies verification and guarantees the correctness of the protocol obtained from the approach. (Matuska, 2011; Ocenasek, 2012)

Security Requirements for E-Commerce Protocol Design

This section describes the basic requirements for the general payment protocol and shows how to implement the composition method for the protocol design. (Choi, 2006)

Participants in a payment protocol are typically the following: the card issuer, acquirer, customer and the trader. For each of them there are placed several security requirements to be followed in the draft protocol. (Ocenasek, 2012)

Card issuer and acquirer requirements

It is assumed that the credit card issuer and acquirer communicate with each other and they have an existing financial network that is safe from our perspective. Therefore, both entities will be in the next paragraphs treated as one and we will also define the requirements that put these entities.

N1: evidence that the transaction was authorized by the customer. If the purchaser wants to charge a particular credit card, there must exist clear evidence that the owner of the credit indeed authorized the payment with a card. This evidence

must not under any circumstances be used repeatedly, for example, to pay for other transactions. It must contain at least the minimum information: amount paid, menu description goods, and information about merchant shipping address or method of delivery. (Ocenasek, 2012)
N2: evidence that the transaction was authorized by dealers. If the purchaser wants authorize a payment to that merchant, he must provide clear evidence satisfying the mentioned requirements. (Ocenasek, 2012)

Merchant requirements

O1: evidence that the transaction was authorized by the acquirer (the bank). Trader requires clear evidence that his bank (acquirer) has authorized payment given. This evidence must include at least the appropriations: the date and time and a clear transaction identifier. Usually it is a unique number.

O2: Evidence that the customer authorized the transaction. Before a trader requests authorization from the purchaser, there must exist a clear evidence of the authorization of customer transactions.

Customer Requirements

Z1: Do not create an unauthorized payment. Credit card customers may not be used for payment, without the use PIN code, credit card number and secret signature key customer. To do this, the acquirer must be honest and secret key must be known to an attacker. Furthermore, the customer must be able to prove that the payment is authorized, if the attacker accidentally revealed secret key of the acquirer.

Z2: evidence that the transaction was authorized by purchaser. Customer may be required this evidence. Although it is not critical, it can be considered as decency.

Z3: confirmation from the merchant. Customer may request a proof that the trader, who was offered some products to him, was pocketing a payment and promised him his receipt.

Optional requirements

P1: Privacy. Customer may request that no one but the parties does not know, what was the object of the transaction.

P2: Anonymity. The customer and merchant may request anonymity in the payment system as protection from monitoring attackers.

Composition of the E-Commerce Protocol

The protocol has three main participants: merchant acquiring a customer. Generally we denote the party symbol. Each of these participants has two pairs of keys: the encryption and decryption, for signing and verification. Each of them knows the other party's corresponding public key certificates. In addition, of course, the customer has credit card has the information needed for authoring payments. A typical purchase can proceed as follows: the customer is looking at goods offered traders, for example, on the website and decide to buy something. He sends therefore a request to the merchant. Information on this order may also be send by transferee later to be able to verify the correctness of acquiring the data it receives from the merchant. To be complied with the requirement of P1, dealer order may authorize itself, so it will forward the information to the acquirer. On the basis of data received from the client before, and there is a payment authorization by generating the authorization code. He then sends it to the merchant and the customer. Merchant finishes order by sending the goods and confirmation to the customer.

The whole problem can be divided into three independent protocols, each of which has exactly two participants: one between the customer and the dealer (protocol 1), the second between the customer and transferee (protocol 2), and the third between the merchant and the acquirer (protocol 3). (Ocenasek, 2012)

Example of Generated Payment Protocol (in SPAN language)

protocol P; % public key

Identifiers

C, M, B : user;

OI, PI, MI : number;

EK_C, SK_C, EK_M, SK_M, EK_B, SK_B :
public_key;

Hash : function;

messages

1. C -> B: B, {PI,B,C,M}EK_B, {PI,B,C,M}SK_C', {Hash(PI),Hash(OI),B,C,M}SK_C', {OI}SK_C'
2. C -> M: M, {OI,B,C,M}EK_M, {OI,B,C,M}SK_C', {Hash(OI),Hash(PI),B,C,M}SK_C', {PI}SK_C'
3. M -> B: B, {MI,B,C,M}EK_B, {MI,B,C,M}SK_M', {Hash(OI),Hash(PI),Hash(MI),B,C,M}SK_M'
4. B -> C: C,Hash(PI,B,C,M)
5. B -> M: M,Hash(MI,B,C,M)
6. M -> C: C,Hash(OI,B,C,M)

knowledge

C: M, B, PI, OI, EK_C, SK_C, EK_M, EK_B, Hash;

M: C, B, MI, EK_C, EK_M, SK_M, EK_B, Hash;

B: C, M, EK_C, EK_M, EK_B, SK_B, Hash;

session_instances

[C:C_inst, M:M_inst, B:B_inst];

intruder_knowledge

Goal

secrecy_of OI [M,C];

C authenticates M on OI

secrecy_of PI [B,C];

C authenticates B on PI

secrecy_of MI [B,M];

M authenticates B on MI

As we could see, there is no matter of the order in which the customer sends the order information and payment due operators. Likewise, it does not matter the order of the fourth and fifth operation. In each operation, with the addition of binding elements that are not part of the original primitives, but had to be added to the protocol in order to relate primitives into a single unit, like the elements underlined. In this case, the entire protocol is compiled from three sub-protocols

(each entity communicates with each other). (Matuska, 2011)

Example of Generated Protocol with the Support for Authentication (in common syntax)

Let us consider subjects A, B and S and we have to generate a symmetric-key security protocol for authentication of subject A to the subject B (with the nonce NB generated by subject B), using the third trusted party – server S.

Resulting protocol generated by the tool

1. A -> B : S
2. B -> S : {KBS}KBS
3. B -> A : NB
4. A -> B : {NB-1}KAS
5. B -> A : {A}KBS
6. B -> S : {NB-1}KAS
7. S -> B : {S}KAS
8. S -> B : {NB-1}KBS
9. A -> B : {NB}KAS
10. A -> B : S

Optimized version of generated protocol:

1. B -> A : NB
2. A -> B : {NB-1}KAS
3. B -> S : {NB-1}KAS
4. S -> B : {NB-1}KBS

Final optimization of resulting protocol consists of removing the duplicate instruction (if any) and in removing instruction that do not affect the sets of knowledge and belief of involved subjects. As we can see, the resulting optimized protocol satisfies the goals for knowledge and belief. The subject B generates nonce NB and sends it to the subject A. Subject A receives the nonce, computes the equivalent NB-1 and sends it back to the subject B, encrypted with the only key that subject A knows: KAS. Subject B receives this message and forwards it to the trusted subject S. This subject S decrypts the message, encrypts it with the “proper” key KBS and sends it back to the subject B. This means that subject B receives NB-1 which was computed only by the subject A. In this way the subject A proved

the knowledge of NB and the knowledge of KAS respectively. (Ocenasek, 2010)

Once the protocol is designed, we have to prove the security properties with some existing verification tool. In this research, we use the AVISPA tool (see Chapter 3.4.6), which is quite intuitive. The application of more verification approaches is desirable, since not every method discovers all the possible attacks. (Ocenasek, 2010)

SUMMARY

One of the open directions for the further research (Ocenasek, 2010) is certainly the area of the design automation. Although we know that not all the issues in the design process can be automated and usually the approach requires the human interaction and the final verification, we believe it will be helpful to the designers. One such approach (Ocenasek, 2010; Matuska, 2011), which uses the proposed techniques, is the main contribution of this paper.

ACKNOWLEDGEMENT

The research has been supported by Technology Agency of the Czech Republic (TACR) in frame of the project SCADA system for control and monitoring RT processes, TA01010632. This project has been also carried out with a financial support from the Czech Republic through the project no. MSM0021630528: Security-Oriented Research in Information Technology and by the project no. ED1.1.00/02.0070: The IT4Innovations Centre of Excellence; the part of the research has been also supported by the Brno University of Technology, Faculty of Information Technology through the specific research grants no. FIT-S-11-1 and FIT-S-11-2 and by the project MPO CR, FR-TI1/037.

REFERENCES

- Choi, H. (2006) ‘Security protocol design by composition.’ Technical Report. University of Cambridge.

- Datta, A., Derek, A. Mitchell, J., Pavlovic, D. (2003) 'A Derivation System for Security Protocols and its Logical Formalization'. Proceedings of the 16th IEEE Computer Security Foundations Workshop.
- Glushko, J., McGrath, T. (2005) '**Document Engineering: Analyzing and Designing the Semantics of Business Services Networks**', Proceedings of the IEEE EEE05 international workshop on Business services networks BSN '05, IEEE Press.
- Matuska, P. (2011) '**Methods of Payment Protocols Design**'. Brno University of Technology, Faculty of Information Technology, Brno, CZ, (supervised by Pavel Ocenasek).
- Ocenasek, P. (2006) '**Business Service Networks: Communication and Security**', MendelNET Mendel University. Brno, CZ, ISBN 80-86851-62-1.
- Očenášek, P. (2010) '**Automated Design of Authentication and Key Distribution Protocols**', dissertation thesis, DIFS FIT Brno University of Technology, Brno, CZ, 2010.
- Očenášek, P. (2012) 'Effective Design and Implementation of Distributed Business Information Systems', **Proceedings of**

Turning Organization's Talent Base into a Genuine Competitive Advantage

Prof. Raza Shah
Department of Business Management
Deccan School of Management
Darul Salam, Near Nampally
Hyderabad-500 001 (A.P.)
e-mail: drrazashah@gmail.com

Prof. A. Suryanarayana
Former Chairperson, Board of Studies
Department of Business Management
Osmania University,
Hyderabad-500 007 (A.P.)
e-mail: professorsuryanarayana@yahoo.com
Phones: (M) 09848563756 (R): 040-24037546

ABSTRACT

The War for Talent, a 1997 McKinsey Report, alerted the business world to the importance of talent as a competitive advantage. The economic crisis of 2008 reminds us that the future is unwritten and in some ways unknowable. A quick scan of the news indicates that the level of turbulence in our economic and political environment probably won't abate. And while managing talent, we are trying to predict winners in a race with no finish line. Talent Management (TM) refers to a holistic approach to optimizing human capital, which enables an organization to drive short- and long-term results by building culture, engagement, capability, and capacity through integrated talent acquisition, development, and deployment processes that are aligned to business goals. The goal of a TM program is to create a highly responsive, high-performance, sustainable organization that meets its business targets. Talent acquisition, performance management, succession planning and management, and leadership development become the core functions of any High-impact TM Model. The only consistent approach to a High-performance TM Model is trying to understand that there is no one single model. Learning organizations simply carry the responsibility for the readiness of the organization to perform. The definition of TM must be shaped by the needs of the business unit or function being served, and there will always be those nontraditional opportunities that will add value and be the differentiator in a high-performance talent strategy. Any learning organization that grasps this concept and develops a TM strategy that plays in concert with the business will be highly valued. In today's world, TM plays a more important role than ever before, a role that will only increase with time and becomes an imperative. An attempt is made in this Paper to discover how TM is currently being used by a diverse range of organizations and to discern the best practices of an effective TM program.

INTRODUCTION

An old adage about business planning goes, "When times are good, have a simple plan; when times are complex, have a very simple plan." In a Deloitte Report titled, "It's 2008: Do You Know Where Your Talent Is?" analysts recommended a comprehensive approach to Talent Management (TM). They noted that acquisition and retention strategies don't work without methods for engaging employees and continually developing the skill of those employees who drive the lion's share of a company's performance and generate higher-than-average value for customers and shareholders. Hence, the philosophy of TM, even though simply stated, like most things, becomes and remains more difficult to actually achieve. It is all about knowing one's business and what it is trying to achieve, knowing one's leaders and what they need and want, and remembering that they are all affecting many people's lives and possibly their livelihoods with its talent consultation, tools, and processes.

Precisely for this reason, all managers have to take their responsibility as TM executives very seriously and diligently. As per Peter Cappelli, the Wharton School Professor, hiring from outside or internal development—the only ways firms "get" talent—are not adequate on their own in uncertain business environments. Instead, he recommends adopting Just-in-Time Supply-Chain Management practices as they address uncertainty and variability. He also advises coordinating talent efforts across the organization to avoid duplication and to mitigate the effects of faulty predictions about talent requirements.

BUILDING TALENT MANAGEMENT FOUNDATION TO MEET THE DEMANDS OF THE GLOBAL ECONOMY

Even before the economic chaos that hit the global markets late in 2008, the world's business environment was marked by turbulence, complexity, and relentless speed. Never before

has the world been so flat, so networked, or so interdependent. Competition comes from every corner in a real time, on-demand environment that deflects convention and shuns complacency. The capabilities and accessibility of emerging technologies are driving a frenzied pace of change in global economic, political, and market trends. At the same time, knowledge, power, and productive capability are more dispersed than at other time in our history. This complex, decentralized business environment is creating a demand for new operating models and a new approach to leadership.

For companies that are truly competitive in the knowledge economy, what was good enough performance yesterday is rarely good enough today—and will almost never be good enough tomorrow. For most organizations, the best way to meet this challenge is to become human-capital-centric, to focus on making talent their important source of competitive advantage. As the knowledge economy has unfolded, the strategic management of talent for optimum performance has become indispensable for competitive advantage. But many current approaches to acquisition, retention, and development are not able to produce the capability that is desperately needed by organizations to succeed today. And technology-based Performance Management Systems (PMS) can't compensate for a lack of a coordinated strategy. In this context, we need to take a comprehensive approach and a systematic framework. For example, Darden Restaurants' business strategy—to win financially and be a special place to be—addresses culture, organization structure, objectives, alignment, and leadership behaviors.

THE DEMANDS ON THE TALENT MARKET

Even as the word gets flatter and spins faster, there is a perfect storm converging on talent, as four business- and talent-related factors converge:

- First, economists predict that in the next three to five years, we will essentially run out of talent.

Our demand for globally minded talent will exceed the supply as baby boomers retire and future generations enter the workforce.

- Second, for the first time in the history of the workforce, four generations will coexist in the workplace, with very different organizational and psychological needs from their employers. Socially, this will create incredible changes for how to best attract and motivate talent, as well as how we manage and lead our organizations.
- Third, as organizations expand operations globally, firms' opportunities to leverage the world as our talent market increase 10-fold. Organizations are excited about and, simultaneously, worried about where to strategically locate organizational competencies and the talent to support their global operations.
- Fourth, as customers and partners from developing countries increase in strength and size, they will increasingly demand to see leadership teams that reflect their own customers and markets. And with a new generation of U.S.-educated, multilingual leaders coming out of Brazil, Russia, India, China, and Europe, U.S. companies will find ambitious, bright international counterparts that will not only lead their competitors but also provide competition for position within their own companies.

In sum, there has never been a more exciting or challenging time to be a talent management professional.

NEED FOR AND IMPORTANCE OF SUCCESSFUL TALENT MANAGEMENT STRATEGIES

Talent Management (TM) is one of the most critical and important corporate strategies in these changing and uncertain times for business leaders and TM professionals at every level

focused on recruiting, deploying, retaining, and optimizing “talent”. To wrestle with the all-important question of identifying and coming up with the right talent practices for any organization, practitioners have to balance the conceptual with the practical at every turn to enrich their thinking. This Paper makes an attempt to offer a valuable look into the talent practices of a range of organizations with differing contexts, challenges, and approaches. People who have ‘grown up’ in various lines of business thinking they ‘know it all’ or thought that they have implemented ‘best practices’ in the past need to be humbled by current trends in talent management that emulate true innovation not seen or heard before all wrapped up as a ‘package of diverse approaches’.

The truth is that track record of companies that have been held out as exemplars of best management practices is not one might like it to be. The challenge, of course, is that times change—as do the economy, technology, natural resources, and the public’s taste. What was popular one year may be less so the next. What once worked may not work as well now. And finally, what the employees of one generation may have wanted from their employers is, arguably, different from what those who follow them want. In this context, it is not all that surprising that the results of a search for excellence or an analysis of what it takes to move from good to great might differ from decade to decade, if not year to year. It would be presumptuous at best if any firm makes a claim that it has with him “best practices in TM”—comprising a combination of philosophies, tools, processes, and systems that have resulted in tangible benefits for it by using them. Based on the history of TM, it is potentially dangerous as well. We can at best glean through those TM practices, which have worked for businesses though they may not work for others. However, all successful TM practices put together, do contain some universal truths about how to manage talent so that its value is maximized. The benefits have to be in terms of more capable

managers, a deeper bench, increased employee engagement, and one hopes, better business results. When we know that they do work at some level, the trick is to figure out how and why.

TM practices in successful companies—though we know all too well, success can be fleeting—do have common names, how they are used from organization to organization can and does differ quite a bit. However, each of these firms must have decided that a comprehensive approach to managing talent is a worthwhile endeavor and would also claim that some portion of their success can be attributed to the investments they have made in it.

When we glean through the stories of practitioners, we need to understand the context for the TM story before we take an opportunity to look at TM challenges from a variety of perspectives that is not to say one is better than the other—just perhaps a little different.

EXPANDING TALENT MANAGEMENT THROUGH LEADERSHIP DEVELOPMENT

If TM is about supply and demand, then making smarter talent decisions requires up-to-date, reliable, and comprehensive information about positions and people. As part of a long-drawn plan to implement a fully integrated talent system, firms have to develop core position and talent profiles that live at the heart of the system. A firm has to recognize and accept that managing talent in a purposeful way is among the organization’s top priorities. In order to change the rules of the game in the marketplace, companies need to change the rules of the game internally. Only an aggressive and out-of-the-box strategy has a chance of delivering the desired results in TM. You can’t just tell people to change; we have to give them each their own reason and their own path. Hence, firms need to focus deliberately on executive audiences as an important

transformational process in TM. To effectively transform leadership paradigm, top management, in partnership with the firm's business units, need to define what kind of leadership behaviors are necessary for the company to march ahead on its growth path aggressively. All development is grounded and guided by a set of leadership competencies. More traditional approach of having leadership models created by external consultants and rolled out by HR may have to be replaced by more collaborative technologies to create and leverage on the leadership competencies required for an effective TM. They need to highly customized, strategically aligned leadership development models after benchmarking their work against industry and global best practices. Business impact is guaranteed only when business strategies, coupled with the highest quality assessment and development planning, are implemented by tailored people and other organizational consulting solutions. Specific success can be impossible to measure, but if the business is performing holistically, success is hard to miss.

In their own distinctive ways, firms have to formally and deliberately engage the leadership pool and keep them interested, involved, and informed about the direction of their TM efforts. After all, leadership development has to be performed in partnership with executives and not for them. Talent managers must align TM to business strategy. TM must start with business strategy and, when executed well, becomes a key lever of strategy execution and organizational success. They need to effectively leverage the full suite of TM services in support of the development of a strong and strategically aligned organizational culture. Leading organizations through comprehensive cultural change requires starting with a strong definition of what the firm's culture needs to be and then systematically hiring, developing, and rewarding the executive talent necessary to achieve what has been defined.

Any PMS should clearly differentiate on 'performance' and 'potential' and assess the depth and diversity of the organization's leadership talent pipeline with much greater confidence. This can be accomplished by developing Leadership Talent Plan with the following key elements in it. They are:

- Forecast of leadership requirements tied to the business strategy for the firm
- Assessment of the performance and advancement potential of each member of the current leadership team
- Identification of backups and feeder pools for all key leadership positions
- If replacements gaps existed, an action plan to close the gap
- Diversity analysis and an action plan, with the general rule that diversity improvement should occur year over year
- A retention strategy for top talent
- A leadership development strategy for every business unit and individual development plans for key talent.

Leadership Talent Plan Reviews have to be established at the senior management level on an annual basis and be made iterative and based on discussion. The goal has to be that managers at senior level report on the strengths of their leadership teams today and the depth and diversity of their leadership pipeline. These sessions are expected to act as platforms for discussing the critical issues and to provide viewpoints and insights with CEOs. HR's leadership has to be present during these reviews, but the meetings have to be led by the senior leader, not the HR leader. When the reviews point to the need, steps have to be taken to accelerate the development of the feeder pool to build up the depth and diversity of the next generation of leaders making it the next step in the evolution of the firm's TM capability.

AN ACTION PLAN FOR LEADING TALENT MANAGEMENT (TM)

In a growing number of progressive organizations, leading TM is the responsibility of the company's learning function and the top talent officer. Learning professionals with broad responsibilities often have expertise and experience with many of the levers of TM. They are key players and leaders in companies that recognize the importance of managing talent throughout the employment cycle to be a centrally directed function that links workforce capability to specific strategic goals. Most TM plans still focus primarily on succession planning and executive development. Many contributing processes take place in silos throughout the organization and do not add up to a strategic approach. Many organizations do not know what capabilities they need to be successful and which ones exist in their workforces. And no single leader is responsible for enterprise-wide TM. In short, TM is not maximized because it is piecemeal, uncoordinated, and often directed at the wrong employees.

It is critical that as executive leaders are engaged in a strategic dialogue about the firm's future, that they also consider what kind of capabilities the firms will need to execute those strategies successfully. This essential input to the TM process forms the basis of effective workplace plans, strategic development priorities, and succession strategies that build the leadership pipeline. Without the perspective, TM will not be connected to, and enable, business growth and success. In this context, two powerful lessons of the economic downturn of 2009 are: (i) how important it is for organizations to anticipate change and (ii) how critical it is yet to have the right people in the right jobs at the right time. The economic crisis made it a practical necessity to operate as if human capital—"people"—is every organization's most important asset.

Managing talent successfully calls for a high level of integration of all the functions and processes that contribute to putting the right people in the right jobs at the right time. A typical action plan for a comprehensive approach to TM should include the following aspects before its implementation"

- Understand the organization's key strategies and key metrics
- Determine and prioritize the human capabilities needed to support key strategies and key metrics
- Define TM throughout the life cycle of employees from recruitment to retirement, and identify the key processes that constitute TM for the organization under consideration
- Create an integrated model for managing talent across the whole organization. Align all the relevant systems and processes
- Measure results and communicate their impact.

KEY SUCCESS FACTOR RECOMMENDED FOR SUCCESSFUL TALENT MANAGEMENT

Analysis of research that has gone into the field of TM for decades has revealed and recommended several factors for success, which are as follows:

- Drive TM from the top of the organization to ensure that it will have support from senior managers and not fall into silos
- Ensure that TM efforts support all the key organizational strategies and align all components of TM to support optimal performance
- Manage talent with a long-range perspective but retain the ability to respond to changes
- Manage talent actively and strategically, in good times and bad times and nurture talent-oriented corporate cultures

- Organizations need to be more human-capital centric
- Business strategy should be determined by talent considerations and it in turn should drive HCM practices
- An organization's expert resource on talent development should play a key role in strategy, organization, design, and change, and have accountability for employees' effectiveness
- TM leaders must be able not only to define and build capability but also employ business knowledge, communication skills, teamwork, and knowledge of learning technology to make TM successful and effective across an organization
- Integrate the TM function under one leader—in charge of leading and coordinating the effort—to help ensure a seamless approach and to be able to overcome the vertical silo structures that have slowed progress in the past
- Use TM metrics and within the organization, cultivate the skills needed to manage talent effectively
- One can't do TM unless there is a PMS in place that clearly differentiates both performance and potential.

EVALUATING THE SUCCESS OF A TALENT MANAGEMENT PROGRAM THROUGH METRICS

We know, or believe, that it's true—that what gets measured gets done. The challenge, of course, is that an effective TM measurement system requires a shared understanding of goals and outcomes, which are often either poorly articulated or simply nonexistent; agreement on the metrics that will be used to make judgments, and a system for collecting, analyzing, and reporting data. Each of these is hard to do alone. Doing them all at the same time, and doing them all well, can be a significant challenge.

Top management has to demonstrate that TM is the responsibility of every manager within the company. It is not something that is owned or

mandated by Human Resources (HR). This is not to say, however, that HR is not involved. Rather, HR is responsible for providing an infrastructure—a strategy and then a set of policies, processes, and practices—that helps managers fulfill their TM responsibilities effectively, consistently, and in a way that can successfully be measured. HR's connection to TM should begin with the statement of a relatively simple strategy: “select, engage, and retain the people needed to enhance competitive advantage.” What HR generally should do is put in place a measurement system that provides information to managers about the degree to which the company is successfully implementing its people strategy involving the efficacy of its three elements viz., procurement, development, and engagement of its people.

A typical Talent Management Metrics (TMM) Report should ideally be generated twice each year and be used to identify and measure progress on the strategy's deployment. Ideally, the report should correspond to and deal with all the three elements mentioned earlier so that it contains (i) a series of goals associated with the particular element of the people strategy, (ii) the target metric for each of the goals, and (iii) the actual metric achieved for each goal by the business units and corporate functions. Detailed metrics information can however be made available for all the subdivisions of the organizational structure. A separate section of the report preferably should focus on employee development on all the important indicators associated with it. They should not only address the completion of development activities themselves but also focus more on the impact of development. This approach of measuring both activity and impact has to be made consistent for all parts of the TMM Report. Finally, it almost goes without saying that reports only matter if people read, understand, and believe them—and even more important, act on them. Each edition of these reports has to be provided to senior

managers throughout the organization and is presented to and discussed with the CEO and those who report directly to him. Individuals who are accountable for each of the metrics have to be made to explain variances and to present plans describing what actions will be taken to address process deficiencies. The bottom line is that everyone involved has to take the report and all that it represents seriously. In the final analysis, it becomes a well-respected and valuable indicator of the state of the management of talent when it is provided by HR, but owned by managers at all levels throughout the organization.

CONCLUDING COMMENTS

At least three key contributory factors are required to produce an intense focus on the management of 'talent'. First, there has to be a shared understanding of, agreement with, and application of the company's creed, principles, employee expectations, and what it takes to be successful in the organization. Secondly, management development has to become an important tool for implementing the company's business strategy and TM agenda so that collectively, core development programs create highly aligned and motivated managers who practice their craft consistently in all parts of the organization. Lastly, we need to have measures and metrics to show the degree to which the organization's key TM processes are being used throughout the organization. Integrated Talent Management (TM) remains a relatively new phenomenon, and organizations seem to get better at it over time. New research, techniques, and technologies are emerging to improve the management of talent. Clearly, effective and integrated TM is not easy to achieve. It is after all a complex system with many different parts. The sooner that organizations learn to set up and nurture these systems, however, the sooner they will be able to turn their organization's talent base into a genuine competitive advantage. TM isn't rocket science. It isn't some mysterious black art

that requires special training, exotic spices, and secret chants. However, it is something that a lot of people appear to be interested in. A smaller number actually attempt to implement TM practices and processes, which even smaller number will do successfully.

REFERENCES

- Bersin, Josh. 2007. ***High-Impact Talent Management: Trends, Best Practices and Industry Solutions***. Oakland: Bersin & Associates.
- The Economist. 2006. ***A Survey of Talent***. October 7.
- Lamoureux, Kim. 2009. High-impact Succession Management: Best Practices, Models, and Case Studies in Organizational Talent Mobility. Oakland: Bersin & Associates.
- Levensaler, Leighanne, 2008. The Essential Guide to Performance Management Practices Part 1 and Part 2 Oakland: Bersin & Associates.
- Levensaler, Leighanne, 2008. Talent Management Suites: Market Realities, Implementation Experiences, and Vendor Profiles. Oakland: Bersin & Associates.
- O'Leonard, Karen, 2008. 2008 Talent Management Factbook: Global Trends, Facts, and Strategies in Corporate Talent Management. Oakland: Bersin & Associates.
- ASTD (American Society for Training & Development). 2009a. ***Talent Management Practices and Opportunities***. Alexandria, VA:
- ASTD. <http://www.i4cp.com/contact/download>

/media/talent-management-survey-
findings/contact_download

=98B2=4613=8A95=1086C7E3044D/0/
010917 TalentMgmtWP5.pdf

.2009b. The New Face of Talent

Management: Making Sure Your Employees
Really Are Your Most Important Asset. ASTD
whitepaper.

<http://www.astd.org/NR/rdonlyres/AC467C24>

Momentum Executive Development. 2007.

Talent and Leadership Practices 2007.
Reading, U.K.” Business Momentum
Ltd.[http://www.](http://www.Businessmomentum.com/Talenandleader)

[Businessmomentum.com/Talenandleader](http://www.Businessmomentum.com/Talenandleader)
[ship/69DownloadtheMomentum.html](http://www.Businessmomentum.com/Talenandleader).

An Alternative View of VAIC™ Model in Indian Context

Amitava Mondal
Assistant Professor in Commerce,
Kalna College, University of Burdwan ,
West Bengal, India.
Email: a_mkolkata@yahoo.co.in

Dr. Santanu Kumar Ghosh,
Professor in Commerce,
University of Burdwan,
West Bengal,
India.

ABSTRACT

It is considered that in the knowledge economy the source of economic value is no longer depend upon the production of material goods but the creation of intellectual capital. Experts agree that Conventional measurement systems are not adequate for intellectual capital performance measurement. Alternately, Pulic's Value Added Intellectual Capital (VAIC™) gained popularity among the researchers for measuring intellectual capital performance. It is a performance indicator comprising of three efficiency indicators namely, human capital efficiency, structural capital efficiency and physical capital efficiency. In calculating VAIC™, Pulic assumes that structural capital is not independent rather it is dependent on value creation and inversely related to human capital. The objective of this paper is to examine the empirical validity of this assumption. In other words, this paper examines whether structural capital has direct contribution to the value creation like other two types of resources. The study results of 30 Indian largest (on the basis of market capitalization) software and pharmaceutical companies confirm the Pulic's assumption

Key Words: Human Capital, Structural Capital, VAIC™, Profitability

Paper Type: Research Paper

INTRODUCTION

Present economy is termed as knowledge economy where information, knowledge and information technology are considered as strategic assets. In this new economy tangible assets are fast becoming secondary assets as application of intangible assets like employee capability and competency, management philosophy, culture, innovative process and customer loyalty etc. have increased manifold to create value. All invisible assets which are employed in the business are collectively called as intellectual assets or intellectual capital. Intellectual capital is associated with the main source of individual, organizational as well as national competitiveness in today's knowledge economy. Several empirical studies show the significance of intellectual capital at corporate level. Canadian Institute of Chartered

Accountants' survey concludes that intellectual assets are crucial for firm's success. Abernathy et al., (2003) estimate that investment in intellectual capital creates twice fruits as compared to the same amount of investment in physical assets.

Being intangible the components and application of intellectual capital in the business organization is invisible. Since intellectual capital is crucial for organizations like knowledge intensive, therefore, it is necessary to measure for better management. For measurement of intellectual capital there is no unique model which can be used to measure the organizational intellectual capital. The feature of intangibility vitiates the intellectual capital measurement methods. However, today Pulic's (2000) VAIC™ has gained popularity among the researcher to measure the

value creation efficiency of organizational intellectual capital. This model is extensively used in wide range of empirical researches to examine the relationship value creation efficiency of intellectual capital and corporate financial performance.

The purpose of the present study is to examine the empirical validity of VAIC™ model. That is the underlying proposition of the Pulic's (2000) model is examined in this study. The analysis is based on a sample of 30 software and pharmaceutical companies operating in India.

Intellectual Capital

The term 'intellectual capital' has been defined by different researchers differently. There is no precise agreement on definition of intellectual capital. Generally, the term "intellectual capital (IC)" is used to refer to intangible assets or intangible business factors of the company, which have a significant impact on its performance and overall business success, although they are not explicitly listed in the balance sheet (if so, then under the term goodwill).

Researchers categorized all non- physical assets and resources of an organization into several components. Popular components include human capital, structural capital and relation or customer capital.

Human Capital: The roots of human capital can be found in the Smith's economic theories, where he defined contribution of human capital is important to the organizational performance and to the economic growth of the country as well. Human capital includes the knowledge and efficiency that employees take with them when they leave the firm. It encompasses knowledge, skills, experience and ability of people. Roos et. al. (1997) argues that employees generate IC through their competence, their attitude and their intellectual agility. Competence includes skills and education, while attitude covers the behavioral component of the

employees' work. Intellectual agility enables one to change practices and to think of innovative solutions to problems.

Structural Capital: From the organizational perspective structural capital includes all non-human resources of knowledge like, data bases, organizational charts, executive instructions of the processes, strategies, administrative programs, so in other words, the content of such issues is much more higher than its material value (Roos et al., 1997). Structural capital is that part of intangible assets that stays within the firm at the end of the working day. Therefore, development and use of such structural components such as information and information technology it is possible to reduce costs and enhance profitability.

Relation Capital: Relation capital includes all resources that linked to the external relationships of the firm with customers, suppliers or other stakeholders. Therefore, relational capital is the knowledge that is embedded in the relationships with any stakeholder that affects the firm's life. Capello and Faggian (2005) assumed that relational capital is a combination of different kind of relationships – market relationships, power relationships and cooperation – accordingly, practiced within the firms, institutions and people that are embedded with a high sense of cooperation.

Intellectual Capital and Organizational Performance

It is widely recognized that corporate value is primarily created from the investment in intangibles or intellectual capital rather than tangible capital. Several researchers significantly proved that intellectual capital influences to the organizational performance. The study results of Hitt et. al., (2000) proved that the role of intangible capital more dominant as compared with tangible capital. Pulic's research (2000) result shows that intellectual capital can be used to add value to

the organization. Teece (2000) states that intangible assets of the firm and its IC are the keys to gaining sustainable competitive advantage and considered as the drivers of the economic growth. Researchers like Riahi-Belkaoui (2003), D.G. Marvidis (2004), S. Najibullah (2005), Ming-Chin Chen et. al., (2005), Hong Pew Tan et. al., (2008) etc have reported a positive association between intellectual capital of the firms and their respective financial performances. P.kujansivu and A. Lonquist (2005)'s study show that value of intellectual capital and value creation efficiency of intellectual capital of Finnish companies are somehow related.

Based on above literature reviews, we hypothesize that;

H1: Intellectual Capital has influence to corporate financial performance in Indian companies

VAIC™, Value Added Intellectual Capital

The Value Added Intellectual Coefficient™ (VAIC™) methodology developed by Ante Pulic (2000) forms the underlying measurement basis for the independent variable in the present study. In his words VAIC™ is an analytical procedure designed to enable management, shareholders and other relevant stakeholders to effectively monitor and evaluate the efficiency of VA by a firm's total resources and each major resource component. VAIC™ is the sum of two indicators. These are: (i) Capital Employed Efficiency (CEE) –the indicator of VA efficiency of capital employed; and (ii) Intellectual Capital Efficiency (ICE) – the indicator of VA efficiency of company's Intellectual Capital base. Intellectual Capital Efficiency, on the other hand, is composed of (a) Human Capital Efficiency (HCE) – the indicator of VA efficiency of human capital; and (b) Structural Capital Efficiency (SCE) – the indicator of VA efficiency of structural capital. Following equation (1) formalizes the VAIC™ relationship algebraically:

$$VAIC^{TM}_i = CEE_i + HCE_i + SCE_i$$

Where:

$VAIC^{TM}_i$ = VA intellectual coefficient for company i;

CEE_i = capital employed efficiency coefficient for company i;

HCE_i = human capital efficiency coefficient for company i; and

SCE_i = structural capital efficiency for company i.

Pulic (2000) states that higher the $VAIC^{TM}$ coefficient, the better will be the efficiency of VA by a firm's total resources. The first step in calculating CEE, HCE and SCE is to determine a firm's total VA.

This computation may be done with the help of the following algebraic equation:

$$VA_i = I_i + DP_i + D_i + T_i + M_i + R_i + WSi$$

Where: VA for firm I is computed as the sum of interest expenses (I_i); depreciation expenses (DP_i); dividends (D_i); corporate taxes (T_i); equity of minority shareholders in net income of subsidiaries (M_i); and profits retained for the year (R_i) and the wages and salaries (WS_i).

Alternatively VA can be calculated by deducting operating expenses (materials, maintenance , other external costs) from operating revenues.(Pulic, 2000).

According to Pulic (2000), CEE is the ratio of total VA divided by the total amount of capital Employed (CE) where capital employed is defined as the book value of a firm's net assets. Equation (3) presents the CEE relationship algebraically:

$$CEE_i = VA_i / CE_i$$

Where:

CEE_i = capital employed efficiency coefficient for company i;

VA_i = VA for firm i; and

$CE_i = \text{book value of the net assets for firm } i.$

Consistent with the views of other leading IC researchers Pulic (2000) argues total salary and wage costs are an indicator of a firm's human capital (HC). HCE, therefore, is calculated as the ratio of total VA divided by the total salary and wages spent by the firm on its employees. Equation (4) shows this relationship algebraically:

$$HCE_i = VA_i / HC_i$$

Where: HCE_i = human capital efficiency coefficient for company i ; VA_i = VA for firm i . and HC_i = total salary and wage costs for firm i .

In order to calculate SCE, it is first necessary to determine the value of a firm's structural capital (SC). Pulic (2000) proposes a firm's total 'VA less its human capital' is an appropriate proxy of a firm's SC. That is:

$$SC_i = VA_i - HC_i$$

Where: SC_i = Structural capital for company i ; VA_i = VA for firm i and HC_i = total salary and wages spent by the firm i .

Based on prior empirical research findings, Pulic (2000) argues that there is a proportionate inverse relationship between HC and SC in the value creation process. According to him, the less Human Capital participates in value creation, the more Structural Capital is involved. Consequently, Pulic (2000) suggests the following formula for calculating SCE which is the ratio of a firm's SC divided by the total VA: $SCE_i = SC_i / VA_i$

Where: SCE_i = structural capital efficiency coefficient VA for company i ; SC_i = Structural capital for company i ; and VA_i = VA for firm i .

Recently, VAICTM method has gained popularity among the researchers to measure intellectual ability of companies. K.H. Chan (2009) supports the adoption of this technique as an effective method

of measuring intellectual capital efficiency because:

- It produces quantifiable, objective and quantitative measurements without the requirement of any subjective grading and awarding of scores or scales. It aids further computation and statistical analysis by using a large sample size that may run into thousands of data items collected over a period of time.
- It provides indicators that are relevant, useful and informative to all stakeholders, but not just shareholders, and with which they may also identify and compare the key components of IC in order to assess company performance.
- It uses financially oriented measures so that any indicators, relations or ratios computed may be used for comparison along with traditional financial indicators commonly found in business, which are based on monetarily derived units or measures.
- It uses very simple and straight forward procedures in the computation of the necessary indexes and coefficients, which may be simple to understand, especially for management and business people who are accustomed to traditional accounting information.
- It makes use of public or published financial data so that it may enhance the reliability of the measurement, and improve data availability.

Besides these advantages the VAIC model is not free from limitations. First one is that, it is assumed in the calculation of structural capital efficiency that there is inverse relationship between human capital and structural capital, that less structural capital is required if more human capital is employed in the business. Because of this inverse relationship the calculation of SCE indicator is opposite (structural capital is divided by value added) that of the other two indicators, i.e., HCE (value added is divided by human capital) and CEE (value added is divided by

capital employed). Therefore, SCE cannot exceed one where as other two indicators can. Second one is the impact of relation capital is not considered in the model. In this study we calculate VAIC of sample companies assuming that there is no inverse relationship between human capital and structural capital. That is the requirement of structural capital does not depend upon the human capital. Structural capital is so important like human capital and structural capital. Therefore, SCE is calculated by using following formula

$SCE = VA / SC$, VA=value added, SC= Structural Capital; and

$$VAIC = HCE + SCE + CEE \dots\dots\dots(1)$$

Secondly the impact of relation capital is considered in our study. In this study relation capital is considered as external structural capital and all types of marketing and sales promotion expenses are considered as investment to strengthen the external relationship of the organization. Therefore, those expenses are considered as capital and included with the value of the structural capital to calculate the total value creation efficiency of structural capital. Therefore, SCE (T) is calculated by using following formula

$$SCE(T) = \frac{VA}{SC+RC}, RC = \text{Relation Capital}; \text{ and}$$

$$VAIC = HCE + SCE(T) + CEE \dots\dots\dots(2)$$

Sample

The data used in this empirical study are collected from published annual reports of respective company and from Capitaline Database. The study confined to 30 software and pharmaceutical companies for the period 2007 to 2011. The companies taken in this study on basis of market capitalization and are listed in the Indian stock market.

Measures of Dependent variables

For the purpose of conducting the analysis in the present study one dependent variables namely profitability, has been used. Following two

commonly used proxy measures of profitability are applied in this study.

1. **Return on Assets (ROA):** Profitability shows the degree to which a firm's revenues exceed over cost. It is the ratio of the net income (less preference dividends) divided by the book value of total assets as reported in the annual reports; (Williams and Firer,2003; Chen, Cheng and Hwang ,2005;).
2. **Operating profit to Sales (OPS):** Another measure of profitability, operating profit to sales is used in this study. It is a ratio of operating profit to sales.

Control variables

For the purpose of empirical analysis this study uses correlation and multiple regressions as the underlying statistical tests. In conducting the liner multiple regressions analyses following control variables are have been included to segregate the influence of intellectual capital.

1. **Size of the Firm (SIZE):** Size of the firm as measured by the natural log of total assets is used to control for the impact of size on wealth creation through economies of scale, monopoly and bargaining power (Riahi-Belkaoui, 2003).
2. **Leverage (DER):** Financial leverage and debt structure as measured by total debt divided by book value of total assets is used to control for the impact of debt servicing on corporate performance and wealth creation (Riahi-Belkaoui,2003).
3. **Physical capital intensity (PC):** Physical capital intensity as measured by a ratio of a company's fixed assets to its total assets (Firer and Stainbank, 2003; Firer & Williams, 2003 ;) is used to control for the impact of fixed assets on corporate performance. The assumption is that company's fixed assets have significant impact on company's financial performance.

4. **Age:** age of the organizations is measured by differentiating year of incorporation from the respective years under consideration of this study.

Empirical Models

Following three regression models are be used in this study where Model-1 related with VAIC calculated on the basis of Pulic's(2000) proposition and Model 2 related with VAIC calculated in equation (1) above and Model 3 related with VAIC calculated in equation (2) above.

$$\text{Profitability}_{it} = \beta_0 + \beta_1 \text{VAIC}_{it} + \beta_2 \text{Control Variables}_{it} + \epsilon_{it} \quad (\text{Model 1})$$

$$\text{VAIC} = (\text{VA}/\text{HC} + \text{SC}/\text{VA} + \text{VA}/\text{CE})$$

$$\text{Profitability}_{it} = \beta_0 + \beta_1 \text{VAIC}_{it} + \beta_2 \text{Control Variables}_{it} + \epsilon_{it} \quad (\text{Model 2})$$

$$\text{VAIC} = (\text{VA}/\text{HC} + \text{VA}/\text{SC} + \text{VA}/\text{CE})$$

$$\text{Profitability}_{it} = \beta_0 + \beta_1 \text{VAIC}_{it} + \beta_2 \text{Control Variables}_{it} + \epsilon_{it} \quad (\text{Model 3})$$

$$\text{VAIC} = (\text{VA}/\text{HC} + \text{VA}/(\text{SC} + \text{RC}) + \text{VA}/\text{CE})$$

Here, VA = Value added, HC = Human Capital, SC = Structural Capital, RC = Relation Capital, CE = Capital Employed.

RESULTS

Followings two tables show the empirical results of our study.

Table: 1: Regression results of three models where profitability is measured by return on assets

Table: 2: Regression results of three models where profitability is measured by operating profit to sales

* denotes significance at 5% level and ** denotes significance at 10% level.

DISCUSSION AND CONCLUSIONS

In the knowledge economy intellectual capital is considered as important strategic assets for value creation. Organizations are investing enormous sums of money for building such intellectual assets base. But, there is no well accepted model to measure intellectual capital in the accounting and finance literatures. In this situation Pulic's VAIC

model gives an idea about the value creation efficiency of company's intellectual capital and the model is widely applying in the empirical researches. The main advantage of this model is the simplicity and based on the audited financial information. Researchers and practioners have raising questions about the constitution of the model. The main criticism against this model is the inverse relationship HC and SC in the value creation process. Another is the non-inclusion of relation capital in the model.

Present study is conducted to examine the rationality of these criticisms against this model. The empirical examination is based on data of 30 (15 software and 15) pharmaceutical companies for the period 2007 to 2011. In this study first model takes the original VAIC model, second model includes the VAIC assuming that SC has direct impact in the value creation and in the third model contribution of RC (relation capital) is considered in calculating VAIC.

The empirical results show that Pulic's assumption is correct, since VAIC in the model-1 is significant in two cases. Independent and control variables explain 35% variation in dependent variable which is statistically significant. In other two models the empirical results are not satisfactory. Therefore, empirical results support the Pulic's assumption in building the model. Another finding of this study is that marketing and sales promotion expenses may not be representative of relation capital (RC) of the company. However, before generalization about the findings of this study more detailed study is required on large sample size covering different industries.

REFERENCES

- Edvinsson, L. and Malone, M.S., (1997). *"Intellectual capital: The proven way to establish your company's real value by measuring its hidden brainpower"*. London: Judy Piatkus.

- Firer, S. and L. Stainbank (2003) ***“Testing the relationship between intellectual capital and a company’s performance: Evidence from South Africa”*** Meditari Accountancy Research Vol. 11 2003: 25 – 44
- Hitt, Michael A. et al. (2001). ***“Direct and moderating effects of human capital on strategy and performance in professional service firms: A resource based perspective”***. Academy of Management Journal, 44(1), 13-28.
- Hong P. T., David P., Phil H., (2008). The evolving research on intellectual capital. Journal of Intellectual Capital, 9, 585 – 608
- Ming- Chin Chen et al., (2005), ***“An empirical investigation of the relationship between intellectual capital and firm’s market value and financial performance”***, Journal of Intellectual Capital. Vol.6, No.2.
- Mavridis, D. (2004). The Intellectual Capital Performance of the Japanese Banking Sector. Journal of intellectual Capital, 5(1), 92-115.
- Paula Kujansivu and Antti Lönnqvist (2005), ***“The Value and Efficiency of Intellectual Capital in Finnish Companies”***. Available Online. http://www.tut.fi/units/tuta/tita/tip/Kujansivu_Lönnqvist.pdf
- Pulic, A. (2000), ***“VAICTM- An accounting tool for IC management”***, International journal of technology management Vol. 20 No.5,6,7,8.
- technology management Vol. 20 No. 5, 6, 7, 8.
- Riahi-Belkaoui (2003) ***“Intellectual Capital and Firm Performance of U.S. Multinational Firms”***, Journal of Intellectual Capital. Vol.4 (2).
- Stewart, T.A., (1997). ***“Intellectual capital - The new wealth of organizations”***. London: Nicholas Brealey.
- Syed Najibullah (2005), ***“An Empirical Investigation of the Relationship Between Intellectual Capital and Firms’ Market Value and Financial Performance in Context of Commercial Banks of Bangladesh”***. Available on-line. <http://sb.iub.edu.bd/internship/autumn2005/0220175.pdf>
- Teece, D.J. (2000), ***“Managing Intellectual Capital: Organizational, Strategic, and Policy Dimensions”***, Oxford University Press, Oxford.
- Chan, K. H. (2009), ***“Impact of intellectual capital on organizational performance. An empirical study of companies in the Hang Seng Index (Part 2)”***. The Learning Organization, Vol. 16, No.1, pp.22-39.
- Pulic, A. (2000) ***“VAICTM- An accounting tool for IC management”***, International journal of technology management Vol. 20 No.5,6,7,8.

Table 1						
Independent Variables	Dependent Variables ROA					
	MODEL-1		MODEL-2		MODEL-3	
	Coefficients	t-statistic	Coefficients	t-statistic	Coefficients	t-statistic
Constant	-0.012	-0.158	-0.008	-0.183	-0.006	-0.094
VAIC	0.288	1.822**	-0.885	-6.961*	-0.642	-3.568*
DER	-0.031	-0.131	-0.239	-1.858**	-0.294	-1.564
PC	-0.106	-0.456	-0.11	-0.861	-0.227	-1.255
SIZE	-0.06	-0.277	-0.064	-0.51	-0.065	-0.366
AGE	-0.182	-0.866	0.207	1.609	0.061	0.344
Adjusted R ²	0.271		0.692		0.254	
F-Value	1.351**		10.342*		2.874*	

Table 2						
Independent Variables	Dependent Variables OPS					
	MODEL-1		MODEL-2		MODEL-3	
	Coefficients	t-statistic	Coefficients	t-statistic	Coefficients	t-statistic
Constant	0.153	1.247	0.283	1.920**	-0.002	-0.088
VAIC	0.541	3.141*	-0.18	-0.879	-0.246	-1.161
DER	-0.031	-0.182	-0.18	-0.886	-0.172	-0.776
PC	-0.192	-1.124	-0.269	-1.319	-0.347	-1.626
SIZE	0.069	0.407	0.069	0.32	-0.1	-0.479
AGE	-0.095	-0.552	0.032	0.164	-0.057	-0.276
Adjusted R ²	0.346		0.08		0.041	
F-Value	2.542**		0.571		0.781	

Low Cost Addition of High Value to the Customer 2 10 2012 an Exploration

KVSS Iyer
1392, 11th cross, 1st d main,
Kengeri satellite town,
Bangalore 560060.

ABSTRACT

Value addition to the customer: a value created for the benefit of the Customer over and above the conventional contractual obligations is becoming more and more a practice in the business houses for sustaining the customer patronage with repeat orders while attracting non customers into the fold of the customer list through word of mouth marketing done by the existing Customers. Executing contracts to perfection to the satisfaction of the customer expectations both implied and explicit is the minimum every business man would do or obliged to do as a matter of contractual obligation. That is obligatory and any deviation from those expectations can be the cause for Customer Complaints or the cause for the customers not coming back with repeat orders or defecting to the competitors. So smart business men make it a point not only to ensure the contractual expectations of each and every customer is fully met but also additional values are created for the customer during the contract execution. Such value addition is a gift or a bonus to the customer as a matter of good business relationship and good will and is well within the business ethics. Such value additions can be more of nonmaterial types like the sharing the wisdom of experiences in the hands of the business houses but not easily available to the customer on account of the special privilege enjoyed by the contracting business houses for its expertise or mastery in a specific field or having access to the areas of the service which is for some reason overlooked by the customer for incorporation but has a contribution to the performance of the product substantially. This article explores some of the areas of value addition to the customer and its impact on the customer relationships with cases from the lines. The cases quoted are real but the names and figures are fictitious for reasons of confidentiality. This article is strictly restricted to education and training only.

INTRODUCTION

Value addition to the customer: the ways and means not merely to get each customer back with repeat orders but also to get all the non customers in the fold for an ever expanding business prospects is in the primary agenda of each and every business man or woman. Every customer is the source of business growth and prosperity if this agenda is in practice. There are seven business houses which survived all the hurdles and distractions not for a year or two but more than thousand years and these companies are Japanese by place of operations. The secret of this long lasting success as brought out by the speaker in the Dr Palkhiwallah memorial lecture is the trust the customers had in them for their commitments and integrity in performance to

the promise they made to the customers. The very fact that the customers are able to lay trust in the commitments of the business houses is itself the greatest value addition to the customers. Each time the customer places an order without going through the rigorous expensive time consuming processes of vendor evaluation is a great saving on money and time.

Now who are these Customers in spirit and content? It is something to be clear before we go further. The saying goes the first customer is the boss: the boss to whom one reports on a daily basis; he employer on whose behalf the whole operations are done; the employer who pays for the services done. So when we say the customer the range of transactions or interactions or

responses is as wide as anybody and everybody who has a stake in our operations or who can be affected adversely or advantageously by our operations either implicit or explicit. Hence the range of band width in which we can strategize our operations to create value to the customer is more or less infinite. Now the question is whether all the options are well within our competence or not. As such it is not merely there are opportunities for exercising the options to create value but also it is equally critical that those options are well within our competence to execute. When we say well within our competence it is goes without saying that the values creation to the customer must be at no additional cost to us to survive in the business and create extra wealth out of such operations. Put in other words such value creations strategies are to be some which does not need investment of money or time but investment of talents and competencies which calls for only sharing of experiences or competencies well within our reach but not so in the hands of the customer. What are these areas where in we can create values to the customer but does not call for investment of money or time?

In the name of value addition if investment of money and time is minimized to bare minimum to eliminate the cost addition to the customer by way of increased prices. This becomes possible when the service providers creates value to the customer by focusing close attention to areas of the work or assignment in which they have the best of mastery but not in the mastery of the customer or the supplier.

Let us examine this aspect of value creation through an analysis of some of the cases from the lines.

ILLUSTRATIONS

suggestions for Quality Improvement and enhanced service based on observations during inspection

Each inspection more so the In Process Inspection Audit is an opportunity to evaluate the self so also

evaluate the adequacy compliance of the process to specifications is a must and is not negotiable. But there is always an expectation which when materialized becomes the cause for better satisfaction and even the ultimate users needs whether specified or not. Complying gwith contract a delighting experience. It is an experience brought out by spontaneous application of the built in competencies over a period of time of having access to products and processes of various complexities both technological and other wise.

The graphical representation shown above is the variation of the actual measurements taken on a set of components of a specific characteristic: dimensions $715.00 +0.15/+ 0.55$ giving an upper permissible limit of 715.55 and lower permissible limit of 715.15. It can be seen from the graph the actual readings are well outside the upper permissible limits. During interrogation the supplier said he has the deviations requests granted by the customer and hence is not a cause for objection. On a cursory look of the graph it is revealed the range of variation is only 0.3mm while the permissible variation is 0.4 mm giving an opportunity for the supplier to reset the machine and get all the readings well within the permissible tolerance limits. In a typical situation when the supplier gives documentary proof of having a deviation granted by the customer it is only natural that the inspector accepts the deviated components without any objection.

Such cases of process deviations are not a few but many giving ample opportunities to the inspection engineers to act with value to the customer. Closer the actual values to the basic better the performance and longer the life of the component in the matching systems giving value addition to the ultimate user. Such value additions to the customer does not call for any extra ordinary effort or investment of time or money but the applicable of the built knowledge of the

process and impact of the process on the final products and service. Taguchi's loss function shown above explains this feature of Quality.

Supplier performance analysis

Yet another area of opportunity for value addition to the ultimate user is the recording, summarization and classification of performance capability of the vendors by authentic collection of data and pinpointing the areas of concern for correction and corrective actions. Each inspection is an opportunity to get to know the performance capability of the suppliers' machines and facilities wise and also technical personnel wise. These capabilities vary both ways: enhancements and deterioration on account of continued use of machines and processes and also enhanced experience of the operating personnel or replacements of the machines of better capability. Intelligent inspectors keep track of the performance by plotting the process results with indications of changes in the plotted observations.

These observations can be in the form of enhanced closeness of the actual readings of dimensions of test results or deterioration of deviations of the actual dimensions or test results from the specified values despite being within limits. These variations go unnoticed unless the inspectors are clear of the impact of the increased deviations from the basic values.

Recommendation for the use of measuring instruments of the right range and accuracy.

It is yet another area of concern for the ultimate user: the customer. Quality of decisions taken by an inspector: acceptance in case of full conformance or rejection in case of any of the non-conformances observed in the components inspected depend upon the accuracy of the data based on which the decisions are made and the accuracy of such data depends in turn on the

accuracy and precision of the instruments used for inspection. These are influenced by the calibration status, range, and least count and sensitivity or resolution of the instrument used. Every company has a system of periodical calibration of instruments used for measurement. However, the periodicity of these instruments for calibration undergoes a change depending upon the user intensity of the instruments. So the calibration due date of the instruments used for measurements at the time of inspection is critical for accuracy of observed data depending upon the application of the components under inspection.

Range of the instruments used for measurement is yet another area of concern as far as instruments are concerned. It is as well an area getting negligible attention from the suppliers and the customers as well. There are recommendations and industry practices which give guide lines for the selection of the right instrument for the application depending upon the criticality of the components for application. Inspectors with mastery for the job of inspection develop new insights with each inspection which reflect in the report they are generating as evidence of their total involvement and commitments to the inspection process and give convincing and authentic information regarding the quality of components inspected. Each inspection is an opportunity for such inspectors to delve deep into the measurement systems and bring out the fallacies for corrections to help reflect as accurate and authentic reflection of the quality measured. They resort to studies of instruments used in terms of man to man variation and instrument to instrument variation periodically.

Generation of inspection reports with visuals and patterns

Each inspection report is an opportunity for the customer as well as the managers back in the

office to evaluate the competence of inspectors in the line and to provide course correction by way of training and development programs or to give positive reinforcement programs like the incentives or elevations on the job. The inspection report reflects the energy and enthusiasm of the inspectors while at work. Each data entry is a reflection of the level and degree of interest of the inspector to the job they are in. It can be understood at the very sight of the report. The best report is self explanatory with details and supporting objective evidences like explanatory notes, graphs indicating the variations or patterns, photographs etc to give a touch of mastery of the job of inspection. The report also will have cross references to the conversations the inspector had with respect to the applicable areas of concern to the customer.

Yet another area of attempt is the use of advanced technology to have video conferencing with the customer, the supplier and the inspectors with managers back in the office to have a firsthand clarity of the quality of products under inspection. Each inspector is supported by a lap top and the data card which help them to venture into video conferencing with help of reputed service providers. This helps the customers be current with the quality of products coming to them especially so in case of quality of visual and aesthetics. There is always a limitation on the number of photographs which could be sent and understood for clarity. But the as much as the full length of the weld or the products in full could be transmitted to the customer the managers back in the office and the supplier for a meaningful dialogue and clarity of products under inspection. This goes a long way in creating a transparency between the inspector the supplier and managers back in the office and the customer: the ultimate beneficiary of the product.

Inspectors with insightful experience give suggestions for improvements to the customer and also the suppliers while suggesting improvement plans for enhancement of inspection effectiveness

to the managers back in the office. A good report is as good as a reflection as we see in the mirror. The report reflects the actual quality of the components inspected as good as the mirror reflects what we are. Such inspectors are always in demand and are sought after.

Inadequacy in the technical specifications and suggestions for improvements

A typical inspector or inspection engineer with mastery in his chosen profession is a deep generalist with a specialization on his core discipline: mechanical or electronics or electrical or psychologist or scientist and in possession of a broad knowledge in the related field on account of his access to a wide band of activities as part of his profession and his aptitude for learning unlearning and relearning on a continuous basis. It is a must for excellence in his chosen field of operation or practice. This helps him to make contributions of value addition to the customer at no cost to him but immense value to the customer. It is only a question of generously sharing his thoughts for the benefit of the customer, the supplier and the other stake holders in general.

A typical inspection process is the evaluation for quality of the products and processes to the agreed customer specifications. It is not uncommon that such agreed specifications are not complete in all respects covering all the areas of relevance to the performance of the component in the matching major systems. When the inspector goes through the documents these flaws come to light and it is in the scope of the inspector to bring out the flaws for rectifications for the benefit of the customer and supplier as well. A set of fabricated structures was commented upon the customer that the welded joints were found to have developed cracks. On receipt of the complaint the investigation brought out that the structure needed to be subjected to

stress relieving process subsequent to the welding and fabrication to remove the extra stresses developed during the process. It was applicable for the class of materials used for the structure. The stress relieving as part of the process was not covered in the process specifications given by the customer and so it was not done. The supplier too was not familiar with the used class of materials and the need for stress relieving. So the cracked materials were re-fabricated and subjected to stress relieving under the guidance of the inspection service organization at no special cost to the customer or the supplier. It was only in the form of consultancy and advice for the right processing of stress relieving.

In yet another case the customer complained that the switchgear received by him was found to be rusted. On investigation it was seen that the contract specifications called for electroplating of components and scope of inspection was restricted to verification of documents. The specification did not ask for measurement of plating thickness or the normal tests like the salt spray testing or tests of adhesion. These tests are time consuming and commercial considerations are involved as the supplier is obliged to do the processing as contractually agreed. But it is an area where the inspector can intervene and advise the customer for a review of specifications if necessary agreeing for suitable commercial considerations to the supplier to meet the additional expenses.

ANALYSIS

Value addition to the customer at no extra cost either to the customer or the supplier or the service organization is the strategy for better customer satisfaction and good will. The inspectors, inspection engineers and service organizations can identify areas of their expertise which would benefit the customers when the inherent experience and expertise is made use of. As these value additions are of the advisory nature or sharing of experiences

the cost involved to the service organizations are negligible while the benefit to the customer is of immense value as the timely incorporation of the process saves the customer and the supplier large sums of money on account of eliminating a possible failure at a later date if not the shortcomings detected in time and set right.

W. Chan Kim and Renée Mauborgne: the authors of INSEAD deals at length strategies for creating value addition to the customer under the heading value innovation in "Blue Ocean Strategy". Creating value for the customer by technological enhancement of products and processes can involve additional investment of time or money which the customer would not like to compensate nor would the service providers be able to absorb. Every business has a budget for expenditure beyond which they would not like to go as far as investment is concerned. So the strategy involved is the application of the expertise built in the service providers by virtue of access to such competencies for the benefit of the customer at no extra cost. These value additions are mostly of the advisory nature during inspection and clearance of the products and services and as such it is a timely intervention and suggestion for process improvement which if done saves the customer and supplier time and money otherwise spent if not done in time.

Inadequacy in technical specifications forming part of the contract or inadequacy in the process capability or process control as they exist in the suppliers works are some of the prime areas attracting the attention of the inspectors for value addition. While published standards go a long way in minimizing these drawbacks it is essential the customer engineers go deep in the various provisions of the standards and specify the related clauses for compliance in the contract specifications. When plating is called for it is equally becomes necessary to bring out the dry film thickness and grade of plating by

incorporating suitable tests like the salt spray tests or the adhesion tests. It is so in case of plating and welding where in surface preparation and class of welding become critical. Recorded readings of characteristic of dimensional nature it becomes evident of the process out come closer to the basic values or towards the border lines in which it becomes a case for concern calling for resetting of the machine. Use of antistatic and perfection in impregnation system comes under the purview of a typical inspector during inspection and reporting of quality of products and processes. Each inspection is an opportunity for evaluation of the process capability and control as they are in practice in the suppliers works and bringing out the drawbacks for improvements.

A typical inspectors or Inspection engineer is a deep generalist as defined by Jagdish Seth in "Clients forever" with a very wide range of experiences and expertise in a multi disciplined field on account of his access to a very wide range of technologies and processes and products and men and women of intense experience and expertise and education over a period of time. Every inspection is an opportunity for enhancing the already built in expertise as every inspection calls for something different or something new experience calling for continuous learning and experiments. A typical inspectors back ground is not a specific discipline like the mechanical electrical or civil or electronics and telecommunication but a combination of all these disciplines with other disciplines like the communication and the psychology as called for during regular inspection work. The moment they are in the place of products and processes under inspection their expertise comes to surface as a matter of reflect action and they feel like suggesting improvement plans which go to the benefit of the customer and supplier as well. It is not a suggestion after carrying out an intense study or experimentation but the sharing of own experience and expertise which comes to their mind spontaneously at the very sight of the product or

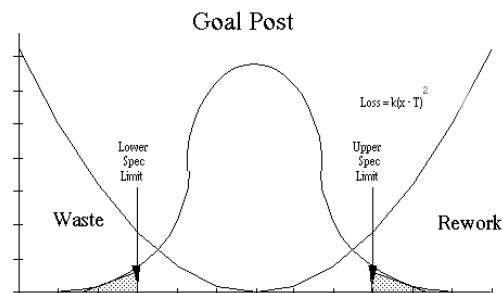
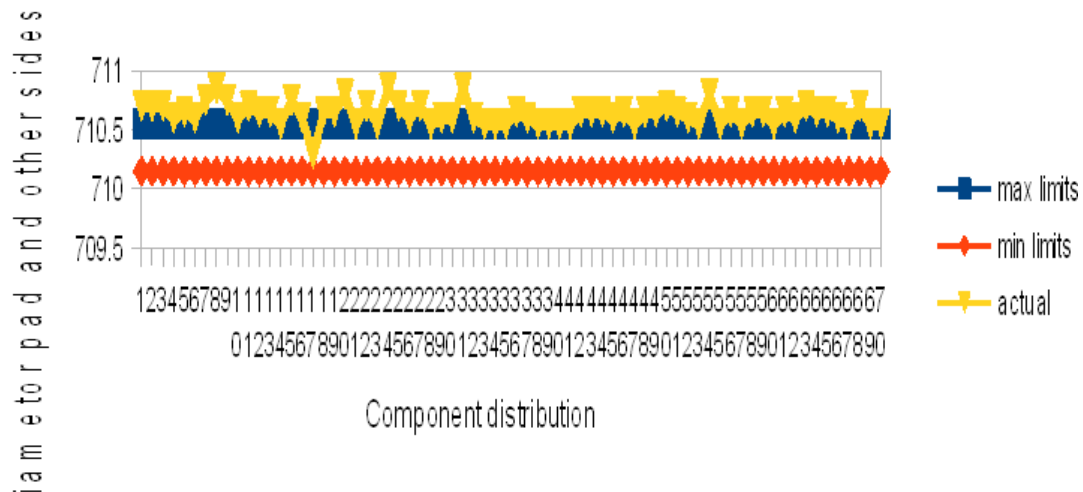
process under inspection. As such the inspector does not involve any expenditure of money or time except the thrill and excitement of having availed his wisdom for the benefit of the customer. It is not something new or something not in practice. Companies have the systems of suggestions schemes where in the employees are asked to give suggestions for improvements of products or processes or systems which create values for the companies they are working for. The employees working on the systems and products or processes know pretty well the draw backs prevailing there in and the possibilities of value enhancement for the company. The employees are given awards commensurate with the amount of financial benefit to the company on account of the suggestions. Such awards do also find a place in the annual confidential reports of the employees giving due credit while the employees are considered for promotions. Now the question is whether such systems are in practice to give incentives for personnel outside the roll of the company like the inspectors or others who are not in the roll of the company. But there is a provision for every company to recognize the services of the inspectors by repeat orders thereby enhancing the service company's business growth. In turn the service organizations suitably recognize the inspectors either with financial benefits or other means.

CONCLUSIONS

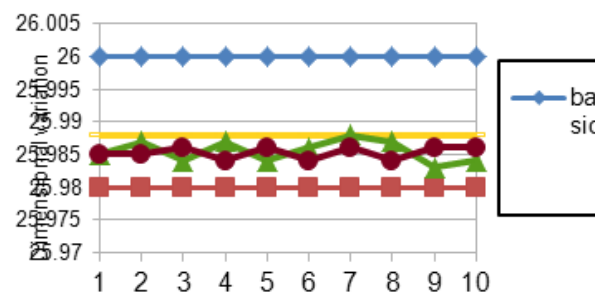
Value addition to the customer at no cost to service provider or no additional cost to the customer is a strategy adopted by service organizations to get the customers with repeat orders and enlist non customers through word of mouth marketing done by existing customers, in the fold. This does not involve the expenditure of money or time but the sharing of built in experience and expertise for the benefit of the customers and suppliers. This becomes possible on account of extensive access to a very wide

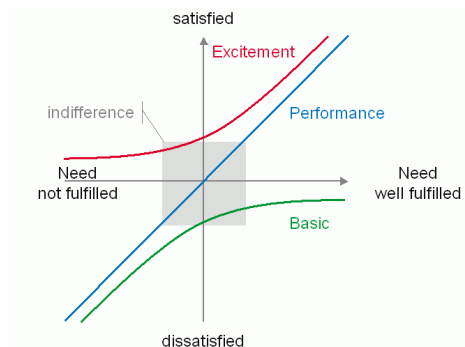
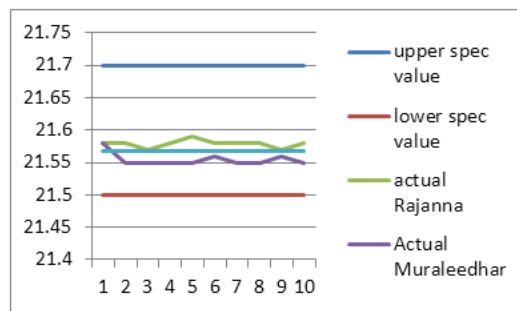
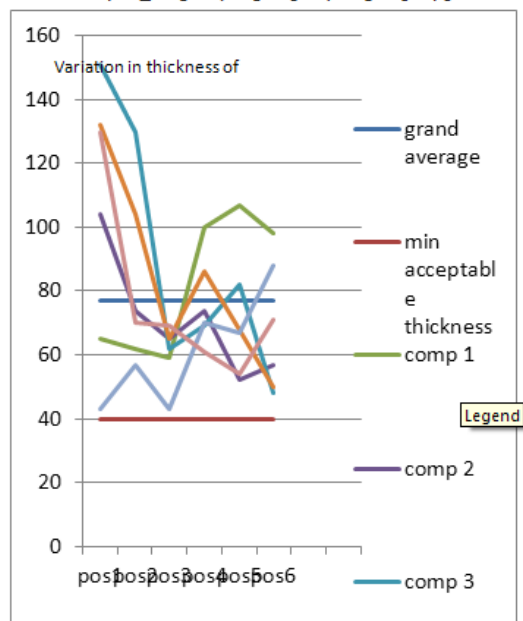
range of technologies and practices during inspection and interactions with experts of multi disciplinary nature. The article makes an attempt to bring out this possibility with active examples from the lines. The examples quoted are real and authentic but the names and figures are fictitious

for reasons of confidentiality. This paper is strictly restricted to training and development only.



Dimensional variation on diameter spool 200 mm long Cylindrical grinding Dial gauge roller gauge setting ref Rajanna





Creating the Sustainable Leader

P. T. Kadave
Principal,
Civil Department,
K. K Wagh Polytechnic,
Nashik-422 003

A R. Lande
Lecturer,
Mechanical Engineering Department,
K.K Wagh Polytechnic,
Nashik-422 003

Y B. Gaidhani
Lecturer,
Mechanical Engineering Department,
K.K Wagh Polytechnic,
Nashik-422 003.

ABSTRACT

In the engineering context we can define the leadership as the number of capabilities which includes ability to assess the risk and to take the initiative, the sense of the urgency, the decision making. In the beginning of this paper we first discuss the untold managerial functions and we focus on the engineering students because we are aware that leadership skills are very important to the engineers to develop the vision for the future and to shape the public policies. We have discussed the concept of special Saturday and IPR cell, the idea behind that, we have to build the sound industry institute interactions, and to provide the atmosphere for our students. Thus while concluding we came to know that in order to develop the leader which can sustain them and their company in the cut through competition there is necessity of the integration of the academics and the industry.

Keywords- Industry Institute Interaction IPR Cell, Leadership Capabilities Special Saturday,

INTRODUCTION

Out of ten born in this world nine work for the tenth, always prepare yourself to be tenth [1], this simply explains the importance of the leader. Leader is the person which leads the team of his follower. The world economy is changing at very fast rates; this is the period of the revolution, so in order to survive in this cut through competition, the role of the “leaders, of the managers” is very important. The paradigm shift is being observed in the management, in the human recourses, so being the engineering staff we always think how we can create the leader for the better tomorrow. We decided to focus on the engineering students which are mainly the leader from the small scale industries to the MNC's and to every industry right from service to manufacturing, from process to the retail. We think lets create the leaders which can sustain in any circumstances, one who has all the capabilities, require leading the business, to the people. In this paper we are going to discuss about the leadership particularly focusing on the engineering students. So let's first discuss some of the concepts.

WHAT EXACTLY MEANS THE LEADER?

Preter Drucker once said that “Management is nothing but doing the things right and the leadership is doing the right things” [2]. The leaders may be managers but all the managers are not the leaders. We are familiar with the basic managerial functions like Planning, Organizing, Controlling, & Directing but apart from these there are many untold management functions, which help to tap the potential of the employee, these are [2]

- a) Energize- to create the visions that inspire the employee to give their best performance.
- b) Empower- empowering the people means we are providing the tools and the authority for the great work; this ultimately helps to unleash the creativity and the commitment.
- c) Support- it is the need of hour that hour that the leaders, managers have to be counselors, coaches rather than the executioners. The communication which is also called as the lifeblood of the organization can serve the purpose. There should be open communication to create the trusting relationship, in this regards

we would like to share one example of the Harley Davidson Company, in which the executives don't have the doors to their offices.

d) To cultivate the proper culture into the organization. The good corporate culture leads the company towards the success while the misdirected culture leads to the wrong goals.

Let's think about the successful leaders, leaders who see beyond themselves, to inspire the others, effectively manage the personal relationships and creating the positive outcome can definitely become the best leaders. Winston Churchill was recognized as the best leader because of his ability to strengthen the will of his people by implementing the best policies. The leaders can be role model to their followers, to their team members by creating the best positive work environment. Every leader should take his time to ask his employee what they really think about their job and the leadership from you, a 360 feedback can also be used to evaluate the performance.

DEVELOPING THE LEADERSHIP IN ENGINEERING STUDENT

Let's think about the engineering and the management for the coming up decades. This is the period of revolution, the things are changing at very fast rates, considering the global scenario in the coming up decades the engineers & the managers have to work on the two frontiers

a) Small and spatial scales like the world of "Bio, Nano & Info" which are supposed to offer the many unexplored possibilities.

b) Larger and larger systems of the greater complexity which are of great importance to the society, this is nothing but the world of energy, environment, food, product development and many more [3].

What is most important for the future engineers which are supposed to be leaders in many sectors like, from service to the manufacturing and from retail to the process is to develop the attitude, good skills, in order to achieve this we thought let's make our student familiar with the globe because

engineers have the collective responsibility to improve the life of the people around the world, let's discuss some of the methodologies to achieve the stated dream, that's is to create the sustainable leaders for the better tomorrow.

CONCEPT OF THE SPECIAL SATURDAY

To develop the actual skills we thought let's make the students familiar with the industrial person from the various industries, the managerial persons from the areas like Human Resources & Development (HRD), Operational Research (OR), Product developments. Let's have the sound interaction between the current leaders and the future management leaders that is the engineering students. We thought let's have such interactions at every Saturday so we called it as the special Saturday. Also we can have the actual industry visits, involve the students in the innovative ideas, and guide them for the preparation of the application topics, to identify the actual industry problems and to find the solution on them, the students get familiar with the industry culture and the skills required while working in the industry. Engineering students to understand the basic management skills let's arrange the one day complete staying of the of the students with the managers, so that they will learn the skills by their heart and never forget the things, and this can also be done at Saturday. The long term goal in my mind (author second) in the special Saturday concept that, usually we always talk with respect to the employability skills, industry complains about the quality of the graduates they get. I dreamed not only to minimize such complains but also to develop the graduates with knowledge and the employability skills. The concept of special Saturday also helps to develop the sound Industry Institute Interactions. Let's try to develop the attitude to learn the things from the heart this will have the long lasting benefits.

THE AUTHOR'S ACTUAL IMPLEMENTATION

It is often said that the good engineer must be a good manager, we both authors always discuss

with our other staff members, how can we bring the innovation and in our students and if we try such things what could be the reaction of our beloved students? While author second is working with the ISCON's "ARJUNA STUDY CIRCLE" at the BASE hostel Nashik, I was in search of the opportunities to discuss about the my favorite book of all time "HOW TO WIN FRIENDS & INFLUENCE PEOPLE BY DALE CARNEGIE" so that I can interact with them about the best managerial and leadership skills, and on the 23rd September 2012, I discuss with the students about the things told in the books and I am very happy to share that the was reaction of many students is positive and I was clearly seen from their face, and this was one of the memorable day of my life, because for me my students are everything.

Author one decided to celebrate the engineer day with new idea, so this year on the engineer's day, I give the best books like "Imagining India, The Machine that change the world, target 3 Billions, India-2020 and many such" and say them to go through the books, my aim was to make them familiar with the ideas and the thoughts of the great people like Dr. APJ Abdul Kalam, Nandan Nilekani because I believe that a good can change the life and these books serve the purpose to trigger the good ideas. I often tell the students to read one books in a months and one day a student came to me and asked that he was willing to read the book "Discovery Of India" and can I get it from me, I give him the books and said that don't be hurry in returning the books, he can have nice notes on the books because it is about the life of Pandit Nehru, the man behind the foundation of our IIT's. We always complain that young people don't read the books so can't we try to develop the reading habit in our students, this will also the steps towards the developing the leaders for the better tomorrow.

CONCEPT OF IPR CELL

Our concept of IPR (Intellectual Property Right) is that is should contain the various persons from the various industries, from the service sector, the technical teachers and the students. So with the sound interaction we can get the opportunity to work

on the live industrial problems and in such research and the working if any one either student or staff thought that their idea can be patented through the IPR cell. While thinking about this concept our intention was to develop the attitude to work in the groups, to work on the innovative ideas. We believe that to develop the research attitude is the need of the hour.

Our focus is on the future leader that is on the engineering students. We thought the that there is necessity to work on the thinking ability, to provide the atmosphere to them so that we can developed the required soft and the hard skills, the managerial and the leadership skills. Decision making the quality the every leader must have, in order to developed this we are planning to take the aptitude test which is carried out in many MNE's to judge their performance, their attitude, in the coming semester. Also we are going to implement the concept of "ONE MINUTE FEEDBACK" after every lecture so that the students remain alert and try to learn the things by their hearts, with this we thought we have the sound steps towards the developing the sustainable leader.

CONCLUSION

Thus while concluding this paper we thought that there is the requirement of the integration of the people from the academics that the professor and the people from the industry to developed the leaders for the better tomorrow. We need to work on the development of attitude of problem solving, rational decision making and many such employability skills.

ACKNOWLEDGMENT

While completing this paper, we author feel to acknowledge Stevan Stralser and Charles M. Vest, we are motivated and guided by their valuable articles which we had mentioned in the references, our aim was to do something meaningful for our generations. We are really thankful to Mr. V.S.Kalmani for their support and valuable guidance; last but not least we are thankful to our staff of K.K.W Polytechnic Nashik.

REFERENCES

The best advice I ever got-the business today
dated January 11, 2009

MBA in a Day by Stevan Stralser

Educating engineers for 2020 and beyond By
Charles M. Vest, President Emeritus,
Massachusetts Institute of Technology, and
a NA Emember. Based on a talk given on
October 10, 2005 at the NAE Annual Meeting.

Role of Technology in Fostering Economic Growth and Organizational Competitiveness

Dr. Y. V. Rao,
MBA, Ph.D, Professor, (US returned)
Dept. of Management Studies, Vignan University,
Vadlamudi, Guntur,
Andhra Pradesh, India.

INTRODUCTION

Technology is vital to economic development, to progress of society and to the improvement in the quality of life. Technological progress has brought with it improvement in communication, transportation, information dissemination, and has brought the world closer together as one global village. Proper management of technology is what creates wealth for nations, companies, and individuals. It forms the foundation for economic growth and determines national and organizational competitiveness. Multinational corporations and all successful enterprises realize that business competitiveness is no longer a matter of luxury but a matter of survival in an increasingly global, fiercely competitive marketplace. The distinction between developed and developing economies lies primarily in the ability to effectively manage resources and technological assets.

Developed economies rely heavily on innovation to bring high added value to customers, command high prices, and maintain market dominance. Innovations and improvement in information and communication technologies commanded by industrialized countries bring about not only fundamental changes in the core institutions of those countries, but also the emergence of new knowledge-intensive products, services, industries, and inter-organizational forms. In order for developing countries to avoid being marginalized, they must formulate strong public policy, and their companies must improve the way they manage technology and innovation.

Technology Management is rapidly emerging as the major challenge of the coming decades. As the technology age moves forward with a high speed characterized by rapid changes, the leaders of technology are distinguishing themselves from those that fall behind, by developing and implementing innovative approaches to managing technology. The line of demarcation between success and failure is getting sharper and sharper. The unmistakable difference between the two is the degree of effectiveness in management of technology.

This paper discusses the role of management of technology in fostering economic growth and organizational competitiveness

Role of Technology

Competitiveness

Competitiveness is the process by which one entity strives to outperform another. For a company, being competitive implies that it has the ability to produce a product or provide a service, in a timely and cost effective manner, which meets the test of the marketplace and the needs of customers.

To maintain its competitive position, the company must continue to outperform its business rivals. In today's global markets, those rivals may be operating within local, regional, national, or global markets. In today's business environment, competitiveness is no longer a matter of luxury

but a matter of survival in the global marketplace. At the macro-level, national competitiveness is a consolidation of business performance

Investment

Investment is the base of all economic activities. It includes investment in productive facilities, R&D, capital equipment, as well as investment in people through education and training.

Productivity

Productivity is the efficiency of utilization of resources. The level of technology used, the investment in capital equipment, the performance of the workforce, and the effectiveness of the management system influence it. Productivity is both a determinant and an indicator of national competitiveness (Council on Competitiveness, 1995).

Trade

Exporting to other nations is essential for increasing wealth. High export levels are indicators of a nation's industry success. It is a reflection of the efficiency of its productive enterprises and the quality of its products. Growth rate and levels of export are indicators of national competitiveness. Currency exchange rates can influence the magnitude of exports and should be traced.

Standard of Living

A high standard of living is the goal of every nation. It is the crown of the competitiveness pyramid and the reward for citizens living in competitive nations. A nation's wealth can be expressed in terms of its Gross Domestic Product (GDP). An index for the standard of living is GDP per capita. The distinction between developed and developing countries lies primarily in the ability to effectively manage resources and technological assets to be competitive. It is, however, impossible to think of

developing countries as a homogeneous group due to the emergence of some countries faster than others.

Key Issues Fostering Economic Growth and Organizational Competitiveness

1. Advancement and proliferation of technology has brought the world closer together into one small global village. The explosion in information and communication technologies has permitted information, news, and personal and company communications to flow easily across boundaries.
2. Innovations in transportation and logistics have allowed movement of people, technology, and goods across international borders, permitting an integration of economies around the world.
3. The influence of the Internet on the growth of the business is creating an upheaval in business practices and organizational structures around the world.
4. Globalization has a major impact on several areas that influence people's standard of living and quality of life.
5. Effects of globalization on the political, economic, cultural, and technological scenes will only expand in the future.
6. With the dissolution of the Soviet Union, eastern block countries joining the European Union, and most world countries opting for a combination of democracy and market economy, political globalization seems to have been realized.
7. Increased trade, mutual economic dependency, worldwide capital markets, and strong global sourcing characterize economic globalization.

8. With the General Agreement on Tariff and Trade (GATT) and most nations joining or applying to join the World Trade Organization (WTO), economic globalization is well under way.

9. Cultural globalization is being facilitated by access to the Internet and to communication networks, particularly television, movies, and multimedia systems. Cultural globalization has many consequences for societies, both good and bad, and its implications still require studies by governments as well as companies in order to deal with its effects.

10. Technological globalization, however, has yet to occur in a harmonious and equitable fashion. Multinationals in developed countries are achieving technological globalization through the use of information and communication technology. They

have been connecting their R&D and production facilities across boundaries and connecting with suppliers and customers through integrated networks. They have also been able to move production facilities and R&D laboratories in search of optimal conditions.

11. In contrast, most companies in developing countries have yet to achieve this level of technological sophistication. In fact, the gap in technology between countries with developed economies and developing countries is still huge and the economic divide is widening.

12. Equitable technological globalization can occur through international technology transfer. However, the host receiver of the transfer has to be well prepared to receive the technology, absorb it, and advance it through innovation.

Strategical Business growth through Radical management

Sanjay. A. Natraj
Student,
Thiagarajar College of engineering,
Madurai-625015
Email:nat.sanjay@gmail.com,

Jaysri Thangam. A
Student,
Thiagarajar College of engineering,
Madurai-625015
Email: jaysrithangam@gmail.com

ABSTRACT

Business during 1980s comprised of setting up of new firms and profit making in an easier way. Even though the organisation faced recession, the annual profit was steady. Years passed by and the competition in the market has increased staggeringly along with the customer needs and demands. Many companies have failed to sustain its position in the global level resulting in the stepping down of leaders due to company's loss. Hence a detailed study on company profit structure and how it begets a fall is studied. As a verdict to the problem, the management style and its notion has to change to face the prevailing need of any customer and to sustain its global arcade and forte. Thus something new and influence rich solutions and ideas and brought in, providing new strategies to be followed to make the firm tall and strong once for all.

Keywords-Business, leadership, stepping down, radical management

INTRODUCTION

With new policies and umpteenth number of firms, upcoming trends, the newest is "CEOs stepping down gracefully. The reasons may be genuine, but when a CEO steps down, not because of any allegations or controversy, or of successful tenure, he/she becomes a major liability. In that set up, the major question arises what happened to the 2 basic grounds on which a firm is built?? Namely result-profit and goal - public relation.

Looking at the statics and over acute research, the rate of return on assets of US firms is one-quarter of 1965 levels. Innovation continues to decline. Workers are disgruntled. Customers are frustrated. Brands are unravelling. Executive turnover is accelerating. In the last 25 years, start-ups created 40 million jobs in the US, while established firms created almost none. Traditional management is broken.

Now let's take a look at the possible liabilities and the err that could fall upon the mighty reputation of the company. One of the major loss that the company must face should be its CEO taken up the post in the equally valuable rival firm. Think of the hard work, research job, and the miniscule detailed

work this CEO would have done to reach a life boat when the ship is sinking. Now looking at the consumers and the public's mind set, well we should as well enjoy the disappointment. People almost lose faith in the brand and the product when the CEOs keep changing. Suspicion and scepticism builds up. Trust is lost.

Hence a new solution has to be brought in and jacked up. The change or the new adaptation has to be revolutionizing. CEOs, senior managers and leaders must be able to create and sustain a high-performance organization, creating continuous innovation, deep job satisfaction and clients delight.

AN OVERVIEW

All the factors mentioned above have made CEOs to quit their post. Former CEO of Hewlett Packard Apotheker has been heavily criticised in recent months, as his strategy announcements caused confusion in the markets. This has enforced Apotheker to quit his position and it is taken over by Meg Whitman. Yahoo is replacing its CEO for the third time in as many years and the giving board seats to a hedge fund led by Daniel Loeb,

putting him in a strong position to influence strategy at the struggling internet company.

RIM (Research In Motion) CEO stepped down from the company as it was incurring a constant loss and was not able to compete with the other firms in the market. RIM introduced the blackberry, which virtually created the Smartphone market ended its run when Apple and Google entered the market.

A. Timeline of Hewlett Packard

Hewlett-Packard Co. ousted Chief Executive Officer Leo Apotheker yesterday, tapping director and former EBay Inc. CEO Meg Whitman to replace him. Before Sept. 21, the company's stock had plunged 47 percent on his watch. The following timeline chronicles Apotheker's tenure.

Sept. 30, 2010: Hewlett-Packard names Apotheker president and CEO Jan. 5, 2011: Hewlett-Packard Chief Marketing Officer Michael Mendenhall resigns, replaced by Bill Wohl, a vice president for communications at SAP. Feb. 9, 2011: Hewlett-Packard unveils the Touchpad tablet computer, which runs the WebOS software it acquired in its purchase of Palm Inc. in 2010 for \$1.2 billion.

Feb. 22, 2011: Hewlett-Packard lowers its 2011 revenue forecast to \$130 billion to \$131.5 billion, the first of three reductions under Apotheker. The company also misses analysts' estimates with its second-quarter sales and profit projections. Shares plunge the most in more than six years when markets open the next day.

March 14, 2011: Apotheker raises Hewlett-Packard's dividend for the first time since 1998, increasing it 50 percent to 12 cents a share. The company also announces plans to introduce a cloud- computing service.

April 18, 2011: Hewlett-Packard says Thomas Hogan, executive vice president for enterprise business sales and marketing, has decided to leave. Jan Zadak will assume that role on May 1, the company says.

May 17, 2011: Hewlett-Packard cuts its fiscal 2011 sales forecast for the second time on Apotheker's watch, to a range of \$129 billion to \$130 billion. The company also forecasts full-year earnings excluding some items that missed analysts' estimates as consumers shun PCs and services margins narrow.

May 20, 2011: Hewlett-Packard Senior Vice President Marius Haas is departing for private-equity firm KKR & Co.

June 1, 2011: Leo Apotheker says Hewlett-Packard will consider licensing the WebOS software to other device manufacturers.

July 21, 2011: Hewlett-Packard says it will buy back \$10 billion of its stock to buoy its languishing shares. Before the announcement, the shares had dropped 14 percent in 2011.

Aug. 18, 2011: In a sweeping overhaul, Hewlett-Packard agrees to buy software maker Autonomy Corp. for \$10.3 billion and says it is considering a spinoff of its PC unit. The company also discontinues products running WebOS. Apotheker trims the fiscal 2011 sales forecast for the third time, to a range of \$127.2 billion to \$127.6 billion.

Aug. 30, 2011: Oracle accuses Hewlett-Packard of fraud and libel, saying a settlement agreement between the two companies over Oracle's hiring of Hurd was unfair. Oracle also claims Hewlett-Packard defamed the company by saying it bullies customers.

Sept. 9, 2011: Dominique Senequier, a director with ties to Apotheker, will leave the board in March, Hewlett-Packard says in a regulatory filing.

Sept. 22, 2011: Hewlett-Packard names Whitman as CEO, and Chairman Ray Lane becomes executive chairman.

Rise and fall of RIM

Research in Motion, whose BlackBerry phones pioneered wireless email, no longer holds the commanding heights in the Smartphone market. With Android, iOS, and even Windows Phone gaining market share, the Waterloo, Ontario, company finds itself in a battle for relevancy. The past year has been especially hard on the once-innovative RIM, but it may be at a turning point. Or the beginning of the end.

The company was Research In Motion, the Canadian firm whose BlackBerry virtually created the Smartphone market. Success had come almost naturally to the company, until five years ago, when Apple released the first iPhone and upended RIM's long-held strategy of appealing primarily to email-addicted professionals. Apple expanded the market by building a Smartphone not just for business people, but for the great mass of well-heeled, tech-hungry consumers. Apple's success opened the door for another large, deep-pocketed competitor: Google, with the acquisition and development of Android. The mobile landscape shifted dramatically — new players, new customers, and new alliances — and RIM made costly missteps scrambling to adjust. This situation has led the company in distress. RIM could not only make profit but couldn't satisfy the customer needs as well. From this small example it is evident that a company's progress is at risk when it lacks innovation and radical management. As Apple's products were turning a profit along with the Android as mentioned earlier, RIM couldn't come up with an idea to sustain its position in the global market. This crisis led the CEOs to tread and made them to take up the decision of stepping down as they couldn't keep up the company's aims and policies.

CITIBANK

Vikram Pandit joined Citigroup in July 2007 when the bank acquired his hedge fund and private equity firm, Old Lane Partners LP, for \$800 million. Critics later charged that Pandit was too timid, perhaps even too academic, to run a big consumer bank. Pandit faced harsh criticism after Citigroup took

\$45 billion in government bailout money in the 2008 credit crisis.

In addition, sources told that Pandit had poorly handled several transactions, which in turn damaged the company. The source said that Citigroup's directors had talked of letting Pandit go months ago. And a second top executive also resigned as part of the shake-up: President and Chief Operating Officer John Havens, who also serves as CEO of Citi's Institutional Client Group.

The company's chairman, Michael E. O'Neill was apparently frustrated with the former CEO's performance. According to the source, that irritation with Pandit led to his being fired.

September 2008: Citi announces it will buy the struggling bank Wachovia at the height of the financial crisis. Four days later, rival bank Wells Fargo charges in with another offer, eventually muscling Citi out of the way.

October-November 2008: Citigroup receives a \$45 billion cash injection and other support from the U.S. government. The government later converts \$25 billion of the aid into an ownership stake in Citigroup.

February 2009: Pandit pledges to take a salary of just \$1 until the bank turns a profit.

December 2009: Citi repays the government the \$20 billion it received that wasn't converted to an ownership stake.

January 2011: Citigroup reports a \$10.6 billion profit for 2010, its first profitable year since 2007, when Pandit took over.

May 2011: Citi awards Pandit a multi-year compensation package that could be worth nearly \$23.4 million if performance goals are met.

October 2011: Citi agrees to pay \$285 million to settle civil fraud charges that it misled buyers of a complex mortgage investment just as the housing market was starting to collapse.

March 2012: Federal Reserve bars Citi from increasing its dividend, saying the bank wasn't strong enough to do so.

April 2012: Shareholders vote against the 2011 compensation packages for Pandit and other top Citi executives in a non-binding advisory vote.

CEOs RECORD

A. Succession record

The statistics on CEO turnover make clear that the U.S. retail industry is facing a significant leadership succession problem. Examining 81 leading retail companies in a range of sectors with annual revenues of \$1 billion or more, 48 of those companies (59 percent) experienced a change in leadership in the past five years. But of the 45 CEOs who left their positions during that time and who were not interim appointments to begin with, 27 percent did so having served three years or less. More significantly, 9 percent did not even make it past the first year, and 18 percent did not last through the second year.

Looking at comparable data for the Fortune 1000 brings the retail succession problem into high relief. Of the 575 CEOs in this larger group who stepped down from January 2006 to April 2011, only 3 percent did so after serving one year or less, and 10 percent did so by the second year. Retail CEOs thus are 80 percent more likely as large company CEOs to leave within the first two years. Given the opportunity cost of a poor CEO appointment, this record suggests that the retail industry is carrying the burden of significant "performance risk" when choosing its leaders.

It is noteworthy that after the third year, the variation between the two groups is much more random. This reinforces the conclusion that the retail CEO retention problem actually is a retail CEO succession problem. In addition, there are many fewer retail CEOs leaving in year six—the time at which the largest percentage of Fortune 1000 CEOs step down. We can hypothesize that these

"missing" retail CEOs are the ones who did not make it past the third year.

Challenges faced.

Today's leadership shortage must be understood in light of the unprecedented changes and uncertainties facing the industry, beginning with the market saturation that has taken hold in the world. Consider that at the end of 2008, there were approximately 100,000 shopping centres in the United States—equivalent to 23 square feet per capita. This is nearly 10 times the per capita shopping space available in the United Kingdom. Successfully translating brands to foreign markets and managing the necessary supply chains and real estate portfolios, however, are not trivial tasks. Consumers have become aggressive and empowered agenda setters who want products tailored to their individual specifications, provided with speed and affordability, and accompanied by superior customer service. The Internet has obliterated many of the traditional information asymmetries on which retailers built their business. Today, consumers can rapidly gather information from multiple sources. Using social networking tools, that information can be shared immediately to collaborate on an authoritative and authentic shopping strategy that can be carried out loudly and quickly. The result is a gale-force wind that can blow in either direction, elevating a product beyond a retailer's dreams or crushing its market presence despite all corporate efforts. Harnessing this force—and staying on the right side of it—now is a CEO priority.

CONSEQUENCES

The responsibilities of an organization's CEO (US) or MD (UK) are set by the organization's board of directors or other authorities, depending on the organization's legal structure. They can be far-reaching or quite limited and are typically enshrined in a formal delegation of authority.

The consequences faced during the absence of a CEO are

1. Lack of communication with the press and rest of the outside world, as well as the organization's management and employees.

2. The decision-making role involves high-level decisions about policy and strategy. Hence it gets affected.
3. As a leader, the CEO advises the board of directors, motivates employees, and drives change within the organization
4. As a manager, the CEO/MD presides over the organization's day-to-day, month-to-month, and year-to-year operations.

Impact on employees:

If companies choose to focus on shareholders above employees, it hurts both retention and recruitment – employee satisfaction is as valuable and costly to employers as product and service satisfaction is to their business.

When a major corporate shift suddenly takes place at a company, such as a CEO transition, employees question what it means, if the company outlook will improve or get worse, and what impact the shift will have on their job. If these questions go unanswered, employee satisfaction can waiver.

Combine this with the state of the economy today in which employee confidence has been modestly improving, it's understandable why employees may feel like they will lose their seat in the next game of musical chairs. In fact, according to a recent Glassdoor Employment Confidence Survey, 17 percent of U.S.-based employees are concerned they could be laid off in the next six months.

If job satisfaction falls and concerns over job security rise, employees will start to look elsewhere and that sense of instability will become the toughest challenge an employer will face in attracting top talent.

Selection process of CEO

When boards look for CEO candidates who can develop a vision to meet this vast array of challenges and then execute accordingly, board members quickly find that leaders who have the combination of the competencies, experiences and perspectives needed is the ultimate scarce good.

This is the case, for different reasons, whether boards look internally or externally. Internally, promising talent no longer is groomed in the systematic way it once was. Few stores today methodically rotate their rising executives through various key operating divisions as was the case in the past. As a result, at many companies, the talent pipeline is uneven at best.

The availability of external talent is similarly far below demand. Most boards begin an external CEO search with the requirement that the candidates be a sitting CEO. This is understandable—a current CEO already has shown that he or she can fill the position's shoes—but the constraints of supply and demand mean that this requirement often goes unfulfilled. Of the 48 new CEOs appointed over the last five years by the retail companies in our study, 18 were external appointments. Of those, however, only eight were sitting CEOs making a lateral move. There simply are not enough sitting CEOs to go around.

The retail talent shortage is exacerbated by an additional factor. Industries in need of transformational leaders often respond by casting a wider net, looking to executives in related sectors. The board of a clean tech company, for example, could look for leaders in both the technology and energy sectors. Many retail firms, however, do not think of themselves as having the option to search across these concentric circles and, instead, confine themselves to executives from their immediate competitors, further limiting the options. Of the 18 retail CEOs in our sample who were recruited externally, 16—almost 90 percent—were recruited from the same subsector of the retail industry.

RADICAL MANAGEMENT

Management is in crisis. The rate of return on assets is only a quarter of what it was in 1965. The life expectancy of a firm in the Fortune 500 has declined to 15 years, and is heading towards fifteen years unless something is done.

Management turnover is accelerating. Only one in five workers is fully engaged in his or her work. Established organizations have shown themselves unable to cope with disruptive innovation, or to generate net jobs, or to handle the demands of social media.

Seven basic principles in radical management

Radical management is a fundamentally different approach to management, with seven inter-locking principles of continuous innovation.

The goal of work is to delight clients

Traditional management aims at producing goods or services, or making money for the shareholders. Radical management aims at delighting clients and focuses, not just the marketing department, but the entire organization on this goal.

Work is conducted in self-organizing teams.

What are self-organizing teams?

Why they constitute the best way to generate continuous innovation. How to make them happen?

Teams operate in client-driven iterations.

This in turn leads on to working in client-driven iterations, because delighting clients can only be approached by successive approximations. And self-organizing teams, being a life-form that lives on the edge of chaos, need checkpoints to see whether they are evolving positively or slipping over the edge into chaos.

Each iteration delivers value to clients.

Client-driven iterations focus on delivering value to clients by the end of each iteration. They force closure and enable frequent client feedback.

Managers foster radical transparency.

Self-organizing teams—working in an iterative fashion—in turn both enable and require radical transparency so that the teams go on improving of their own accord.

Managers nurture continuous self-improvement.

Traditional management sets a limited goal of “good enough” quality, which translates into an acceptable number of defects, an acceptable range of standardized products that hopefully meet customer requirements. Continuous improvement means having the entire work force find ever better ways to give more value to clients.

Managers communicating interactively through stories, questions and conversations.

An underlying requirement of all of these principles is interactive communication. Unless managers and workers are communicating interactively, using authentic narratives, open-ended questions and deep listening, rather than treating people as things to be manipulated, none of the above works.

Shifts in Radical Management

In reinventing management, five fundamental and interdependent shifts need to occur:

1. The first shift stems from a monumental transition in the power balance between seller and buyer: to management's astonishment, the buyer is now in the driver's seat. As a result, the firm's goal has to shift to one of delighting clients
2. The second shift stems from the first transition, as well as the epochal transition from semi-skilled labour to knowledge work. Again to management's astonishment, traditional hierarchy suddenly doesn't work anymore. The role of the manager has to shift from being a controller to an enabler, so as to liberate the energies and talents of those doing the work and remove impediments that are getting in the way of work.

To support and sustain those two shifts, three other shifts are necessary:

3. The mode of coordination shifts from hierarchical bureaucracy to dynamic linking, i.e. to a way of dynamically linking self-driven knowledge work to the shifting requirements of delighting clients.
4. There is a shift from value to values; i.e. a shift from a single-minded focus on economic value and maximizing efficiency to instilling the values that will create innovation and growth for the organization over the long term.
5. Communications shift from command to conversation: i.e. a shift from top-down communications comprising predominantly hierarchical directives to communications

made up largely of adult-to-adult conversations that solve problems and generate new insights.

Individually, none of these shifts is new. However when one of these shifts is pursued on its own, without the others, it tends to be unsustainable because it conflicts with the goals, attitudes and practices of traditional management. The five shifts are interdependent.

CONCLUSION

Accounting all the factors discussed, it's not uncanny that a firm at some point of time will face adverse conditions. As a leader he/she should be able to predict the status of the company in the future period and be neutral if loss is predicted. Never create panic among the workers or the public as the basic step never let the company fall below its yardstick next, think of all essential ways to solve the issue. During the recession period or period when company is incurring a loss, at that precipice the leader should look through the PR and know where it is lagging and why his inventory is stagnant. When he/she knows what the consumer wants and why he is not satisfied the problem ends there. Then look for innovative, quirky ideas to solve the customers' need quickly. Also, he/she should consider the reason behind the other organisations' success. This not only helps the company to survive in the market with stability but it also provides a job security for the leader as he will be valued in the

organisation for his visionary leadership instead of criticism and allegations for incurring a loss.

REFERENCE

The Leader's Guide to Radical Management: Reinventing the Workplace for the 21st Century by Steve Denning.

Employee Development: Big Business Results on a Small Business Budget by Leslie Gordan, Elizabeth Oakes, Joni Humphreys and Melissa Miller (May 20, 2011)

International business management: A guide to decision making, (ISBN 0030866987), xvi, 686 p.

Research Methodology in Management: Current Practices, Trends, and Implications for Future Research

Terri A. Scandura and Ethlyn A. Williams *The Academy of Management Journal* Vol. 43, No. 6 (Dec., 2000), pp. 1248-1264

Concepts in Strategic Management and Business Policy By Thomas L. Wheelen, xix p.

Strategic Management Journal Volume 10, Issue 1, pages 75-87, January/February 1989

theforbes website, www.forbes.com
articles.businessinsider.com,
www.businessinsider.com

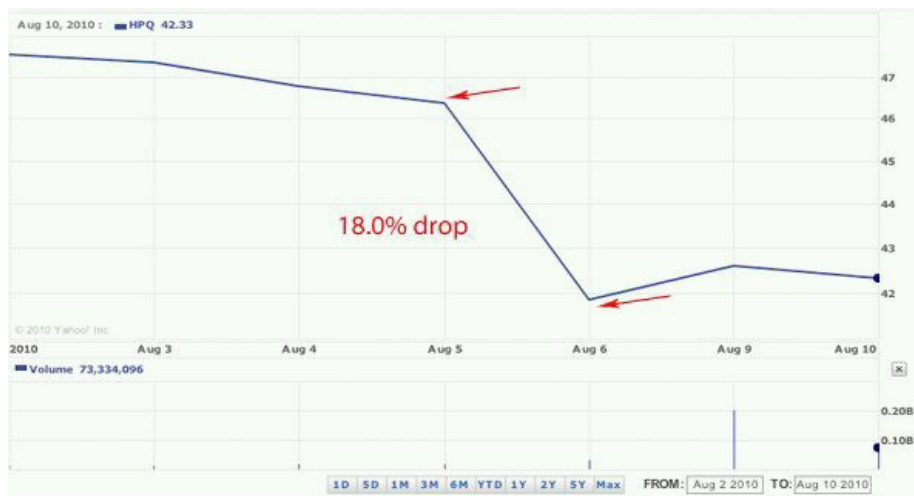
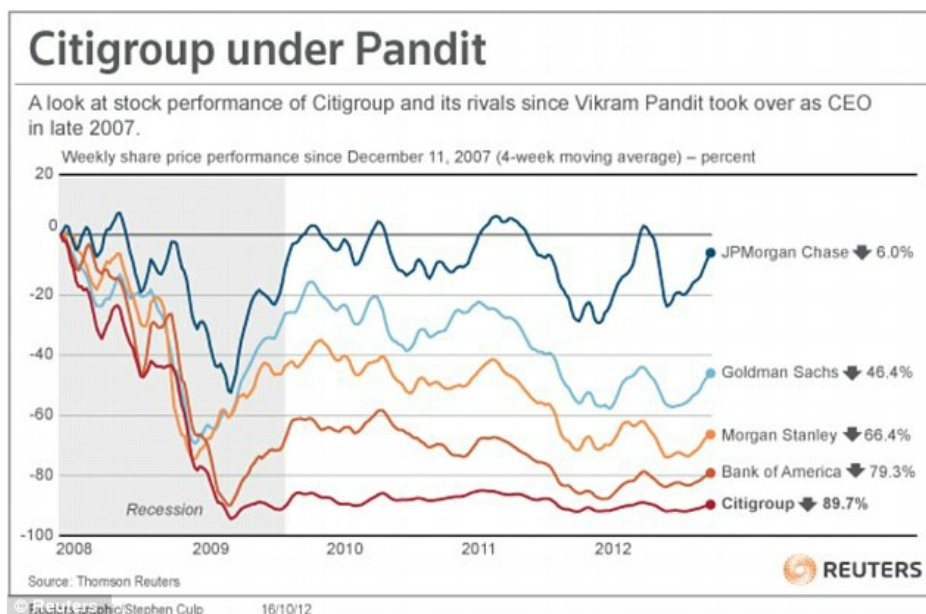


Fig 1: 18% drop on profit of Hewlett Packard.



Fig2: Research and motion's revenue Vs profit graph depicting the fall.



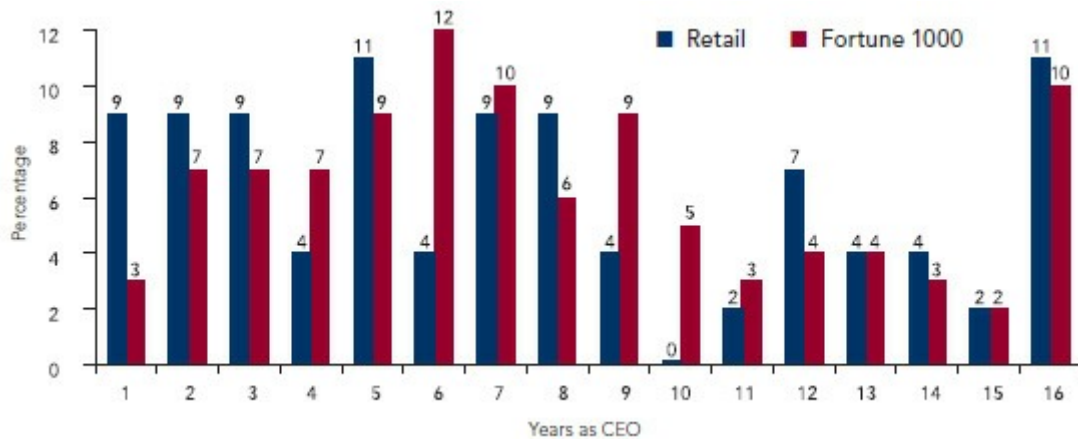


Fig3: Tenure of Retiring Retail CEOs, 2006-2011

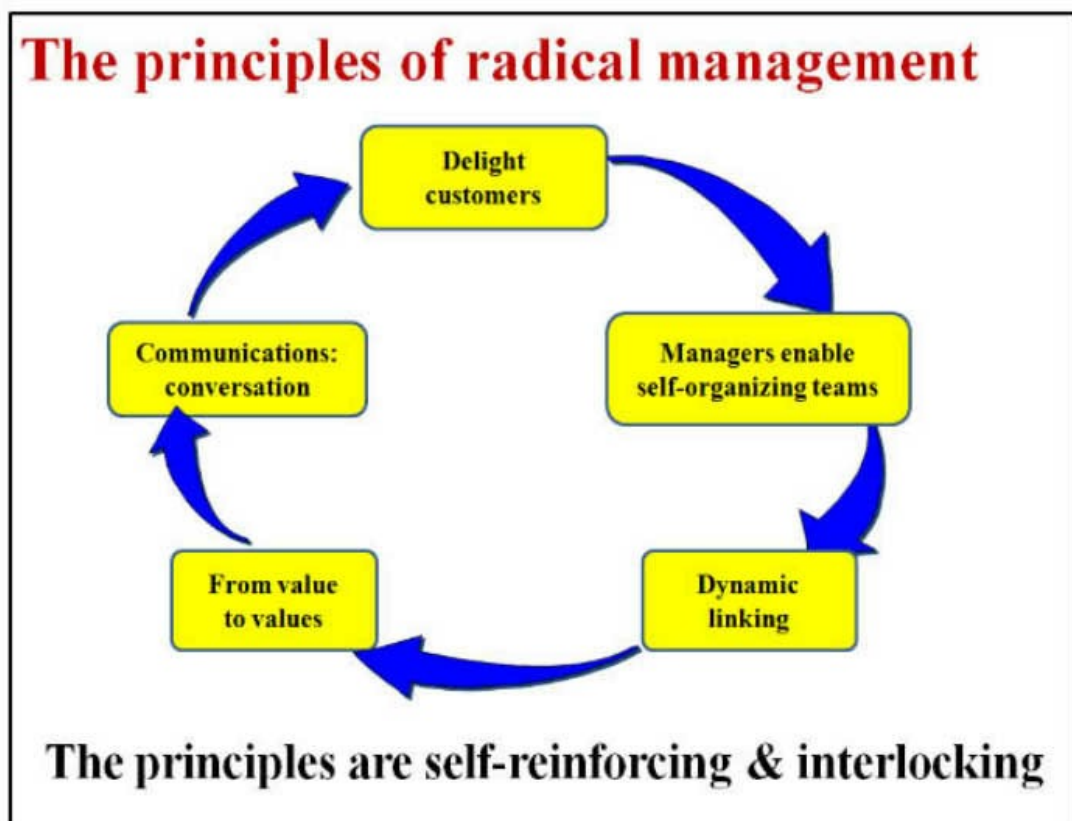


Fig 4: Flow representing the principles of radical management.

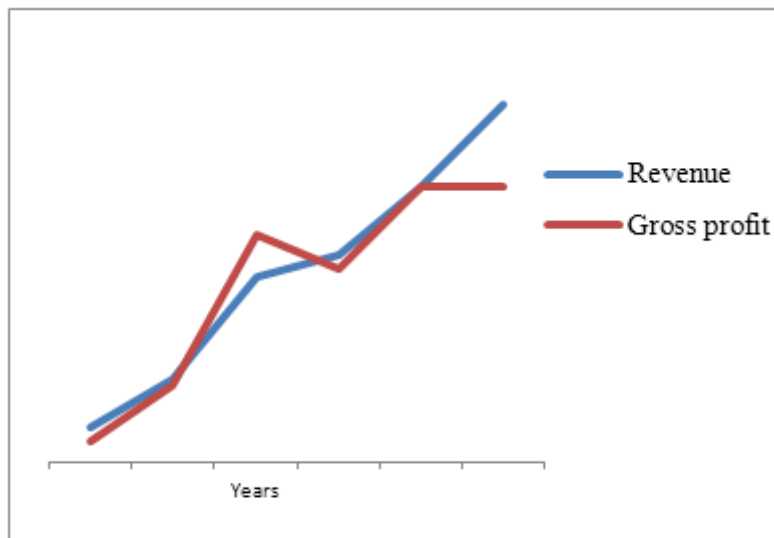


Fig.5 Expected result in graph depicting the Revenue vs. gross profit

Value Stratagem": A Symbiotic Framework involving Provocative Value Proposition, Creating Shared Value (CSV) and Porter's Five Competitive Forces with FDI

Bharati Muthu
Regional Market Management Lead
GB & Geo-Expansion
IBM India Pvt. Ltd.
Email: bhamuthu@in.ibm.com

ABSTRACT

This paper proposes " Value Stratagem" as new framework of strategic leadership and marketing by examining the 3 spectrum of Value: (1) provocative value proposition, (2) shared value creation -which when bundled together with the 3rd element of Porter's Five Competitive Forces delivers a strong strategic backbone for any company to sustain business, not just to attract Foreign Direct Investment (FDI) but also to provide a sustainable business model during downturn. Extending Philip Lay, Todd Hewlin, and Geoffrey Moore's Harvard Business Review publication "In a Downturn, Provoke Your Customers" to propose a strategic leadership that Foreign Direct Investment seeking countries is the basis of this paper. The provocative value proposition takes into assumption that underlying such a selling "is the idea that the vendor should help the customer find investment funds even when discretionary spending appears to have (at least temporarily) dried up". The paper researches on deeper connectivity that business and society create as 'shared value' rather than being in loggerheads over the outcome of 'profits'. As more and more innovation comes into play and there is technological adoption and dependency in traditional industry 'value creation' becomes more proactive : assign the customer through 'provoke' what will make a better difference to their purchase and how. The Paper examines closely three facets of engagement and strategic leadership: Barack Obama's re-election, IBM's Smarter Planet and a country's Foreign Direct Investments (FDI) as a way to highlight and augment the evidence towards. The paper formulates a new marketing strategy that brings together 1. Provocative value creation, 2. Shared value services and 3. Porter's Five Forces of competition governing to engage for a winning leadership and marketing positioning. This is a Conceptual framework, to outline possible courses of action or to present a preferred approach to an idea or thought.

INTRODUCTION

Sustainability of business today with economic downturn and uncertainty is defined through the proactive and agility to adopt change. Innovation itself is transient, changing and in continuity to the growing consumer demands. Today, more than ever, it is open, engaged and 'social' in its approach -encompassing the full spectrum of marketing and taking it to a more 'client-focused' selling. Industry structure drives competition and profitability. The focus on how a particular 'product' is sold is not a focus as much as which more profitable within its allied industry at that point of time. All industry focuses on same wallet or wallet-share if they aim to be strategically sound and economically viable.

Even traditional Marketing that heavily relied on one-path model of creating a funnel of opportunity has been replaced today by 'social' enmesh that clients and companies are building through relationships and their lifecycle. Barack Obama's election campaigns are very good reference point to how in 2008, 99 percent of the people the campaign contacted by email voted for Obama. Of Barack Obama's now 33 million Facebook fans globally, they are friends with 98 percent of the U.S.-based Facebook population -creating a very powerful conglomerate of 'influencers'. The Importance of 'socializing' a business is far more a reality that makes adopting to change that much more difficult than to empower marketers and strategists to aggregate a more proactive

platform to sell. What clinched the Presidential election in 2008 was how the complete campaign was designed ground up enmeshing the shared-value services, provocative value creation all firmly pillars on Porter's five discipline of competition -each one well researched and adopted. Technology today's reigns supreme as enabler of far closer, real-time client relation manager making 'provocative value proposition' a powerful method of selling and positioning a strategy.

Stratagem is defined by Merriam Webster Dictionary as: a) an artifice or trick in war for deceiving and outwitting the enemy. b) a cleverly contrived trick or scheme for gaining an end.

The "Value Stratagem" Framework bridges the 3 synergies of a business as it competes to thrive and grow with technological disruptions. It provides a framework to integrate the 'provocative value proposition' aspect of bringing to light the immediate need to own a particular experience with balancing the capitalistic overtures to societal needs through creating shared value -all by very methodically analyzing all Five Competing Forces principle of Porter. This paper will bring to highlight through three specific case study how the proposed "Value stratagem" engages every strategic business initiative to gain market share and stronger profit-earning (PE) ratio especially through strong Go To Market (GTM) initiatives, especially to firms and/or economy that seek Foreign Direct Investment (FDI).

One definitive way to define a globally spread enterprise in light of foreign direct investments is the ownership advantages that exist. They are key, to explaining the existence of Multinational enterprise (MNEs). A key idea is that firms are collections of assets, and that candidate MNEs possesses higher-than average levels of assets having the character of internal public goods. These assets can be applied to production at different locations without reducing their effectiveness. Examples include product development, managerial structures, patents, and marketing

skills, all of which are encompassed by the catch-all term of Helpman (1984) "headquarter services". This brings in a whole host of differentiated marketing and many well-defined 'Value Stratagem' tightly inter-woven for localizing the presence with a more aligned client experience.

DEFINING THE 3 COMPONENTS OF 'VALUE STRATAGEM' FRAMEWORK

A Value Proposition, Value Creation and a Provocative Value Proposition

A value proposition in its true entirety means a statement of competitive differentiation. The by its very tenet ensures that Porter's Five Forces of competition is evaluated thoroughly in order to arrive at organization's own strategic advantage -possibly at the core of its mission statement. It's a value that has been proposed for effective delivery. Today, many of our Value Propositions are associated with 'perceived' differentiation that say a company's product line caters-to rather than business value -why are we in this business? There is a perceived notion that a quantification of business value described in terms of business metrics for the client is also a value proposition. Thomas E. Copelan's article in The McKisney Quarterly draw the point through its article "Why value value? " clearly puts the priority of value creation as " "winning" companies create greater value for all stakeholders—customers, labor, the government (via taxes), and suppliers of capital" -extending the business scope of engagement to a more 'fulfilling' experience rather than transactional dependent goals. According to Copeland Value is the performance metric that uses the best—and most complete—information. In nutshell it has intangibles 'deliver' even if it were just services. In Managerial Incentives and Value Creation: Evidence from Private Equity (NBER Working Paper No. 14331), co-authors Phillip Leslie and Paul Oyer analyze the differences between companies owned by private equity (PE) investors and similar public companies. They observe that the PE- owned

companies use much stronger incentives for their top executives and have substantially higher debt levels. This proves that value creation is not just a 'mission' driven engagement but deeply integrated strategic footprint as 'incentive' for a private company to gain leadership market share and in return create a stronger shareholder earnings.

Technological disruptions play a very integral and often omnipotent role in how a company's perceived value creation proposal is not so aligned to 'market' needs -the fundamental crux of any strategy and importantly business ideals -to cater to consumer's NEEDS. As proposed by Surviving Disruption by Maxwell Wessel and Clayton M. Christensen in their Harvard Business Review article "What makes an innovation disruptive?" their definition: "Disruption is less a single event than a process that plays out over time, sometimes quickly and completely, but other times slowly and incompletely".

Reaffirming that axiom is through Michael Raynor's book *The Innovator's Manifesto* (2011) that all disruptive innovations stem from technological or business model advantages that can scale as disruptive businesses move up market in search of more-demanding customers". Christensen and Maxwell further propose that whole an organization moves forward to create its own 'differentiated' value proposition, they must introduce in that same breadth the 'technological disruptions' that the company will absorb and move forward -seamless. The three components according to them that each and every organization must execute are: (1) Identify the strengths of your disrupter's business model; (2) Identify your own relative advantages; and (3) Evaluate the conditions that would help or hinder the disrupter from co-opting your current advantages in the future. These advantages are what enable the extendable core; they differentiate disruption from mere price competition. This forms a strong stepping stone towards a water-tight value creation as an "approach will enable you to see which parts of your current business are most vulnerable to disruption and—just as important— which parts you can defend".

We now define what will formulate "Provocative Value Proposition" in context of defined value creation and value proposition, taking into light the technological disruption that take place, bringing a new 'needs' of the growing consumer and business objectives.

Creating a value proposition aims at creating a stronger value creation. And value creation as it is widely accepted norms is to create and deploy provocative value propositions relevant to client needs enabling client to dynamically adapt to changing market conditions. Philip Lay, Todd Hewlin, and Geoffrey Moore's in their seminal work in Harvard Business Review publication "In a Downturn, Provoke Your Customers" in 2009 lay the groundwork for now 'provocative value proposition' as core to business deliverables. Lay, Hewlin and Moore proposed a provocative value selling as ""persuading customers that the solutions they bring to the table are not just nice but essential". Their Provocation-based selling engages client beyond a mere consultative approach especially to solutions that need huge outlay of investment and time commitment. Through this model "the vendor's sales team seeks out current concerns in a question-and-answer dialogue with customer managers. And it differs dramatically from the most common approach still in use—product-based selling, which pushes features, functionality, and benefits, usually in a generic manner". The core to this selling is to make client question -provoke him to respond thereby questioning is 'reasoning' for not 'needing' that particular solution. "Why don't you want this?" is the question that it asks more like a doctor who prescribes an expensive treatment that the patient is resisting. According to Lay, Hewlin and Moore "provocation-based selling helps customers see their competitive challenges in a new light that makes addressing specific painful problems unmistakably urgent". (Underlying provocation-based selling is the idea that the vendor should help the customer find investment funds even when discretionary

spending appears to have (at least temporarily) dried up.).

It is in many ways 'prescriptive' in approach to which the value creation forms the 'diagnostic' backbone.

FIGURE 1: PROVOCATIVE VALUE PROPOSITION

The "provocative value proposition" in Figure 1., approach forms one pillar of foundation that this paper proposes every business entity closely studies as it is intimately tied to business growth and growing dominance worldwide as it seeks Foreign Direct Investment to grow its footprint and hedge against a cheaper labor cost and scale of economies. A simile in this direction is provided by Bob Malandrucolo in his "How to Shorten Your Selling Cycle" article which states that "given that your Go-to-Market strategy is based on a Business Adviser (or Provocation Seller) approach, the following tactics could be used to execute your strategy and shorten your selling cycle: (1) Reveal emerging pressures; (2) Create demand and (3) Co-develop a provocative value proposition. These are fundamentally a set of strategic market segment management tenets that is followed across for a stronger value creation. Assuming target client has been provoked from company's demand creation, the outcomes business shares are based on previous experiences and are not specific to this client. This is where the power of co-developing the value proposition comes in to play -as now, company's ability to leverage the political forces within the client to enable company to "personalize" a compelling value proposition and shorten their selling cycle."

Creating Shared Value (CSV) for "Value Stratagem" Framework:

Shared value offers new opportunities for differentiation, innovation, and growth. Creating Shared Value (CSV) is defined by Micheal E. Porter in his seminal work with Mark Kramer as "Corporate policies and practices that enhance the competitiveness of a company while simultaneously

advancing social and economic conditions in the communities in which it operates". According to Porter the pursuit of shared value represents the next evolution of capitalism as it concerns with societal issues that will be a defining characteristic of the post-crisis era by incorporating societal issues into strategy and operations is the next major transformation in management thinking. The "Value Stratagem" brings Creating Shared Value into its framework as more and more the business external environmental factors are getting influenced by the notion of 'societal good' which enshrines the co-habitate engagement of business and society and also has become a very important catalyst to build a very agile and responsive marketing 'value stratagem' to engage client experience. Client feels no more isolated in his 'purchasing' decision or 'engaging' with a particular business prospect -as he is part of a 'social' cause as much as it is opportunistic. In light of economic growth that a Foreign Direct Investment brings forward through it's geographic engagement or a simple business unit wanting to thrive in downturn keeping close to legislation, political and bureaucracy CSV as a strategy enables to develop future market while also strengthening economies, the marketplace, communities, and corporate coffers. Shared value thinking is positioned to drive the next wave of innovation, productivity enhancement, and economic growth -as it also clearly shows organization a more 'deeper' integration of its offering within ever-expanding geographies with a more differentiated client culture and profile.

Porter's presentation on CSV clearly shows how 'Shared value opens up new needs, new markets, and new value chain configurations ... as it creates new strategic positions, and new opportunities for extending existing positions'. IBM's Smarter Planet Initiative is one such example that ties to its core function of selling solutions and consultations to resolving problems that a society is abound with be it fixing a heavy traffic congestion in prime area during peak hours

or ensuring a city all infrastructure is running during a disaster as they showcased as "Smarter City" in RIO 2012 Summit.

Creating Shared Value also creates larger landscape of 'provocative value proposition' for taking on competition using Porter's Five Competitive Forces as parameters of assessment -becoming a symbiotic and synergistic fit to proposed "Value Stratagem" Framework.

Porter's Five Forces of Competition for "Value Stratagem" Framework

Porter's Five Competitive Forces (1979) draws upon industrial organization (IO) economics to derive five forces that determine the competitive intensity and therefore attractiveness of a market. Attractiveness in this context refers to the overall industry profitability.

The Five Forces comprises of: (1) Threat of new competition; (2) Threat of substitute products or services; (3) Bargaining power of customers (buyers); (4) Bargaining power of suppliers and (5) Intensity of competitive rivalry. The forces together gauge whether an industry is 'attractive' or 'unattractive'. An "unattractive" industry is one in which acts to drive down overall profitability, hence approaching "pure competition", in which available profits for all firms are driven to normal profit as described in Figure 2.

FIGURE 2: PORTER FIVE FOCES

Porter's five forces include -three forces from 'horizontal' competition: threat of substitute products, the threat of established rivals, and the threat of new entrants; and two forces from 'vertical' competition: the bargaining power of suppliers and the bargaining power of customers. (Figure 3)

The strongest competitive force or forces determine the profitability of an industry and become the most important to strategy formulation. The Five Forces drive an organization to assess Positioning on what

platform the company is positioned, how to exploiting industry change, engage in shaping industry structure be it re-dividing profitability within its own business units or Expanding the profit pool to cover a larger geography or reach, thus making the business define the industry -propose a stronger value creation that is shared-value inclusive.

The key to business success, from a strategic point of view, is creating and maintaining competitive advantage, which is consequently valued by buyers and inimitable by competitors. (Bennett & Smith, 2002; Burke & Jarratt, 2004). A client has perceived 'value' for having an 'experience' that is differentiated over competition yet giving a value. As per Porter's Five Force model an understanding of industry structure guides managers toward fruitful possibilities for strategic action, which may include any or all of the following: positioning the company to better cope with the current (b) competitive forces; (c) anticipating and exploiting shifts in the forces; and (d) shaping the balance of forces to create a new industry structure that is more favorable to the company. These are economic-downturn proof, as in that can be used to evaluate the market share and proposed profitability of the engagement ensuring that the client/stakeholder's wallet share remains with the business. Figure 4.

MARKETING APPROACH TO THE "VALUE STRATAGEM": TALE OF 3 CASE STUDY

Business today relies more on marketers to engage client wins. There has happened a technological disruption in marketing too. With data proliferation and Big Data becoming a way to churn more 'intelligent' and 'scientifically' proved 'insights' marketers must address Customer Experiences comprehensively through series of tightly woven Go to Market initiatives. The need to weave the "Value Stratagem" in every footprint, every routes to market and importantly in every client engagement is today

more 'intelligent' -more aligned to the tenets of 'provocative value proposition'. (Figure 5) The "AIDA" linear customer progression is no more the dip-stick of a successful campaign -linearity itself has been replaced a more 'matrix' and 'social' marketing. With technological disruptions eroding the fundamental 'ways' of engaging business with a more aggressive demand to 'adopt change' marketing through a 'provocative value proposition' is far more iterative in approach. Marketers need to perfect an expanded set of skills and capabilities to shepherd the customer's experience throughout "Value Stratagem" entire lifecycle. Extending Porter's Five Competitive Forces is the encapsulation of client experience in his decision making; that client doesn't compare that experience within same product line or service but that with the 'entire' industry. This throws to marketers a new set of challenges -as they need to ensure the client experience remains Fidel inspite of many product 'updates' and service 'revisions' at a cost.

Clients and prospects no longer evaluate brands and their experiences in a vacuum. Online experience for a purchase is compared across all online transaction: Amazon Vs Citibank card payment. The customers will experience the organization's brand not directly, but by comparison with best-in-class experiences. The key is comparing every discrete segment they encounter with others across all markets and industries.

Today they have their expectations based on whatever their best experience was. And it is same with the way an organization creates value by stitching these experiences into a stronger 'proposition' by anchoring parts of it through 'shared value creation' -giving client the credit of his experience and enhancing that by a more collaborative synthesis. The organization now relies more heavily on building and nurturing a relationship with customers before, during, and beyond the actual purchase, increasing the lifecycle of marketing and the number of touch points that proactive 'value proposition' can be shared.

Companies focused on life cycle customer experience management — from prospect through the entire life cycle are starting to incorporate elements of value co-creation. In Essence there is a refreshed and renewed need for business to move beyond creating shared value to value co-creation (David Brock). There is emphasizing in creating a 'collaborative' value with the client/stakeholder before even an organization proposed a 'provocative value proposition'. According to Broc, 'Value co-creation moves from teaching the customer to learning from each other. It causes us to leverage our individual and shared experiences together, creating something that we could not have produced separately or in the traditional ways'. This is the next leap forward that we might see once there is stronger consolidation within the present proposed conceptual framework.

Barack Obama's US Presidential Election Campaign

Creating a powerful campaign for re-election of Barack Obama points to ways in which marketers can influence electorate at its best. The Provocative value proposition and selling were backed by analyzing innumerable data to make for an 'intelligent' and actionable 'insight'. Developed uncanny voter and volunteer targeting techniques through a constant refresh to what the 'elected' president would offer clinched the electoral with a very steady sweep of rival's votes. A campaign that drew more than a \$1BN as fund raiser for election by Barack Obama had implanted in all the 3 elements of "Value Stratagem" Framework to create a steady and strong traction, even through the backlash of Storm Sandy and weaker presidential debate. Pointers towards the angle that Obama's marketers and campaign strategists created were integrating every opponent's action to a 'provocative value' bundled with common voters needs, having evaluated the chances and timeline for opponent to rebound and react. Mitt Romney's recording of "writing off the 47 percent

of the electorate who planned to vote for Obama" saw a strengthening position of an opponent weakened by his own constituency.

Social Media and Business: it has been well documented and established that the 2008 presidential election to large factor was 99 percent of people who voted for Obama influenced by the people the campaign contacted by email to strengthen the point of engaging with the target audience thought the complete marketing life cycle experience, even if it were to disseminate content that drove the intended audience to 'react' immediately. Obama became the first presidential candidate to appear on Reddit grabbing immediately 30,000 Redditors to register their vote through registration link provided. The 550,000+ TV advertisement were tailored based on with a more intelligent view of electorate on 'what they did when they watched few hours of TV' making Obama's "creating shared value" pitch that much more closer to people's need to 'react' urgently towards say a presidential debate. This was integrated with a tool called The Optimizer -which by itself had set precedence for a technological disruption among election campaigns.

Proactively engaging various Demographics : A true marketer would know how to map the demography of his industry and importantly cater to it, through justified actions. This was amply demonstrated by Obama's campaigners using Big Data capabilities that the technology provided to counter Mitt Romney' backed program of "self-deportation" in which enforcement of immigration laws -that all undocumented would leave the country voluntarily -targeted at the Hispanic community largely. This created a disruption to 3 vertical of Five Force pulling the campaign more away from fringe voters.

Stronger Response team and more 'engaging' scripts: Triple-Screen Polling tested the responsiveness and capability of the contestant. This became a classic case of real-time 'value creation' as several different streams of polling

information were collected through-out with Narwhal platform to enable the volunteers canvassing at doorstep with adaptable scripts based on insights of 'undecided' electorate. Marketers could even tailor the script the volunteer would deliver -a finer detail to "Value Stratagem' framework. Obama's other initiative like Truth Team organized as a "rapid response team" to both counter instances of anti-Obama rhetoric and promote Obama's record with web video and info graphics ensured that the 'provocative value propositions aligned to shared-value' were constantly shared with prospect helping the decision maker 'decide' on next course of action.

Technological disruption deployment: It is key on how Obama's campaign 'adopted and adjusted' the full engagement. The full-fledged platform called Narwhal with its analytical, metrics-based approach assembled a winning campaign by churning insightful data to drive high performing fundraising campaigns like Quick Donate program, which allowed repeat giving online or via text message without having to reenter credit-card information. The 13 million people who had registered for online updates in 2008 were now in hot-seat for narwhal. Analyzing this through the Five Forces is comparable as it produced four times as much as other donors -creating a political "Moneyball" that stayed close to its 'societal good' connection.

Foreign Direct Investment (FDI): The Imperatives Marketing to Foreign Direct Investment (FDI) transnational Corporations (TNC) is as critical as ensuring the investment stays secure over a longer duration. This becomes very essential for developing countries like India, china, Brazil vis-à-vis those more efficient economies like Singapore, Malaysia and Korea. The latter more efficient countries have deployed integrated marketing campaign as brand building exercise to ensure the FDI TNCs feel more 'secure' in their investment, even during downturn of economy. (Figure 6). A systematic

approach has been embarked by Malaysian Industrial Development Authority (MIDA), Thailand's Board of Investment (BOI) and Singapore's Economic Development Board (EDB) in line with the "Value Stratagem" has ensured that the validation process is more streamlined and fast -delivering 'attractive' the local stakeholder, even if the terms and conditions are rigid. Promotional techniques like primary image building techniques, primary investment generating techniques and investment service techniques (Wells and Wint (1991) ensures that the 'unpredictability' of a localized engagement is minimized. Porter's Five Forces of competition also helps the FDI seeking countries clearly define their industrial strategy and propose a set of 'provocative value proposition' along with creating shared value as a more viable and lucrative way to tap the investor's wallet share.

The BRICS nations of Brazil, Russia, India, china and South Africa are in constant 'battlefield' -each wanting to outshine the other through various sops and tax exemption as primary route. The marketing cost also indirectly accrued through various market research data points, help in set up direct or indirect distribution channels and localizing their offerings has proved more bandwidth engaging thus -need a stronger well designed marketing program -that helps the FDI investor more time-in hand to actually work on business growth. {Keesing (1983) and Roberts and Tybout (1997)}. All this needs to be aligned to investors' goals which are (a) securing raw materials; (b) market access for geographical dominance; (c) seeking efficiency; and (d) gaining strategic elements like skilled workers at cheaper cost.(Mortimore (2003) .

FIGURE 7: India's product exports in 28 color coded Categories

Source: Electronic Complexity Observatory, MIT Media Lab and the Center for International Development at Harvard University. <http://atlas.media.mit.edu>

Countries like India by allowing FDI in multi-brand sector immediately align a more strategic 'provocative value proposition' to their own stakeholders on the benefit for this

'liberalization' in order to stay globally market competitive. (Figure 7) .

Retail Sector contributes to 14–15% of India's GDP which is estimated to be US\$ 450 billion. It is one of the top five retail markets in the world by economic value. India is one of the fastest growing retail markets in the world, with 1.2 billion people. Global retailer like IKEA, Wal Mart, Tesco, and Carrefour will help redefine the market landscape and indirectly affecting the buying patters of a consumer with better standards of living -as proposed by Porter in his Five Competitive Forces. Industry experience becomes uniform and the client decides 'instantly' what this benchmark of 'experience' expectation is, India's slip from its dominance as most attractive destination for retain FDI in 2010 to China immediately results in much pressure drawn to sector-based public relations. (A.T. Kearney Global Retail Development Index)

IBM's Smarter Planet Initiative

As organizations evolve into a more mature model of market consolidation traditional big companies like IBM, Nestle, Microsoft all intrinsically have built a stronger footprint of Creating Shared Value (CSV) within their value proposition in every go to market initiatives – closing the 'intangible' social good cause to business priority as enshrined by Porter, M.E., Kramer, Mark in "Creating Shared Value: Redefining Capitalism and the Role of the Corporation in Society". IBM Smarter Planet aims to integrate business solutions close to societal needs – becoming a powerful enabler to build a 'better ecosystem' where the stakeholder are as much as an NGO who contributes to say a water sanitization outreach as much the Department of Natural Resources that builds capability on this for a more prudent economic growth. This has been defined by B Eckman, MD Feblowitz, A Mayer "Building a Smarter Planet requires creating an intelligent infrastructure that integrates technology with business, government,

and the everyday life of the citizens of earth, to maximize the use of scarce resources, balance human use and ecosystem preservation, reduce costs, and improve quality of life". This leading to an integrative approach to campaigning.

In "Introduction to Service Engineering' by Waldemar Karwowski, service science has been very aptly aligned to smarter planet integrating the disruptive forces that technology throws to a more fundamentally strong business growth 'embracing' all. "Web squared: Web 2.0 five years on " T O'Reilly, J Battelle Web 2.0 Summit, 2009 clearly show how "IBM's Smarter Planet initiative and the NASACisco "planetary skin" project both show how deeply business will be transformed by the sensor web".

In IBM Smarter Planet the universe is 'instrumented', 'interconnected' and 'intelligent' – making hardware, software, solution and services all into one enmeshed engagement that aims to go to market utilizing Porter's Five Force model. This is also forms a very apt case study towards how provocative value proposition selling brings organization to get clients to 'urgently' react to a social cause that has been ignored – making away to get to wallet share in downturn.

A highlight of the 'Value Stratagem' Framework mapped to IBM Smarter Planet's Smarter cities is how business drive sustainable economic growth and prosperity for their citizens. Smarter Cities are urban areas that exploit operational data, such as that arising from traffic congestion, power consumption statistics, and public safety events, to optimize the operation of city services. This is enabled through "tools to analyze data for better decisions, anticipate problems to resolve them proactively and coordinate resources to operate effectively" as put forward by IBM. The interpretation is that with economic downturn or fast expanding infrastructure needs with a smaller budget allocated towards IT spend -to address the manageability of a whole city -needs a more tightly woven solution -that brings both the business's

capitalistic needs to society's welfare wants to same table, which IBM caters through tools such as the IBM Intelligent Operations Center. In Rio Summit 2012 this highlighted in ways a city like Rio can manage disaster across all functions getting a "coordinated and shared data in a single view creating the big picture for the decision makers'. (Figure 8). Now Rio de Janeiro is able to tap into the transforming strategy of IBM Smarter Planet campaign to its emergency response system to prepare to host the World Cup and Olympics.

FIGURE 8: SMARTER CITY PREMISES

IBM goes a step ahead like Barack Obama's presidential election to create campaigns to elicit responses and speedier resolution by integrating its social business base Smarter Marketing. The Smarter Cities Challenge has in three years helped 100 cities worldwide address vital issues with US\$50 million worth of IBM technology and expertise. This is a prime example of how a 'provocative value proposition' when enmeshed with 'creating shared value' by clearly defining all the Five Competitive Forces can make the simplest of 'interconnected' society to reap benefits for a corporate.

CONCLUSION

The "Value Stratagem" Framework clearly worked in all the three primary case-studies cited as an integrated offering from a business enmeshing all the three main strategic alignment ; (1) Provocative Value proposition (as way of selling), (2) Creating Shared Value (CSV) and (3) Porter's Five Competitive Forces Model. As a stratagem that elicits immediate response to a core-issue close to the client's needs the "Value Stratagem" framework has proved over the years that when adopted and executed with across the complete client-engaged life-cycle of a business, reaps much profitable result, by altering the course of a roadmap. It also has proved that it is resilient towards technological disruptions that mar the

business longevity of many businesses giving them an easier access to much sought-after foreign direct investment (FDI) and the economies of scope that the receiving countries gain.

As a highlight to conclusion is the fact that aside from technology transfer that FDI brought in China fuelling much of its growth in past 10+ years establishing a 'Value Stratagem' Framework fit to TNCs R&D campaign were able to appeal to Chinese customers, helping the TNCs to maintain core competitive edge, modeled on Five Forces strategy. There has been positive diffusion of technology spillover creating world class competencies by the 33 odd firms out of 1200 R&D centre set-up in 2008 – 13+ even becoming the 13 the biggest overseas centers for parent companies like General Electric. (GE).

It is apt to conclude that with dynamic shifts in the economy as more uncertainty sets into client and/or investor the best way to derive a strong shareholder value through a virtuous approach to business building is by engaging with 'Value Stratagem' Framework. It calls for embracing changes and being resilient enough to make the change that society wants – making company's value proposition that much more 'provocative' which incites immediate response, thus optimizing on dollar spent.

REFERENCES

- Arkolakis, C. (2007): "**Market Penetration Costs and Trade Dynamics**," mimeo, Yale University.
- Arndt, J., and J. L. Simon (1983): "**Advertising and Economies of Scale: Critical Comments on the Evidence**," *The Journal of Industrial Economics*, 23(2), 229— 241
- Bennett, R. & Smith, C. (2002). Competitive conditions, competitive advantage and location of SMEs. *Journal of Small Business and Enterprise Development*. Vol. 9. No. 1. pp 73-86.
- Brock, David, "**Moving From Value Creation To Value Co-Creation**", November 29th, 2012 : <http://partnersinexcellenceblog.com/moving-from-value-creation-to-value-co-creation/>
- Burke, I. & Jarratt, D. (2004). The influence of information and advice on competitive strategy definition in small and medium sized enterprises. *Qualitative Market Research: An International Journal*. Vol. 7. No. 2. pp 126-138.
- Butters, G. (1977): "Equilibrium Distributions of Sales and Advertising Prices," *The Review of Economic Studies*, 44(3), 465—491.
- Caves, R.E. (1971) "International Corporations: **The Industrial Economics of Foreign Investment**," *Economica*, 38, pp. 1-27.
- Chaney, T. (2007): "**Distorted Gravity: The Intensive and the Extensive Margins of International Trade**," mimeo, University of Chicago.
- Clerides, S. K., S. Lach, and J. R. Tybout (1998): "**Is Learning by Exporting Important? Micro-Dynamic Evidence from Colombia, Mexico, and Morocco**," *Quarterly Journal of Economics*, pp. 903—947.
- Coyne, K.P. and Sujit Balakrishnan (1996), Bringing discipline to strategy, The McKinsey Quarterly, No.4. — Cuong, Mai The, "**The Marketing Approach to FDI Attraction**", Vietnam Development Forum and National Economics University, February 2005
- Das, S., M. J. Roberts, and J. R. Tybout (2005): "**Market Entry Costs, Producer**

- Heterogeneity, and Export Dynamics**," NBER Working Paper, 8629.
- Dickerson, John , "**The Secrets of the 2012 Campaign**", Slate online , Dec. 5, 2012, – Dinlersoz, E. M., and M. Yorukoglu (2006): "Informative Advertising by Heterogeneous Firms," mimeo, University of Houston. –
- Dunning, J. H. (1986) "**The investment development cycle and Third World multinationals**", in Khan (e d .) Multinationals from the South, St. Martins Press: New York, pp. 15-47.
- Dunning, J. H. and Narula, R. (1996) '**The investment development path revisited: Some emerging issues**', in Dunning and Narula (eds.), Foreign Direct – Investment and Governments, London: Routledge, pp. 1-41.
- Eaton, J., and S. Kortum (2005): Technology in the Global Economy: A **Framework for Quantitative Analysis**. Mimeo, University of Minnesota.
- Eaton, J., and S. Kortum (2002): "**Technology, Geography and Trade**," Econometrica, 70(5), 1741—1779.
- Eaton, J., S. Kortum, and F. Kramarz (2004): "**Dissecting Trade: Firms, Industries, and Export Destinations**," The American Economic Review, Papers and Proceedings, 94(2), 150—154.
- ESCAP/UNCTC (1985) Transnational Corporations From Developing Asian Economies, Bangkok: Joint ESCAP/CTC Unit on Transnational Corporations, 1985
- Farris, P. W., and R. D. Buzzell (1979): "**Why Advertising and Promotional Costs Vary: Some Cross-Sectional Analyses**," Journal of Marketing, 43(4), 112—122.
- Gabaix, X. (1999): "**Zipf's Law for Cities: An Explanation**," Quarterly Journal of Economics, 114(3), 739—767.
- Ghironi, F., and M. Melitz (2005): "**International Trade and Macroeconomic Dynamics with Heterogeneous Firms**," Quarterly Journal of Economics, 120(3), 865—915.34
- Grossman, G. M., and C. Shapiro (1984): "**Informative Advertising with Differentiated Products**," The Review of Economic Studies, 51(1), 63—81.
- Helpman, Elhanan. 1984. "**A Simple Theory of International Trade with Multinational Corporations**." Journal of Political Economy 92(3): 451-71.
- Incentives, and Internal Capital Markets", **NBER book Mergers and Productivity (2000)**, Steven N. Kaplan (p. 179 - 238)
- Ireland, Hoskisson, Understanding Business Strategy. SOUTH WESTERN.
- Jones, J. P. (1995): New Proof That Advertising Triggers Sales. Lexington Books, New York.
- Kaplan, Steven N., Mitchell Mark, and Wruck Karen "**A Clinical Exploration of Value Creation and Destruction in Acquisitions**, Organizational Design,
- Kotler Philip, **Marketing Management**, Prentice- Hall, Inc. 1997
- Kumar, K. and M. McLeod (1981), (eds.) Multinationals from Developing Countries, Lexington Books: Lexington, Mass: D. C. Heath.

- Lall, S. (1983) (ed.) *The New Multinationals: The Spread of Third World Enterprises*, John Wiley & Sons New York.
- Lall, S. (1996) "***The investment development path: Some conclusions***", in Dunning and Narula (eds), *Foreign Direct Investment and Governments*, London: Routledge, pp. 423-441.
- Lall, Sanjay , "***FDI AND DEVELOPMENT: RESEARCH ISSUES IN THE EMERGING CONTEXT***" , Centre for International Economic Studies, Policy discussion paper 0020
- Lambin, J. J. (1976): *Advertising, Competition and Market Conduct in Oligopoly over Time. An Econometric Investigation in Western European Countries*. North Holland, Amsterdam.
- Leslie, Paul Oyer. "***Managerial Incentives and Value Creation: Evidence from Private Equity***", NBER Working Paper No. 14331. Issued in September 2008
- Leslie, Phillip and Oyer, Paul , "***Managerial Incentives and Value Creation: Evidence from Private Equity***" NBER Working Paper No. 14331, Issued in September 2008
- Luttmer, E. G. (2006): "***Selection, Growth, and the Size Distribution of Firms***," forth., *Quarterly Journal of Economics*.
- Markusen, James R. 2002. *Multinational Firms and the Theory of International Trade*. Cambridge, Mass.: MIT Press.
- Melitz, M., and G. Ottaviano (2007): "***Market Size, Trade, and Productivity***," *Review of Economics Studies*.
- Mintzberg, Ahlstrand and Lampel, *Strategy Safari* 1998.
- Porter, M.E. (1979) "***How Competitive Forces Shape Strategy***" , *Harvard Business Review*
- Porter, M.E. (1979) *How Competitive Forces Shape Strategy*, ***Harvard Business Review***, March/April 1979.
- Porter, M.E. (1980) *Competitive Strategy*, Free Press, New York, 1980.
- Porter, M.E. (2008) *The Five Competitive Forces That Shape Strategy*, ***Harvard business Review***, January 2008
- Porter, M.E., Kramer, Mark, "***Creating Shared Value: Redefining Capitalism and the Role of the Corporation in Society***", *Harvard Business Review* 2006, FSG CSV Leadership Summit June 9, 2011
- Pradhan, J. P. (2004) '***The Determinants of Outward Foreign Direct Investment: A Firm-level Analysis of Indian Manufacturing***', Oxford Development Studies, 32(4), pp. 619-639.
- Pradhan, J. P. (2005) "***Outward Foreign Direct Investment from India: Recent Trends and Patterns***", *GIDR Working Paper*, No. 153, February.
- Pradhan, J. P. and Vinoj Abraham (2005) "***Overseas Mergers and Acquisitions by Indian Enterprises: Patterns and Motivations***", *Indian Journal of Economics*, vol. LXXXV, no. 338, pp. 365-386.
- Rainer and Turban, *Introduction to Information Systems* (2nd edition), Wiley, 2009, pp 36-41.
- Robert J. Bennett, Colin Smith, (2002) "***Competitive conditions, competitive advantage and the location of SMEs***", *Journal of Small Business and Enterprise Development*, Vol. 9 Iss: 1, pp.73 - 86

- Simon, J. L., and J. Arndt (1980): ***The Shape of The Advertising Response Function***, Journal of Advertising Research, 20 (4) , 767—784.
- Stegeman, M. (1991): ***Advertising in Competitive Markets***, The American Economic Review, 81(1), 210—223.
- Sutton, J. (1991): Sunk Costs and Market Structure. The MIT Press, Massachusetts.
- Thomas, L. G. (1989): ***Advertising in Consumer Goods Industries: Durability, Economies of Scale, and Heterogeneity***, Journal of Law and Economics, 32, 163—193
- Tolentino, Paz Estrella E. (1993) Technological Innovation and Third World Multinationals, London and New York: Routledge.
- UNCTAD (1998) The Handbook on Foreign Direct Investment by Small and Medium-sized Enterprises: Lessons from Asia, Sales No. E.98.II.D.4, United Nations Publications, Geneva.
- Wells, L. T. Jr. (1983) Third World Multinationals: The Rise of Foreign Investment from Developing Countries, MIT Press: Cambridge, Mass.
- Eckman, B. Feblowitz, M. D. ; Mayer, A. ; Riabov, A. V. , ***Toward an integrative software infrastructure for water management in the smarter planet***, IBM Journal of Research and Development, Volume: 54 , Issue: 4 , July-Aug 2010
- Harrison, C. Eckman, B. ; Hamilton, R. ; Hartswick, P. ; Kalagnanam, J. ; Paraszczak, J. ; Williams, P. , ***Foundations for Smarter Cities***, IBM Journal of Research and Development, Volume: 54 , Issue: 4 , July- Aug 2010 .

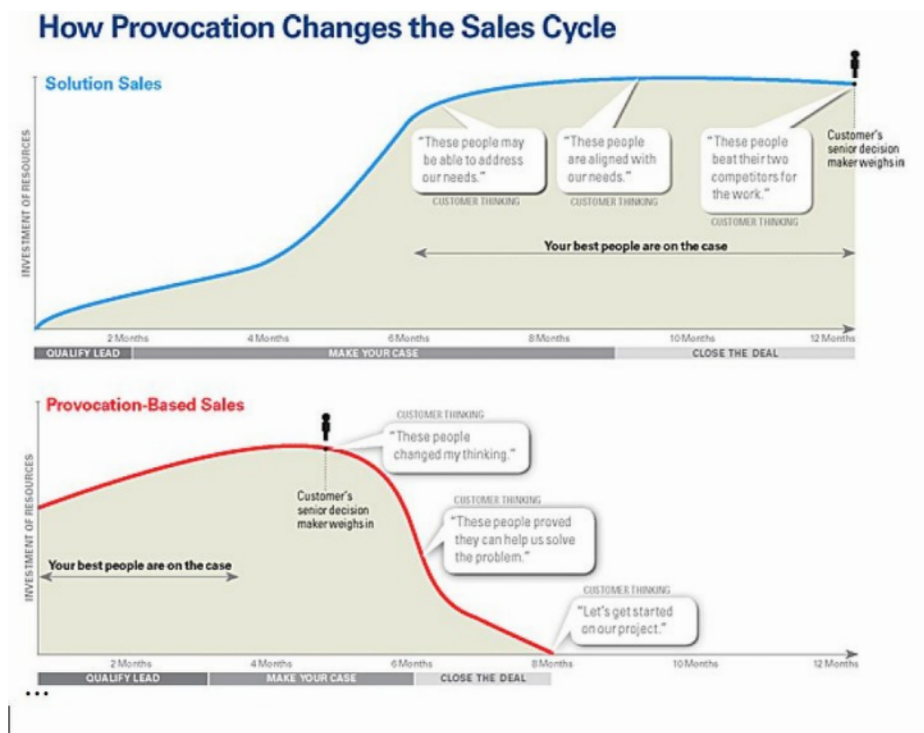


FIGURE 1: PROVOCATIVE VALUE PROPOSITION

Source: Harvard Business Review – 2009

The Five Forces That Shape Industry Competition

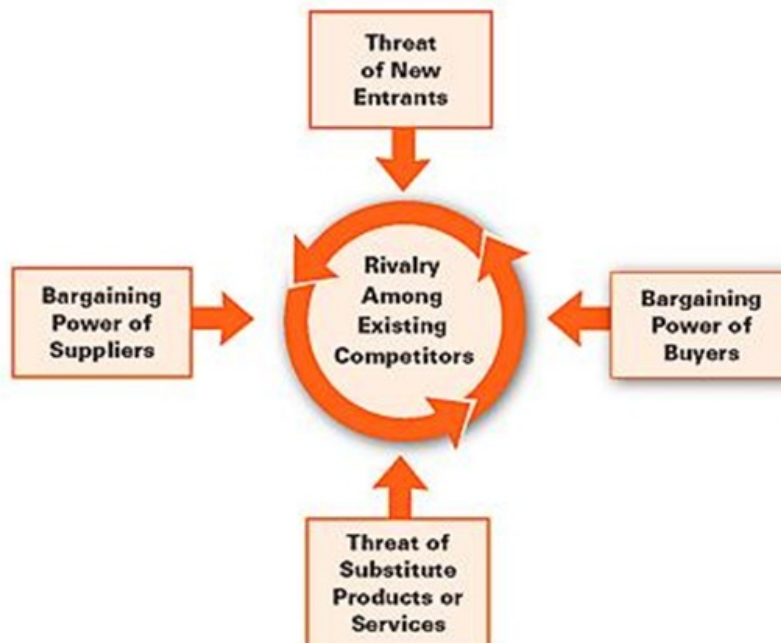
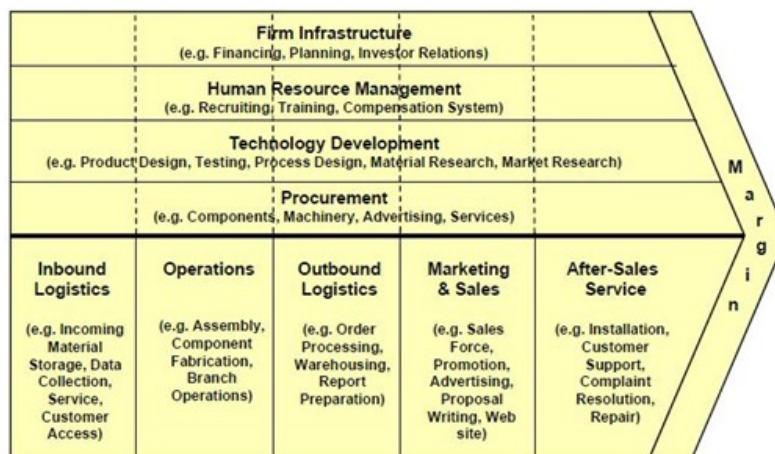


FIGURE 2: PORTER FIVE FOCES

Source: Porter, M.E. (2008) The Five Competitive Forces That Shape Strategy, Harvard business Review, January 2008

Redefining Productivity in the Value Chain



- Procurement
- Resource use
- Energy use
- Logistical efficiency
- Employee productivity
- Location of facilities and the supply chain

FIGURE 3:

Source: Porter, M.E. (2008) The Five Competitive Forces That Shape Strategy, Harvard business Review, January 2008

Identifying Opportunities for Shared Value in Mining The Value Chain

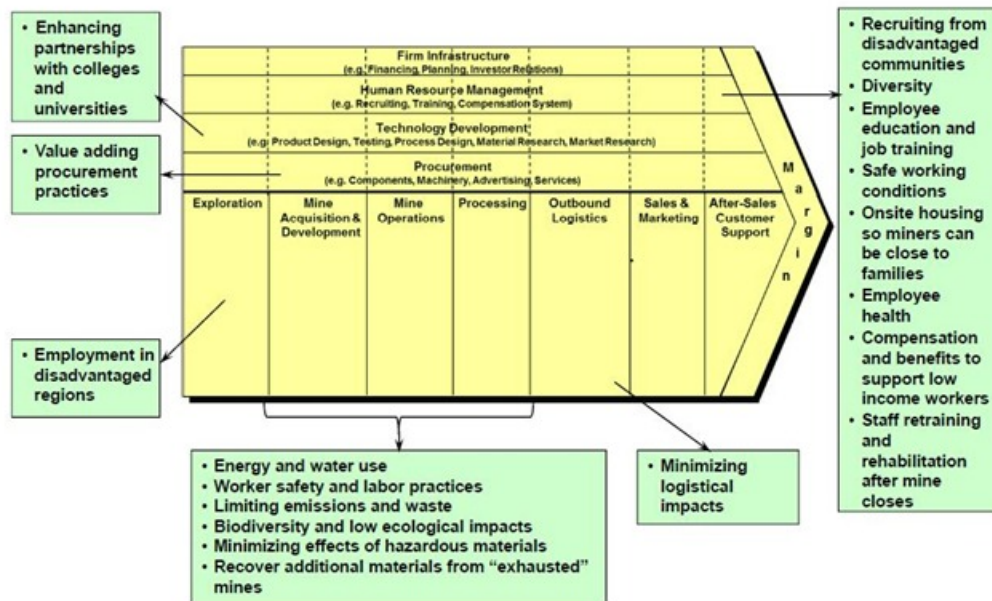


FIGURE 4:

Source: Porter, M.E. (2008) *The Five Competitive Forces That Shape Strategy*, Harvard business Review, January 2008

The Marketing Landscape Has Changed with Business in Fast Lane

75%

of people don't believe that companies tell the truth in advertisements

6%

of marketers rate their online and digital marketing capabilities as "excellent"

75%

of marketers plan to reorganize by the end of 2011

FIGURE 5: WHAT IS MARKETING ADDRESSING?

Sources: ROI Research for Performance 2010, Yankelovich, Razorfish Digital Brand Experience Study 2009, CMO Council 2010, Jupiter Research / Verse Marketing Group 2009 3-January 2009 "Marketing Technology Adoption 2009", Forrester Research

Will India be able to attract more **Foreign Direct Investment (FDI)** then other BRIC countries?

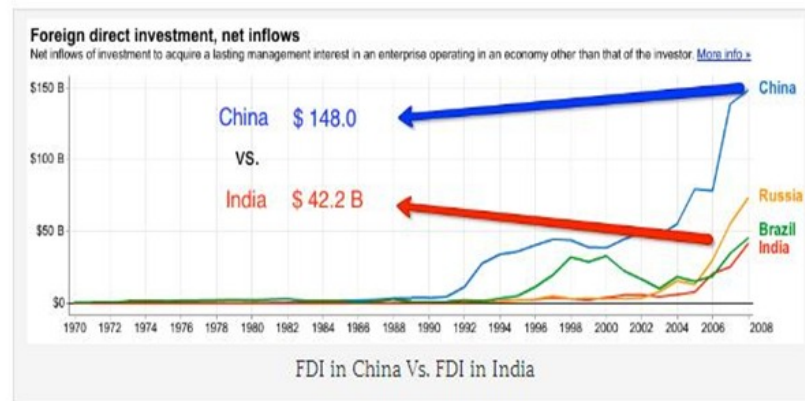


FIGURE 6: FDI in India at 42.2 billion
Sources: World Bank Report 2008 Report.

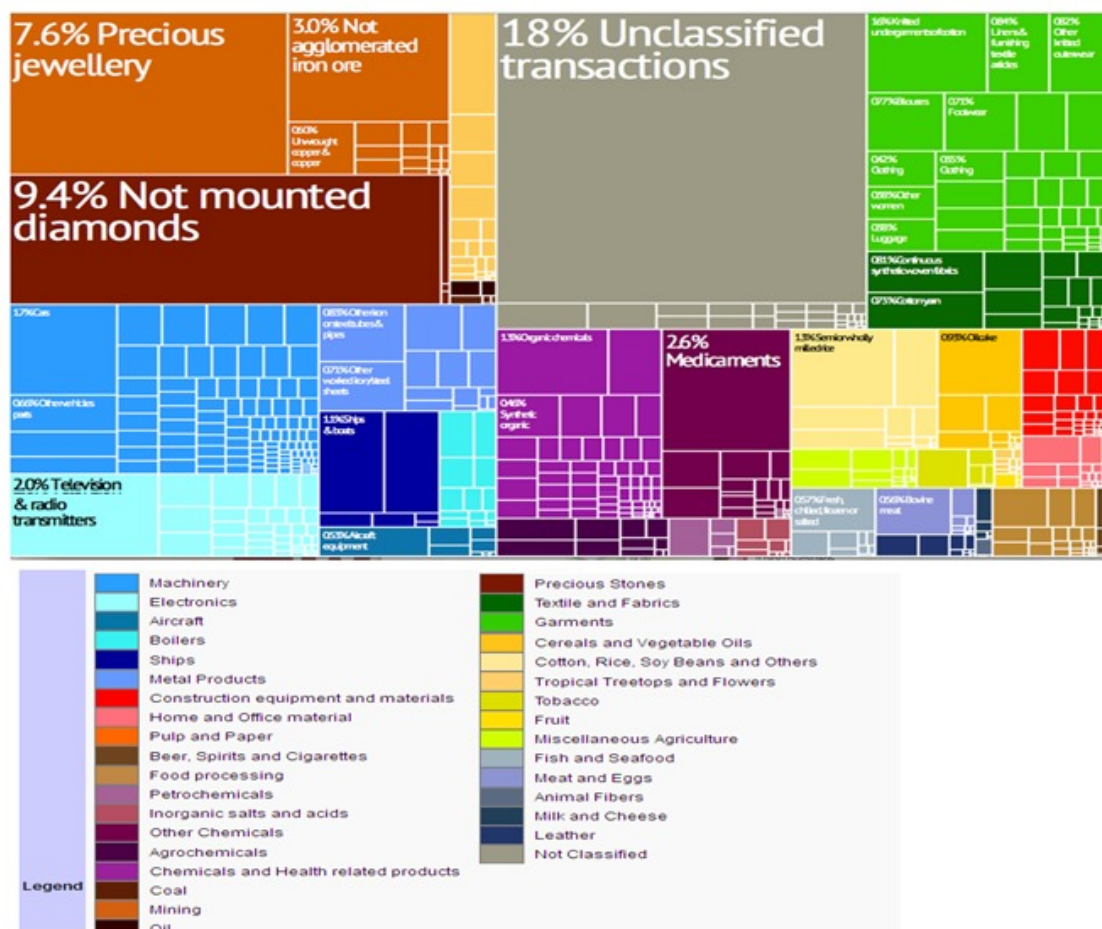


FIGURE 7: India's product exports in 28 color coded Categories
Source: Electronic Complexity Observatory, MIT Media Lab and the Center for International Development at Harvard University. <http://atlas.media.mit.edu>

Infrastructure. Operations. People.

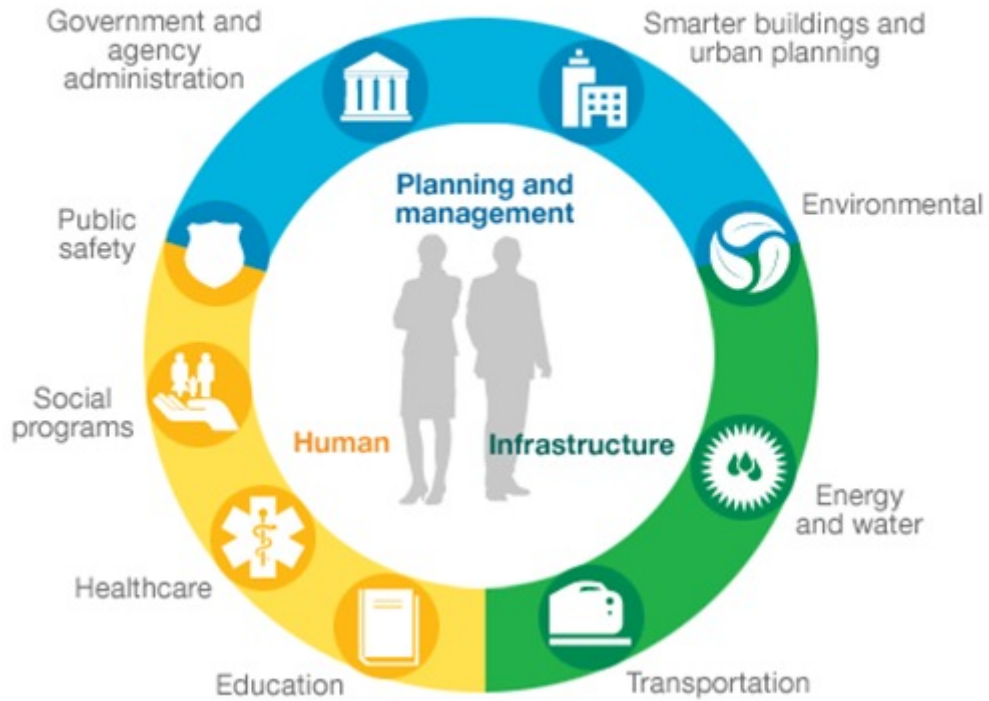


FIGURE 8: SMARTER CITY PREMISES

Migration and Globalization of Brain Drain: Status of Indian Community in Indonesia

Badr Uddin
Associate Professor in Political Science
Shri Ravi Sitarama Naik College of Arts & Science,
Goa University, Ponda, Goa-403401,
Email : drbadar786@mail.com

ABSTRACT

In South East Asia, Indonesia has been the among the most popular destination for overseas Indians with small minority ethnic group only 0.10% of local population, roughly fifteen times less than that of Chinese and Thai Diaspora. Despite little in size, Indians played a greater role in the reformation of Indonesia's social economy into an organized segment. Indians in corporate and social sectors increasingly reflect their ability and intelligence. Special database networks pertain to Indian community has been established to provide readymade information about NGOs, educational and technical institutions, research centers, individual and professional bodies and their demographic representation. India a generic supplier of brains and skills to Indonesia is intensifying greater prominence to promote bilateral dialogues. Indians are mushrooming with the help of study centers, cultural associations, co-religious sentiments, social affinity, innovation, key business strategy and philanthropic activities. Contemporary, Indonesian Indians encompasses different ecological, social, economic and educational issues to see local economy at the international levels, thanks to large number of brains from Indians who have initiated number of project with support of corporate sectors and social networking. Key objectives of this paper is to analysis role of MNCs with direct activities, supply investments and identification of new potential bottlenecks in the implementation of human resource data as crucial determinants. Bollywood films, festivals, multi channel TV Programmes, cuisine, archival and modern photographs enjoy considerable popularity in corporate as well as social fields in Indonesian economy. Several studies and observations do indicate that Indians comparatively feel more secure in due to cohabitation and long cultural relations and cooperative entrepreneurship. Hence, there are demands and expectations from Indian Diaspora for dual citizenship, liberalization of venture capital, flexibility on the execution of philanthropic project, simplification of corporate tax clearance, transparency at immigration counters and assistance in legal and property matters. Indians have made sacrifices both to their host countries as well as internationally in areas as diverse in literature, popular culture, economy, sports and political life.

Key Words: Globalization, India-Indonesia, Diaspora, Brain Drain

HISTORICAL BACKGROUND AND - GEO ECONOMIC SETTINGS

Migration is a dynamic phenomenon that has been taking place for thousands of years. When individuals can no longer acquire adequate resources to sustain the livings with their locals, they must migrate to the destination where

resources are available for sustainability. India, the largest and second most populated country in the world, next to China, is undergoing with serious domestic problems. It is well known fact that the Indians, throughout the ages, have been migrating to several parts of the world and forming the means of their own settlements. But the dawn of 21st Century entered into a new phase of

Information Communication Technology (ICT) which made extensive networking to maintain strong relations with the homeland Hindustan besides their Diaspora counterparts worldwide. Indians Diaspora offers a unique example probably nowhere in the world. It is truly said that the sun never set as Indians are found all over the world with beautiful combinations. Southeast Asia (Indonesia, Malaysia, Thailand, Myanmar and Singapore) always remains the favorite destination of Indians.

Indonesia, Officially Republic of Indonesia, formerly Netherlands Indies Archipelago countries, located off the coast of mainland of South East Asia. With highest number of 13670 islands in the world and more than 7,000 uninhabited and natural, it offers a wonderful satellite image. Among the South East Asian Region, it is rare but interesting example with 300 different ethnic group reminds parallel to Indian culture. The official language is Bhasha Indonesia while 250 languages and dialects from different groups are also spoken in Indonesia. More than 80% are followers of Islam while Buddhism, Jainism, Christianity and Hinduism are also observed by Chinese, Indians and other non identified groups.

Historically, Indians in Indonesia are living for over two millennia who made the journey to Indonesia – a name derived from the Latin Indus, meaning “India”. Greek Nesos (island), in search of economic opportunities find sources of livelihood and success for themselves and their families. For Indians it has been like home coming because after all, Indonesia is a cultural Godchild of India where Bali island has existence of dozens of historical Hindu Temples. The Hindu literary works known as Vedas, the Mahabharata and Ramayana epics gained popularity and continue to be an integral part of present day Indonesia. The underlying philosophical concepts introduced since the 5th century by the Brahman priests have had a profound effect in shaping every facet of Indonesian society now and then. The historical traces of Indian culture in Indonesia probably goes back to 4th and 5th centuries when Sanskrit language was

used on inscriptions. Dravidians who first arrived in India also made an influenced on the Indonesian islands. Since the 7th century onwards, the Indian scripts were used more and more to write down indigenous languages which by now already contained many loans not only from Sanskrit, but also various Prakrit and Tamil. In addition to that, indigenous Indonesians began to embrace Indian religions, history and culture in particular way of professing Buddhism. But some were followers of Vishnuism and Tantrism- the symbol of Hindu God and Goddess. It is believed that various Indian people also settled in Indonesia, intermixed and assimilated with the local population. Because in the 9th century in an inscription from Central Java the names of various. The traces of Indian people are also seen in Kalinga, Aryans, Dravidians, Chams and Khmer during 9th Century. Many of these groups are also found in Thailand and Malaysia.⁵ Later on with the rise of the Islam, the Islamic culture was brought to Indonesia by the Gujarati people from the 11th century onwards that changed the social contours of Indonesia.

Historically, the traces about the arrival of Indians in Indonesia began at the end of 19th century when number of unskilled and semi skilled labourers of Tamil origin joined Dutch and English plantation in East Sumatra. During sixties and seventies large number of undocumented Indians entered in Indonesia to work with textile industries and rubber plantation. During eighties, the economic boom brought many changes when Jakarta officials recruited thousands of IT professionals from India. Soon number of related professions like medical science, management, engineering, accounts and law added priorities.

Today, migrations of people from India still occur. In Medan, North Sumatra, there is a large number of Tamil community estimated at 4,000 people. Besides, large number of North Indians from Punjab, Haryana, Uttar Pradesh and West Bengal are also inhibited. Indian Diaspora also includes

several thousand Sindhi families who constitute the second wave of Indian immigrants who made Indonesia their home in the first half of the 20th century. The Sindhi community is mainly engaged in trading, commerce and miscellaneous category of local business. Though there are no official figures, it is estimated that there are around 25,000 PIOs/NRIs living in Indonesia, of whom the Indian expatriate community registered with the Embassy and the Consulate in Medan numbers around 5000. Demographically, another figure of Indian Indonesians stand 109,000 by the end of January 2012. The modern aspect of the relationship between the two countries grew out of their respective struggles for independence and through personal friendship between the leaders of the new nations – Sukarno, Mohammad Hatta, Sutan Sjahrir and Jawaharlal Nehru. There is no doubt that large number of leader in power often visited Indonesia to promote better understanding between the two countries. During her 10- Day visit to Southeast Asia on 24 November in 2008, then India's president Pratibha Patil said "Today, India and Indonesia share a common commitment to democracy, pluralism and unity in diversity and at the same time face similar challenges and opportunities". For no reason, Indonesia continues to be a popular human resource centre for large number of migrants from India who contribute sizeable growth to Indonesian economy.

INDIA-INDONESIA: BILATERAL TRADE RELATIONS

The inflow of major Indian investments opportunities in Indonesia started 1970s. It drew a fresh communication of Indian investors and management consultants. The group of entrepreneurs and business professionals further expanded over the past two and half decades, that include engineers, consultants, chartered accountants, bankers, catering technology, English Teachers, Taxi Drivers, Hotel Owners, and large number of miscellaneous professionals. During eighties just at the initial phase of globalization, the economic boom brought many changes when

Jakarta officials recruited thousands of IT professionals, nurses, civil contractors, media personnel's, and teachers from India. Soon number of diverse professions like medical science, biotechnology, management, engineering, accounts and catering business added priorities. The economic crisis in 1997 resulted into a severe blow to Indian expatriates in Indonesia. Now there is a constant competition of entrepreneurs and Indian companies setting up plants and offices in Indonesian cities. India's 'Look East Policy' and expansion of financial deregulation in recent years have led to a significant upsurge in the economic dimension of the relationship leading to mutually beneficial bilateral trade agreements and a high level of cooperation. The recent global financial crisis has further put a spotlight on the tremendous inherent potential between India and Indonesia. These growing economic powerhouses are being variously clubbed together. New areas of cooperation are being added and there is a continued renewed entrepreneurial effort by businessmen of both countries to capitalize on human resource developments. The new Indian migrant to Indonesia is no longer ethno-centric but opportunistic and individualistic, investing in the shared bilateral dream. The sense of the local ethnic Indian Indonesian too has changed from a rigid network to a more flexible and social community due to increased acceptance and points of interaction. There is also a focus on community development and philanthropy, with a genuine feeling of oneness.

In order to spur growth and attract investment, the Republic of Indonesia organized the Indonesia Infrastructure 2006 from 1-3 November, 2006 at Jakarta with the agenda titled "A World Forum – A National Priority". This was a second conference and exhibition of its kind. The first one titled "Indonesia Infrastructure Summit 2005" was held in January of that year. India was conspicuous by its absence in the first Summit. However, in the second event, Indian participation was quite encouraging. Four companies namely, BHEL, TCS, Punj Lloyd and ESSAR exhibited in Indonesia Infrastructure 2006

and many more such as ICICI, IDFC, NTPC etc. were present in the conference with support of India. There have been continuous efforts to promote entrepreneurial abilities thorough exhibitions, contact programme, conferences and workshops for prospective human resource management practice between India and Indonesia.

BROAD FRAMEWORK OF ECONOMIC AGREEMENTS

Trade relations between India and Indonesia were formalized under a Trade Agreement signed in June, 1978 committing both countries to take all appropriate measures to facilitate, strengthen and diversify bilateral trade. Periodic discussions have taken place at the Ministerial and official levels to strengthen economic and commercial ties within the framework of this agreement. JBC/business level meetings have also been convened periodically, particularly in conjunction with high level visits. However, no forum for regular talks over a range of cooperative issues with Indonesia existed during the Soeharto years and only a bilateral Agreement on Avoidance of Double Taxation between the two countries was concluded in January, 1986.

An Agreement for the Promotion and Protection of Investments, which was signed in February, 1999, came into force in January, 2004. The first ever India- Indonesia Joint Commission Meeting (JCM) was held in Yogyakarta in September, 2003. Apart from taking major decisions to promote bilateral economic and commercial relations in various fields, the JCM decided to constitute an "India-Indonesia Expert Working Group" with the specific mandate of reporting to the JCM with concrete recommendations for enhancing and diversifying bilateral trade, economic and investment relations. This Expert Working Group held its first meeting in New Delhi on 24 February, 2005. The Second Meeting of JCM was held in New Delhi on 1 March, 2005. Specific areas for enhancement of bilateral trade and economic relations were identified. The Third JCM was held in Jakarta from 16- 19 June 2007 in which a comprehensive "Plan of Action" in all areas including cooperation in economic, trade, industrial and infrastructure, financial and

investment sectors was agreed upon. Opening remarks by External Affairs Minister at the Joint Media Interaction during the visit of Foreign Minister of Indonesia to India on 27 July 2012 are the last lasting agreed Principles between the two countries. India and Indonesia enjoy an excellent relationship which rests on the solid foundation of historical and cultural linkages.

PHILANTHROPIC ACTIVITIES

Philanthropic Activities may often be referred as social welfare service rendered by the philanthropist in the form of donations, establishment of trusts, charities and social services. India has been a leading case in several streams. Presently 55000 Indian origin, most of them concentrated at North Sumatra (Medan) and in the Javanese cities of Jakarta, Surabaya and Bandung have entered in various professions. Soon the socio cultural and economic links were maintained with India. Bollywood films, theatres, yoga, dance and Tabla promoted by Indians are liked by the Indonesians. The Economic Association of Indonesia and India is the step forward to promote bilateral relations. While Sindhi association so called Gandhi Seva Lok and Gandhi Memorial International School and Jawaharlal Nehru Indian Cultural Centre at Jakarta are actively coordinating with locals. Jakarta is also famous for Indians bazaar so called Pasar Bharu. There are number of Gurudwaras, Churches, Temples, and other religious places in different parts of Indonesia. There have also been notable examples of Indians for their philanthropic activities that broadly included in the following table.

CULTURAL AND POLITICAL STATUS: A DOOR TO CORPORATE SOCIAL RESPONSIBILITY

Indian community in Indonesia have maintained a vibrant and dynamic socio-cultural life within the framework of its numerous organizations and association. There are a number of social, cultural and political organizations. The prominent

ones: Indonesian Association of Indian University Graduates (IAIUG), Global Organization of People of Indian Origin (GOPIO), Society of Medical Graduates of India and Indonesia (SOMGRIL). University of Jakarta, has maintained a Department of South Asian Studies which focus extensive on Indian language, culture, dance, music.

There are dozens of school and independent NGOs maintained by Indians, mainly Tamilians. Prominent ones are: Temple of Fine Arts, Sutra dance Theatre, Shektra Dance Group, and Tanji Kamla Dance Group. Besides, two Indian expertise associations: Bharat Club and Expatriate Tooling Family of Indonesia are working successfully. Obviously, close to two million Indians in Indonesia plays a significant role in vote banking that extremely important for various political decisions. Most of these leaders remained on the forefront whenever there ethnic violence erupted in Indonesia against Indians due to racial feelings, nationalist attitude or otherwise and are working with support of diverse organizations as mentioned in the following table.

Indian Consulate at Jakarta continues to work as channel of communication between the two countries and promote multilateral dialogues. Besides, Indians are also popularizing their talents and profession through Tamil Dailies namely Tamil Nasil. Some TV channels Astro and Mega also play significant role in Indian programmes. Indonesia also welcomes the religious activities of Indians that help the community to cope with the stresses of adjustment in foreign land. Indian community organizes numerous cultural and religious festivals that assist in establishing links with India. Tamil Colander Year is celebrated on 13 & 14 April with great pomp and show. While Christian faith practiced by the Indians is Easter as All Souls Day. There are also mushrooming of temples, Gurudwaras and Churches. Besides, Hindus festivals like Ugadhi, Thaipusa, Durga Puja, Laxmi Puja, and Sikh festival like Guru Gobind Singh Jayanti, etc are celebrated with great pomp and show

FINDINGS

Migration studies encompass the great scholarly debate during the age of globalization which is highly illusive yet a fashionable concept. Unfortunately, the inadequate literature about Indians in Indonesia still remains the fundamental problems in various policy agenda. Thanks to Globalization of transnational culture, IT revolution and changing strategic position in South East Asia that have necessitated to promote the arguments of human rights and national security for creating knowledge based new world order. The political bargainers, empty promise for economic security and the lack of social confidence; the spell of ethnicity and population movements have become more relevant to explore new possibilities in the direction of human development.

True knowledge about the social cultural set up and balanced understandings about the South East Region during the age of globalization can help Diaspora community to design more effective bargaining strategies to construct rational policies. Number organizations established by Indians in the regions like Indonesia Association and the role played by their promoters are significant in identifying the talent and leadership qualities with local communities. Hence there is greater need to establish Migration Study Programme with study centers and Overseas Employment Agencies for proper guidance in collaboration between India and Indonesia to promote bilateral security. This will also facilitate interesting information to evaluate the quality of living, cultural intermixing, and acceptable social migration with no fear of race, colour and creed. There is a greater need to establish database software networks to provide readymade information about important NGOs, educational and technical institutions, research centers, broad spectrum of agencies, individuals, professional bodies and their demographics representation between India and Indonesia. It is now that Indians in Indonesia, people who belong to many different regional and linguistic groups, castes, religions, and traditions

are developing, with greater confidence, a sense of Indian identity, unity and sense of pride. They are indeed living up to their host country's official national motto Bhinneka Tunggal Ika – a unity that draws strength from diversity. The Indian Government, and the Foreign policy establishment in particular, can do more to leverage the vast collective experience of Indians in Indonesia and channel it towards the larger ends of bilateral cooperation.¹⁰ Urgent need is felt to establish Migration study with study centers and Overseas Employment Agencies for proper guidance in collaboration between India and Indonesia to promote multilateral security. This will also facilitate interesting information to evaluate the quality of living, cultural intermixing, and acceptable social migration with no fear of race, colour and creed. There is a greater need to establish database software networks to provide readymade information about important NGOs, educational and technical institutions, research centers, broad spectrum of agencies, individuals, professional bodies and their demographics representation between India and Indonesia.

NOTES AND REFERENCES

For details, see Ravindra Kumar (2004), *“Indian Diaspora, Old and New: Culture, Class and*

Mobility” Indian Anthropologists (Delhi), Vol. 34, No.1, pp.2-3

Britannica Ready Reference Encyclopedia (2006), Encyclopedia Britannica (India), Pvt Ltd, New Delhi, p.120

http://en.wikipedia.org/wiki/Indian_indonesia.Data Accessed on 20 August 2012.

<http://www.poonamsagar.com/a-touch-of-magic-indians-in-indonesia/>

Ibid.

Note 3.

<http://www.newstrackindia.com/information/locations/India/1025855-city-chichondi-patil.htm>

Visit at <http://indianembassyjakarta.com/Business%20Guide.pdf>

<http://www.mea.gov.in/mystart.php?id=190019809>

See *“Why Indonesia is important to India”* visit at http://www.idsa.in/system/files/IB_Indonesia_Navrakha.pdf, accessed on 29th September 2012.

Table 1: Indian Philanthropy in Indonesia: (Selected Ones only)		
Sl. No.	Philanthropist	Contributions /Biography
1	Michelle Alicia Saram	Actress and model, born to a Chinese Indonesian mother & Indian Indonesian father.
2	The Punjabi Brothers H. S. Dillon, and Gurnam Singh	Indonesian cineaste and media tycoons.
3	The Azhari sisters (Ayu Azhari and Sara Azhari)	Media Personnel and Theatre Actress
4	Gurnam Singh	Indonesian athlete who won three gold medals in the 1962 Asian Games in Athletics.
5	H. S. Dillon,	prominent figure in Indonesian politics
6	Prakash Lohia	Prominent Billionaire
<i>Source: http://en.wikipedia.org/wiki/Indian_Indonesians</i>		

Table 2 : Indian Organizations in Indonesia (Selected ones only)	
Organizations	Names and Alignments
Religious Based	1. Geeta Ashram 2. Hindu Samaj 3. Indian Muslim Association 4. Gurudwar Committees 5. Arya Samaj 6. Sri Guru Singh Sabha 7. Namdhari Sangat 8. Indonesia Hindu Sangat
Social and Cultural	1. Indonesia-Bharat Cultural Sanstha 2. Namdhari Sangat of Indonesia 3. Indian Womens Club
Educational /Academic	1. Mahatma Gandhi Memorial School, Jakarta 2. Indian Council for Cultural Relations, Jakarta
Ethnic Based	1. Tamil Cultural Association, Indonesia Tamil Manram, 2. Malayalee Samaj, 3. Thai Kannada Balaga, 4. Bharati Bengali Association 5. Indonesia - Sindhi Association 6. Gujarati Marwari Society 7. South Indian Association (Tamil Based)
Business & Corporate	1. India Trade Promotion Organization (ITPO) 2. India-Indonesia Business Association (IMBA) 3. Asian Network Quality (ANQ) 4. Indonesia Baroda Industries Limited 5. Indo Rama Group 6. Aditya Birla Group 7. Indonesia Board of Investment 8. Bombay Merchant Association 9. Gandhi Seva Loka formerly Economic Association of Indonesia and India (ECAI) 7. Indonesian Chapter of the Institute of Chartered Accountants of India (ICAI).
<i>Source: Information has been collected from diverse sources</i>	

Implementation of Total Quality Management in Indian Tyre Industry: an Empirical Analysis

Dr. D. R. Rajashekhara Swamy
Director, Professor in Management,
Department of Management Studies
Rajeev Institute of Technology, Hassan
rajukambaina@gmail.com

Dr. B. Mahadevappa
Professor, Department of Commerce,
Manasa Gangothri,
University of Mysore, Mysore
bmahadevappa@gmail.com

ABSTRACT

Quality is one of the highly valued attributes which has received increasing attention in the recent past. Many companies have embraced quality as a management thought. Quality image once obtained can enhance a company's ability to compete globally and it is a long-term opportunity for greater success. Quality management should be a part of company strategy to compete and also to position itself efficiently in the global market. There has been an awakening among the manufacturing companies to produce high quality products and services to effectively embark upon the challenges posed in the global competitive environment.

India is in vulnerable situation against the tidal onslaught on the total quality. The changing demand of global customers has made corporates all over the world to adopt quality practices aggressively. Today, the tyre industry in India continues to meet these challenges. This has necessitated the industry to accept the quality initiatives, such as, ISO-9000 and QS-9000 accreditation and implementation of total quality management. Many companies have claimed that there is a significant product quality improvement because of these quality initiatives. This has compelled the management of Indian companies to adopt newer tools and techniques that would help in maintaining and improving strategic position in the market. Rapidly changing, highly competitive and interdependent world market calls for a transformation through TQM.

The future is expected to see many strategic alliances among the domestic and global players to enable themselves to have easy access to latest technology and expand their distribution network. A better distribution will also ensure easy availability. The introduction of newer auto models will significantly have a bearing on the demand for tyres. The tyre companies may also be seeking for tie-ups with the OEMs for better stability and long-term relationships. The Government's emphasis on improving the roadways infrastructure will facilitate the road transport sector that in turn will brighten the prospects of the tyre industry in the coming years.

There is a need for independent empirical investigation of various quality initiatives of tyre manufacturing companies. This study is undertaken to examine these quality initiatives with a focus on and total quality management in Indian tyre industry.

Key Words: TQM, Indian tyre industry, TQM dimensions, Tyre industry.

A REVIEW OF THE LITERATURE

Motwani, Jaideep et al. (1994) conducted a survey based on nine major critical factors: top management quality policies, role of the quality

department, training, product design, vendor quality management, process design (statistical quality control), quality data, feedback and employee relations. A field survey based on these critical factors was conducted to identify the

degree to which quality management practices are present in Indian manufacturing organisations and to locate the organisational areas where better management control can make the quality programs more effective.

Maheshwari, Sharad, et al. (1994) studied some of the quality related issues in major Indian companies, specifically the extent to which Indian manufacturers adhere to the "quality is free" philosophy, the quality management practices of Indian manufacturers, the level of workforce participation and training in the area of quality management, and the level of efforts towards improving the quality of products and services. The study finally compares the quality management practices of Indian manufacturers with quality management practices of manufacturers in developed countries.

Badri, Masood et al. (1995) identifies eight critical factors and measures these eight critical factors of quality management from both service and manufacturing firms in United Arab Emirates. The empirical results suggest that, high level of quality management practices on a consistent basis is a key to success for many organisations. N. Capon, et al. (1995), Burhan Fatih Yavas (1995) aims to explore the role of measurements in a TQM program based on current practices, like customer perceptions of service provided, encouragement of continuous improvement, consistency of processes - both administrative and mechanical, cost effectiveness of quality program, and easy to understand & update.

TQM has far reaching implications for the management of human resources. Simon S. K. Lam (1995) reports on what changes employees see TQM programs having on their jobs and whether they perceive an increase in job satisfaction because of TQM. Patel, Anoop (1995) provides an insight of how a large manufacturing company is laying down the foundations for implementing TQM to achieve competitive supremacy.

Mann, Robin et al. (1995) conducted a study, which address the shortcomings by identifying the factors

that most commonly affect the implementation of TQM. An analysis of the responses to the survey conducted by Radovilsky, Zinovy (1996) in the manufacturing, distribution and service industries leads to the conclusion that when companies implement TQM, successful results are most likely when a company's implementation covers the whole scope of the principles and elements of TQM. Ahire, Sanjay et al. (1996) empirically investigate quality management in TQM versus non-TQM firms. The results showed that TQM firms tend to do better than non-TQM firms. The real key to an effective quality management is how well a firm practices the various elements of the TQM philosophy represented by the ten constructs identified in this study.

Implementation of Glaxo Wellcome Excellence Process in Glaxo Wellcome India was to bring in an attitudinal change in the entire company and to bring in excellence in all spheres of business activities. Blythe, Richard, et al. (1997) studied that the simpler the process used, the better it works. The study reveals that there is an improvement in product and service, decrease in wastage of resources, sustained competitive advantage, motivated workforce and increased employee involvement.

Chen, Wen-Hsien (1997) examines the quality in leadership and human resources management of TQM in Taiwan, more specifically, the leadership and human resources management of TQM in US subsidiaries, Japanese subsidiaries, and local Taiwanese firms were compared. Criteria stipulated in the Malcolm Baldrige National Quality Award were used to assess the quality of leadership and human resources management of TQM. The study concludes saying both leadership and human resources management are positively correlated with the management effectiveness of the quality department.

Raghunathan T. S. (1997), Temtime Z. T. (2003) identifies eight dimensions namely customer satisfaction, managerial leadership, employee empowerment, continuous improvement, supplier partnership, quality philosophy/culture, working

environment, measurement and feedback to measure TQM practice. The articles investigate the planning and TQM practices of SME's and to draw attention to the importance of understanding the dynamic relationship between them.

A paper by Anderson, Mary et al. (1999) reported the results of analysis conducted on data collected from 62 small and medium-sized Australian companies. The study examined the relationship between quality management practices and performance based on the Australian quality awards framework. Dewhurst, Frank et al. (1999) presents a complete and comprehensive review of the literature concerning the relationship between information technologies (IT) and total quality management (TQM) and examines the key issues. Terziovski, Mile (1999) studied the strength of the relationship between TQM practice and organisational performance. The study reveals that TQM has significantly positive effect on operational and business performance, employee relations and customer satisfaction.

Based on the comprehensive review of the TQM literature Zhang, Zhihai (2000) identifies 11 constructs for TQM implementation. Capon N et al., (1995) provides evidence that measuring and displaying results increases the chance of success in a TQM programme. The results of the research reports a set of six monitors based on the Baldrige award is recommended as the most effective measure to use. It has the particular advantage of stressing the areas where the design of the TQM program may need strengthening.

Yusof, Sha'ri Mohd., et al. (2001) presented the case studies conducted in four companies, in which all have implemented TQM. The survey shows a wide range of quality initiatives has been implemented by all of them. An empirical study by Tary, Juan Jose (2005) identifies the components of total quality management, to facilitate successful quality management implementation, and shows the situation of ISO 9000 certified firms concerning these components.

Based on extensive review of prescriptive, conceptual, practitioner, and empirical literature, Motwani, Jaideep (2001) identifies seven critical factors and more than 45 performance measures of TQM. The aim of this study was to identify and interpret the critical factors and performance measures of TQM. V. K. Khanna, et al. (2002), addresses issues relating to the identification of TQM variables based on the Malcolm Baldrige National Quality Award model, for the auto-manufacturing sector in India, among the different variables that represent enablers (leadership, strategic planning, human resource focus, customer and market focus, supplier focus, process management and information management) and results (impact on society, human resource satisfaction, customer satisfaction, supplier satisfaction and company specific business results), operating within 44 identified feedback loops.

Baidoun, Samir (2004) conducted an empirical study of total quality management (TQM) implementation in the Palestinian industrial context. The main focus of the study was to identify the critical quality factors for effective TQM implementation and to understand how these critical quality factors are implemented by the Palestinian organisations. Sun, Hongyi (2000) compares the quality management practices in Shanghai and Norwegian manufacturing companies. The research is to investigate the differences about quality categories based on Malcolm Baldrige National Quality Award model.

RESEARCH OBJECTIVE

The broad objective of the study is to investigate the implementation of TQM practices in the Indian tyre industry. The specific objective to study the extent of TQM practices implementation and its effectiveness in Indian tyre industry.

Hypotheses for the Study

The following hypotheses were developed:

H₁: Greater the extent of the current practice of leadership, higher is the level of quality performance.

H₂: Greater the extent of the current practice of strategic planning, higher is the level of quality performance.

H₃: Greater the extent of the current practice of customer & market focus, higher is the level of quality performance.

H₄: Greater the extent of the current practice of measurement analysis & knowledge management, higher is the level of quality performance.

H₅: Greater the extent of the current practice of human resource focus, higher is the level of quality performance.

H₆: Greater the extent of the current practice of process management, higher is the level of quality performance.

RESEARCH METHODOLOGY

a) Sample

To achieve the research objectives and to prove the hypotheses, an empirical study was carried out among fifteen tyre manufacturing companies in India engaged in "design, manufacture, sales and servicing of automotive tyres for trucks, buses, LCVs, motorcycles, scooters, Off-the-road tyres, industrial vehicles, animal driven vehicles, aero tyres." These companies were stratified on the basis of (a) size - small and large, (b) ISO-9001:2000 certified and non-certified. The stratified sample is presented in Table 1.

The demographic characteristics of the management respondents based on the gender, age, education and their position are presented in the Table 2

b) Research Model

Research model was developed for the purpose of this study as illustrated in figure 1. The model shows the cause and effect relationship between TQM dimensions with quality performance variables. The

model consists of six TQM dimensions, consisting of thirty six items represent the "independent variables" (causes) and six quality performance variables (effects) represent the "dependent variables".

c) The Research instrument

The questionnaire designed in this study was to investigate the practice of TQM and to examine the effectiveness of TQM on quality performance measures. The questionnaire consists of six TQM dimensions with 36 items. Eight items belong to the leadership criterion, three items belong to strategic planning, seven items belong to customer & market focus, six items belong to measurement analysis & knowledge management, seven items belong to human resource focus and five items belong to process management.

The respondents were asked to mark their perception about impact of TQM dimensions on a continuous five point Likert scale ranging from "strongly disagree (=1)" to "strongly agree (=5)". A higher scale score indicate high extent of practices. For dependent variables, effect is indicated on five-point Likert-type scale ranging from "major improvement (=5) to major deterioration (=1). A higher scale indicates a major increase in case of subjective measure of quality and higher scale in objective measure of quality indicates major reduction.

d) Data collection and Analysis

Primary data were collected to investigate the current practices of TQM among the fifteen Indian tyre manufacturing companies through research instrument. Two hundred and two usable questionnaires were collected from the respondent companies, out of three hundred and fifty questionnaires so distributed. The response rate is 57.71%.

e) Reliability and Validity

Reliability is normally seen as the degree of consistency of a measure. It is the extent of repeatable measurements measured by different individual at different points of time or occasions (Nunnally 1978). Cronbach's alpha (α) determines the reliability based on internal consistency (SPSS Ver. 9)

Table 3 presents, the reliability coefficients range from 0.80 to 0.93 except on clause. Higher the alpha values higher the reliability. The reliability coefficients, which are 0.70 or higher, are considered adequate (Nunnally 1978). Accordingly, the research instrument and the scale used are judged to be reliable.

Usually, validity is a matter of degree rather than an all-or-one property and validation is an unending process (Nunnally 1978). It is determined by the degree of correspondence between the two measures involved. If the correlation is high, no other standards are necessary.

The correlation results revealed that all the six TQM dimensions were highly correlated with dependent variables such as, quality awareness (0.538), employee morale (0.616) and team work (0.548), scrap and defect levels (-0.472), customer complaints (-0.458) and cost of quality (-0.484). Hence, the research instrument considered to be valid.

f) Item to scale correlation

Nunnally (1978) developed a method to evaluate the assignment of items to scales. The method considers the correlation of each item with each scale. The item to scale correlation results presented in Table 4 shows that, there exists a high correlation between each item of the TQM dimensions to the scale. The result indicates the proper assignment of items to respective scales.

RESULTS AND DISCUSSION

Table 5 represents the descriptive statistics of sub-elements of TQM dimensions. The study revealed that the two dimensions leadership and human resources focus dimensions (4.06 and 3.87) are measured lowest compared to strategic planning, customer and market focus, measurement analysis and knowledge management and process management measure highest (4.18, 4.17, 4.13, 4.13 respectively)

Leadership

Zairi et al. (1995), states that in the context of total quality management, leadership is not much about authority, power and control but take in empowerment, recognition by giving guidance and developing others. Mullins, (1996) describes leadership as the control over the performance against the behavior of other individual. Leadership is an essential precondition for the success of quality management in Indian tyre industry. It plays a crucial role in reinforcing quality values in a consistent manner and espousal of values throughout the company.

In this study the eighth and seventh sub-item "discharges societal responsibilities by its ethical business practices" & "integrates the possible impacts of its products and services on the society" depicts a significantly low mean value (3.82 & 3.92 respectively). The results show that social responsibility being the critical factor has been overlooked by the senior management. The senior management should emphasize the need for social responsibilities and dedication to improve the quality of life of its people, strive to serve the community in diverse fields of social welfare. The respondents felt the impact of products and services has to be at a reasonable price and not at the cost of quality and ethical business practices through promotion of education, ethical values, provision of medical and modern living facilities and amenities.

The tyre industry being the most hazardous sector, respondents felt that the senior

management should aim at conservation of natural resources and prevention of pollution and hazards and in compliance with applicable legislations and regulations.

Strategic Planning

Strategic planning is about fusing learning, intuition and creativity into a vision of the direction (Mintzberg, 1994). Calantone et al., (2003) states strategic planning as a concise set of activities conducted to stay competitive both in terms of social as well as cognitive in any industry. It shows how the companies plan the process for achieving world class quality and to integrate quality improvement plans into overall business planning. This includes developing long and short-term business plans and implementing to achieve strategic objectives. Strategic planning dimension also address the issue related to key performance indicators, their review and update to improve the overall strategic plans.

In the present study depicts a highest score of 4.24 which show strong evidence, that the strategic planning develops business plans for quality in line with organization's vision, mission and values. The mean score 4.11 of "develops and implements specific long-term and short-term and operational plans to achieve strategic and objectives" shows considerable a lower score compared to the overall average mean score of 4.18.

Customer Focus

Brah et al., (2000) emphasize that the success of firms depend upon on how the needs of customers are satisfied effectively and efficiently on a continual basis. Further Samson et al., (1999) state to create value for the customer by understanding the present and expected requirements, expectations and satisfaction by providing effective customer relationship management. Customer focus dimension focus on organization's commitment to satisfy its customer, interaction of customer satisfaction with organisation's vision and goal, identifying needs and expectations, usage of customer feedback in developing new product, monitoring customer satisfaction, responsive to

customer complaints and interaction with customers.

The mean scores 4.16, 4.14, 4.07 on "practices customer relationship management to build longer-term relationship with customer, evaluates and improves service standards – the speed, courtesy, competence and ease of repair to customers" and evaluates and improves the complaint management process" are less than the average mean score of 4.17. It was felt that the system demands an effective communication with customer, on time delivery, product availability, accessibility of key staff, follow up with the customers, proper assessment of number and nature of customer complaints, a proper redressal mechanism including time of response and final redressal, customer returns by value and quantity, warranty claims.

Measurement Analysis & Knowledge Management

Malcolm Baldrige National Award Criteria (1999), emphasis on the information and analysis - which lies within the extent of management and the utilization of data and information to focus on customer, ensure greater quality control and improve performance of a firm. According to Hussain et al., (2004) information and analysis are sensible elements of knowledge management. Information plays a vital role as a mechanism for reflection, helps employees in a firm to collectively deduce the available information by lending support to the different forms of channels for negotiations and conversations.

Quality management will be futile if there is inadequate dissemination of information. This dimension describes how the Indian tyre companies collect information and its integration of various constituencies. It also explains the analysis of the information and makes availability of such data and information for planning and improving performances. The data and information so elicited shall be shared among the different functional levels of the organization.

Integration and utilization of data and information to support organisation's decision-making stands at a low mean score of 4.05 along with 4.08 on "ensures the availability of data and information for planning and improving performance" and "shares the data and information related to quality and operational performance with employees". The study shows that there were fewer consensuses among the respondents. A proper system has to be emphasised for the flow of information and data gathered for effective implementation of quality improvements.

Human Resource Focus

According to Fang et al., (2005), the people are regarded as the most important asset in present knowledge-based economy. Oltra (2005) states that, both knowledge and human resources are being gradually looked upon as the main force of multifaceted business environment. Devenport et al., (2001) argues as manage knowledge is to manage people; to manage people is to manage knowledge.

Quality awareness cannot be enhanced if human resources are not focused in a right direction. Maintaining of high quality depends on the best use of talents and their abilities. The dimension human resource focuses on the development of human resource potentiality, employee empowerment and to create an environment conducive for quality excellence. It enforces high employee performance through recognition and reward system, maintains a safe work environment, assess social responsibility with different levels of organization. It also describes employee motivation and career development for optimum utilization of human resources.

The study shows that except the first and the third sub-item of human resource focus dimension, all the other sub-item are low average (3.82, 3.84, 3.84, 3.79, 3.82) compared to the overall average 3.87. There is a set back in the mean scores of human resource focus dimension. Tyre industry being labour oriented sector, the study shows that less emphasis has given to human focus expect

providing a safe working environment. It is felt from the survey that the Indian tyre industry overlook human resource aspect.

Process Management

Anderson et al., (1994) described process management as the behavioural and structured principal that is imperative in managing the process rather than the outcomes. According to Motwani (2001) process management emphasis, on adding value to a process eventually increases productivity of every employee of the organization and thereby enhancing the quality. However, Zairi (1997) points how businesses strive to be successful by encouraging the need of innovation of knowledge, creativity in improving the process and its optimization.

Process management in Indian tyre industry encompasses the identification of key processes and its impact on the business, collection of information from the entities of the organizations and systematically manages the process standards. It also empahsises on the use of statistical techniques to control and improve process capability and product characteristics and identify and control the implementation of process changes to ensure predicted results. Process management ensures continual improvement.

The study shows a significantly low mean value of 4.08 to "identify and control the implementation of process changes to ensure predicted results" compared to overall average of 4.13. The Indian tyre industry should emphasis on adding values to the process, increase quality levels by reducing time and cost at all levels of processes.

Testing of Hypothesis

Table 6 presents the results of the regression of TQM dimensions and quality performance variables.

Though there are few draw-backs in the system, the study found that the extent of TQM practices

is higher. The β coefficient of six TQM dimensions (independent variable) is positively and significantly related to quality awareness, employee morale and teamwork (dependent variable). The study revealed that higher the extent of TQM practices has led to higher level of quality awareness, employee morale and teamwork.

The β coefficient of six TQM dimensions (independent variable) is negatively and significantly related to scrap & defect levels, customer complaints and cost of quality (dependent variable). The study revealed that higher the extent of TQM practices has led to lower level of scrap & defect levels, customer complaints and cost of quality. Thus proving the hypotheses (H_1) to (H_6)

CONCLUSION

During the past few decades, the world has gone through a series of economic changes. These changes have reformed many economic policies. The impact of this reformation headway has been felt in every sector of the global economy, including manufacturing sector. The significant change in the global manufacturing sector is the quality revolution.

Nothing is predictable in this changing world, but one thing is certain i.e. change. Necessary adaptations have to be made keeping an eye to the future. The rationale behind undertaking this research was to study the extent of implementation of total quality management practices and its impact on quality performance in Indian tyre industry.

Effective leadership modulates the implementation of total quality management. However, quality management movement will be rendered unsuccessful if there is inadequate dissemination of information from the top management. Sharing of information about the organisation related to operational, strategy related issue, financial or any inter-departmental information has to be disseminated among the employees. The study suggests a proper channel for information flow throughout the organisation to espouse the improvement process effectively.

A successful TQM implementation requires extra-role behaviour with human resources focus. The tyre industry should harness human resource to achieve business excellence. For this the study suggests a need to shift in the focal point by empowering the employees to meet the organisational performance and quality objectives. The difference among the individuals is the primary source of creativity and innovation that leads to a major competitive advantage. Employee involvement shall be made effective by involving employees from all levels in team work, by linking cross-functional teams to disseminate and share information. Thus the tyre industry should involve employees by creating an environment for personal and organisation's growth as well as in gaining the competitive advantage.

Rewards and recognition must be instituted to support the TQM implementation. These should foster the TQM movement among the tyre manufacturers. Optimal utilisation of human resource is possible by proper employee motivation and career development programmes. The organisations should maintain a safe work environment by continuously improving the potentially unsafe areas, assess societal responsibilities by creating an ambience of environmental friendly and implement energy conservations methods.

REFERENCE

- Ahire, L. Sanjay & et al., "**Quality Management In TQM Versus Non-TQM Firms: An Empirical Investigation**", International Journal of Quality & Reliability Management", Vol. 13, No. 8, pp. 8-27, 1996.
- Anderson, Mary & Sohal S. Amrik, "**A Study Of The Relationship Between Quality Management Practices And Performance In Small Businesses**", International Journal of Quality & Reliability Management", Vol. 16, No. 9, pp. 859-877, 1999.

- Anderson EW, Fornell C, Lehmann DR, **"Customer Satisfaction, market share and Profitability from Sweden"**, J. Mark. 58, pp. 53-66, 1994.
- Antony, Jiju & et al., **"A Strategic Methodology To The Use Of Advanced Statistical Quality Improvement Techniques"**, The TQM Magazine, Vol. 10, No. 3, pp. 169-176, 1998.
- Badri A. Masood, & et al. **"A Study Of Measuring The Critical Factors Of Quality Management"**, International Journal of Quality & Reliability Management", Vol. 12, No. 2, pp. 36-53, 1995.
- Baidoun, Samir, **"The Implementation Of TQM Philosophy In Palestinian Organisation: A Proposed Non-Prescriptive Generic Framework"**, The TQM Magazine, Vol. 16, No. 3, pp. 174-185, 2004.
- Blythe M. Richard, & et al., **"TQM in Glaxo India – A Step-By-Step Implementation Process"**, The TQM Magazine, Vol. 9, No. 2, pp. 98- 105, 1997.
- Brah SA, Wong JL, Rao BM, TQM and Business Performance in Service Sector: A Singapore Study, International Journal of operation productivity Management, 20(11), pp. 1293-1312, 2000.
- Burhan Faith Yavas, **"Employee Perceptions Of Quality: Survey Results"**, International Journal of Quality & Reliability Management", Vol. 12, No. 5, pp. 8-17, 1995.
- Calantone R, Garcia R, Droge C, **"The Effects of Environmental Turbulence on New Product Development Strategic Planning"**, Journal of Productivity Innovation Management, 20(2), pp. 90-103, 2003.
- Capon, N., & et al., **"Measuring The Success Of A TQM Programme"**, International Journal of Quality & Reliability Management", Vol. 12, No. 8, pp. 8-22, 1995.
- Capon N, Kege M M, Wood M, **"Measuring the Success of a TQM Programme"**, International Journal of Quality & Reliability Management, Vol. 12, No. 8, pp. 8-22, 1995.
- Chen, Wen-Hsien, **"The Human Side Of Total Quality Management In Taiwan: Leadership & Human Resource Management"**, International Journal of Quality & Reliability Management", Vol. 14, No. 1, pp. 24-25, 1997.
- Devenport TH, Volpel SC, **"The Rise of Knowledge Towards Attention Management"**, Journal of Knowledge Management, 5(3), pp. 212-221, 2001.
- Dewhurst, Frank & et al., **"Total Quality Management And Information Technologies: An Exploration Of The issues"**, International Journal of Quality & Reliability Management", Vol. 16, No. 4, pp. 392-405, 1999.
- Fang SC, Tsai FS, Chang KC, "Knowledge Sharing Routines, Task Efficiency and Team Quality in Instant Service giving Settings, Journal of Academic Business, Cambridge, 6(1), pp. 62-67, 2005.
- Hussain F, Lucas C, Ali M A, **"Managing Knowledge Effectively"**, Journal of Knowledge Management, Practice, May.
- Khanna V. K., & et al., **"Developing Causal Relationships for a TQM Index For The Indian Automobile Sector"**, Work Study, Vol. 51, No. 7, pp. 364-373, 2002.
- Lam, S. K. Simon, **"Quality Management And Job Satisfaction: An Empirical Study"**, International Journal of Quality & Reliability Management", Vol. 12, No. 4, pp. 72-78, 1995.

- Maheshwari, K. Sharad & Xiande Zhao, **"Benchmarking Quality Management Practices in India"**, Benchmarking for Quality Management & Technology, Vol. 1, No. 2, pp. 5-23, 1994.
- Malcolm Baldrige National Quality Award, **"Criteria for Performance Excellence, National Institute of Standards and Technology"**, United States Department of Commerce, Gaithersburg, MD, 1999.
- Mann, Robin & Kehoe, Dennis, **"Factors Affecting The Implementation And Success Of TQM"**, International Journal of Quality & Reliability Management", Vol. 12, No. 1, pp. 11-23, 1995.
- Mintzberg H, **"The Fall and Rise of Strategic Planning"**, Harvard Business Review, January, pp. 107-44.
- Motwani, G. Jaideep, & et al., **"Quality Practices Of Indian Organisations: An Empirical Analysis"**, International Journal of Quality & Reliability Management", Vol. 11, No. 1, pp. 38-52, 1994.
- Motwani, Jaideep, **"Critical Factors And Performance Measures Of TQM"**, The TQM Magazine, Vol. 13, No. 4, pp. 292-300, 2001.
- Mullins L J, **"Management and Organisation Behavior"**, Pitman Publishing, London, 1996.
- Nunnally, J.C. (1978), *Psychometric Theory*, 2nd Edition, New York, McGraw Hill.
- Oltra V, **"Knowledge Management Effectiveness Factors: The Role of HRM"**, Journal of Knowledge Management, 9(4), pp. 70-86, 2005.
- Patel, Anoop, **"The Long View Of Total Quality Management Pays Off"**, International Journal of Quality & Reliability Management", Vol. 12, No. 7, pp. 75-87, 1995.
- Radovilsky, D. Zinovy, & et al., **"Implementing Total Quality Management: Statistical Analysis Of Survey Results"**, International Journal of Quality & Reliability Management", Vol. 13, No. 1, pp. 10-23, 1996.
- Raghunathan T.S. & et al., **"A Comparative Study Of Quality Practices: USA, China And India"**, Industrial Management & Data Systems, 97/5, pp. 192-200, 1997.
- Samson D, Terziovski M, **"The Relationship Between Total Quality Mangement Research and Operational Performance"**, Journal of Operation Management, 17(4), pp. 393-409, 1999.
- Sun, Hongyi, **"Total Quality Management, ISO 9000 Certification and Improvement"**, International Journal of Quality & Reliability Management", Vol. 17, No. 2, pp. 168-179, 2000.
- Sun, Hongyi, **"A Comparison Of Quality Management Practises In Shanghai And Norwegian Manufacturing Companies"**, International Journal of Quality & Reliability Management", Vol. 17, No. 6, pp. 636-660, 2000.
- Tari, Juan Jose, **"Components Of Successful Total Quality Management"**, The TQM Magazine, Vol. 17, No. 2, pp. 182-194, 2005.
- Temtime, Z.T., **"The Moderating Impacts Of Business Planning And Firm Size On Total Quality Management Practices"**, The TQM Magazine Vol. 15, No. 1, pp. 52-60, 2003.
- Terziovski, Mile & Samson, Danny, **"The Link Between Total Quality Management Practice And Organisational Performance"**, International Journal of

Quality & Reliability Management", Vol. 16, No. 3, pp. 226-237, 1999.

Zari M, Youssef M A, **"Benchmarking Critical Factors for TQM: Part II Benchmark Quality Management**, 2, pp 3-19, 1995.

Yusof, Mohd. Sha'ri & Aspinwall Elaine, **"Case Studies On The Implementation Of TQM In the UK Automotive SMEs"**, International Journal of Quality & Reliability Management", Vol. 18, No. 7, pp. 722-743, 2001.

Zari M, **"Business Process Management: A Boundaryless Approach to Modern Competitiveness"**, Business Process Management Journal, 3(1), pp. 64-80, 1997.

Zhang, Zhihai, **"Quality Management Approach In China"**, The TQM Magazine, No. 2, pp. 92-104, 2000.

Table 1: Stratified samples of Tyre Manufacturing Companies

Stratification	Large	Small	Total
ISO 9001:2000 certified	5	5	10 (66.67%)
ISO 9001:2000 non-certified	0	5	5 (33.33%)
Total	5 (33.33%)	10 (66.67%)	15 (100%)

Table 2: Demographic characteristics of management respondents

Sex	No. of Respondents	(%)	Age(in years)	No. of Respondents	(%)
Male	200	99	21-30	30	15
Female	2	1	31-40	73	36
			41-50	69	34
			51 & above	30	15
	202	100		202	100
Education	No. of Respondents	(%)	Position	No. of Respondents	(%)
Post-Graduate	32	16	Top Management	130	65
Graduate	127	62	Middle Management	62	31
Diploma	40	19	Lower Management	10	4
PUC/SSLC	3	3			
	202	100		202	100

Table 3: Results of Reliability Analysis of TQM Dimensions

TQM Dimensions	No. of Items	Mean	SD	Cronbach's Alpha (α)
1.Leadership	8	4.06	0.73	0.89
2.Stategic Planning	3	4.18	0.65	0.8
3.Customer & Market Focus	7	4.17	0.68	0.91
4.Measurement Analysis & Knowledge Management	6	4.13	0.7	0.91
5.Human Resource Focus.	7	3.87	0.86	0.93
6.Process Management	5	4.13	0.66	0.88

Table 4: Item to Scale Correlation Matrix for the TQM Dimensions in Tyre Industry

TQM Dimensions	Items	Scale 1	Scale 2	Scale 3	Scale 4	Scale 5	Scale 6
Scale 1: Leadership	1.1	0.713	0.569	0.543	0.53	0.45	0.513
	1.2	0.761	0.486	0.486	0.543	0.469	0.517
	1.3	0.776	0.582	0.517	0.554	0.574	0.522
	1.4	0.817	0.486	0.512	0.514	0.432	0.479
	1.5	0.758	0.547	0.495	0.543	0.54	0.444
	1.6	0.719	0.633	0.582	0.566	0.578	0.561
	1.7	0.82	0.72	0.695	0.684	0.606	0.631
	1.8	0.747	0.596	0.498	0.584	0.549	0.565
Scale 2: Strategic Planning	2.1	0.547	0.747	0.579	0.57	0.491	0.523
	2.2	0.664	0.876	0.624	0.704	0.614	0.664
	2.3	0.638	0.834	0.679	0.62	0.548	0.558
Scale 3:Customer & Market	3.1	0.581	0.645	0.763	0.618	0.562	0.496
	3.2	0.604	0.632	0.801	0.55	0.467	0.513
	3.3	0.562	0.593	0.819	0.553	0.496	0.507
	3.4	0.615	0.671	0.855	0.674	0.554	0.592
	3.5	0.542	0.638	0.832	0.663	0.526	0.591
	3.6	0.54	0.576	0.802	0.642	0.559	0.608
	3.7	0.511	0.508	0.722	0.569	0.526	0.53
Scale 4: Measurement Analysis & Knowledge Management	4.1	0.592	0.743	0.738	0.782	0.606	0.617
	4.2	0.608	0.637	0.708	0.849	0.639	0.671
	4.3	0.657	0.707	0.672	0.892	0.733	0.748
	4.4	0.654	0.651	0.644	0.855	0.697	0.717
	4.5	0.632	0.634	0.523	0.837	0.691	0.682
	4.6	0.541	0.5	0.545	0.773	0.699	0.585
Scale 5: Human Resource Focus	5.1	0.574	0.657	0.544	0.75	0.784	0.682
	5.2	0.628	0.685	0.647	0.759	0.859	0.717
	5.3	0.706	0.603	0.594	0.701	0.865	0.71
	5.4	0.521	0.525	0.563	0.646	0.869	0.664
	5.5	0.468	0.439	0.5	0.6	0.795	0.666
	5.6	0.563	0.506	0.482	0.652	0.829	0.633
	5.7	0.529	0.525	0.524	0.69	0.877	0.644
Scale 6: Process Management	6.1	0.551	0.552	0.581	0.682	0.657	0.783
	6.2	0.595	0.587	0.546	0.702	0.664	0.824
	6.3	0.591	0.609	0.563	0.654	0.687	0.87
	6.4	0.51	0.52	0.508	0.575	0.629	0.823
	6.5	0.625	0.709	0.67	0.76	0.709	0.868

Table 5: Mean scores of the dimension

Leadership Dimension		Mean	SD
1.1	Demonstrates continuously its commitment to work together as a team to create the organisational mission, vision and values.	4.17	0.76
1.2	Reinforces the organisation's vision, mission and values to guide the ongoing decision making process.	4.16	0.67
1.3	Creates a work environment that helps employees to do their jobs by empowering them.	4.09	0.71
1.4	Shares information about the organisation.	3.95	0.85
1.5	Encourages learning, provides resources and enables employees to participate in improvement activities.	4.14	0.73
1.6	Reinforces the customer focus and supports long-term quality improvement process.	4.19	0.58
1.7	Integrates the possible impacts of its products and services on the society.	3.95	0.79
1.8	Discharges societal responsibilities by its ethical business practices	3.82	0.81
Aggregate Mean Score		4.06	0.73
Strategic Planning Dimension		Mean	SD
2.1	Develops business plans for quality, inline with organisation's mission and values.	4.24	0.59
2.2	Develops and implements specific long-term and short-term quality and operational plans to achieve strategic objectives.	4.11	0.75
2.3	Uses key performance measures and indicators to review, update and improve strategic plans.	4.21	0.62
Aggregate Mean Score		4.18	0.65
Customer & Market Focus Dimension		Mean	SD
3.1	Identifies emerging customer's needs, requirements and expectations on a continuous basis.	4.29	0.61
3.2	Understands the perception of customers about the organisation's capability of meeting their needs and expectations.	4.17	0.68
3.3	Determines customer satisfaction and translates feedback to maintain and improve quality.	4.19	0.67
3.4	Practices customer relationship management to build long-term relationship with customers.	4.16	0.8
3.5	Evaluates and improves service standards-the speed, courtesy, competence and easy of repair to customers.	4.14	0.7
3.6	Evaluates and improves the complaint management processes.	4.07	0.67
3.7	Benchmarks customer needs, requirements, expectations and satisfaction relative to competitors.	4.19	0.65
Aggregate Mean Score		4.17	0.68
Measurement Analysis & Knowledge Management Dimension		Mean	SD
4.1	Collects wide range of information related to customers, markets, productivity, defect levels, cost of quality.	4.22	0.67
4.2	Collects comparative data and information of products, services and operations by benchmarking and competitive comparisons.	4.22	0.67
4.3	Integrates and utilises the data and information to support organisation's decision-making.	4.05	0.73
4.4	Understand and analysis the process, encourage breakthrough approach and set stretch targets in organisational overall measure of improvement.	4.12	0.68
4.5	Ensures the availability of data and information for planning and improving performance.	4.08	0.74
4.6	Shares the data and information related to quality and operational performance with employees.	4.08	0.77
Aggregate Mean Score		4.13	0.7
Human Resource Focus Dimension		Mean	SD
5.1	Develops the full potential of human resources to pursue the company's quality and operational performance objectives.	3.96	0.85
5.2	Empowers employees to meet the organisational performance and quality objectives.	3.82	0.95
5.3	Encourages employee involvement for personal and organisational growth and to create an environment for quality excellence.	3.84	0.93
5.4	Has a recognition and reward system that reinforces high employee performance.	3.84	0.91
5.5	Maintains a safe work environment conducive to the well being and growth of the employees.	4.05	0.67
5.6	Assess social responsibility with different levels, location and department in the organisation.	3.79	0.84
5.7	Has a system for employee motivation and career development that optimises the utilisation of human resources.	3.82	0.91
Aggregate Mean Score		3.87	0.86
Process Management Dimension		Mean	SD
6.1	Identifies key processes, evaluates the impact of key processes on the business.	4.2	0.56
6.2	Collects the information from employees, customers, suppliers, stakeholders, competitors and society to prioritise the process improvement.	4.11	0.64
6.3	Systematically manages the process, system standards, environment and resolve interface issue.	4.11	0.67
6.4	Uses statistical techniques to establish control and improve process capability and product characteristics.	4.12	0.74
6.5	Identify and control the implementation of process changes to ensure predicted results.	4.08	0.7
Aggregate Mean Score		4.13	0.66

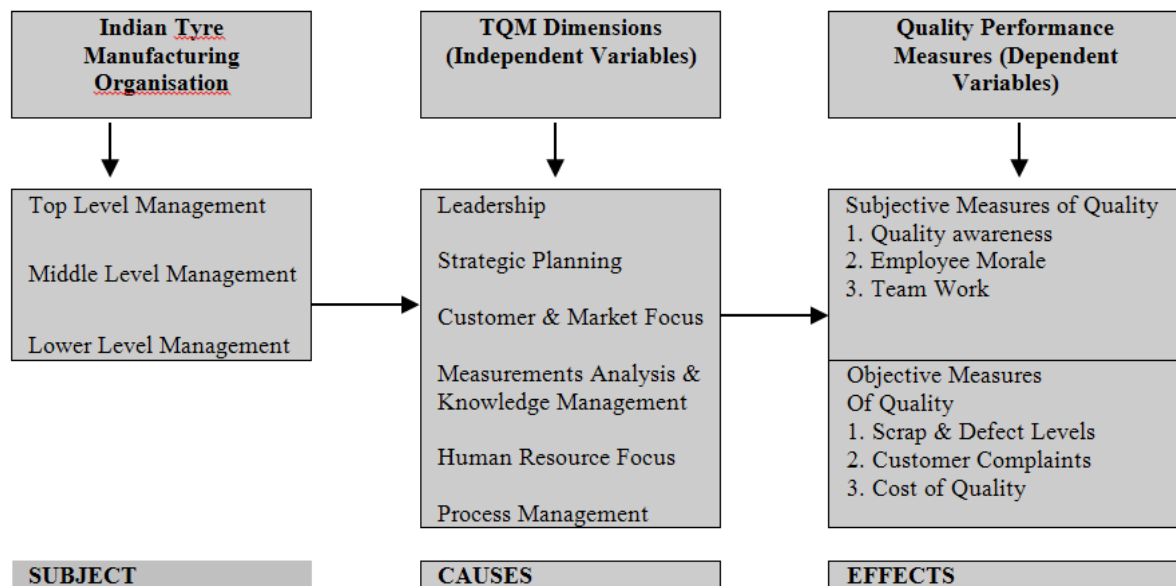
Table 6: Results of Regression Analysis of TQM Dimensions and Quality Performance Variables

Results of Regression Analysis of TQM Dimensions and Quality Performance Variables

Quality Performance Variables	Total Quality Management Dimensions											
	Leadership				Strategic Planning				Customer & Market Focus			
	β	t - Value	p - Value	Is Hypothesis Supported?	β	t - Value	p - Value	Is Hypothesis Supported?	β	t - Value	p - Value	Is Hypothesis Supported?
Quality Awareness	.538	9.036	.000	Yes	.532	8.876	.000	Yes	.500	8.717	.000	Yes
Employee Morale	.566	9.699	.000	Yes	.557	9.483	.000	Yes	.521	8.636	.000	Yes
Team Work	.508	8.347	.000	Yes	.548	9.274	.000	Yes	.490	7.954	.000	Yes
Scrap & Defect Levels	-.389	-5.976	.000	Yes	-.475	-7.633	.000	Yes	-.472	-7.564	.000	Yes
Customer Complaints	-.409	-6.348	.000	Yes	-.438	-6.896	.000	Yes	-.458	-7.277	.000	Yes
Cost of Quality	-.420	-6.540	.000	Yes	-.482	-7.778	.000	Yes	-.484	-7.814	.000	Yes

 $p < 0.001$

Quality Performance Variables	Total Quality Management Dimensions											
	Measurement, Analysis and Knowledge Management				Human Resource Focus				Process Management			
	β	t - Value	p - Value	Is Hypothesis Supported?	β	t - Value	p - Value	Is Hypothesis Supported?	β	t - Value	p - Value	Is Hypothesis Supported?
Quality Awareness	.528	8.796	.000	Yes	.440	6.928	.000	Yes	.467	7.475	.000	Yes
Employee Morale	.616	11.059	.000	Yes	.561	9.563	.000	Yes	.550	9.324	.000	Yes
Team Work	.538	9.023	.000	Yes	.454	7.204	.000	Yes	.461	7.347	.000	Yes
Scrap & Defect Levels	-.461	-7.337	.000	Yes	-.358	-5.425	.000	Yes	-.413	-6.418	.000	Yes
Customer Complaints	-.322	-4.815	.000	Yes	-.393	-6.053	.000	Yes	-.411	-6.372	.000	Yes
Cost of Quality	-.476	-7.645	.000	Yes	-.402	-6.210	.000	Yes	-.451	-7.155	.000	Yes

 $p < 0.001$ **Figure 1: Research model for effectiveness of TQM dimensions**

Why Do Mergers & Acquisitions (M&a) Deals Fail? (Becoming Knowledgeable about M&a through Academic and Practitioner Inputs)

Prof. A. Suryanarayana
Department of Business Management
Osmania University
Hyderabad-500 007 (A.P.)
e-mails: smithasambrani@yahoo.com and
professorsuryanarayana@yahoo.com
Phones: (M) 098493 61301 and 09848563756
(O) 040-27097481 Fax: 040-27098236

G. Srinivasa Raju
Director, Mantra School of Business Management
L.B. Nagar, Hyderabad-500 006, INDIA
and
Former Director,
Anjana Pharmaceuticals Pvt. Ltd.
Handset: +91-9849404003
e-mail: rajugs@sify.com

ABSTRACT

Mergers and Acquisitions (M&A) are a tremendously important phenomenon in business not only due to their prevalence but also because of the value involved. Among the largest firms in the world whose deals are large enough to be captured in international deal databases, tens of thousands of deals occur each year albeit the fact that these figures do not include the deals that occur among smaller and many non-public firms. To understand and gain an insight into M&A besides making it useful and relevant to the senior leadership of every organization, a cross-enterprise perspective that can bridge all the traditional functions becomes a sine qua non. For this, an integrated view towards doing deals that extends beyond the pure finance-based elements of deal making is essentially needed. It is also ideal to adopt a process-based perspective of deal making—one that begins with firm strategy formulation leading to execution and implementation phases before getting into the operational aspects of post-deal operations. History is replete with instances when too many deals were approved by their stockholders and Boards with hardly any strategic insight in real terms. Failed M&A deals are often the result of overemphasizing certain parts of the organization or not properly coordinating and involving the various constituencies in the organization appropriately. As such, while the involvement of the various functional groups will certainly differ by deal and by firm, the critical point is that we always need to take a broader view of the organization in our journey of learning. Fortunately, now we have a list of the areas of emphasis, key success factors that need to be considered across an organization's functional groups, and characteristics of successful M&A deals. In this backdrop, a modest attempt is made to make anyone become more knowledgeable about M&A by providing the needed conceptual and contextual framework with rich academic and practitioner inputs that are already available in literature.

Key Terms: Mergers and Acquisitions (M&A), Strategic insight; process-based framework; cross-enterprise perspective; Failed M&A; Focus areas; cross-enterprise considerations, and cross-border deals.

INTRODUCTION

While M&A are important in the global economy, these deals can make or break the firms that do them. Most research on M&A shows that a majority of deals fail to create value for owners of the firm. This opens the question of “value to whom?” The existence of deals themselves may actually create value for the economy by increasing the velocity of

spending in the economy. Deals may also increase efficiencies through synergies. However, when deal “failure” is researched and cited, the topic of study is typically value from the perspective of the stockholders of the buying firm. Too often, these firms do destroy value for their stakeholders of the buying firm. However, they create value for the selling stockholders because they often overplay for the deals. As such, even

failed M&A can be quite a good thing for certain stockholders.

So, we need to always distinguish value creation/destruction from value transfer. Both of these can be present in a deal and the “successful” M&A practitioners will aim to achieve both in favor of their own stockholders. Finally, while these deals have a couple of moving value measures for the firms involved, an important piece of that value gets paid to the professional advisors to deals. The investment bankers, lawyers, accountants, and other professionals get their cut, and often a sizeable one.

Similarly, the ratio of M&A to Initial Public Offering (IPO) is typically over 10 to 1, even though the venture capital-backed firms that we expect to be the darlings of the IPO market. In addition, within the M&A phenomenon, cross-border M&A represent roughly one third of the total number of deals and value. Given this fact and the rate of globalization of business generally, it is also important to study the unique characteristics and complexities of these deals to gain a more international perspective on M&A.

WHY DO M&A DEALS FAIL? WHAT NEEDS TO BE DONE?

Failed M&A deals are often the result of overemphasizing certain parts of the organization or not properly coordinating and involving the various constituencies in the organization appropriately. As a result, while the involvement of the various functional groups will certainly differ by deal and by firm, the critical point is that we need to take a broader view of the organization while trying to understand M&A activities. A list of the areas of emphasis or Key Success Factors, and characteristics of successful M&A deals is given below and they also need to be considered across an organization’s functional groups. History is replete with instances when too many deals were approved by their stockholders and Boards with hardly any strategic insight in real terms. They were

all based on an Accretion-dilution Model i.e., a purely financial model that yields little more than an indication of how the deal will affect the Earnings per Share (EPS) of the firm over the next few quarters as against successful deals that rely on more than simple financial models. To gain a more complete understanding of making M&A successful, there is a genuine need for appreciating the process-based view of M&A along with a few frameworks for analysis. It may be noted here that there are six areas of focus for successful M&A. They are: Strategy, Finance, Marketing, Operations, Human Resources, and Systems. Similarly there is massive list of Cross-Enterprise Considerations for successful M&A. They are: (1) Fit: Strategic, operational, etc., (2) Contingency Plans—Exit mechanisms, (3) Discontinuous Opportunity—A chance to create value, (4) Implications—Plans for consequences/reactions to one’s actions, (5) Due Diligence—Careful and complete, (6) Synergy Identification—Rigorous and realistic, (7) Viability—Ability to finance, and Return on Investment (ROI), (8) Governance—Mechanisms and proper use, (9) Risk Management—Financial, Operational, Strategic, etc., (10) Cultural Challenges—Awareness and Management, (11) Expertise—Appropriate knowledge leveraged, (12) People—Personal focus, motivation peaks/troughs, (13) Customers—Retention, sales enhancement, (14) Organization—Structure, responsibility, authority alignment, (15) Realization—Management by Objectives (MBO); incentive payment, (16) Leadership—Experience, time sufficiency, commitment, (17) Action-orientation—Decision leading to implementation on key issues, (18) Creativity—Non-standard approaches, and (19) Prioritization—Focus on critical drivers of value.

M&A STAKEHOLDERS AND GOVERNANCE

M&A are complex transactions that involve teams of lawyers, bankers, consultants, Boards, accountants, internal personnel, stockholders, creditors, customers, regulatory authorities, and

numerous others and ultimately affect many beyond these. Each party plays a role in the process, whether a complex or simple one. While volumes are written to guide parties through the legal, financial, fiduciary, and other intricacies. The deal team itself can be quite small at the beginning of the M&A process and grows larger as the deal progresses. In the initial phase, the deal team may be just a handful of individuals with an idea. Upon analysis, inspection, reflection, approvals, and so on, the idea may then progress into execution and eventually be realized. However, numerous check points and processes kill most deals well before they are ever executed. On account of this, M&A at the firm level are very iterative in nature, and the process flow perspective flow perspectives is useful in considering the roles various parties play in it.

The basic fiduciary duties of the Board of Directors include the duties of care, loyalty, and obedience (or good faith) the definitions of which were evolved a period of time through various court cases. The Board must ensure that the strategic decision to pursue an M&A deal is in line with the best interests of the stockholders, as is the deal itself. As such, the Board plays a critical oversight role in M&A when the deals have significant strategic or financial impact on a firm. When deals are small, Boards may simply rely on the judgment of the Executive Officers. The definitions and legality of Board and governance-related concepts in M&A are the topics of several high-profile court cases and are likely to continue to evolve. In the context of M&A, directors need to know all the legal principles in considering a merger or acquisition transaction and act on an informed basis with the advice of outside experts. They need to consider any conflicts of interest they or any other member of the management may have and focus on the interests of their shareholders and recognize that there is no blueprint for either the process to be followed or the substantive terms of a transaction. The hardest decisions are difficult because there are no clear answers, and that is when directors are most protected in exercising their business judgment.

M&A STRATEGY FORMULATION

While all of the stakeholders in M&A stand to gain or lose from M&A, some of these parties have direct, measurable, financial impacts. Bearing in mind that Board and fiduciary duties are solely to the stockholders of a firm and not to the other parties, many research studies of M&A measure the impacts on equity prices alone. However, the cash flows that a firm generates are owned by both the debt holders and stockholders. Both the debt and equity of many public companies are traded openly on public exchanges and, as such, have market values. While equity is an obvious measure, debt values change when the credit quality of the post-deal firm differs or when the prospect of a deal changes the likelihood that certain types of debt securities will be called, exchanged, or converted into shares. In order to justify M&A, there should be some benefit to the firm, whether it is financial or strategic. If the justification is strategic, in the end, that too should result in some financial benefit. The studies on the success and failure of M&A are plentiful, although the measures of "success" do vary. This brings to light the question of whether M&A deals do create value, for whom, and over what timeframe. Based on all the measures that are currently available, one has to begin to understand whether value is created or destroyed in M&A and how that value and/or risk is transferred among these parties.

A second critical question concerns the time period of measurement. Finally, it is also important to measure the impacts of M&A on competitors and the broader economy. It is highly advisable to know about the good and bad strategic (or non-strategic) reasons that exist for doing M&A and a useful and succinct framework for such reasons detailing the "sensible" and "dubious" motives for mergers. An analytical understanding of this linkage back to the strategic intent of the firm would be in order in M&A strategy formulation.

M&A VALUATION AND EVALUATION

While most research finds that M&A tend to destroy value, to not return their cost of capital, to rarely achieve their planned synergies, and so on, in reality, these can be linked back to saying that the buyer overpaid. At a low enough price, must any deal can be justified and make financial sense. However, even paying a great price for a target in M&A can go wrong if either the strategy underlying it is not well thought-out or if the buyer is not buying what it thinks it is buying. While much attention is paid to the clearly important art of valuation, attention also needs to be paid to both the underlying strategy and due diligence aspects.

Numerous methods exist to financially value a proposed deal. Depending on the industry, type of company, stage of company growth, structure of deal proposed, strategic plans for the target, private or public status, and other considerations, different valuation techniques, or combinations thereof, will generally be used. While we think of finance and valuation techniques as scientific and precise, doing valuation is a highly subjective exercise, and as such, it is as much an art as a science. Because the best method of valuation differs by situation, numerous methods are typically used to provide a range of valuations, after which the parties often rationalize the choice of analysis that supports their intended objectives and valuations.

Non-financial Evaluation—Strategic Fit and the M&A Decision: While the financial valuation analyses may make a deal look good, either a bad strategic fit or the incorrect tactical choice of M&A as a deal type can ruin a deal. On the strategic front, there must both be a good strategic justification and the absence of any of the dubious reasons for doing a deal. When firms conduct M&A without duly considering their own strategic intent, not only can the deal go wrong, but it can also end up destroying the whole firm. The strategic fit and the choice of deal type (e.g., M&A versus joint venture or alliance) will vary by target and need to be considered in the evaluation of potential partners. As such, the search for an M&A partner often begins with a strategic

decision to pursue a deal, which reduces the pool of potential candidates to a smaller group of possible companies. Financial analyses are done on each of these firms, and those without sufficient returns or accretion are often removed. For the remaining firms, a strategic analysis need to be added into each financial analysis, leading to better decisions. A deal requires a rationale beyond a financial return to make sense. The due diligence process is critical for ensuring that firm is getting what it thinks is getting. Firms considering deals need to put their best foot forward. Based on this alone, many firms look to be on the right track. This process in M&A deals requires care in ensuring what information is exchanged or conveyed and when. The content of it should include both financial and non-financial checks on the firm. However, despite such careful due diligence, representations, and warranties, firm often still find that they did not get what they thought they had purchased.

M&A APPROACH AND STRUCTURING

Once a deal passes the initial screens of strategic fit and valuation, the buyer needs to decide how to approach the target entity. In an acquisition and in certain types of mergers, the approach involves methods of gaining control of the target entity. The three basic ways to gain control of a firm are by controlling its assets, stock, or Board of Directors. In a negotiated deal, a buyer can gain control of the assets of the firm by way of a negotiated agreement with the seller. A buyer can gain control of the stock of a firm with or without the participation of the selling firm by way of a tender offer directly to the selling firm's stakeholders. Finally, a buyer may use a proxy to gain Board seats on a target's Board of Directors and have its slate of directors elected. Using any one or a combination of these three basic approaches, a buyer can gain control of a target entity, although certainly the level of cooperation of the target firm's Board and management will vary by approach.

M&A EXECUTION

The execution phase is complex, with many moving parts and several checkpoints and hurdles that often cause deals to be terminated in process. While each deal is different, there are some basic timelines and processes that are typical. Much of the negotiating in a deal occurs during this phase. Negotiations are complex and include many bargaining elements on which the parties must decide and agree. Because of the needs and desires of each party, it is here that many deals fall apart, especially when the parties cannot agree on certain terms and conditions. Finally, all of the negotiated and agreed on terms and conditions, as well as other extraneous agreements, must be documented. In this context, one needs to know about the most important documents that are generally used to record the agreement between the parties. The deal structure, approach (e.g., hostile versus friendly, tender offer versus negotiated), marketing method (e.g., auction versus one-on-one negotiations), and whether the firm is on the buy-side or sell-side drive the timeline of the deal for the firm. Many elements that affect the timeline of the deal are also somewhat out of the hands of the parties, including responses from regulators. However, a "typical" timeline of key steps and events can be constructed for a firm, depending on its role, for several common deal types.

M&A—CLOSING THE DEAL

The process of contemplating and executing mergers and acquisitions M&A at a firm level can be thought of as a "tunnel." A firm may consider dozens or even hundreds of (M&A) ideas, approaches some subset of those, engages and has serious discussions with even less, and goes down the M&A path perhaps one. As this funnel gets smaller, so does the risk that each particular deal idea dies. After passing many of the hurdles in execution, effectively, the deal will have an intended closing date some weeks or months later. During this period between announcement and

closing, several steps with deal-breaking potential occur, and the impact of deal failure is much greater. Firms at this point have invested time and incurred expenses, have publicly announced the deal and face public and investor relations backlashes if the deal fails, and are possibly subject to hefty deal break-up fees if they cause the deal to fall apart.

The time required to close a transaction varies based on what internal and external approvals are needed, securities filings required, financing that may need to be raised, and any other conditions to closing that were part of the agreement. Taking the known and predicted factors into account, the firms set a proposed closing date. Whether this date is met or not is often out of the hands of the parties but instead is in the hands of regulators or of financing sources or stockholders. To ensure some accountability, however, the parties clearly assign responsibility for each of these tasks and often agree to penalties if they cannot get past certain hurdles on an agreed-upon timeline. During this pre-closing period, the firms are also restricted in many ways and are subject to any business conditions that may adversely affect the firm and trigger its inability to close the deal. As such, firms typically prefer to have a short closing period, but since many of the hurdles are outside of their control, this is a tense period. It is important, therefore, to ensure that one negotiates into the deal, appropriate incentives and disincentives to ensure the other party remains duly focused on overcoming the obstacles it faces to closing.

M&A INTEGRATION AND VALUE REALIZATION

After the announcement and closing of a deal, the heavy lifting begins. Most research on M&A finds that it is during the post-merger (merger collectively means all forms of deals) phase that most of the value in a deal is created or destroyed. While often called Post-merger Integration (PMI), this is a misnomer because

often the firms themselves are not integrated *per se*, but rather their operations are linked at some level to gain the synergies proposed. The exception to this is the holding company structure, where certain firms are simply holding companies that own a portfolio of other firms. When an acquisition becomes part of a portfolio like this, it is unlikely to see any integration, except at the capital structure and financing levels. These deals are typically done when a buyer feels a target is undervalued and buys it to somehow realize what it believes is the true value of the firm.

In the more typical case of deals where integration is to occur, the first question concerns to what degree the firms will be integrated. Depending on the strength of and differences between the cultures of the firms, integration may be difficult. Beyond the cultural differences there may be physical constraints that limit the ability to consolidate non-located facilities. However, the fundamental business question concerns which parts of the firms should be integrated to create more value. Many professional service firms have specific practice groups with expertise in the PMI planning and execution. The market for such expertise is enormous in light of the sheer value of M&A that are conducted—and thus the amount of value that has the potential to be created or is at risk of being destroyed. For practicing PMI, currently there are numerous methodologies available in the market place. It is advisable that people who are associated with PMI develop a better understanding of how to approach it and to realize these sources of value.

M&A AVOIDANCE AND ALTERNATIVES

Firms that are the target of M&A may wish to avoid doing a deal, while firms considering M&A have numerous alternatives available to them. There may be good strategic reasons that a firm wishes not to be acquired and so uses one of the defensive tactics available to it. When a firm wants to do a deal, after its strategic decision to do a deal, it must decide what type of deal to do. There exist numerous options by beyond a straight merger or

acquisition. Depending on the situation and strategic intent and whether the firm is on the sell- or buy-side, these other options may make more sense. The topic of defenses to M&A is common in the daily business news when unwelcome M&A suitors attempt deals. One of the critical concerns in enacting such defenses is the seemingly obvious conflict with the Board's fiduciary duties. A defense is a structured or legal impediment to another firm being able to conduct a successful takeover. Part of the inherent value of any firm is the premium likely to be paid and the likelihood of takeover—called the takeover premium. By enacting defenses, the Board is taking away, or at least reducing, this portion of the stock value. The potential for conflict lies therein. However, a Board has substantial legal discretion.

RECOVERIES AND EXITS AFTER THE MERGER

Most M&A research finds that most M&A deals do not create value. While those studies often use different measures of "value" and vary in "for whom" they measure such value, the fact remains that many deals do go wrong. The causes for such failures are often complex and largely dependent on the "for whom" question. That is, one firm's failure, for example, overpayment, is another firm's success—premium received for the stock price. Regardless of perspective, we can often break down the sources of common failures to either a pre-deal or post-deal cause. It may be noted here that the most basic causes of failure are either the wrong decision being made or the inability to fulfill the decision. Of course, within each of these phases, there are several potential reasons deal fall.

Quite simply, a firm may make a strategic choice that is inconsistent with its best interest, regardless of whether the poor choice is intentional (i.e., driven by some dubious justification) or an error in judgment. A second frequent cause is an inadequate assessment of the potential partner. This may come from

mistakenly choosing a partner to fit an appropriate strategy or in selecting an appropriate partner but by valuing the firm incorrectly. Closely linked to this is that inadequate due diligence may lead the firm to not uncover elements of the partner that do not measure up to expectations. As well, the deal itself may have been done on inappropriate grounds. The dubious justification allowed the deal to get through the deal-screening and approval processes—likely the driver behind one of the other causes listed above. Finally, using our three-stage deal approach—strategize, execute, and realize—the firm may have poorly executed the deal. Execution is complex and requires many highly technical tactical decisions be made. Managers or advisors without appropriate experience or expertise may lead the deal into a sub-optimal outcome.

CROSS-BORDER M&A

With the total volume and amount of M&A across the world in trillions of U.S. dollars per year, cross-border deals represent roughly one third of all deals in the U.S. market alone and more in many lesser developed countries in the world. Numerous decisions are made before the decision to conduct a Cross-Border M&A (CBMA) deal. We often see one of two paths that management teams go down in getting to this decision. Firms commonly either make a “mode”-initiated choice or a “location”-initiated choice. Based on the mode choice, the firm may then end up in a CBMA deal. Similarly, based on the choice to internationalize, regardless of mode, the firm may end up in the same situation.

Critical choices in CBMA include the choice of entry mode and the country to which a firm might go. Joint ventures are particularly common when entering new countries because the foreign partner has local knowledge and capabilities. One more mechanism is that of Greenfield entry. As an alternative to a cooperative mode, certain firms simply establish operations in a foreign country and grow from there. There are unique facets of CBMA. However, across these phases, a few overarching complexities need to be considered. The cultural differences between

the firms and the countries can create both difficulties and opportunities. The cultural differences make communications and operational integration more difficult, but the existence of those differences may also raise initial awareness that all parties should be cognizant of the differences and to plan for them. Because of the added complexity, more advisors are required to deal with the numerous tax and legal jurisdiction and to handle the added regulatory processes. Moreover, maintaining confidentiality may be more difficult when more advisors are involved, more people are involved, and because different cultures may treat their confidentiality obligations differently. While these complexities cut across the phases, there are also some stage-specific considerations that become important that the firms have to become aware of and keep in mind in any CBMA.

CONCLUDING COMMENTS

Both the volume of deals and value at stake make M&A at once an important phenomenon in business. In this context, understanding and gaining an insight into M&A becomes not only important but imperative as well. A cross-enterprise perspective alone can bridge all the traditional functions of a firm and can make it especially useful and relevant to the senior leadership of any organization contemplating now or already involved in M&A. For this, an integrated view towards doing deals that extends beyond the pure finance-based elements of deal making is essentially needed. For the purpose of this Paper, a three-step M&A process framework—in which the firm first strategizes about a deal, executes the deal, and then realizes the value is used. While the areas of focus for successful M&A are: Strategy, Finance, Marketing, Operations, Human Resources, and Systems, there are scores of Cross-Enterprise Considerations for their success also that need to be taken into account. A comprehensive theoretical framework that helps gain a real insight to M&A should touch upon the roles,

duties, and governance aspects of the primary stakeholders involved. A real perspective giving the reader in-depth information about the process flow in successful deal making generally covers all the concepts, frameworks, and analyses that centre on M&A (i) strategy formulation, (ii) valuation and evaluation, (iii) the approach adopted and structuring, (iv) execution, (v) closing the deal, (vi) integration and value realization, (vii) avoidance of

it and alternatives available, (viii) recoveries and exits after the merger, and not but not the least, (ix) cross-border deals.

REFERENCE BOOK

Kevin K. Boeh and Paul W. Beamish, ***“Mergers and Acquisitions—Text and Cases,”*** First Edition, 2007, SAGE International.

Strategically Managing HR Function for Gaining a Competitive Advantage: Current Research and Practice

Prof. A. Suryanarayana
Department of Business Management
Osmania University
Hyderabad-500 007 (A.P.)
e-mails: professorsuryanarayana@yahoo.com
Phones: (M) 098493 61301 and 09848563756
(O) 040-27097481 Fax: 040-27098236

Prof. Manisha Saxena
Principal Department of Hospital
Management,
Deccan School of Management ,
Owaisi Hospital & Research Center
Hyderabad- 500 058

ABSTRACT

Today's organizations are more involved in international commerce than ever before, and the trend will continue. Companies competing in the global marketplace require top-quality people to compete successfully. This requires that managers be aware of the many factors that significantly affect Human Resource Management (HRM) in a global environment, such as the culture, human capital, political-legal system, and economic system, and that they understand how these factors come into play in the various levels of global participation. Finally, it requires that they be adept at developing HR systems that maximize the effectiveness of all human resources, particularly with regard to expatriate managers.

Though, businesses' effectiveness is generally evaluated in three categories: business success, financial improvements, and people issues. Only recently have companies looked at HRM practices as a means to contribute to profitability, quality, and other business goals through enhancing and supporting business operations. Why has the importance of HRM increased over the past ten years or so? HRM is seen by managers as the most important lever for companies to gain a competitive advantage over both domestic and foreign competitors. Experts believe it be so as HRM practices are directly related to companies' success in meeting competitive challenges that they face in the next decade such as the global challenge, the challenge of meeting stakeholders' needs, and the high performance work system challenge.

Time and again, experts have emphasized and demonstrated how HR practices can help companies gain a competitive advantage by identifying specific practices related to managing the internal and external environment: designing work and measuring work outcomes; and acquiring, developing, and compensating human resources. The best of research and practice unequivocally proves the point that they do in fact contribute to a firm's competitive advantage. The role of HR function has been evolving over time and it has now reached a crossroads. Although it began as a purely administrative function, most HR executives now see the function's major role as being much more strategic. However, this evolution has resulted in a misalignment between the skills and capabilities of members of the function and the new requirements placed on it. Virtually every HR function in top companies is going through a transformation process to create a function that can play this new strategic role while successfully fulfilling its other roles. An attempt is made in this concept Paper to explore this subject matter further by examining development of a market- or customer-friendly HR function, describing the current structure of most HR functions, and finally suggesting measurement approaches for assessing the effectiveness of the function.

INTRODUCTION

Success stories from the corporate world illustrate the key role HRM plays in determining the effectiveness and competitiveness of businesses across the globe. Competitiveness refers to the company's ability to maintain and gain market share in its industry over its competitors by providing services valued by its customers. HRM refers to the policies, practices, and systems that influence employees' behavior, attitudes, and perfor-

mance. Many companies refer to HRM as involving "people practices".

Effective HRM practices can be developed and used to support business goals and objectives to make them really 'strategic'. HRM practices are related to company's performance as they contribute to employee and customer satisfaction, innovation, productivity, and development of a favorable reputation in the firm's community. A strategic approach to HRM seeks to proactively

provide a competitive advantage through the company's most important asset: its human resources. The HR function needs to be integrally involved in the formulation of strategy to identify the people-related business issues the company faces. Once the strategy has been determined, HRM has a profound impact on the implementation of the plan by developing HR practices that ensure that the company has motivated employees with the necessary skills. Finally, the emerging strategic role of the HR function requires that HR professionals in the future develop business, professional-technical, change management, and integration competencies. The strategic approach requires more than simply developing a valid selection procedure or state-of-the-art performance management systems. Only through the required effective competencies can the HR professional take a strategic approach to HRM.

LEARNING TO VIEW HR AS A SOURCE OF COMPETITIVE ADVANTAGE

If we want to view employees as a source of competitive advantage, we need to deal with them in ways that are ethical and legal as well as providing a safe workplace. An organization's legal environment—particularly the laws relating to providing equal opportunities all and safety—has a particularly strong effect on its HRM function. HRM is concerned with the management of people, and government is concerned with protecting individuals. One of HRM's major challenges, therefore, is to perform its function as per the legal framework and within constraints imposed by the government. Given the costly settlements resulting from violations of labor laws and the moral requirement to treat people fairly regardless of their gender or race, as well as the penalties for violating occupational safety and industrial accidents related laws, HR and line managers need a good understanding of the legal requirements and prohibitions in order to manage their businesses in ways that are sound, both financially and ethically. Organizations that do so effectively will definitely have a competitive advantage.

Analysis and design of work and Work flow Process

The analysis and design of work is one of the most important components of developing and maintaining a competitive advantage. Strategy implementation is virtually impossible without thorough attention devoted to work-flow analysis, job analysis, and job design. Managers need to understand the entire work-flow process in their work unit to ensure that the process maximizes efficiency and effectiveness. To understand this process, managers also must have clear, detailed information about the jobs that exist in the work unit, and the way to gain this information is through the job analysis process. Equipped with an understanding of the work-flow process and the existing job, managers can redesign jobs to ensure that the work unit is able to achieve its goals while individuals within the unit benefit on the various work-outcome dimensions such as motivation, satisfaction, safety, health, and achievement. This is one key to competitive advantage.

HR Planning

HR planning uses labor supply and demand forecasts to anticipate labor shortages and surpluses. It also entails programs that can be utilized to reduce a labor surplus (e.g., downsizing, early retirement programs) and eliminate a labor shortage (e.g., bringing in temporary workers, expanding overtime). When done well, HR planning can enhance the success of the organization while minimizing the human suffering resulting from poorly anticipated labor surpluses or shortages. HR recruiting is a buffer activity that creates an applicant pool that the organization can draw from in the event of a labor shortage that is to be filled with new hires. Organizational recruitment programs affect applications through personnel policies (e.g., promote from within policies, due process provisions) that affect the attributes of the vacancies themselves. They can also impact the nature of people who apply for positions by using different recruitment sources (e.g., recruiting from universities versus advertising in newspapers). Finally, organizations can use recruiters to influence individuals' perceptions of jobs (e.g., eliminating misconcep-

tions, clarifying uncertainties) or perceptions of themselves (e.g., changing their valences for various work outcomes).

HR Selection Methods

All personnel selection methods should conform themselves with five critical standards viz., reliability, validity, generalizability, utility, and legality. Whenever firms use any one or more the currently used nine different selection methods viz., interviews, reference checks, biographical information, physical ability tests, cognitive ability test, personality inventories, honesty test, and drug tests they should also be evaluated with respect to the same five standards mentioned earlier before deciding which test to use for a specific purpose. We also need to note that there is no need to use only one type of test for any one job. Indeed, managerial assessment centres use many different forms of tests over a two- or three-day period to learn as much as possible about candidates for important executive positions. As a result, highly accurate predictions are often made, and the validity associated with the judicious use of multiple tests is higher than for tests used in isolation.

Training Practices

Technological innovation, new product markets, and a diverse work force have increased the need for companies to reexamine how their training practices contribute to learning. We need to design and develop a systematic approach to training, including needs assessment, design of the learning environment, consideration of employee readiness for training, and transfer-of-training issues. Despite the facts there are numerous training methods, we need to remember that the key to successful training is to choose a method that would best accomplish the objectives of training. It is also true that training can contribute to effectiveness through establishing a link with the company's strategic direction and demonstrating through cost-benefit analysis how training contributes to profitability. Managing diversity and cross-cultural preparation are two training issues that are relevant given the fact that a company needs to capitalize on a diverse work force and global markets.

Measuring and Managing Performance

Measuring and managing performance is a challenging enterprise and one of the keys to gaining competitive advantage. Performance management systems serve strategic, administrative, and developmental purposes—their importance cannot be overestimated. A performance management system should be evaluated against the criteria of strategic congruence, validity, reliability, acceptability, and specificity. Measured against these criteria, the comparative, attribute, behavioral, results, and quality approaches have their relative strengths and weaknesses. Thus, deciding which approach and which source of performance information are the best depends on the job in question. Effective managers need to be aware of the issues involved in determining the best method or combination of methods for their particular situations. In addition, once performance has been measured, a major component of a manager's job is to feed that performance information back to employees in a way that results in improved performance rather than defensiveness and decreased motivation. Managers should take action based on the causes for poor performance, ability, motivation, or both. Managers must be sure that their performance management system can meet legal scrutiny, especially if it is used to discipline or fire poor performance.

Development of Human Resources

Companies use several development methods such as formal education, assessment, job experiences, and interpersonal relationships. Most of them use one or more of these approaches to develop employees. Formal education involves enrolling employees in courses or seminars offered by the company or educational institutions. Assessment involves measuring the employee's performance, behavior, skills, or personality characteristics. Job experiences include job enlargement, rotating to a new job, promotions, or transfers. A more experienced, senior employee (a mentor) can be used to help employees better understand the company and gain exposure and visibility to key persons in the organization. Part

of a manager's job responsibility may be to coach employees. Regardless of the development approaches used, employees should have a development plan to identify (i) the type of development needed, (ii) development goals, (iii) the best approach for development, and (iv) whether development goals have been reached. For development plans to be effective, both the employee and the company have responsibilities that need to be completed.

Employee Separation and Retention

There are issues within HRM that are related to employee separation and retention. Involuntary turnover reflects a separation initiated by the organization, often when the individual would prefer to stay a member of the organization. Voluntary turnover reflects a separation initiated by the individual, often when the organization would prefer that the person stay a member. Organizations can gain competitive advantage by strategically managing the separation process so that involuntary turnover is implemented to a fashion that does not invite retaliation, and voluntary turnover among high performers is kept to a minimum. Retaliatory reactions to organizational discipline and dismissal decisions can be minimized by implementing these decisions in a manner that promotes feelings of procedural and interactive justice.

Voluntary turnover can be minimized by measuring and monitoring employee levels of satisfaction with critical facets of job and organization, and then addressing any problem identified by such surveys. Equity theory suggests that social comparisons are an important influence on how employees evaluate their pay. They make external comparisons between their pay and the pay they believe is received by employees in other organizations. Such comparisons may have consequences for employee attitudes and retention. They also make internal comparisons between what they receive and what they perceive others within the organization are paid. These types of comparisons may have consequences for internal movement, cooperation, and attitudes (e.g., organization commitment). Such comparisons play an important role in

the controversy over executive pay, as illustrated by the focus of critics on the ratio of executive pay to that of lower-paid-employees and need to be addressed strategically. Globalization is increasing the need for organizations to be competitive in both their labor costs and productivity. Pay benchmarking surveys and job evaluation as the two administrative tools widely used in managing the pay level and job structure components of the pay structure need to be used strategically as they influence employee social comparisons. Pay surveys need to be used by firms to benchmark their labor costs against those in other organizations.

Compensation Programs

Programs—including their design and administration—that recognize employee contributions to the organization's success do vary as to whether they link pay to individual, group, or organization performance. Often, it is not so much a choice of one program or the other as it is a choice between different combinations of programs that seek to balance individual, group, and organizational objectives. Pay can be a powerful motivation. An effective pay strategy can have a substantial positive impact on an organization's success. Conversely, a poorly conceived pay strategy can have detrimental effects. Second, the importance of pay means that employees care a great deal about the fairness of the pay process. A recurring theme is that pay programs must be explained and administered in such a way that employees understand their underlying rationale and believe it is fair. The fact that firms differ in their business and HR strategies suggests that the most effective compensation strategy may differ from one firm to another. Effective management of employee benefits is also an important means by which organizations successfully compete in this context. Similarly, industrial democracy demands that managements and unions have to seek and adopt new and more effective ways of working together to enhance competitiveness while giving employees a voice in how workplace decisions are made.

COMPETITIVE CHALLENGES AND CHANGING ROLES AND ACTIVITIES OF HR FUNCTION

The roles required of the HR function have changed as people have become recognized as a true source of competitive advantage. This has required a transformation of the HR function from focusing solely on transactional activities to an increasing involvement in strategic activities. Many authors have posited the various roles of the HR function. However, recently a consensus has developed around four major roles for it. Dave Ulrich of University of Michigan proposed two dimensions for exploring the role of HR viz., the focus of a future/strategic orientation versus a day-to-day/operational orientation. Similarly, we have people versus process related HR activities.

Such a categorization argues for HR playing roles with their associated metaphors as a strategic partner—in the management of strategic human resources, as an administrative expert—in the management of infrastructure, as a change agent in the management of transformation and change, and as an employee advocate—in the management of employee contribution.

Strategic partner role focuses on providing strategy execution as the deliverable. Strategy execution stems from aligning HR strategies to business strategies. Playing the role of administrative expert requires designing and delivering efficient and effective HR systems, processes, and practices. These include systems for selection, training, developing, appraising, and rewarding employees. The employee advocate role entails managing the commitment and contribution of employees. No matter how skilled a work force may be, if they are alienated or hostile, they will not contribute their efforts to the firm's success, nor will they stay with the firm for very long. Thus, this role of great importance for firms seeking to gain competitive advantage through people. Finally, the change agent role requires that HR play a role in transforming organizations to meet the new competitive conditions. In today's fast-changing competitive world, firms need to both constantly change and develop a capacity for change. HR members must help in identifying and managing processes for change.

In addition to the role that HR plays, one must also understand the activities in which HR engages in terms of their strategic value. Transactional activities like the day-to-day activities of benefits administration, record keeping, and employee services are low in their strategic value. Traditional activities such as performance management, training, recruiting, selection, compensation, and employee relations are the nuts and bolts of HR. These activities have moderate strategic value, since they often form the practices and systems to ensure strategy execution. Transformational activities create long-term capability and adaptability for the firm. They include knowledge management, management development, cultural change, and strategic redirection, and renewal. Obviously, they comprise the greatest strategic value for the firm.

STRATEGIC MANAGEMENT OF THE HR FUNCTION

No single HR function can or should effectively deliver on all roles and all activities. While this is a laudable goal, resource constraints in terms of time, money, and head count require that the HR executive make strategic choices about where and how to allocate these resources for maximum value to the firm. HRM, as a strategic partner, has input into the formulation of the company's strategy and develops and aligns HR programs to help implement the strategy. However, for the HR function to become truly strategic in its orientation, it must view itself as being a separate business entity and engage in strategic management in an effort to effectively serve the various internal customers. In this respect, one recent trend within the field of HRM, consistent with the TQM philosophy, is for HR executive to take a customer-oriented approach to implementing the function. In other words, the strategic planning process that takes place at the level of the business can also be performed with the HR function. HR executives in more progressive companies have begun to view the HR function as a Strategic Business Unit (SBU) and have tried to define that business in terms of their

customer base, their customers' needs, and the technologies required to satisfy customers' needs.

Measuring HR Effectiveness: The strategic decision making process for the HR function requires that decision makers have a good sense of the effectiveness of the current HR function.

This information provides the foundation for decision regarding which processes, systems, and skills of HR employees need improvement. Often, HR functions that have been heavily involved in transactional activities for a long time tend to lack systems, process, and skills for delivering state-of-the-art traditional activities and are thoroughly unable to contribute in the transformational arena. Thus, diagnosis of the effectiveness of the HR function provides critical information for its strategic management. In addition, having good measures of the function's effectiveness provides the following benefits:

- **Marketing the function:** Evaluation is a sign to other managers that the HR function really cares about the organization as a whole and is trying to support operations, production, marketing, and other functions of the company. Information regarding cost savings and benefits is useful to prove to internal customers that HR practices contribute to the bottom line. Such information is also useful for gaining additional business for the HR function.
- **Providing accountability:** Evaluation helps determine whether the HR function is meeting its objectives and effectively using its budget.

Improving HR Effectiveness

Once a strategic direction has been established and HR effectiveness evaluated, leaders of HR function can explore how to improve its effectiveness in contributing to the firm's competitiveness. HR needs to improve both efficiency and effectiveness within each of the HR activities it performs. Often there is a push to eliminate as much of the transactional work as possible and some of the

traditional work. Redesign of the structure (reporting relationships) and processes (through outsourcing and IT) enables the function to achieve these goals simultaneously. Traditional HR functions were structured around the basic HR sub-functions and each of the areas had a director who reported to the VP of HR, who often reported to a VP of Finance and Administration. However, for the HR function to truly contribute strategically to firm effectiveness, the senior HR person must be part of the top management team reporting directly to the CEO, and there must be a different structural arrangement. A recent generic structure for the HR function is to effectively divide it into three divisions: the Centers for Expertise, the field generalists, and the Service Center. Such structural arrangements improve service delivery through specialization. Center for Expertise employees can develop current functional skills without being distracted by transactional activities and generalists can focus on learning the business environment without having to maintain expertise in functional specializations. Finally, Service Center employees can focus on efficient delivery of basic services across business units.

Outsourcing to improve HR Effectiveness

Restructuring the internal HR function and redesigning the processes represent internal approaches to improving the effectiveness of HR function. However, increasingly HR executives are seeking to improve the effectiveness of the systems, processes, and services the function delivers through outsourcing. Firms primarily outsource transactional activities and services of HR such as pension and benefits administration as well as payroll. Why would a firm outsource an HR activity or service? Usually this is done for one of two reasons:

Either the outsourcing partner can provide the service more economically than it would cost to do it internally, or the partner can provide it more effectively than it can be performed internally. It can also be resorted to for reasons of efficiency when specialist outsourced providers are able to

develop extensive expertise that can be leveraged across a number of companies.

Improving HR effectiveness through Process Redesign and New Technologies

Process redesign enables the HR function to more efficiently and effectively deliver HR services. It often uses IT, but IT applications are not a requirement. Similarly, reengineering can be used to review HR functions and processes, or it can be used to review specific HR practices such as work redesign or the PMS. Several new and emerging technologies help improve the effectiveness of the HR function. New technologies are current applications of knowledge, procedures, and equipment that have not been used previously. It usually involves automation—that is, replacing human labor with equipment, information processing, or some combination of the two. In HRM, technology has already been used for broad functions: transaction processing, reporting, and tracking. The newest technologies being applied to HRM include interactive voice technology, the Internet, client-server architecture, relational databases, imaging, development of specialized software, CD-ROM, and laser disc technology. These technologies improve effectiveness through increasing access to information, improving communications, improving the speed with which HR transactions and information can be gathered, and reducing the costs and making it easier to administer HR functions such as recruiting, training, and performance management.

CONCLUDING COMMENTS

HR managers can use several questions to determine if HRM is playing a strategic role in the busi-

ness and if they are not considered, it is highly unlikely that (a) the firm is prepared to deal with competitive challenges and (b) HR are being used to help a company gain a competitive advantage! Some of these questions are: (i) what is HR doing to provide value-added services to internal clients? (ii) What can the HR department add to the bottom line? (iii) How are we measuring the effectiveness of HR? (iv) How can we reinvest in employees? (v) What HR strategy will we use to get the business from point A to point B? (vi) What makes an employee want to stay at our company? (vii) How are we going to invest in HR so that we have a better HR department than our competitors? (viii) From an HR perspective, what should we be doing to improve our marketplace position, and (ix) What's the best change we can make to prepare for the future? The new strategic role for HR presents both opportunities and challenges. HR has the chance to profoundly impact the way organization compete through people. On the other hand, with this opportunity comes serious responsibility and accountability. HR functions of the future must consist of individuals who view themselves as business people who happen to work in an HR function, rather than HR people who happen to work in a business.

REFERENCES

- Noen, Hollenbeck, Gerhart, and Wright, Human Resource Management—***Gaining a Competitive Advantage***. Third Edition, [2000] McGraw-Hill Higher Education.

Strategies for Holistic Approach in Performance Appraisal

Dr.MP Hrishikesh
Director, CMR Center For
Business Studies,
Karnataka

SS Jeyakkumaran
Research Scholar, Shri Jagdish
Prasad Jhabarmal Tibrewala
University, Rajasthan

D. Preethi Rani
Research Scholar, Vellore Institute
of Technology (VIT) , Business
School, Tamilnadu

K Saravanan
Research Scholar,
Shri Jagdish Prasad Jhabarmal
Tibrewala University, Rajasthan

ABSTRACT

The objective of the study is to have an environmental scanning of performance appraisal (PA) practices in IT / ITES (Information Technology / Information technology enabled services) industry, there by understanding real corporate practice and approach of performance appraisal. It covers the process, objectives, tools, techniques and benefits of Performance Appraisal and cited real experience about various IT companies their performance appraisal process. The present study discuss about the approaches of performance appraisal and suggest the strategies to do the appraisal in a holistic way.

Keywords: IT / ITES, Strategies, performance appraisal

INTRODUCTION

The IT and ITES markets are emerging across four broad sectors, IT services, software products; IT enabled services, and e-businesses since the market is opened in these four major categories it creates a number of opportunities for Indian companies. The growth of Indian IT-ITES is forecasted more than 5 times in the next five years at a CAGR of 28 percent. By the year 2015, the IT – ITES is expected to employ over 5 million Indians. PA is one of the well researched areas in industrial and organizational psychology.

Performance appraisal is done to assess and consolidate the evaluation of an individual's performance over the year. Till early 1990's most of the studies in performance appraisal was focused on the measurement issues rather than the management aspects. In recent years more importance has been attached to psychometric testing so that we can have a basic understanding about the social and motivational dimensions of the appraisal process. PA is must in an organization to have an effective management and to evaluate individual's performance and to improve the organizational aims, and to foster positive relationships between management and employees.

The appraisal is done through 360 Degree feedback or a face to face discussion in the organizations and some companies also engage external organization to do the performance appraisal process to have an unbiased appraisal. The performance appraisal is done to give salary hike, promotions and to do a SWOT analysis of an employee so that the management can give a constructive feedback and can arrange for training in the required areas. Employees consider PA as an outcome of the result that is the monetary benefit and promotion rather than looking at the process.

Performance appraisal is known by many names like performance review, performance evaluation, personnel rating, merit rating, employee appraisal or employee evaluation. "A performance appraisal has been defined as any personnel decision that affects the status of employee regarding their retention, termination, promotion, transfer, salary increase or decrease, or admission into a training program".

It is a methodology wherein the performance of employee is compared to predetermined standards. A performance appraisal is the process of assessing worker performance in

comparison to certain predetermined organizational standards. PA provides feedback on ones performance, help recognize weakness and strengths, and help one to reach the desired goals of the organization or their own individual goals and encourages interaction between workers and supervisors. As one might think, there are many different kinds of performance appraisals that an organization can decide to use. The first thing that an organization must decide is whether they want to do what is called an objective or a subjective performance appraisal. The prime objective of performance appraisal is measure the quantifiable aspects of the performance of employees. It is also imperative that the rater is knowledgeable and unbiased individual.

PERFORMANCE MANAGEMENT SYSTEM

The key Objectives of Performance Appraisal are

1. Help employee to understand more and more about his role and become clear about his functions.
2. They can be instruments in helping each employee to understand his own strengths and weaknesses with respect to his role and functions in the company.
3. They can help in identifying the developmental needs of each employee with respect to his role and functions.
4. They can increase mutuality between each employee and his supervising officer so that every employee feels happy to work with his supervisor and thereby contributes his maximum to the organization.
5. They can be mechanisms of increasing communication between the employee and his supervising officer so that each employee gets to know the difficulties of his subordinates and attempts to solve them; and thus they together accomplish the tasks.
6. They can be instruments to provide an opportunity for employee for self reflection and individual goal setting so that individually planned and monitored development takes place.
7. They can play a role in helping every employee internalize the culture, norms and values of the organization so the an organizational identity and commitment is developed through out the organization.
8. They can help in preparing employees for performing higher level jobs by continuously reinforcing the development of behaviour and qualities required for higher level positions in the organization.
9. They can be instruments in the creation of a positive and healthy climate in the organization that drives people to give their best and enjoy doing so.
10. In addition they can assist in a variety of personnel decisions by generating data about each employee periodically.

Performance management system is actively and proactively managing an organization to assure that it achieves pre-determined levels of performance and achieve its goal through their employees

The aim of the performance management is to ensure that we reach the planned benefits by linking the organization plan to strategic goals and the business objective and actively manage the projects.

OBJECTIVES OF PERFORMANCE MANAGEMENT

- Performance Planning
- Performance Monitoring & Control
- Performance Measuring
- Performance Rewarding
- Employee development

- To achieve strategic and operational objective of organization
- Organization Culture Building

PERFORMANCE MANAGEMENT CYCLE PROCESS

Establish performance standards

The process of evaluation begins with the establishment of 'performance standards'. At the time of designing the job and formulating the job description, performance standards are usually developed for the position. These standards should be clear and not vague, and objective enough to be understood and measured. These standards should be discussed with the supervisors to find out which different should be incorporated, weights and points to be given to each factor and these then should be indicated on the performance form, and later on used for appraising the performance of the employees.

Communicate performance expectations to Employees

The next step is to communicate these standards to the employees, for the employees left to themselves, would find it difficult to find out what is expected of them. To make the communication effective, 'feedback', is necessary from the subordinate to the manager. Satisfactory feedback ensures that the information communicated has been received and understood in the way it was intended.

Measure Actual performance

The third step is the 'measurement of performance'. To determine what actual performance is, it is necessary to acquire information about it. We should be concerned with how we measure and what we measure. Four sources of information and frequently used to measure actual performance: personal observation, statistical reports, oral reports and written reports.

Compare Actual performance with Standards

The fourth step is the comparison of actual performance with standards. The employee is apprised and judged of his potential for growth and advancement. Attempts are made to note deviations between standard performance and actual performance

Discuss appraisal with employee

The results of appraisal are discussed periodically with the employees where good points, weak points and difficulties are indicated and discussed so that performance is improved. The information that the subordinate receives about his assessment has a great impact on his self-esteem and on his subsequent performance. Conveying good news is considerably less difficult for both the manager and the subordinate than when performance has been below expectations.

Initiate corrective action

The final step is the initiation of corrective action when necessary immediate corrective action can be of 2 types. One is immediate and deals predominantly with symptoms. The other is basic and delves into causes. Immediate corrective action is often described as putting out fires whereas basic corrective action gets to the source of deviation and seeks to adjust the difference permanently. Coaching and Counseling may be done or special assignments and projects may be set: persons may be deputed for formal training courses and decision making responsibilities and authority may be delegated to the subordinates. Attempts may also be made to recommend for salary increases or promotions, if these decisions become plausible in the light of appraisals.

BENEFITS OF PERFORMANCE APPRAISAL

Motivation and Satisfaction : Appraisal provides the well needed appreciation to the employees for their efforts put. It is proved that such appreciation is more powerful than monetary

rewards and has a positive influence on employee's commitment towards their organisation. The strength and prevalence of this natural human desire for individual recognition should not be overlooked.

Training and Development

After appraisal training and development needs can be identified and training plan can be prepared by manager in collaboration with the employee and a linkage between the training programs, performance outcomes and future career aspirations.

Recruitment and Induction

Appraisal helps in monitoring the success rate of the organization's recruitment and induction practices such as the performance of employees who were hired. The changes made in the recruitment strategies can have a positive or negative impact so from appraisal data the effectiveness of such strategies can be understood. Such data also helps in evaluating the quality of the workforce

Employee Evaluation

Evaluation is a legitimate and major objective of performance appraisal but most of the times it understated even denied its due importance. In the most basic level performance appraisal is the process assessing the performance of the employees and providing timely feed back and corrective measures. Since evaluating is an ongoing process and it is intertwined with evaluation and developmental priorities there exists a lot of tension.

EFFICIENT PERFORMANCE APPRAISAL

In a study done by Locher & Teel discovered the three most commonly used methods are rating scales, essay method, MBO. He found certain

methods to yield much better results than other rating methods.

Encourage Discussion

According to research studies it is proved that where there is open and free communication between rater and ratee, the ratee feels more satisfied with the appraisal results. When such situation exists it is likely that such employee would be more enthusiastic and motivated to achieve the future goals.

When an employee is given an opportunity to justify his/her performance and even appeal against their evaluation they are more likely to feel that the appraisal system is fair.

Constructive Intention

It only to improve the future performance of employees that negative feedback is given, this aspect must be clearly and correctly understood by the employees. The intentions behind such feedback are to improve the performance. When it understood that appraiser's intentions are helpful and corrective the negative feedback becomes a scenario of less anxiety and tension. In contrast, other studies have reported that "destructive criticism" - which is vague, ill-informed, unfair or harshly presented - will lead to problems such as anger, resentment, tension and workplace conflict, as well as increased resistance to improvement, denial of problems, and poorer performance.

Set Performance Goals

It has been shown in numerous studies that goal setting is an important element in employee motivation. Goals can stimulate employee effort, focus attention, increase persistence, and encourage employees to find new and better ways to work.

The useful of goals as a stimulus to human motivation is one of the best-supported theories

in management. It is also quite clear that goals which are "...specific, difficult and accepted by employees will lead to higher levels of performance than easy, vague goals (such as do your best) or no goals at all."

Appraiser Credibility

It is important that the appraiser (usually the employee's supervisor) be well informed and credible. Appraisers should feel comfortable with the techniques of appraisal, and should be knowledgeable about the employee's job and performance.

When these conditions exist, employees are more likely to view the appraisal process as accurate and fair. They also express more acceptances of the appraiser's feedback and a greater willingness to change.

But there may be an acceptable middle ground, where the need to evaluate employees objectively, and the need to encourage and develop them, can be balanced.

WHY PERFORMANCE APPRAISAL OFTEN FAILS

Resistance of the manager managers more either passively or actively

The understanding of the roles and responsibilities of the employees is very less and have a limited contact with their subordinate and not very good at giving feedback

Subordinates are not ready to receive the feedback Managers view the performance appraisal as a wasted paperwork especially if nothing comes of their efforts from the employees and the management.

Managers feel that some decision of their will be based on emotions and not being able to defend the ratings

When there is no employee participation while establishing the performance standards

When the standards based on critical elements of job is not clearly recorded in writing

When the employee's are not advised of the expected critical requirements before the appraisal process

When the goals and the performance appraisal is not written at least once in a year

When the performance result is tied to personnel decisions and biased

When the employees are allowed to respond to charge orally and not in writing

When the appraiser is not provided with adequate training about the performance appraisal process

When the performance appraisal system is not evaluated and refined as necessary

When the actual experience of performance appraisal is not encouraging

When feedback is not given after appraisal this lead to employees uncertainty about where they stand after the interview

SOME COMMONLY ENCOUNTERED CONFLICTS IN PERFORMANCE APPRAISAL

Conflicting Intra-Individual Goals

The conflicting intra – individual goals is the desire for honest self feedback vs. desire for self-concept affirming feedback.

Conflicting Individual and Organizational Goals Appraise is desire for rewards out of the performance appraisal vs. organization's desire for openness to feedback and helpfulness in supplying necessary information.

Improving the Design of the Appraisal System

- Uncouple Evaluation and Development
- Choose Appropriate Performance Data for Appraisal System
- Separate Evaluations of Performance Factor and Potential Factor
- Recognize Individual Differences in The Performance System Design
- Upward Appraisal
- Self Appraisal

Uncouple Evaluation and Development

In most of the performance appraisal systems it is inadvertently force the mixing of the roles of judge and helper. The openness is required in the problem solving approach to build a relationship should also communicate to the subordinates about his/her overall evaluation and its implications for important rewards.

Choose Appropriate Performance Data for Appraisal System

Appropriate performance appraisal system and technique should be used while doing the performance appraisal. Appropriate feedback is essential and more helpful to the person who wants to improve performance.

Separate Evaluations of Performance Factor and Potential Factor

The performance factor and potential factor should not necessarily correlated the performance should be measured by the attainment of results. When both the evaluations are separated it helps the performance to be more constructive..

Recognize Individual Differences in The Performance System Design

Should permit managers to use different methods depending on the particular employee being appraised to recognize the individual difference for the performance measurement.

Upward Appraisal

We should also create a way to subordinates to appraise their supervisor.

Self-Appraisal

Should also have a self appraisal system where the individuals give their own ratings so that the evaluation interview is likely to result in a more realistic rating and a greater acceptance of the final rating by both appraises.

REVIEW OF LITERATURE

Mankato State University, Minnesota Research

Dexter A Hansen of Mankato State University, Minnesota wrote a research report on the Developmental Performance Appraisal in 1984. The purpose of the study was to know whether a company called Corporation, has been using performance appraisal as a tool for organizational development, employee career development or both. The study indicated that the performance appraisal has been found to place a great deal of emphasis on the employee as an individual, although the performance appraisal has been found to deal with only current job performance . The appraisal has a development plan, but no reference to the employee's career development.

Saint Louis University Banguio City Ched, Research

Neeraj Narsingh Rajbhandari of Saint Louis University Banguio City, Ched conducted research for his Ph. D thesis on the subject of "Performance Appraisal Tool: A basis for Professional Growth and Development of Bank Officers".² The research concentrated on the level of implantation of performance appraisal criteria with regard to professional growth and development criteria of the selected banks in Banguio City and La Trinidad in the invogue system of performance appraisal in bank.

Performance appraisal criteria and professional growth and development stimuli are multifaceted tool which focuses on ability performance, motivation performance- intrinsic and extrinsic outcomes, technical /functional competency and managerial competency- interpersonal, analytical and emotional.

Louisiana State University's Research

Marie Burns Walsh "Perceived fairness of and satisfaction with employee performance appraisal (2003). The study was to evaluate employees satisfaction with regard to performance appraisal system and to ensure perceptions of fairness to the main ingredients of the system. Results of the study indicated that employees overall reactions to the performance appraisal system were favorable demonstrating that the system possessed the potential as a viable management tool for use

Rhodes University's (South Africa) Research-1

Brett Anthony Hayward of Rhodes University (South Africa) on "relation between employee performance, leadership and emotional intelligence in a South African Parastatal organization in 2005. The results of the study indicated existence of a weak, mildly significant negative linear relationship between employee performance and transformational leadership. Furthermore, it was found that there was a significant weak, negative linear relationship between employee performance and transactional leadership. Furthermore, it was found that there is a significant weak,negative linear relationship between employee performance and emotional intelligence

Portland State Systems Graduate Program's Research. Jeff Johnson of Portland State Systems Graduate Program conducted research in 2003 on the topic of Employee's Justice Perceptions of Performance Appraisals Systems indicating that work related attitudes and job performance behaviors were significantly influenced by the overall perceptions of organizational justice and overall team justice

Louisiana State University-Baton Rouge (USA) Research

William L.Davis and Satish Verma, both of Louisiana State University-Baton Rouge (USA) conducted a research in Journal of Extension Volume 31 Number 4, 1993,7 to investigate the strengths and weaknesses of Performance Appraisal System being used to evaluate the performance of country agents working in the Cooperative Extension Service. The study revealed that the six states had no uniform appraisal system but a conglomeration of such system such as weighted scoring system, management by objective approach, a stated use for the performance appraisal system and built-in appeal process.

Sulsky, Lorne M, Keown and Janine L. wrote a research paper in Journal of Canadian Psychology,8 Feb-May 1998, on the subject of "Performance Appraisal in the changing world of work: implications for the meaning and measurement of work performance". The researchers are of the view review of literature on performance appraisal manifest the fact that greater emphasis has been laid on the measurement rather than the meaning of performance appraisal. The researchers suggest that proper meaning of performance must be found before opting for measurement of performance. According to them, proper definition of performance is the precondition and inseparable concomitant of useful performance management which leads to effective performance appraisal. They further argue that cognitive and motivational underpinnings of rating behavior carry significant weightage as it assists in identification of those variables which contribute to reductions in the psychometric quality of performance ratings followed by rating formats and rater training programs.

Texas Conference (1999) Research

Robert Bacal convened a conference on the subject of Performance management in 1999 in Texas. The findings concluded from the

presentations/ comments of the attendants demonstrated that performance management is a critical, competitive and value loaded component of effective management. So, more and more companies are exhibiting their keen interest in the performance management, which is deemed a critical success factor in the field of management.

Robert Bacal's Research on "ten stupid things by managers for performance appraisal" In 1999, Robert Bacal wrote an article on the topic "ten stupid things managers do to screw up performance appraisal."¹¹ The writer is of the view that performance appraisal is not a fun. But most of the time they become tedious and painstaking because managers really do dumb things and as a consequence a very vital and useful management is jeopardized.

University of Wisconsin U.S.A Research

Professor Donald L. Kirkpatrick of the University of Wisconsin wrote an article for American Society for Training and Development in 2006 on the subject, "Training and Performance Appraisal – Are They Related? The article is published by ProQuest Information and Learning Company U.S.A.¹² The article is actually based on his book "Improving Employee Performance through Appraisal and Coaching." The researchers comments that work place training and performance appraisal go hand in hand and both have common objective to improve performance behavior and results. But unfortunately very few organizations take pains to integrate the two concepts. The researcher is of the view traditional performance appraisals programs are confined to pay increases and promotion decisions based on the past performance. But, an effective performance appraisal should depart from the status quo and it should help in the development of a performance improvement plan that takes benefit from the coaching of department supervisor or manager to enhance skills development. Emphasis should be laid on the training which aims at progressive approach and develops practical programs, resulting in improved performance.

RESEARCH METHODOLOGY

OBJECTIVE

The objective is framed to study the real time implication of the performance appraisal its correlation with the theoretical stuff. Parameters used for assessment of employees are past records and targets achieved. The study primarily focuses on formulating an action plan which takes into consideration tangible as well as intangible parameters for assessing employees.

NEED OF THE STUDY

The project envisages the study about the various approaches being followed in IT/ITES sectors and to explore the ways and means towards the path of improvement in the present methodology. This study also focuses on whether performance appraisal is just an eye wash or considered as a serious affair.

SCOPE OF THE STUDY

Most of the employee in the organization will always come and say that their performance appraisal was not as expected and biased my study is to understand the various process and methods of performance appraisal being done in the organization and come out with various strategies for the same.

DATA COLLECTION METHODS

For primary research structured questionnaire is administered to the target audience of 96 sample size across the IT / ITES companies at all cadres. While the secondary research will be supported by data and reports of the organization and also information from journals , magazines , literature and internet.

LIMITATION OF THE RESEARCH

The sample size selected for the study is 96 which can be extended on to the larger sample size

ANALYSIS & INTERPRETATION

RQ1: Is the performance appraisal system is your organization is effective? 75% of my respondents have said that the PA is effective.

RQ2: The performance of the employee in your organization is measured

Ranking method is the most widely used method across most of the organizations

RQ3: How often the performance is measured

More than 50% of the organizations does PMS once in a year and ¼ of the survey organization do half yearly.

RQ4: what are the factors to be considered for PA

SMART Goals stands highest and a most important factor of PA , although there are employees who believe that its an eye wash but at the end of the day PMS determined lot of things like salary appraisal, promotions.

RQ5: Does performance appraisal really motivate the employees to perform more

82% agreed that PA really motivates the employed to perform more to be more productive.

RQ6 : In your opinion, rate the following about Performance Appraisal from 1 to 5 with 5 being "Strongly agree" 4 being "I partly agree" 3 being "I neither agree nor disagree" 2 being "I Partly disagree" and 1 being "I fully disagree"
Interpretations

The study proposes to have SMART goals set for employees there effective PA system is well established in the organization and 82% of employees agree that motivated employees perform better. The annual appraisal system seems to be more effective to the benefit of employees and the organization which is interweaved with the salary appraisal and promotion perks.

SUGGESTIONS AND RECOMMENDATIONS

If we analyze the research data almost of 60% of the population always thinks that PMS is not done properly but the respondents feel that goal setting is the most important aspect of performance appraisal and also it has to be realistic and attainable. So keeping this in mind there are nine "mantras" for accomplishment of the sought for goals.

1. You need to deeply desire the goal or resolution
2. Visualize yourself achieving the goal
3. Share Your Goals with People Who Are Important to You
4. Make a plan for the path you need to follow to accomplish the goal
5. Commit to achieving the goal by writing down the goal
6. Establish times for checking your progress in your calendar system
7. Take Action to Identify and Eliminate Obstacles to Goal Setting Success
8. Review your overall progress regularly
9. Reward Yourself and Celebrate Goal Accomplishment

In the extensive study undertaken for the purpose of this thesis it is found that while 50% of the female respondents is of the firm opinion that performance appraisal is biased, the male respondents is of the opposite opinion.

KEYS TO AN EFFECTIVE PERFORMANCE APPRAISAL PROGRAM

Design Factors

- Provide for rater and ratee participation in the design process
- Aim for simplicity, fairness, objectivity, openness, usefulness
- Aim to be inclusive of all behaviors and results that should be performed
- Eliminating the sources of bias
Organizational Support must support and reinforce time spent on these activities;

organization from top to bottom must show PA is taken seriously must tie results of appraisals to decisions such as promotion, salary Plan the companies Reward System before starting the PA

- With subordinates set specific goals; identify paths to reach goals, analyze job, problems
- Continuously monitor and improve subordinate performance
- Be trained in conducting effective PA; trained in setting objectives, giving feedback, conducting problem solving interviews
- Be aware of potential for bias and counteract tendencies-stereotype, halo, central tendency, etc.
- Need to have extensive information about ratee
- Need to effectively observe, recall, assimilate, weigh
- Accurately and thoroughly assessing subordinate performance

STRATEGIES FOR HOLISTIC APPROACH IN PERFORMANCE APPRAISAL

1. The rater and ratee should build a healthy relationship
2. The ratee should not be biased to any of his team members
3. The rater should have effective interaction with the team members in the process of Goal Setting and should create a challenging and exciting work assignment to them
4. Should create a congenial environment for open communication.
5. Everyone thinks that Performance Appraisal is only for Salary hike but it is not just that it is much beyond like promotions , other benefits (Education Sponsor, Child Education
6. The roles and responsibilities should be clearly defined else while doing the PA
7. The Team leader should frequently conduct satisfaction surveys within their team members.
8. Create a SMART goal.
9. While doing the appraisal should be friendly, open and give candid feedback.
10. When a good work is done honor the employee in public while criticizing them do it private.
11. Give timely feedback

CONCLUSION

Performance Appraisal is a very important tool which would benefit both the organization and as well as the employee. It helps the organization in many ways such as motivating employees, evaluating the performance of employees, for conducting training programs, as a feedback about the organization, as powerful tool of retention of employees and preventing attrition. From the employee point of view it provides opportunity for promotion, compensation revision, and status of their own performance and most importantly provides a path of career growth and development.

Performance management practices might not be feasible for a small company due to the time and cost involved to make the process a success. This is one of the main reasons why Performance management practices is being followed in large scale companies, especially in the booming IT sector, where it is critical that the organizations secures full satisfaction of its employees. If Performance management practices are not followed properly by an organization, then it is inevitable that it will go down within a short period. No matter how efficiently one designs the performance management practices for a company, if not strictly followed, the whole process goes for a toss. Also, employees need to take this seriously to move up the corporate ladder, to build a successful career for themselves. They need to have faith in their organization in the first place.

In the contemporary organizations regarding performance appraisal system, it is an important instrument for motivating and improving the quality of employee's performance. From this project it is concluded that performance evaluation is accompanied with the employees' participation from the first stage of appraisal process meets the objectives of appraisal system. Participatory performance appraisal is also an essential component of a fair and ethical evaluation of an employee's performance. When employees feel that the appraisal process is

conducted on objective basis, it provides specific direction for employees' future growth and development in their respective field of work. Performance evaluation results really affect the career of an employee in the organization. If the indication of measurement for evaluation is correctly identified it would provide more meaning in the process of evaluation. Employees can improve their quality of work only through the results of the evaluation and any study on evaluation should be carried out on a continuous basis.

REFERENCE

<http://www.thehindubusinessline.com/blnus/34151012.htm>

www.tatamcgrawhill.com

Margerison, C.J. and McCann, D.J., Team Management: Practical New Approaches, Management Books 2000, London, 1995

Tuckman, B.W. Development Sequence in Small Groups, Psychological Bulletin, 63(6), 1965

Performance management and appraisal systems by T.V Rao

D. McDonald and A .Smith, Performance Management and Business Results

M. Armstrong and A. Baron, Performance Management

Wayne F. Cascio, Management Human Resources, McGraw-Hill.

Gary Dessler, Human Resource Management, Pearson Education Asia.
Human Aspects of Management

Description	Ranking
Performance appraisal is an eye wash	50%
Performance management is done in an opt way in your company	No 60 %
Performance management is bias	Yes 60%
Performance assessment is done properly	No 60%
Your contribution is recognized by the manager	No 60%
Your contribution is recognized by the management	No 60%
Does the management helps for career advancement	No 60%
Proper training is given	No 60%
The goals given are realistic	No 60%
Expected level of performance is communicated	No 60%
The resource is allocate properly	No 60%
The measurements are clearly specified for evaluating progress	No 60%
The performance is rewarded according to the industry standards	No 60%

Supply Chain Framework for Managing Disasters: An Indian Perspective

Anand
Student, II Year M.Tech (MEM),
Department of Industrial Engineering
and Management, RVCE,
Visvesvaraya Technological University,
Bangalore, Karnataka, India

Swati R Kulkarni
Student, II Year M.Tech (MEM),
Department of Industrial Engineering
and Management, RVCE,
Visvesvaraya Technological University,
Bangalore, Karnataka, India

Mr. C.K. Nagendra Gupta³
Assistant Professor,
Department of Industrial Engineering and
Management, RVCE,
Visvesvaraya Technological University,
Bangalore, Karnataka, India

ABSTRACT

Unexpected natural disasters cause incalculable loss of property and lives worldwide every year. India has been traditionally vulnerable to natural disasters on account of its unique geo-climatic conditions. Floods, droughts, cyclones, earthquakes and landslides have been recurrent phenomena. About 60% of the landmass is prone to earthquakes of various intensities; over 40 million hectares is prone to floods; about 8% of the total area is prone to cyclones and 68% of the area is susceptible to drought. At least 30 million people were affected by disasters every year. The scenes of nightmarish evacuation congestion and insufficient supplies for gas and water are still fresh in public consciousness. This study investigates supply chain management (SCM) related issues in disaster management such as evacuation (transportation routing), information management, supply and disaster relief issues. The purpose of this study is to help with disaster management by applying SCM knowledge and technology in business world to improve evacuation efficiency, quick response to emergent demand etc. Several suggestions concerning the strategies to prepare and response to unexpected disasters are proposed.

Keywords: Logistics, Evacuation, Disaster Management, Supply Chain Management

INTRODUCTION

As we see, natural disasters can result in numerous deaths, extreme suffering and immense loss of property. To contain the loss and suffering, it is critical to rush supplies and aid to those in need. Given that humans do not have the capacity to survive without food, water, medicine and shelter for more than a few days, it becomes imperative to make relief supplies available quickly and at short notice. In the long term as populations shift to venerable locations and their densities increase, concern about disasters becoming increasingly severe is very real, making better management of relief efforts even more critical because lack of recognition of the importance of logistics, inadequate use of technology, and limited collaboration as. The difficulty in providing supplies to the disaster zone is a result of several issues. The time horizon to help the population in need is often very short but supplies reaching a disaster

zone often have to travel large distances from their respective distribution centre. Also, in most disaster locations the transportation infrastructure is often heavily damaged. Alternative transportation mediums and shipping routes need to be explored. Paucity of information in disaster situations creates another challenge. One does not immediately know the number of survivors, their immediate needs, and how much food, medicine and water is still good at their homes. It becomes very difficult to ship supplies when information is scattered to various levels within the logistics chain or simply is unreliable. Given the sheer scale of some disasters, the effectiveness of relief effort depends upon the coordination of hundreds of relief agencies from a round the world. Consequently, custom and border controls and cultural differences also magnify this complexity. Furthermore, when the disasters occur, in terms of the disaster outgoing

demands, urgent execution of rescue actions is required for the dead, patients in danger, the severely injured, the homeless, accident waste, etc. Disaster emergencies require the incoming demands for food, doctors, nurses, drinking water, part time volunteers, and rescue equipment supplies that must be met in a short period of time.

LITERATURE REVIEW

Ozlem Ergun, et. al. 2005, stated that the supply chain related problems can be solved by operation research community by using analytical tools and the impact of those tools on people those implies. And they illustrated the application of operation research tools in decision making through the example of debris management.

D. Clay Whybark, et. al. illustrated after the incident of January 12, 2010, the impoverished country of Haiti was struck by a magnitude 7.0 earthquake and the country's enormous loss by natural disaster. The disaster relief supply chain operates under conditions that would frustrate most commercial supply chain managers. Different objectives and mechanisms drive disaster relief supply chains; their operating environment is extremely uncertain and dynamic, and unique management principles are often employed. Nevertheless, there are lessons to be learned that could apply to the most publicized commercial sector supply chains, such as those found at Wal-Mart, Toyota, Apple, and MacDonald's, and vice versa. Consequently, the purpose of this note is to introduce the disaster relief supply chain and to draw attention to the need for increased management research in the area.

Trevor Hale et al 2005 said in their paper about the supply chain disruptions caused by external events like financial and operational methods are not prepared properly. Therefore, improving disaster preparedness in supply chains is critical. Main critical component of disaster management planning in supply chains is the storage of emergency supplies, equipment, and vital documents that will be needed in times of crisis.

And to achieve an efficient network of secure storage facilities that can effectively support multiple supply chain facilities. Design/methodology/approach by using five-stage disaster management process for supply chains.

Tan-Mullins et al 2007 review the events surrounding the December 2004 tsunami that devastated Thailand and surrounding countries. The event, argues the authors, revealed some interesting trends in humanitarian aid and disaster relief; namely, relief efforts became more localized as existing network structures already in place among local communities were able to distribute aid much more efficiently than could the national government and other aid agencies.

Pettit and Beresford (2009) write a review article on the topic of critical success factors in supply chain management and how these factors may provide relevant and interesting insights into humanitarian aid supply chains. Factors include strategic planning, resource management and capacity planning, to name a few.

Thomas and Fritz (2006) discuss the challenges and obstacles that exist in developing effective partnerships in humanitarian aid and disaster relief supply chains. The article reviews the different types of partnerships that can be formed and prescriptive strategies for each type.

Tatham and Kovács (2010) introduced the concept of "swift trust" in disaster relief settings. The phenomenon of "swift trust" takes place in hastily formed networks where individuals and groups quickly develop a level of trust that in normal circumstances take much longer to develop. The trust developed in this manner is a catalyst and enabler of the collaboration needed to address the urgent situation at hand.

Van Wassenhove (2006) argues that the same lessons learned in commercial supply chains can and should be applied in humanitarian aid and disaster relief supply chains. One such lesson is the topic of preparedness. Five dimensions to

preparedness are discussed and outlined. Another important topic discussed in this paper is the power of supply chain collaboration.

Typology of Disaster

There are multiple types of disasters and it becomes important to categorise the type of disasters which are common. A case in example is maritime industry, wherein a master ship-disaster management plan is prepared to deal with all kind of emergencies. Plan of action is prepared basing the master model and it is further refined to meet the specific needs.

This paper aims at defining the requisite logistic and resources required to counter the disaster. The three major factors to be considered are degree of impact of disaster, topography and demography of the affected area. This is a generalized model which could be applied on most of the presently faced disasters e.g. floods, earthquakes, cyclone, tsunami, volcanic eruption, landslide, terrorist attacks, fire etc. Corresponding need for supply chain capabilities will be outlined accordingly.

Stages of Disaster

This paper illustrates the five stages of disaster management as Policy and Strategy Stage, Pre-disaster stage, Initial Shock stage, Rescue Phase and Post Disaster Phase. These stages will help in recognising the disaster situations and gives solution to those situations.

A. Policy and Strategy Stage

This is the pre-disaster stage, it will include building up of strategy and capabilities to counter and mitigate disaster situations. This will include formation of joint management teams which could act as the decision making back-bone of all rescue and resource gathering activities during disaster. A central command will be set up, which acts as the central body for information gathering and semi-automated tactical decision making during disaster. Since, this is pre-planning stage; the major focus here is to come up with cost effective and reliable systems.

B. Pre-disaster stage

Most of the natural disasters can be predicted through early warning systems e.g. floods, typhoons and cyclones. This stage starts as soon as such a trigger happens till the time the disaster actually strikes. The basic aim is to mitigate the disaster or atleast lower its effect by early evacuation through efficient use of supply chain capabilities. Due to the criticality of time during this stage, our major focus in this stage is rapid response and cost issues are redundant.

C. Initial Shock stage

It starts from the point when actual disaster starts and continues till the rescue teams are deployed and rescue systems start acting. A quick response here can cause a significant life saving in the later stages, since only after this stage real rescue begins. Hence, it is pertinent to use faster means of deployment such as air-dropping of relief material & rescue teams. Since, real-time data about the disaster is highly volatile and unreliable; hence it is good to base the estimates of requirements on topographic & demographic data available. Also, for time being locally available resources are included in estimating.

D. Rescue Phase

This stage signifies commencement of fully fledged rescue operation from the on-ground staff with the help of local resources and authorities. The real time data is collected through mobile vehicles having VSAT facilities and transmitted to central command for further routing of relief efforts. The supply chain is setup to get the requisite rescue materials from outside as well as inside the disaster zone. The local centres start distribution of rescue material and services, ex. medical services and water treatment etc.

E. Post Disaster Phase

This is marked by relocation of people from rescue camps to their original or alternate habitat. This is a longer stage and cost considerations are important here. This stage is marked by massive reconstruction and proper supply chain and public-private partnership plays an important role in this phase. Also, at the central command level

this stage is marked by policy and strategy refinement based on the feedback on their effectiveness in dealing with on-ground situation.

Logistics for Disaster Management

A. Central command

It acts as the backbone for information collection, analysis and semi-automatic operational and tactical decision making system. It will be equipped with sophisticated computing facilities, direct link to early warning system and satellite earth station. Mobile vehicles and regional controls shall upload the data to central command through different media. Basing these inputs, command shall prepare distribution & transportation plan and guide rescue personnel to the point of real need. Centre shall have experts such as meteorologists, geologists, statisticians, IT personnel and SCM & disaster management professionals.

B. Mobile Command

Mobile command will be in the form of Mobile vehicles having robust data gathering and communication facilities including VSAT and GPS. It will act as the information link to the outside disaster zone. The primary functions of mobile command are gathering data related to rescue requirements, transport link failures and personnel deployment. It will additionally act as a watch-dog for all rescue efforts and will send daily reports on the amount of rescue materials received at each local distribution centre and will take random feedback from people inside and outside rescue camps.

C. Regional Centres

These are warehouses located on the periphery of disaster areas and strategically located on the intersection points of main rail/road links. This is the point where we can conduct a system check on total relief material received and dispatched to a particular zone vis-à-vis the actual assistance received by the stakeholders. The regional system shall update the central command with vital data regarding relief & construction material, man-power requirement, vehicle deployment and resources

required. The centre shall perform following functions:

- Receiving, sorting, packaging, inventorying, storing and dispatching relief material and other items
- Physical verification of supplies for quality, quantity, lot size and type
- Routing of vehicles and controlling the movement, transmitting data to central command

D. Local Centres

Local team comprising of trained villagers, nurses etc will look after smooth operation of the centre, while the members of central team (doctor, evacuation expert etc) will maintain an overview and collect data for future needs and conduct situation analysis to help the central command allocate resources with high precision.

Supply Chain Model for Disaster Management

A. IT infrastructure system

Central command shall control the flow of information in and out of the system. It will provide information to the regional centres, mobile command and local centres through different communication media. The level of information sharing will be different for different levels, for example- central command will carry-out a radio broadcast to ensure mobilization of work-team at local centres. The regional centres shall update the central command with warehouse inventory, goods on wheel, location of vehicles and level of deployment and future needs if any. This will help command centres to optimize the use of available resources and reach out to wider areas.

Local centres will be provided with support depending upon the requirement they quote and the assessment of mobile command. Independent verification is important, as people overestimate requirements during disaster and resultant information asymmetry derails supply chain system.

B. Movement of Goods and services

Flow of goods shall be controlled centrally but the physical movement of goods shall not be routed through the central command in order to avoid bottlenecks and unnecessary diversions. We plan to commission regional centres on the periphery of disaster area, strategically located near major rail/road route to minimize the transportation needs. The regional centre shall be performing sorting, inventorying, repackaging, warehousing, distribution and transportation planning of that region. We shall have our own specialists there to assist the operators. The operational control can be given to 3rd party and/or 4th party logistics service provider who are having sufficient local knowledge. The regional system shall update the central command with vital data regarding relief & construction material, man-power requirement, vehicle deployment and resources required.

Inventory categorization & requirement calculation

Individual donors, NGOs, government agencies and international relief agencies (UNICEF etc) contribute relief materials and it is difficult to categorize & maintain inventory of each items separately. To ensure that correct level of relief is dispatched, the codification of relief material as per the impact & usage must be done. WHO (or UNICEF) guidelines must be followed to benchmark calorific content of food materials with respect to per person energy requirements. It will help to quantify the available resources and forecast future needs.

Logistics capacity calculation

This methodology helps in formulating a universal system of estimation of transport facilities based on capacity (no. of persons/ kg's of material) and speed of the medium. For example, if in a disaster it is supposed to rescue 100 persons situated at a distance of 25 km from relief centre, given either a bus with capacity of 25 and average speed of 50km/hr or a bullock cart with capacity of 10 and speed of 12.5 km per hour. Four bus trips are needed and same bus can be deployed. In case of bullock cart, same cart can't be deployed twice, due

to speed constraints, so 10 carts are required. So, effectively, 10 bullock carts are only as effective as 1 bus, due to slower response.

Hence the model first looks at the feasibility of usage of a particular medium of transport with respect to the speed and the distance to be covered. As outlined earlier, if the distance were more than 50km, bullock cart would have proved useless. Hence only after conducting the feasibility analysis of the medium, does the model capture its capacity in resource estimation. Hence, this methodology helps to use locally available limited capacity transport facilities.

Transportation system including 3 pl, 4 pl

A multimodal system for transportation is useful in this case. One can prefer rail, road, and water and air route to reach out to the end point. This model shall provide scope for the usage of trucks (including containers), goods train, boat, helicopter and other traditional carriers such as bullock cart to prepare a robust and fail-safe logistics distribution system. Transportation planning shall incorporate reverse logistics to ensure better optimization.

The vehicle requirement is intended to meet through two sources

External- Directly hiring vehicles from open market on short term/long term contracts

Internal- Leveraging government & NGOs and deploying locally available vehicles to ensure faster response

Fuel: Fuel shortage can paralyze the whole distribution system and we intent to maintain sufficient inventory on wheels (oil tankers) and in regional warehouses to meet such demand.

Vendor management and classification of third party resources

Channel partners play vital role in ensuring correct implementation of supply chain model. Early identification of suitable partners, forging

relationship and assigning responsibilities is important. As we moves through different phases of the disaster management, the focus shifts towards cost control and resources optimization.

CONCLUSION

Supply chain systems for disaster management require correct channelization of vast pool of resources. To meet this end, the set of different types of disasters are collected and mapped it against the resource availability. This helps in understanding that basic pillars of any efficient supply chain for disaster management are – information management, reliable channel partners, relevant physical resources and robust back up mechanism. Defining and demarcating duties & responsibilities of channel partners is necessary to ensure frictionless operations during disaster. Role of supply chain & disaster management experts cannot be undermined; as they have the experience of managing such situations. It can be figured that post disaster supply chain management is equally critical which is usually neglected by planners; resulting in prolonged effects of disaster. Finally, correct & timely implementation of the plan along with cost-control & quality audits is the desired goal.

REFERENCES

- Aitken, J., Christopher, M., & Towill, D. (2002). Understanding, implementing and exploiting agility and leanness. *International Journal of Logistics: Research & Applications*, 5(1), 59–74.
- Charles, K. (1995), "A framework for improving operational effectiveness and cost-efficiency in emergency planning and response", *Disaster Prevention and Management*, Vol. 4 No. 3, pp. 25-31.
- Cozzolino, A., Rossi, S., & Conforti, A. (2012). Agile and Lean Principles in the humanitarian supply chain. The case of the United Nations world food programme. *Journal of Humanitarian Logistics and Supply Chain Management*, 2(1), 16–33.
- Dahlhamer, J. and D'Souza, M. (1997), "Determinants of business disaster preparedness", *International Journal of Mass Emergencies and Disasters*, Vol. 15 No. 2, pp. 265-81.
- Fischer, H.W. (2000), "Mitigation and response planning in a bio-terrorist attack", *International Journal of Disaster Prevention and Management*, Vol. 9 December, pp. 9-15.
- Kaatrud, D. B., Samii, R., & Van Wassenhove, L. N. (2003). UN joint logistics centre: Acoordinated response to common humanitarian logistics concerns. *Forced Migration Review*, 18, 11–14.
- Melnyk, S.A., Davis, E.W., Spekman, R.E., And Sandor, J. 2010. "Outcome- Driven Supply Chains." *Sloan Management Review*, 51(2), 33-38.
- Michel-Kerjan, Erwann, and Slovic, Paul. 2010. "A More Dangerous World: Why We Misunderstand Risk." *Newsweek*. March 1, 2010.
- Pettit, S. J., & Beresford, A. K. C. (2005). Emergency relief logistics: An evaluation of military, non-military, and composite response models. *International Journal of Logistics: Research and Applications*, 8(4), 313–331.
- Scholten, K., Scott, P. S., & Fynes, B. (2010). (Le) agility in humanitarian aid (NGO) supply chains. *International Journal of Physical Distribution & Logistics Management*, 40(8/9), 623–635.
- Taylor, D., & Pettit, S. (2009). A consideration of the relevance of lean supply chain concepts for humanitarian aid provision. *International Journal of Services, Technology and Management*, 12(4), 430–444.

- Towill, D., & Christopher, M. (2002). The supply chain strategy conundrum: To be lean or agile or to be lean and agile? *International Journal of Logistics: Research and Applications*, 5, 299–309.
- Van Wassenhove, L. N. (2006). Blackett memorial lecture. Humanitarian aid logistics: Supply chain management in high gear. *Journal of the Operational Research Society*, 57(5), 475–489.
- Whybark, D. C. (2007). "Issues in managing disaster relief inventories." *International Journal of Production Economics*, 108(1), 228-235, July.

	Associated risk		
	Low	Med.	High
Effects of Disaster¹			
Loss of life or threat of loss of life			✓
Loss of home/shelter (earthquake)		✓	
Loss of livelihood/land/cattle etc (Flood)		✓	
Threat of permanent relocation (landslide, volcanic eruption)			✓
Genetic deformation (chemical/nuclear) explosion	✓		
Tenure of disaster (permanent or temporary damage)			✓
Incurability (swine flu, Plague in 1990's had no known remedy)		✓	
Disaster requires international assistance? (river issue with Nepal, refugees from Sri Lanka)			✓
Threat of quick spreading (bird flu, forest fire, industrial fire)	✓		
Need of evacuation w.r.t. level of urgency (coal mines, tsunami in coastal areas)		✓	
Severity of food, water & supplies shortage and impact			✓
Topography			
Area of effect			✓
Difficulty due to Terrain		✓	
Difficulty due to weather condition	✓		
Level of connectivity during crisis		✓	
Level of IT infrastructure	✓		
Criticality of area affected (things of national importance such as nuclear facilities, prison)	✓		
Demography			
Population density		✓	
Education level, economic condition		✓	
Population distribution, sex ratio, median age - of affected people		✓	
Level of impact on national security	✓		

Fig 1: Graph of three major factors and the range of risk associated with them

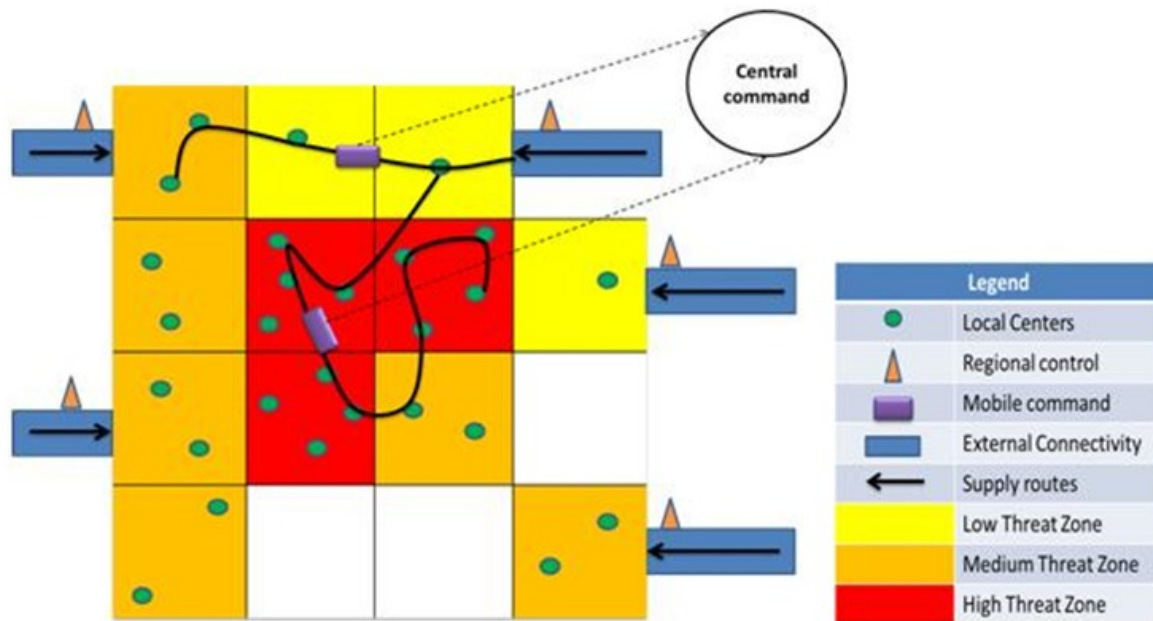


Fig 2: IT infrastructure system

	Level of Importance			
	Low	Medium	High	
Transportation Equipments	1-3 vehicles	3-10 vehicles	More than 10 vehicles	Vendor type
	Pay per use basis	Daily rental/Maintenance	Strategic lease agreement	Relationship
	small businessmen	regional transporters	Blueart, DHL, Fedex	Example
Warehouse Owners	Personal stores	Godowns	Dedicated warehouses	Vendor type
	As per use	Lease out space on rent	lease space & services also	Relationship
	small businessmen	Small corporations	AFL, FCI, CCI	Example
Skilled Personnel	Unorganized	Small groups (10 to 30)	Professional service providers	Vendor type
	pay daily wages	Pay as per target	Strategic partnership	Relationship
	computer operator	fire fighters, security person	disaster mgt. firms	Example
Communication Service Provider	Local Coverage	Medium network coverage	Wide network coverage	Vendor type
	Pay as per work	Strategic partnership	strategic partnership	Relationship
	Loud hailer, mike etc	FM radio	All India radio, BSNL	Example
Engineering & Construction service provider	Low capability	Medium capability	High capability	Vendor type
	For short term only	Contractual agreement	strategic partnership	Relationship
	small scale operators	Government contractors	L & T, BHEL	Example

Fig 3: Vendor role & relationship matrix

Emerging Perspectives on Future Organizational Change: Critical Themes and Conceptual Issues

Prof. A. Suryanarayana
Department of Business Management
Osmania University
Hyderabad-500 007 (A.P.)
e-mails: smithasambrani@yahoo.com and
professorsuryanarayana@yahoo.com

Ms. Roshee Lamichhane
Full time Faculty Member in Management
(Marketing & HR)
Kathmandu College of Management (KCM)
e-mail: lamroshee@gmail.com

ABSTRACT

The study and practice of Organizational Change rest upon a mixture of 'science'—the appreciation that other knowledgeable people have applied the rigors of different social science disciplines to their studies—and 'art'—the reflective appreciation that comes from applying knowledge and skill, and in the process, becoming sensitive to the issues of change. Organizations need to be guided in their change strategies and programs. In this context, to apply change and make a well-crafted intervention is a skilful or, to be more precise, an artful accomplishment. But this cannot be done without a level of understanding that embraces both method and critique. As per the saying, 'in the land of the blind the one-eyed man is king,' firms need a sense of perspective or, more precisely, they need multiple perspectives to create a direction and guide them. For this, they need arguments and warnings that are required for an intellectual appreciation and not just a series of uncontested facts driven home by clichés. In other words, we need to understand these perspectives to appreciate applying change initiatives to complex situations. If the main issue is the efficiency and effectiveness of compliance systems and procedures as in the case of health, safety, financial, engineering, and quality control systems, firms require an understanding of the structural-functional perspective. We need to develop a 'multiple constituencies' perspective wherever engagement with stakeholders is required to maximize the success of change efforts requiring the maximum input from key stakeholder groups. It is very dangerous to exclude ethical considerations from decisions about change, especially when potentially libelous situations might arise. Moreover, this is a matter of governance or good housekeeping in relations to HR practices, marketing, sales, and health & safety. Firms also need to be reflective in any change interventions and subject their own reasoning and decisions to critical scrutiny through a creativity and volition: A critical Theory of Change perspective. These four perspectives put together can free the organizations from the limits of ignorance derived from a simple instrumented approach to the subject of "Change Management". Firms can understand the issues that constrain their businesses and can also find a path through difficulties that often resemble a minefield. They can't walk through a minefield without special equipment—at the very least a mine detector—to engage themselves in change initiatives if they carry with them the conceptual equipment to make the journey successful. An attempt is made in this conceptual Paper to first identify the themes and issues and apply them to the future with the hope that organizations would be able to raise some interesting questions that would reveal challenging new possibilities for Organizational Change.

INTRODUCTION

The subject of organizational change has become a central theme for contemporary practice of management as it has for social science discourses over the years. Each discipline has made a significant contribution to various interweaving debates, but the management discourse has often been seen by critics to lack academic rigor by favoring a focus on 'managerialism'. This is due in, in the main, to the assumption that management is neutral, adopted by the structural-functional perspective. The result has been a process in which

organizational change is treated mechanistically. The dominant tendency in the books on Management of Change written by consultants and populist authors has been to describe the management of change as a mechanistic grand narrative in which the author's experience is presented as the accumulation of wisdom and never to present it as the result of contestable debates. However, we need to open up the debate on organizational change by encouraging a more nuanced appreciation of it as it requires a sophisticated appreciation of critical themes and conceptual issues. Several contrasting perspec-

tives or pathways are in circulation now and contribute to our understanding of change. Each perspective contains its own assumptions, preferences, and limitations, and each is informed by different theoretical approaches. Sometimes, these theories overlap, but more often than not they compete for our attention by providing cautionary tales or illuminating insights. The result is that no one pathway to change is enough to explain the complexity of organizational change. Moreover, most interventions with individuals, groups, and organizations carry ethical implications. To understand this, one need only reflect on the captains of industry who, in recent years, failed to understand their obligations to their stakeholders and ignored the consequences of their actions on others—consumers, clients, employees, and even entire societies. Hence, we need to explore this theme by considering the place of ethics in organizational change by reflecting on how a given pathway addresses ethical awareness and overtly expresses an ethical commitment. After all, it is dangerous to make change interventions as if we were dealing with merely technical problems and in this context government is central to efficient change strategies.

The two difficulties that we need to confront about planned change are: (i) most managerialist accounts of planned change present the subject uncritically as a matter of rational planning and (ii) the credible arguments presented by critics indicate that planned change does not work, but fail to provide a coherent alternative to fill the void they leave. By tending to conflate alternative approaches to change, they assert that all planned change contains the same problems. The impasse they impose on planned change is one theme that we need to confront in order to proceed successfully in this regard. For this, first of all, we need to enable managers to understand how to deal with changes forced upon them by providing internal development in contrast to dealing with external forces. Similarly, building and developing competitive advantage is essential to organizations in both the public and private sectors. There are six critical issues in organizational change representing a means by which change takes place through inter-

ventions. These are the role of culture in managing change, the way power and control influence change, the role of leaders in managing the change process, the purpose of organizational diagnosis, the relevance of change models, and resistance to change. Each has the potential to influence change interventions, for success or failure.

EFFICIENCY AND EFFECTIVENESS

It is increasingly difficult to view organizations simply as a matter of economic expediency. In this modern era, organizations are expected to add value to society, and are duty bound to identify beyond economic values as they have economic, social, or moral responsibilities in a world that is increasingly dominated by the global exchange of goods and services. People do object if the activities of firms contradict the pursuit of democratic goals of the society or if the actions of leaders in complex organizations intrude on the lives of ordinary people. In reality, it is difficult to be negative about these serious issues and one has to be cognizant of the complexity of the argument.

In the private sector, efficiency may be the most important criterion, as organizations compete for position in their relentless pursuit of profit and branding. However, the public sector is much more concerned with effectiveness. We can't afford to view organizational change simply as a matter of instrumentality as it would neglect bigger questions about values. For example, poorly constructed public systems enable elected representatives and public servants to exploit public finances to their own advantage. If we were to review the history of industrial legislation from the period of the first Industrial Revolution from 1750s onwards, one would discover the developments of the Factory Acts, the involvement of pressure groups, environmental legislation, and social legislation in relation to public sector. In the twenty-first century, the process of globalization has virtually shrunk the world in time and space. Nations have become dependent upon each other in ecological terms. Global capital, whatever the form and shape it continues to take,

requires trust so that exchange relationships do not break down. Nations started recognizing their responsibilities towards developing countries, or towards underdeveloped countries that suffer from drought and famine. It is therefore inevitable that business managers question the extent to which the relationship between economic rationality on the one hand and values on the other is likely to change endeavors in the future.

WILL PLANNED CHANGE BE REPLACED BY A BETTER METHODOLOGY

Planned change is one of the most contentious themes in the organizational change literature. It has been heavily criticized and can easily be critiqued. However, we also need to enquire into the extent to which the criticism can resolve the problems they raise. There are two related difficulties with these criticisms. The first is the assumption, by critics of planned change, that everything that is not 'processual' or emergent change must be defined as planned change. This is an error of judgment, because we do find theories with different knowledge claims. Thus, we can identify empirical-rational strategies that are essentially 'managerialist' and exemplify a simple technically expedient linear destination model of change; but we can also identify 'normative re-educative' approaches based on models that are intended to develop an organization's capacity to learn. In contrast, these cannot be described as linear destination models because they are not mechanistic, nor do they create a simple causal sequence.

The second problem is the paradox raised by advocates of processual or emergent change theory. Their valuable contribution is to recognize that historical, political, and contextual processes unfold as change progresses. These are difficult to identify at a planning stage but are the main causes of change failure. Yet, despite the value of their contribution, processual theorists do not provide a model for managing change. Nor will such a theory provide an alternative, because its epistemological position is born out of critique. Such an epistemology is not intended to be aligned to the needs of management, nor is it intended to produce a methodology.

POLITICAL, ECONOMIC, SOCIAL, AND TECHNOLOGICAL NEEDS DRIVE ORGANIZATIONAL ADAPTATIONS

The current state of globalization reflects significant transformations in economic and industrial power away from traditional economies such as the USA and Europe. India and China between them represent approximately 40 percent of the world's population.

Since both countries are rapidly industrializing, they have huge supply of relatively cheap labor, as well as reflecting huge markets for the growth of consumer products. China's economy, for example, has doubled over the last decade. It is likely that India's economy will grow in the future by a similar amount. The Chinese, Indian, and other economies are likely to become major players in the future of corporate capitalism.

Organizations adapt to their environments in two ways: by reacting to changes in the marketplace; or by influencing change and creating new opportunities in the marketplace. The first is driven by a response to perceived threats whilst the second is driven by a desire to innovate. It should be obvious that, whilst threats are negative, opportunities are positive. While both involve risk, it is the former that often reflects limited control or weakness in determining the course of strategic change. Another way of thinking about this is to argue that, in each case, change is desired in order to enhance further control. Strategic change that is either reactive or proactive is therefore an exercise in risk taking. There are, however, new risks and opportunities (or PESTLE factors) in the future related to a possible reorganization of capital and changes to capitalism itself.

LEADING AND IMPLEMENTING CHANGE

Leadership should always be seen in its own organizational context. It is therefore a mistake to look for universal criteria. The study of great leaders will not help. What will help is the careful study of one's own behavioral style and how to improve or modify it to suit the context. Analysis

of leadership attributes is a more recent reworking of trait theory. If analysts of leadership attributes began by focusing on the congruence of followers' prototypes with the abilities of a leader, then we might conclude that leaders can learn much by doing the reverse by building relationships. This is what servant leadership describes. It recognizes the importance of shared interests. Its purpose is to share power; build community, and cultivate authenticity in leadership, with the leader being described as the first among equals. The concept of transformational leadership extends the idea of servant leadership by focusing on the type of engagement required to achieve a given task. In particular, it links strategic change to empowerment and team relationships. It moves us in the direction of recognizing that human capital is the key to competitive advantage. Finally, results-based leadership seeks to balance personal qualities with appropriate knowledge and behavioral style. A balance is therefore struck between the cost of making change and the advantages gained from doing so; and an awareness developed of the costs of not changing and the disadvantages of doing nothing. One way of striking this balance is using a balanced scorecard, which seeks to identify and then satisfy stakeholder needs. Leaders can focus on results by identifying the needs of four key stakeholder groups—employees, organization, customers, and investors. When these needs have been analyzed, the leaders need to manage change by acting as catalysts and by mobilizing people; and can use the balanced scorecard to measure progress.

COMPLIANCE OR CULTURE?

There are various issues related to ethics that we ignore at our peril, such as the problem of omniscience, through which bad and occasionally dangerous decisions emerge by simply applying an instrumental approach to change. Whilst these are related to CSR, it is the issue of compliance or culture that lies at the heart of organizational change.

The analysis of culture revolves around two perspectives: the structural-functional perspective and the critical perspective (Creativity and Volition: A

Critical Theory of Change). The structural-functional perspective includes three approaches: the 'strong' or corporate culture writers; OD writers; and cultural climate researchers. The critical perspective challenges these approaches by arguing that the organic analogy upon which the structural-functional perspective and OD are based leads to inappropriate analyses. One can see this in the idea that culture is not a variable to be manipulated and is, keeping with Taylor's original definition, 'a complex whole. Seen this way, it enables us to discern a paradox: that the strong corporate culture writers would find satisfaction with the development of 'strong' corporate cultures in the banking industry prior to the credit crunch of 2008-2009. However, by failing to see culture as the complex whole we call 'organization,' they neglect the existence of countercultures that contradict the official or preferred cultural definition.

Unlike the past, there are international change drivers today, such as the desire for international regulation in relation to the interconnectedness of the banking system, and the need to embrace substantial development. We can recognize these arguments today when, for example, it is argued that the uncontrolled excesses of the banking system in the first decade of the twenty-first century led to the 'credit crunch' or banking crisis of 2008-2009. Some political leaders were castigated for freeing up regulatory controls. This so-called 'light touch', some argue, enabled the worst excesses of unethical practice. The reality is that both regulation and culture are important; but over-increase of regulation in the wrong situations leads to a diminution of culture. In other words, people feel less appreciated, less involved, become more mechanistic in their work, and alienated in their labor. But the opposite can also be counterproductive, because an organization cannot have too much culture, although it can be sloppy in the way in which it engages with customers, clients, and other stakeholders. We can easily see defensive reasoning, which is, in fact, a cultural phenomenon. To that extent it is argued that moral awareness needs to be defined and cultivated as a change initiative. We

can see the problem of defensive reasoning when an ethical climate is circumvented by devious activities designed to avoid existing compliance systems.

USING KNOWLEDGE OF CULTURE TO MANAGE CHANGE

Societies are cultural entities. It is to be viewed as a 'complex whole' rather than as an attribute of society. The application of organizational culture as an influential variable to improve organizational performance emerged in the late 1970's as a response to the difficult economic climate in the USA. The structural-functional view of culture change provides a simple approach by arguing that cultural integration is necessary, that consensus is required, and that this is actually achievable. Against this, the critical perspective argues that culture is an analytical device that enables the observer to raise difficult questions about practice. As an analytical device, culture is not a management tool. It is better seen as an unfolding drama in which different actors play out their roles, make demands upon each other, act out displays of status, manage things, negotiate, and compete with other organizations. This raises a crucial question: do they have any advice to offer to management scholars? Their response is that is more useful to ask how a critical examination of organizational activities can lead to positive organizational change. These activities include challenging the perceptions of reality by questioning why things happen the way they do. The difficulty is that critical theorists raise bigger questions than many managers are equipped or prepared to deal with.

Nevertheless, what we discover with the arguments for culture change is the sophistication of the arguments for culture analysis. The type of analysis we make will also require reflection about the critical issues. In the process, we may need to confront the ethical issues also. We also need to remind ourselves that an intervention is also a political act of change. The ultimate questions we must satisfy ourselves with are whether our own analytical framework is objective, and how culture change benefits the organization. Does it benefit

employees, wider stakeholder groups, and management?

POWER AND THE UNSTATED DISCOURSE IN ORGANIZATIONAL CHANGE

Organizational change is itself a political intervention. The critics of change suggest that change interventions are little more than an exercise in managerial control. Whilst this is often the case, this argument ignores the 'multiple constituencies' perspective, which helps us to see that many organizations have to exercise governance on behalf of stakeholders. Managerial control might appear as a neutral process even though decisions are made by and in the interests of dominant coalitions. Challenging questions are raised by psychodynamic issues because organizations are arenas in which complex interactions are played out, and where motives may reflect deep psychological traits. One of the more interesting aspects of the postmodern argument is the way that the activity of deconstruction challenges legitimating discourses. Deconstruction searches for the hidden assumption behind discourses and it can also reveal potential unstated motives. In this sense, power resides in discourse. Thus, how reality is framed is as important as who frames it, and the reasons for doing so. Once we recognize this, then we come to understand that values are inseparable from any discourse.

But the real point is not simply the engagement with ethical issues, but the silences that lie behind managerial discourse. In other words, everything is related to values: personal, social, and economic. In the context of the activities of many public utilities, we need to ask what the political reasons are for government not moving away from economic calculations focused purely on economic costs. We can also ask what motives might be revealed among various lobby groups who would oppose alternative strategies. This form of critique can be turned on the idea of governance itself by asking what the unstated discourses of power are that lie behind the practice of governance. This type of analysis could

also become part of a diagnostic framework. The discourse of stakeholders would include external constituencies and the client system itself. Attempting to triangulate perceptions and underlying assumptions of power lying silent behind stakeholder preferences would enable a critical turn that challenges traditional OD methodology.

USING THE METHODOLOGY OF DECONSTRUCTION

We might also use a methodology of deconstruction to challenge most of the managerialist literature on change management. Nowhere is this argument more apparent than in the idea of resistance to change. In this context, we need to explore the subject of resistance to change by looking at it from different perspectives as conventional wisdom of managerialism tends to assume that resistance is a natural process because it is what humans do. Second, it suggests that resistance is dysfunctional and should be eliminated. When we open up the debate on this issue, we need to question the concept of resistance to change. We can see stakeholders might be involved productively in the process thus minimizing potential resistance.

This is truer in complex situations that require inter-agency or inter-organizational change. We stand to gain by applying the concept of the tipping point and the implications associated with it successfully. Exploring the psychological characteristics that affect individuals who have experienced stressful or traumatic situations can be yet another useful exercise. After all, we also benefit from an understanding of the difficulties people face when the certainties they took for granted collapse around them. Sometimes, a critical analysis of change reveals that managers do inadvertently become the cause of their own problems. At times, change might have been managed badly and lead to forms of resistance, no matter how subtle. This often occurs when new technologies are introduced, or when the built environment is reconstructed, without any consideration of social-technical systems. It still appears to be the case today that not enough architects, planners, or computer systems analysts have learned the les-

sons of the past. In other words, we continue to see such professions failing to observe their own dictum that form follows function. When we reverse form and function, it can have serious consequences for the social and cultural environments in which people work. The problem is that those within become labeled as resisters. And yet, we should not neglect the fact that senior managers themselves are often naïve agents of change, or seek politically expedient motives for short-term gain. So, it is not difficult to see how traditional managerial concepts normalize the topic and, in so doing, construct definition of problems. That is, they 'problematize' challenges to a preferred definition of reality. This is another example of silent discourse, because sets of binary opposites are constructed in such a way that they appear non-contentious.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

CSR originally emerged from activities related to work with charities, community action, or through concerns about exploitation and the use of child labor in the Third World. Its growth was provoked by the reactions of various pressure groups or individuals who coalesced around the growing power of big houses, on the one hand, and as a reaction to the failure of multinationals to act responsibly, on the other. Examples of corporate power also emerged with Monsanto's technological revolution in genetically modifying various crops, beginning with soya beans. Similarly, Nike and Adidas were heavily criticized for their loosely regulated supply chains, which regularly used child labor in contradiction to the espoused values of those companies. The rise in corporate power became increasingly linked to globalization, often because such corporations have higher incomes than the national product of many medium-sized countries. At the same time, summits of international leaders were regularly targeted. The actions of pressure groups and their campaigns against the growth in corporate power resulted in the launch of an 'action plan for CSR', and in 2005 being designated by EU as the CSR year. We have also seen the develop-

ment of international standards in relation to the UN Declaration of Human Rights and the Rights of Children. Furthermore, the behavior of multinationals has been questioned by the Organization for Economic Co-operation and Development (OECD), which continually seeks to draw up codes of practice. It is clear that international regulation is desired in the ebb and flow of international markets. Despite recessionary pressures, governments and multinationals will continue to move further in the direction of CSR.

CONCLUDING COMMENTS

It is worth emphasizing that business firms are near a tipping point on a number of big issues typically involved in organizational processes. All of them are currently undergoing political, economic, social, and technical change and it is difficult to visualize the more tangible outcomes of subtle processes that are emerging. In many cases, business community is likely to see a critical mass of adopters. However, in the process, we need to bear in mind that the critique does not end just because a critical mass of adopters wants to become associated with change. Organizational change can be either positive or negative, but that all depends on values. From now on, businesses have to not only replace but reverse the erstwhile instrumental view of change to become and remain successful in their change initiatives. The issue at the heart of all well-constructed interventions is, of course, that of organizational diagnosis. Can we identify the nature of organizational problems? Can we distinguish between cause and effect? Furthermore, by adopting the wrong analytical frame, might we inadequately diagnose the real problem? One of the difficulties is that, whilst the signs that indicate the existence of a problem may be obvious, many require analytical skills and judgment. We may be able to provide examples of other alternative change models that might be used in introducing change, but the central issue here is that they should not be used as a substitute for careful analysis. Nor can they be used as a replacement for experience, knowledge, and skills. Generally, nowhere is this more apparent than with the issue of resistance to change, which has often been treated in the managing change literature as unproblematic. This literature can tend to view

resistance as a matter of faulty perception, arising from inappropriate organizational design, or resulting from anxiety. There are, however more intellectually challenging ideas to pursue. For example, can we find examples of tipping points, and under what circumstances do these occur? Are some occupations and situations more prone to stress and resistance to change? Can managers or change leaders cause resistance as a result of their behavior? To become really more enlightened on this topic, we need to reflect on the themes and issues of future organizational change and this Paper is an attempt in that direction.

REFERENCES

- Bacharach, S. and Lawler, E.B.J. (1980), *Power and Politics in Organizations*, San Francisco, CA: Jossey-Bass.
- Burnes, B (2007), *Managing Change*, London Pitman.
- Carnall, C. (2007), *Managing Change in Organizations*, Fifth edition, London; Prentice Hall/FT.
- Grant, R.M. (2008), *Competitive Strategy Analysis*, Sixth edition, Oxford: Blackwell.
- Grieves, Jim. (2010), *Organizational Change: Themes & Issues*, Oxford University Press
- Hatcher, T. (2002), *Ethics and HRD: A New Approach to Leading Responsible Organizations*, New York: Perseus Publishing.
- Knights, D. and Willmott, H. (2007), *Introducing Organizational Behavior and Management*, London: Thomson Learning.
- Pfeffer, J. (1994), *Competitive Advantage through People*: Cambridge, MA: Harvard Business School Press.
- Staton-Reinstein. R. (2008), 'The Rights and Wrongs of Strategic Planning: Security for Buyers of Products, Systems & Services.

Traffic and Transportation Infrastructure in Chennai City – a Focus on Demand and Supply

Dr. Sujatha . P
Asst. Professor, Bharathi Women's College(A),
Chennai-108.

Janardhanam. PVS,
GM-IT-Operations, Plintron Global
Technologies Ltd.

ABSTRACT

The rapid growth of population in the CMA has been causing a strain on the existing urban services and infrastructure, for want of expansion and better management. The transport sector is vital and needs carefully planned expansion to meet the demands of the increasing population. The need to take an integrated long- term view of transport needs of CMA and to plan road development, public transport services and suburban rail transport as a part of the urban planning process have been well recognized as essential for the efficient functioning of the urban system. The urban population in Chennai city is expected to increase tremendously by 2030.

The City faces severe problem of congestion due to runaway growth of personalized vehicles. The traffic management in the City is marked by introduction of a series of one-way traffic system. The one-way traffic system has, however, implications on pedestrian safety and fuel consumption. One-way traffic is generally desirable when there are complementary roads and the additional traveling distance is not more than 300m as per IRC. Hence whenever such systems are introduced, the interests of public transport modes and pedestrians are duly addressed. Traffic control devices, traffic signs and road markings are not adequately maintained to retain their legibility and visibility. Inadequate enforcement of traffic rules, lack of road sense and restraint by road-users and insufficient regulatory measures characterize the present situation. Pollution due to vehicular emission has done a lot of harm to the environment.

The total number of fatal accidents as well as related fatality in the city is increasing over the years. Persons killed per 100 accidents are alarmingly high, as high as during the year 2000. Pedestrian deaths as a percentage of all road fatalities are also extremely high. During the recent years, they constitute more than 90 % of all road fatalities.

The present study provides spatial-information on an extent of transport and traffic flow, demographic and socio-economic characteristics of Chennai; Household living conditions; health care and health risk for the Chennai city. The perceptual study has been adopted for the future planning of urban health/living conditions. This study results that the problem of deaths and injuries as a result of road accidents in Chennai city is serious enough to demand attention of respective administrative authorities

ABOUT CHENNAI

1. Chennai situated on the shores of the Bay of Bengal is the capital of Tamil Nadu state. It is the fourth largest metropolis in India. It's older name 'Madras' was officially changed to 'Chennai' in 1996.
2. Chennai Metropolis [with latitude between 12_50'49" and 13_17'24", and longitude between 79_59'53" and 80_20'12"] is located on the coramandal coast in southern India and the land is a flat coastal plain. Three rivers viz. Kosasthalaiyar, Cooum and Adyar pass through Chennai Metropolitan Area. These rivers are placid and meander on their way to the sea. Buckingham Canal, a man made canal, is another large waterway which runs north south through this Metropolis. Sholavaram lake, Red Hills lake and Chembarambakkam lake are the three large lakes in the Area.
3. Chennai lies close to the equator and most of the year it is hot and humid .Highest temperature attained in May-June is usually about 400C (104 0F) for a few days. The coldest time of the year is early January when the temperature is about 200C (680F). Predominant wind direction is from South East to North West.
4. Chennai Metropolitan Area comprises the area covered by Chennai City Corporation (Chennai District), 16 Municipalities, 20 Town Panchayats and 214 villages forming part of

10 Panchayat Unions in Thiruvallur and Kancheepuram Districts. It extends over 1189 Sq.Kms, and has a population of 7.04 million as per 2001 census.

5. While majority of people in Chennai are Tamil speaking, a sizeable population is Telugu speaking. Since Madras (presently Chennai) was the capital of the erstwhile Madras Presidency covering most of the areas now under the states of Andhra Pradesh, Karnataka and Kerala it has inherited a mix of languages [viz. Telugu, Kannada, Malayalam]. Chennai has become progressively more cosmopolitan after Independence with people from north mainly Rajasthan, Gujarat and Punjab settling in this Metropolis for business. Theosophical Society and Kalakshetra School of Music and Dance located in southern Chennai attracted foreigners to settle in Chennai. Recently the growth of IT industries in this Metropolis has been attracting a mix of people from other states as well as from abroad.
6. Chennai is famous for its classical dance called Bharathanatyam and the 'carnatic music season' event held every year during December and January is one of the world's longest cultural events attracting people not only from various places in India but also from foreign countries.
7. Chennai has a very heterogeneous mix of architectural style ranging from ancient temples to British colonial era buildings to the latest modern buildings. Most of the buildings constructed during colonial era are of Indo-Saracenic style.
8. Chennai is a major transportation hub for road, rail, air and sea transport connecting major cities inland and abroad.
9. Chennai is one of the major educational centres in India with a number of colleges and research institutions. Recently it has also been emerging as an important health centre with a large number of super specialty hospitals.
10. Chennai is thus emerging as an important metropolis in the South Asian region.

DEMOGRAPHY

Growth of Population in CMA

Chennai has a long history since 1639. The Chennai City Corporation was constituted in 1798. The City extending over an area of 68 sq.km in 1901 had a population of 5.40 lakhs. Since 1941, it had grown rapidly and the growth of population in Chennai City. The density pattern indicates that the City has the highest gross density of 247 persons/ha.

Population Projection

Population projections have been carried out for Chennai City based on the past trends. The following assumptions have been made;

- (i) The declining trend in the growth rate will continue in the future years also.
- (ii) Past growth rates, existing density, potential for development, area available for development, accessibility to public transport system (especially the rail system), proximity to the employment generating centres etc. could be the basis for working out future projections and assignments.

It is estimated that Chennai City alone would account for 58 lakhs by 2026.

EXISTING TRANSPORTATION SYSTEM IN THE CITY

The rapid growth of population in the CMA has been causing a strain on the existing urban services and infrastructure, for want of expansion and better management. The transport sector is vital and needs carefully planned expansion to meet the demands of the increasing population. The need to take an integrated long- term view of transport needs of CMA and to plan road development, public transport services and suburban rail transport as a part of the urban planning process have been well recognized as essential for the efficient functioning of the urban system.

Many studies have been done in the past for development of transportation in CMA. These include Madras Area Transport study (MATS - 1968), Integrated Transport Plan (1977), Madras Route Rationalisation study (1986), Traffic and Transportation study for MMA (1986), Comprehensive Traffic and Transportation Study (CTTS 1992-95) and other studies done through consultants for specific transportation projects. Based on the recommendations of these studies several major projects such as formation of Inner Ring Road, addition of buses, improvements to Metropolitan Transport Corporation (MTC) infrastructure, Mass Rapid Transit system (MRTS) etc. have been taken up for implementation. But these efforts have not kept pace with the increase in travel demand.

The existing transportation system and its characteristics are briefly indicated below:

Road Network

The total length of road network in Chennai city is 2780 km. Chennai has radial and ring pattern of road network. Prime radial network comprises

1. Anna Salai (NH45)
2. Periyar EVR Salai (NH4)
3. Chennai-Kolkotta salai (NH5) and
4. Chennai-Thiruvallur salai (NH205).

Other radial roads include Kamarajar salai, East Coast Road, Rajiv Gandhi Salai (OMR), NSK Salai (Arcot Road) and Thiruvottiyur High Road. Orbital road network implemented as per the First Master Plan comprises Jawaharlal Nehru Road (IRR) and Chennai By-pass Road. The orbital road network has improved the accessibility and reduced the congestion on the radial network particularly Anna Salai and Periyar EVR Salai. Radial roads in and around CMA for a length of 250 km have also been improved.

Bus Transport

MTC with a fleet size of 3093 buses is operating along 585 routes. Almost invariably buses run with crush-load. The overcrowding is as high as 150%. The demand far outstrips supply leading to inhuman

conditions of travel. This could be attributed to the inadequate fleet strength and poor frequency. MTC has extended its coverage up to 50 km beyond the CMA. During 2007-08, MTC has purchased about 1000 new buses. It has also introduced a new service known as deluxe bus at a premium with an objective to encourage those who use personal modes to shift to bus transport.

VEHICLE GROWTH AND ITS COMPOSITION

Motor vehicle population has increased at a phenomenal rate during the last few decades. Average growth rate per annum is about 9.7%. Fig.4.1 presents the trend of growth of motor vehicle population in Chennai City. Composition of vehicle population for the period 1984, 1992 and 2008 is shown in Fig. 4.2, 4.3 & 4.4 respectively. Figures reveal that the number of buses remained almost stagnant while two wheelers experienced a remarkable 24 – fold increase from 87,000 (1984) to 20, 38,875 (2008). The two wheelers constitute 77% of registered motor vehicles (It is 80% @ Hyderabad, 75% @ Bangalore, 64% @ Delhi, 45% @ Kolkata and 42% @ Mumbai).

The present modal preferences of the commuters in the CMA are best characterised in that in a group of 100, 26 travel by bus, 2 by train, 33 by walk, 13 by cycle, 19 by two wheeler, 4 by car and 3 by other modes (vide Table -4.2).

Per Capita trip rate was 1.30 per day and trip rate per household was 5.88 per day, as per the CTTS (Comprehensive Traffic and Transportation Study of 1992-95). The per capita trip rate across various cities in the country are indicated in the Table 4.3

Total person trips performed in Chennai were about 7.45 m and 9.59 m during 1992 and 2005 respectively. Fig. 4.5, 4.6 & 4.7 present distribution of person trips by mode during 1970, 1992 and 2005. It could be observed that the share of public transport, cycle and IPT have declined over years. This dismal trend can be

attributed to the increasing vehicular ownership, the stagnant growth of bus fleet and the unsafe rights of-way for the cycles.

Road Network

Arterial roads leading to the CBD carry heavy traffic and are congested. Level of congestion on arterials and other major roads has increased seven-fold for the period 1984 to 2004. The average volume carried by Anna Salai during 2006 was about 1.58lakh PCU as against its capacity of 60,000 PCU per day. The traffic pertaining on some of the critical intersections and road links within the City and in the Outer-CMA are indicated in Table 4.4 & 4.5

On an average, 1,780 new vehicles are put on roads every day without corresponding increase in motorable road space. The increase in road space accounts for only 3 to 4% of the total area, the value of very low order when compared with 11% in Bangkok and 20-25% in developed cities such as London, Paris or New York, 21% in New Delhi and 11% in Coimbatore.

TRANSPORT DEFICIENCIES

Capacity of almost all roads in the present system is reduced due to poor quality of riding surface, inadequate pedestrian pavement, poor lighting conditions and lack of properly designed intersections. The volume capacity ratio (V/C ratio) on many of the links during the peak hour is more than one. The V/C ratio for a sample of road links in 1993 and 2008 are indicated in the Table 5.1 Phenomenal growth of vehicles coupled with minimal increase in road space, has led to a low speed of 15 kmph in CBD and 20 kmph in other major roads. The declining speed on important road links from 1968 to 2008 is indicated in Table 5.2. Provision of orbital roads such as IRR and Chennai By-pass (southern segment) has, however, increased the speed on the radial roads.

Establishment of multi-national car companies in the vicinity of the CMA (Mahendra Ford Company at MM Nagar, Hyundai Company at Sriperumbudur, Hindustan Motors at Tiruvallur) and establishment

of Tide Park and a large of number of IT (Infosys, Wipro, TCS) and IT Enabling Service establishments is tending to increase car ownership in the CMA thereby adversely affecting the traffic condition. With the mushrooming financial institutions making available easy finance to own motorised vehicles by individuals, the problems of the traffic congestion on city roads will escalate further.

Certain missing links especially in the orbital direction have also reduced the efficiency of movement.

Ad hoc use of the carriageway and footpaths for utilities and inadequate and poorly maintained drainage system also affect the efficient use of the roads. 5.6 Demand for parking in the CBD is 2 times the supply. Acute shortage of parking supply is witnessed in commercial areas of Anna Salai, T. Nagar, Purasawalkam and Mylapore. Unauthorised and indiscriminate parking impedes free flow of traffic and causes accidents. Peak parking demand, as per a study in 2003, was 13,000 PCE as against the supply of 5,100 PCE. For example the supply in T. Nagar was 794 PCE against a demand of 2151 PCE and the supply in Parrys was 704 PCE against a demand of 4426 PCE. The haphazard parking has led to loss in the road capacity that ranges between 15% to 60%.

Conflicts between fast moving vehicular traffic and bicycle and pedestrian traffic have reduced the capacity and safety.

Accident data reveal that on an average about 620 persons die on City roads annually. Fig. 5.1 shows the trend of road accidents over the years. Fatality rate works out to 35/10,000 vehicles. Other sources of data indicate that 42% of road accidents involve pedestrians and 10% cyclists. Chennai Traffic Police (CTP) is responsible for reporting and investigation of road accidents. The accident rate across various cities in the country is indicated in the Table 5.3. Lack of organised parking including loading/unloading facilities for

trucks is resulting in reduced capacity and safety of movement.

Permanent and temporary encroachments of footpaths and carriageways have reduced the capacity of the road. Pedestrian flows are significant at many critical locations across the city road network, a sample of which is indicated in Table 5.4

The City faces severe problem of congestion due to runaway growth of personalised vehicles. The traffic management in the City is marked by introduction of a series of one-way traffic system. The one-way traffic system has, however, implications on pedestrian safety and fuel consumption. One-way traffic is generally desirable when there are complementary roads and the additional traveling distance is not more than 300m as per IRC. Hence whenever such systems are introduced, the interests of public transport modes and pedestrians are duly addressed.

Traffic control devices, traffic signs and road markings are not adequately maintained to retain their legibility and visibility. Inadequate enforcement of traffic rules, lack of road sense and restraint by road-users and insufficient regulatory measures characterize the present situation.

CONCLUSIONS AND RECOMMENDATIONS

It is clearly seen from the present study that the roads in Chennai are presently carrying the traffic volumes higher than their capacities with reduced speeds and associated delays. The operating speeds of the traffic on major road network of the city are higher as one goes away from the inner areas of the city. The estimated vehicle - kilometre (which is around 25 million) is expected to register a steep increase and touch a figure of 35 million vehicle kilometres by 2010. However, the capacity of roads cannot be easily expanded because of physical constraints imposed by built up area on either side of the carriageway. Besides this, roadside encroachments are another serious problem in the city as they hinder smooth flow of traffic. The study has revealed that though the major road network in the city is limited in length, it carries

as much as 70 percent of the total traffic loads in the city of Chennai.

Given the configuration of certain segments of the road network which can not lend themselves for development of metro rail or RTS, it is necessary to identify alternative transit solutions matching the profile of these segments of road network. The strategy is to

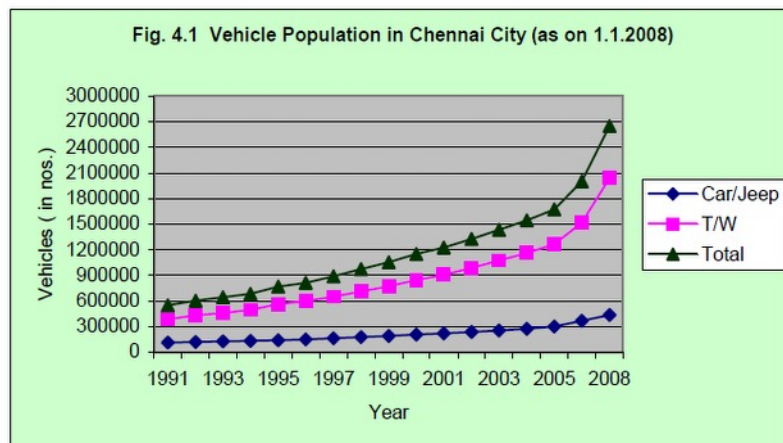
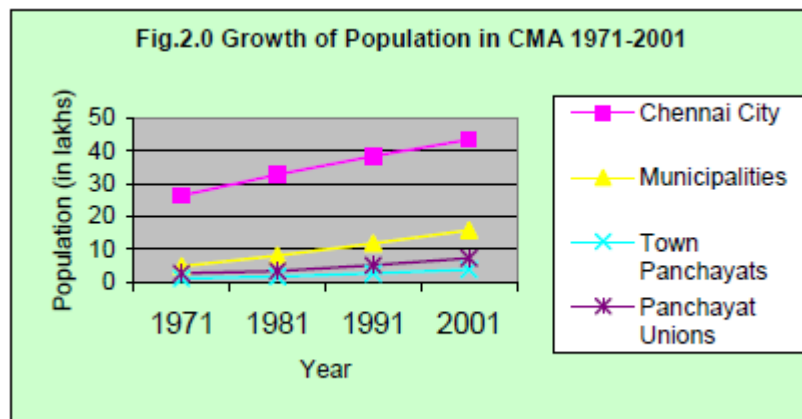
- Plan and develop mono-rail / LRT / ETB
- Plan and develop SKYBUS and
- Plan and develop hovercraft transport along seacoast.

The utility and capacity of urban transport infrastructure can be maximised by reinventing some of the (abandoned but) best practices or by deploying methods and techniques exploiting the advances in new technologies.

A need has arisen to articulate a road network not only to decongest the CMA but also to effect connectivity with the industrial clusters, existing and proposed in the immediate surrounding region.

REFERENCES

- Census (2001) Census of India. Government of India, <http://www.censusindia.net/>.
- RTES (1995) Comprehensive Traffic and Transportation Plan for Madras Metropolitan Area. Final Report submitted to Chennai Metropolitan Development Authority, Chennai, India.
- C.R.R.I. (2002) Urban Road Traffic and Air Pollution (URTRAP). Final Report submitted to Centre for High Technology, Ministry of Petroleum and Natural Gas, New Delhi, India.
- 2008, Highlights of the recommendation of THE STATE LEVEL COMMITTEE ON ROAD CONNECTIVITY AND TRAFFIC IMPROVEMENTS IN CHENNAI.



Distribution of Vehicle type

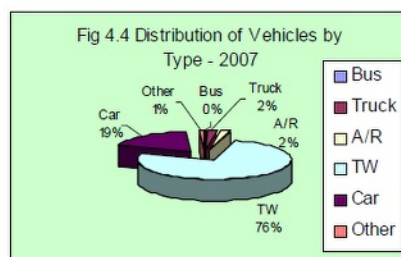
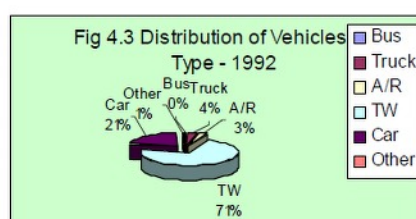
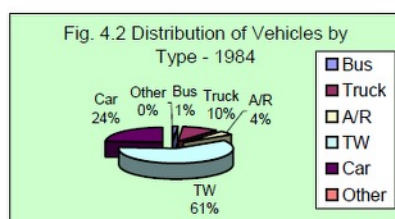


Table 4.1: Modal Share of Trips in Different Cities

Name of City	Modal Share of trips (%)		
	Pub.Transport	Walk	Cycle
Hyderabad	35	22	9
Chennai	31	22	9
Bangalore	35	26	7
Delhi	43	21	12
Kolkata	54	19	11
Mumbai	45	27	6

Source: Study on Traffic & Transportation Policies and Strategies in Urban Areas in India (MoUD, GoI, May 2008)

Table 4.2 Daily Average Person Trip Distribution by Mode in CMA*(Trips in million)*

Sl. No.	Mode	No. & percent of total trips by mode									
		1970		1984		1992		2004		2005	
		No.	%	No.	%	No.	%	No.	%	No.	%
1	Bus	1.10	41.50	3.074	45.50	2.84	38.00	2.89	29.00	2.47	25.8
2	Train	0.30	11.50	0.610	9.00	0.31	4.10	0.50	5.00	0.24	2.5
3	Car/Taxi	0.08	3.20	0.103	1.50	0.11	1.50	0.40	4.00	0.36	3.8
4	Fast TW	0.04	1.70	0.219	3.20	0.52	7.00	1.80	18.00	1.83	19.1
5	Auto rickshaw	-	-	0.024	0.40	0.16	2.20	0.20	2.00	0.29	3.0
6	Bicycle	0.57	21.30	0.720	10.70	1.06	14.20	1.30	13.00	1.23	12.8
7	Cycle rickshaw & others	0.00	0.10	0.105	1.60	0.24	3.50	0.10	1.00	0.03	0.3
8	Walk	0.55	20.7	1.895	28.10	2.21	29.50	2.79	28.00	3.14	32.7
	TOTAL	2.65	100.00	6.750	100.00	7.45	100.00	9.98	100.00	9.59	100.00

Source: MATS (1968-69), Short-term Traffic Improvement Programme Report (MMDA & KCL, 1984) & CTTS (MMDA, RITES, KCL & PTCS, 1992-95), & Short term study to Update CTTS (1992-95)(CMDA, RITES & PTCS, 2004), HHI Survey of the DPR for the Chennai Metro Rail Project, DMRC, 2005

Table: 4.3 Per Capita Trip Rate in different Indian Cities

City	Per capita Trip Rate
Hyderabad	1.45
Chennai	1.50
Bangalore	1.41
Delhi	1.56
Kolkata	1.55
Mumbai	1.67

Source: Study on Traffic & Transportation Policies and Strategies in Urban Areas in India (MoUD, GoI, May 2008)

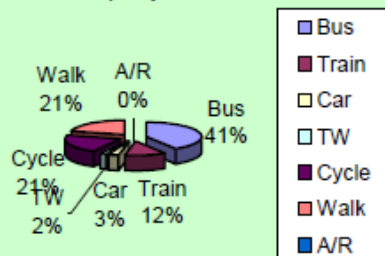
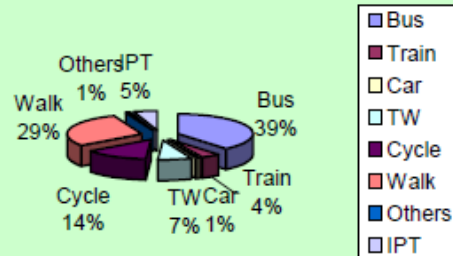
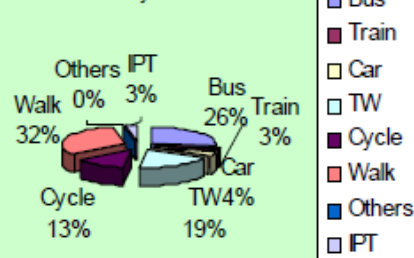
Fig 4.5 Distribution of Person Trips by Mode - 1970**Fig 4.6 Distribution of Person Trips by Mode - 1992****Fig 4.7 Distribution of Person Trips by Mode - 2005**

Table 4.4 Traffic Volume on Major Intersections

S.No.	Name of the Roads / Intersections	Traffic Volume (in PCU)	
		ADT	Peak Hour
Intersections			
1.	Madhya Kailash	-	10,246
2.	Porur	-	13,180
3.	Vadapalani	2,07,995	14,233
4.	Thirumangalam	1,88,452	26,838
5.	Halda	-	18,330
6.	Moolakadai	-	8,525

Table 4.5 Traffic Volume on Major Roads

S.No.	Name of the Roads / Intersections	Traffic Volume (in PCU)	
		ADT	Peak Hour
Arterial Roads			
	Within City		
1.	Anna Salai (NH45)	1,57,856	10743
2.	Periyar EVR Salai (NH4)	1,62,160	11,512
3.	Erukanchery High Road (NH5)	69,765	4,542
4.	Jawaharlal Nehru Salai (IRR)	1,42,211	8,685
5.	Sardar Patel Road	-	5065
	Outer-CMA		
6.	Koladi Road	15,826	1,824
7.	Taramani Link Road	31,305	3,361
8.	Marmalong Bridge-Irumbuliyur Road	27,112	2,438
9.	TPP Road	8,348	569

Source: Traffic Census, Sep.2006, Project Feasibility Reports by various Consultants, 2005- 2007

Table 5.1 Level of Congestion along Major Roads during 1993 & 2008

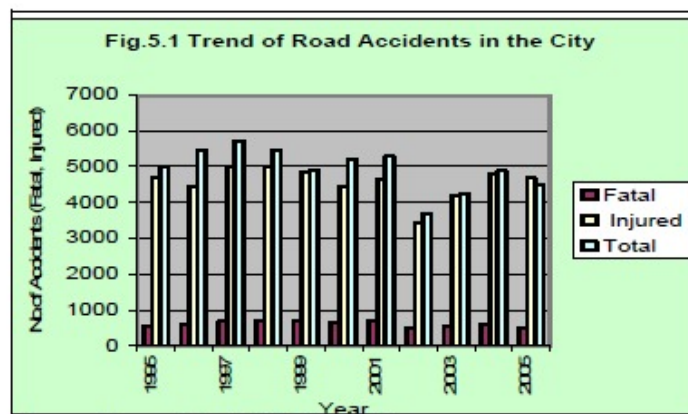
S. No	Road	Capacity of the Road	CCTS(1992-95)		CCTS(2008-09)	
			Peak Vol. in PCU	V/C	Peak Vol. in PCU	V/C
1	Anna Salai (@ Saidapet)	2700	3741	1.39	13721	5.08
2	Periyar EVR Salai (@ Aminjikarai)	1800	2918	1.62	5653	3.14
3	Jawaharlal Nehru Salai (@ Ekkatuthangal)	2700	2173	0.80	7429	2.75
4	Erukanchery High Road (@ Vyasarpadi)	1500	2799	1.87	3984	2.66
5	Mount - Poonamalee Road (@ MIOT Hospital)	1800	708	0.39	5659	3.14
6	Thiruvottiyur High Road (@ Washermenpet Rly. Station)	900	1865	2.07	7498	8.33
7	Durgabai Deshmukh Road (@ Thiru. vi. ka bridge)	1450	3783	2.61	10747	7.41
8	Rajaji Salai @ Beach Rly.Station)	1140	2901	2.54	1889	1.66
9	Perambur High Road (@ Perambur Rly.Station)	600	1426	2.38	5714	9.52

Source: CTTS (MMDA, RITES, KCL & PTCS, 1992-95), CCTS (WSAPL, 2008)

Table 5.2 Speed along Major Roads during 1968, 1993 & 2008

S.No	Road	MATS (1968)	CTTS (1993)	CCTS (2008)
1	Anna Salai	-	35	32
2	Periyar EVR Salai	33	30	28
3	Velachery Road	Nil	38	33
4	Jawaharlal Nehru Road	Nil	37	27
5	Sardar Patel Road	Nil	36	23
6	Durgabai Deshmukh Road	Nil	31	27
7	Santhome High Road	Nil	28	27
8	Kamarajar Salai	Nil	40	35
9	Rajaji Salai	Nil	35	24
10	Lattice Bridge Road	Nil	37	32
11	Rajiv Gandhi Salai	Nil	43	28
12	New Avadi road	Nil	35	28
13	Erukanchery High Road	33	23	22
14	East Coast Road	Nil	50	30
15	G.N.T. Road	42	40	37

Source: MATS (1968-69), CTTS (MMDA, RITES, KCL & PTCS, 1992-95), CCTS (WSAPL, 2008)



Source: Chennai Traffic Police, 2006



Table: 5.3 Accident Rate in different Indian Cities

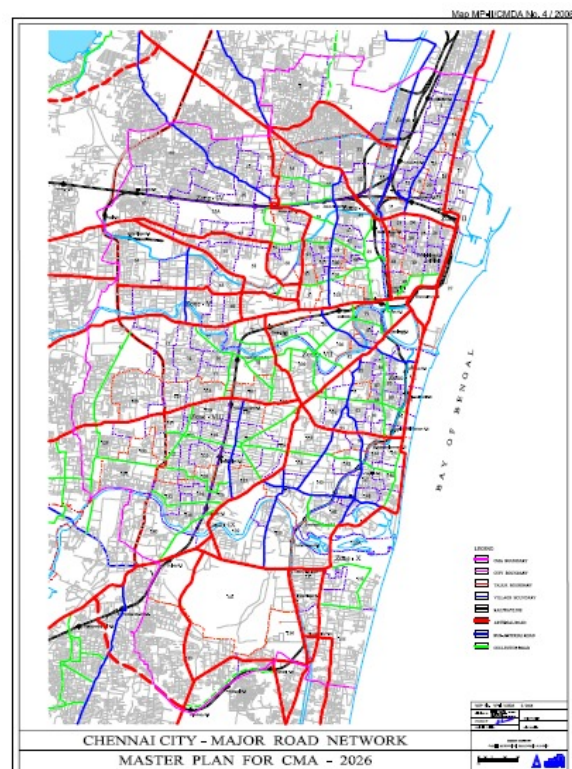
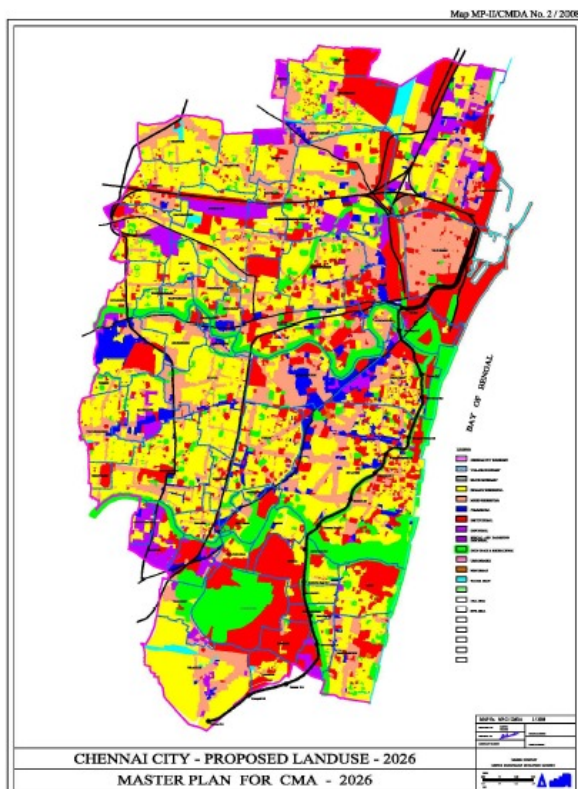
Name of City	Accident Rate	
	% of fatal Accidents	Total accidents/lakh pop.
Hyderabad	19	87
Chennai	23	58
Bangalore	11	80
Delhi	13	25
Kolkata	22	57
Mumbai	4	111

Source: Study on Traffic & Transportation Policies and Strategies in Urban Areas in India (MoUD, GoI, May 2008)

Table: 5.4 Pedestrian Flows at Different Locations

Sl. No.	Location	Pedestrian Count	
		Peak Hour	Per day
Within City			
1	Aminjikarai Market	3299	18966
2	Anna Nagar 2nd Avenue Road	2183	15372
3	Anna Salai near SIET College	3280	22241
4	Arcot Road near Meenakshi College	2434	18038
5	Arcot Road X Jawaharlal Nehru Salai	4369	31982
6	Broadway	10037	75665
7	Light House	913	6975
8	Doveton	2547	21943
9	Egmore Railway Station	4686	37224
10	Perambur Bus Stop	2040	16939
11	CMBT	1233	7849
12	Queen Marys College	1058	4272
13	Kathipara Junction	2255	24992
14	Koyambedu Junction	1652	13645
15	LB Road near Thiruvannmiyur Bus Stand	8631	36351
16	Luz Intersection	3777	26401
17	Mint Intersection	6178	55782
18	Pachaiyappas College	1110	9071
19	Rattan Bazaar X Evening Bazaar jn.	13888	128008
20	T. Nagar Bus Stand - Usman Road	11518	83074
21	Vijaya Nagar Bus Stand	5834	39027
Outside City			
22	Arcot Road at Porur Junction	5622	34770
23	Ambattur Ind. Estate Bus Stand	3388	21227
24	Avadi Bus Stand	5613	41122
25	PallavarAM Bus stand	3875	33008
26	Tambaram Bus Stand	4179	34486
27	Chrompet Bus stand	4781	31328
28	PH Road near Maduravoyal Market	1103	7182
29	Poonamalle High Road Vs Thiruverkadu Jn	880	7097
30	Thiruvottiyur Bus Stand Junction	2337	16139

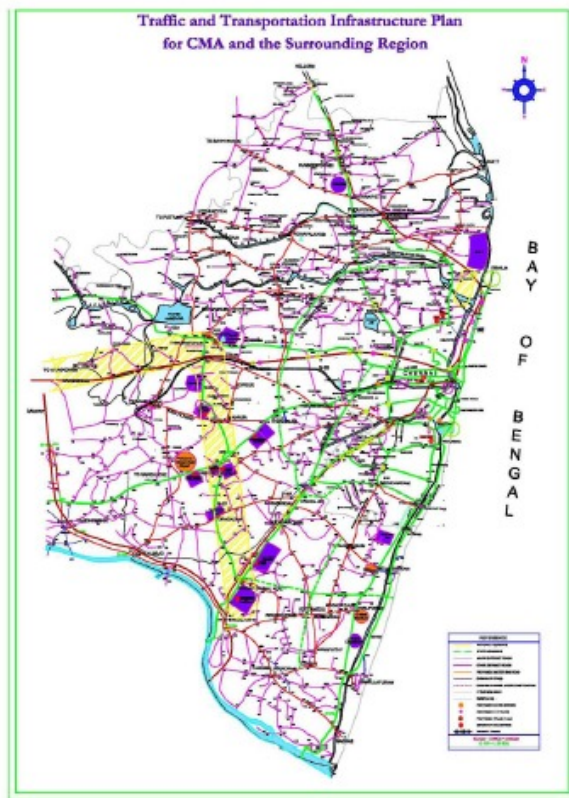
Source: CCTS (TWSAPL, 2008)



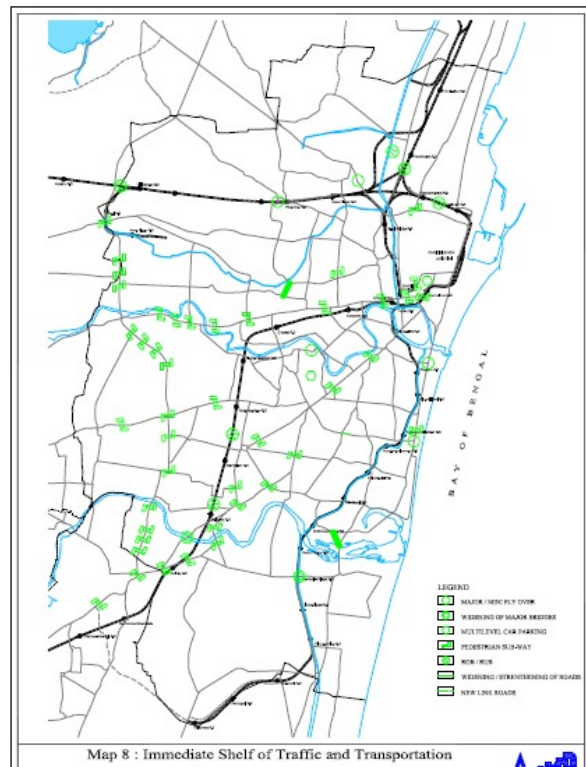
Map 1 : Primary Connectivity Road Network for CMA and the Surrounding Region



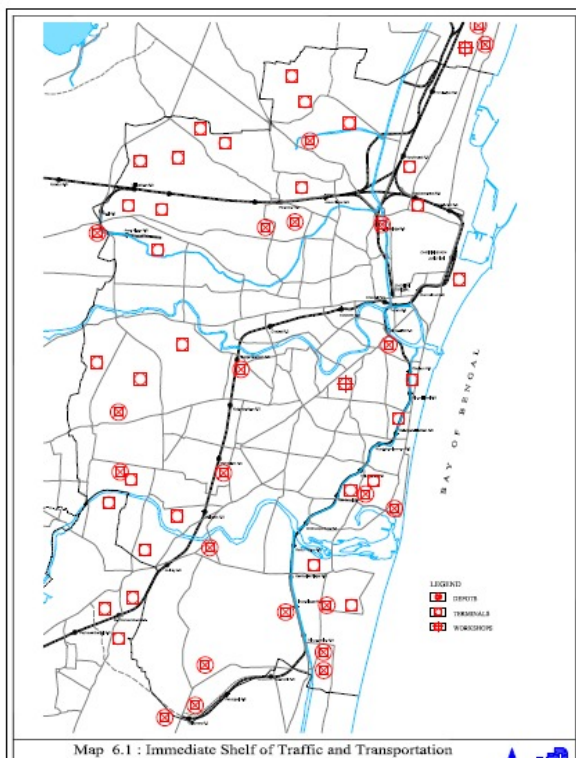
Map 5: CCTS(2008-09)- Multi-Level Parking (Preliminary Recommendation)



Map 10 : Traffic and Transportation Infrastructure Plan for CMA and the Surrounding Region.



Map 8 : Immediate Shelf of Traffic and Transportation



Map 6.1 : Immediate Shelf of Traffic and Transportation



Map 4 : CCTS(2008-09): Pedestrian Subways (Preliminary Recommendation)

Paradigm shift in Education and Innovation for the growth in ER&D Services

Gangadharayya R Pashupatimath
Director Engineering - India
Actuant India Pvt Ltd., Bangalore
Pashupati.math@actuant.com

ABSTRACT

Offshoring is to setting up complete business operations overseas. Outsourcing is to hire someone outside of the company to perform work for the company. Offshore outsourcing or globalization services are to send work to a foreign country by hiring an engineer in a foreign country to do the job. Global Engineering Offshore Outsourcing is sending the engineering work to a foreign country by Global Engineering Companies. We are observing a huge attention to this in last one to one and half decades. Asia and India in particular is getting vast attention to this. Key factors enabling engineering work to be outsourced are, the increasing technological capability, initiatives from governments, cheaper computers, infrastructure and man power cost benefits and increasing educational base . It has now reached point of no return because if Original Equipment Manufacturers does not use this model, they cannot survive in Global Market. They cannot design and produce their products faster with global competitive price.

As per survey by Booz Allen and Duke University's Center for International Business and Research (CIBER) 36% of companies surveyed sent some of their Engineering work offshore. 31% offshore R and D. 16% shipped product design. Most of R and D and innovation work went to advanced countries and only 9% of world's budget for Engineering found its way to low cost countries. As per NASSCOM engineering services is a huge market. Global spending for engineering spending is currently at \$ 750 billion per year. By 2020 worldwide spend on engineering services is expected to reach \$1 trillion . Currently of the \$750 billion spent, only \$10-15 billion is being outsourced and India brings 12% of today's outsourcing (approx. \$ 1.4 billion). Estimations are by 2020 engineering outsourcing can increase \$40 to \$50 billion. Even if India brings 20% of this business it can earn \$8 to \$10 billion which is huge. For this we need to build capacity, infrastructure, talent pool, strong partnership, technically focused organizations, Government policies supporting the cause so on and so forth. Innovation, R&D and knowledge services offer providers the highest profit margins and drive the highest savings for client a win-win for both service providers and clients. Innovations services are the second most frequent set of services offered by providers and are also one of the fastest growing business. Globalization is impacting both clients and service providers. The race for talent is on. Providers are scrambling to expand their geographic footprint to meet client needs, as well as to source skilled talent. Managing talent is becoming the single biggest issue for clients and service providers.

India and China are investing to meet the challenges in Innovation services. Both are spending close to 4% of their GDP year on year for education. India is producing around 10,000 Doctoral Degrees in Science and Engineering and China almost more than double of India.

This paper focus on the possible steps to be taken and processes and methodologies to adopt to focus on R&D and Innovation Engineering Services from India to meet the global requirements by 2020 and beyond. Stay competent in this competitive business which is emerging as one of the strong 'Business segment' in the years to come

INTRODUCTION

Outsourcings are done both domestically and internationally. International outsourcing can also be referred to as offshore outsourcing, and it involves the transfer of both the ownership and the location of the operations. The term offshoring, even though often used synonymously with offshore outsourcing, actually refers to the strategy of transferring activities across national borders. This may be done through outsourcing (using external resources) or through foreign direct investment (using internal resources) [1]. The offshore outsourcing is not new and is in practice from last 3 to 4 decades. The current highly competitive environment can also be referred to as an outsourcing economy, which is characterized by an increased focus on core organizational activities and simultaneous leveraging of external resources, skill, knowledge, capabilities and competences. The increased competition in the outsourcing markets has caused a shift towards buyers' markets, enabling companies of all sizes in nearly all industries to capitalize on external sources of knowledge and capabilities [1]. India because of its wonderful policy on 'open education' in 1990 could produce as many as 600+K engineers per year in all streams of engineering. In addition the 'English speaking', 'adaptable nature', 'suitable time zone' (between USA, Europe as compared to western developing countries) and 'low cost' could pick up the servicing business than anybody else in the globe. The constantly evolving outsourcing market has created new models of business. And it posed a new challenge of 'availability of science and engineering (S&E) resources. China and India led from the front in generating these S&E resources compared to any other countries. India spends approximately 4% of its GDP on education [2]. As the years passed the engineering outsourcing has grown exponentially leading to a great dollar savings to USA and European countries. By 2011 India by its engineering outsourcing activities saved approximately USD 20 billion to the global companies by 2011, and earned approximately USD 9.5 billion. It gave an employment of 200K engineers in this business. The business is poised to be considered as one of major business segment in India [3]. This segment is growing at 15% CAGR

year over year. The mind set of low cost country for engineering activities is slowly reducing however the low cost is the primary driver for this business. Original Equipment Manufacturers (OEM) from USA and Europe started engaging the Engineering Service Organisations (ESO) in different activities like 'Computer Aided Engineering (CAE), Computer Aided Manufacturing (CAM), VA and VE (Value Engineering), Research & Development (R&D) and Innovations. In the initial year of this business ESOs faced many challenges like product quality, delivery on time, cultural gaps, language gaps, time zone difference, attrition, recession, product domain knowledge and soft skills. But as the years passed Indian ESOs learned to mitigate these challenges [4], however the companies still face these challenges. OEMs to make their footprint in developing countries like India started 'Captive Centres' (CC) in India. Companies like GM, Volvo, Caterpillar, GE, Bosch, Airbus industries etc., started investing for own centres. From these CCs they developed products for India as well as supported the engineering design activities of their global products. With different models of engineering activities from India (ESO, CCs) and with their own employees and mixture of employees and consultants gave rise to more than 400+ companies in India [3]. This paper concentrates on growth of R&D and Innovations in India from engineering services providers in India and why it is important that the growth of R&D and Innovation is a must for the growth of engineering offshore outsourcing from India.

Growth of R&D and Innovation in engineering offshore outsources business in India

The global demand for S&A resource for engineering offshore outsourcing lead to enhanced engineering education in India as well as in China. India and China are in a race to produce more research activities. India produces as many as 10000 doctoral degrees.

R&D and Innovation has increases in India mainly due to liberalisation of import licensing policy for software (1986), Higher education policy (1980),

Creation of software technology parks (1990), development of general infrastructure and customised degrees for foreign companies needs [2]. These policies brought in Innovation growth in India. Growth of Innovation and Knowledge Services has seen a good growth than other regions. The question is, is this growth enough or we need to focus on something different for a better growth as competition is increasing and Eastern Europe and China are catching up in engineering services. All USA and European OEMs are encouraged by near shore offerings. As per DUKE ORN survey report the offshoring of Innovation to India and China has been increasing since 1995. Report exhibits the percentage of Innovation activities as a percentage of overall projects have seen increasing specially in ADM, Product Design and R&D. Of all the innovation projects India has got more (40%) in ADM as compared to R&D, Engineering and product design. It is quite evident that China is ahead in R&D and Product Design activities. It is quite evident that India needs act now to get into the race.

It is clear that the Innovation and R&D offshoring to India is on increasing path, however not enough and there is competition from Eastern Europe as well as China.

Factors for Growth of R&D and Innovation in engineering offshore outsourcing activities

We have to be clear about how R&D and Innovation is offshored to India. The companies, which countries and what activities are involved in this business to plan our strategies to address them as well as generate more opportunities. As per the survey of DUKE ORN 2011 the companies offshoring Innovation and R&D activities can be categorised as large (more than 20,000 employees), midsize (500 to 20,000 employees) and small (less than 500 employees) companies. Large companies currently offshoring 33%, considering offshoring 3% and 64% not considering offshoring. Midsize companies currently offshoring 22%, considering offshoring 7% and not considering offshoring 71%. Small companies currently

offshoring 14%, considering offshoring 7% and not considering offshoring 7% [2]. Meaning all together 9% are offshoring 2% are considering and 89% are not considering offshoring. There is huge potential in converting not considering companies to turn to considering. A thorough understanding is required why the companies are not considering innovation and R&D activities. The reasons for not outsourcing R&D and innovation may be due to non-availability of competent product development skills, fear of losing the core design activities to third party, fear of losing jobs in core countries, fear of not delivering the new products due to quality of products, delivery time, attrition in Indian service providers etc. The service providers in India like ITO and BPO are already commoditized and will become even more commoditized. Whereas R&D and innovation are highly client specific making it more difficult to easily expand and these services are least commoditized and hence more complex [5]. But the OEMs claim the cost savings from outsourcing innovation and R&D is significantly higher than that of other activities outsourcing. It is more beneficial activities as far as service providers are considered. It is a win-win for both clients and service providers. Innovation and R&D services require very different model as compared to volume based services. It requires high investments to yield high and long term returns. For client's significant involvement in developing the capabilities in delivering innovative services is a must for higher saving and faster products to market [5]. The size of innovation service providers in India are 34% large, 49% midsize and 17% small [2]. The small size providers are more aggressive in entering innovation services due to their ability to recruit more specialized employees much faster are more focussed and specialized [2].

Building the Innovation and R&D competencies

Building the R&D and Innovation capabilities in Indian Service Organisation engineers is a tough job but not an impossible task. The engineers have to develop a 'fashion' for the product design

and development. Develop domain knowledge on continuous bases. The engineering work force available today (90%) is good on computer aided design and computer aided manufacturing and computer aided engineering tools (CAD/CAM/CAE). Very few percentage population would have worked in OEMs or having the complete product knowledge. Lack of this product, sub-system functional knowledge is very big issue in delivering product design assignments [4]. Product understanding is a must for any service providers as they might not have been involved in the product development. There should be a competency mix in the project team executing the project. Senior Engineers worked on similar products and guidance is of great help. Or deputation of engineers on site where the product is being manufactures for few months (initial period) will enhance the product understanding. Along with the product understanding engineers working on the project should be well trained on 'Geometric Dimensional and Tolerance'(GD&T), 'Failure Mode Effect Analysis'(FMEA), Design FMEA and Process FMEA, Design for Manufacturing (DFM), Design For Assembly (DFA), Design For Serviceability (DFS) [6]. Every Product engineer should be equipped with all these techniques to design a right product. However the Domain Knowledge is the domain of the stake holder giving the design work, but the service providers can equip themselves with proper mix of employees and trainings can face this challenge successfully.

Depth of Engagement is another point to be looked into by service providers. OEMs tend to keep the core engineering for them and outsource the non-strategic or low end engineering work. They are either afraid of losing their jobs or losing the technology of their own. Today OEMs keep on debating to what depth we can engage the ESOs or CCs. There is always a challenge of dedicating their time and energy in getting the work from an outsider. Engineering Service Organizations have come a long way in this issue but still it exists with startup collaborations. ESOs and CCs have developed their competencies right from creating drawings to 3D modeling to analyzing and suggesting new designs as well as creating new

design. ESOs and CCs have started manufacturing 'proto type products' to validate their designs. The whole exercise is a collaborative effort between the two parties.

ESOs and CCs need to be more and more innovative in handling the challenges because as the business increases there could be more challenges. It is ideal that each ESO and CCs have their own manufacturing and testing set up if not full-fledged at least a prototype development center so validate the designs. It is also a good idea that the hubs of engineering service organizations in India are formed and have common manufacturing and testing facility to cater to the needs of every one. On the similar lines engineering institutions in India need to consternate on practical approach to their education curriculum to cater to the needs of such opportunities. There need to be ample on interactions between educational institutes and ESOs and CCs for betterment of everybody. NASSCOM has laid down steps towards these initiatives, but there is lot to achieve [3]. Many researches to be encouraged and a robust business model to be achieved. Even the Government need to understand the opportunities in Engineering Services and come forward with tax benefits and infrastructure and laws to encourage and grow this sector as an important component along with other core sectors of business.

Three point formula

First things first - Mitigate the existing challenges.

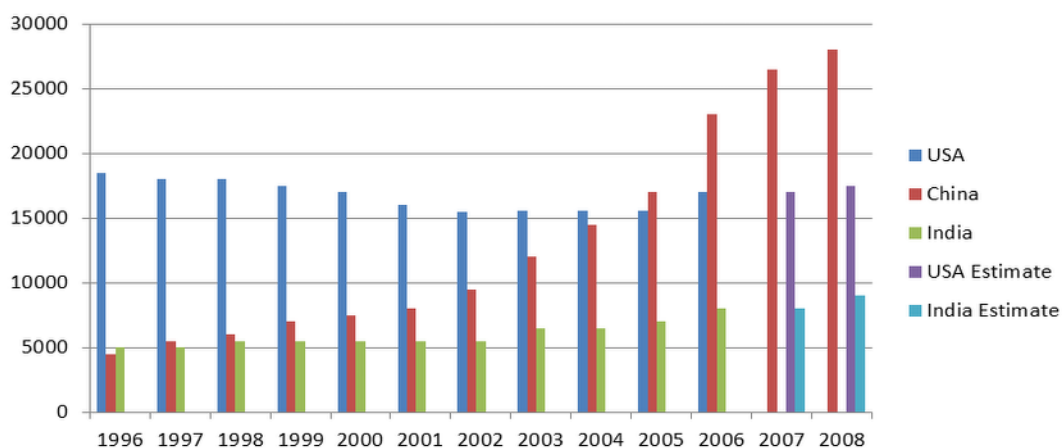
- a. Attrition
- b. Delivery Quality
- c. Product / Project Delivery in time
- d. Language and Cultural gaps
- e. Time Zone Differences
- f. Soft Skills
- g. Depth of Engagement
- h. Recession
- i. Product Domain Knowledge

SUMMARY

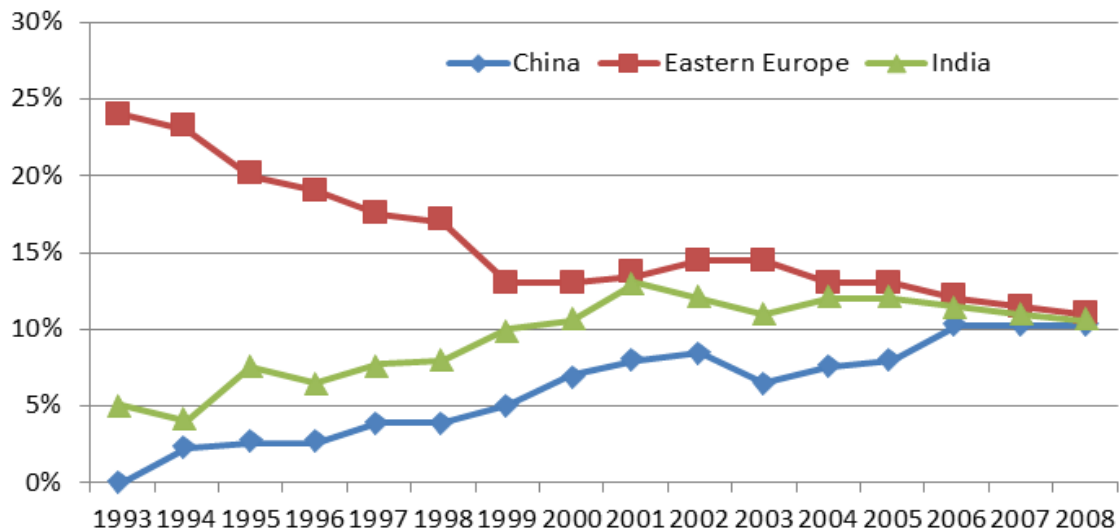
Engineering services can continue with improved models and innovative way of addressing the challenges it is facing today to achieve USD 30 billion business by 2025. However to beat the question of survival and grabbing the huge opportunity on our way by 'focus on R&D and Innovation along with engineering services'. OEMs are looking for more and more involvement from Indian service providers in innovation and R&D. NASSCOM is doing it's best to activate policies from Government of India. At the same time the Educational institutes, R&D centres, Industries and service industries need to collaborate to enhance the R&D and innovation capabilities in India. India can achieve USD 100 billion by 2025 in this segment of business.

REFERENCES

- Jussi Hätönen and Taina Eriksson – “30+ years of research and practice of outsourcing – Exploring the past and anticipating the future”, *Journal of International Management* 15 (2009) 142–155
- Arie Y. Lewin - China vs. India; Academic Research Informed by and Informing Managerial Practice; Duke the Fuqua School of Business ; Report in Offshoring Research Network
- Article Contributed by KPIT Cummins Info systems Ltd. – “ESO: Growing at a much faster clip than earlier predicted”; 20 Aug, 2010; NASSCOM Home > Groups & Forums > Engineering Forum > Worldwide Market Trends
- Gangadharayya R Pashupatimath, H Ramakrishna and Sharanabasava C. Pilli – “Meet the Challenges in Global Engineering Offshore Outsourcing”, *National Conference on Challenges in Entrepreneurship & business process in emerging technologies, September 2012*, Bangalore, India., “in press”
- Dr. Arie Lewin and Mahadeva Matt Mani – “**Next Generation Outsourcing: The Service Provider's Perspective**” Results from the 2007 Service Provider Survey ; IAOP Outsourcing World Summit, Orlando, Florida February 18, 2008
- Lognathan Manickam and Ramanatha Shet – TCS- NASSCOM Engineering Forum – “Engineering Outsourcing – No longer just creating 3D models or making drawings”

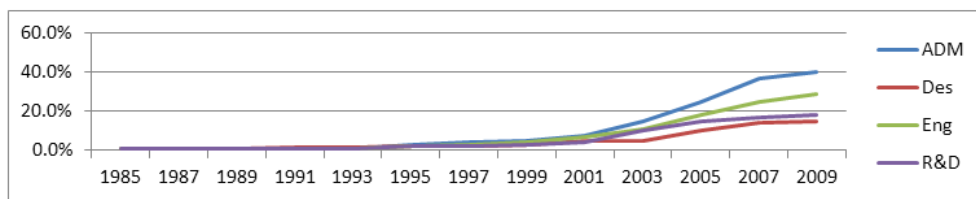


Source: [2] Chart 1 : Doctoral Degrees Awarded in Science and Engineering (China, India, USA)

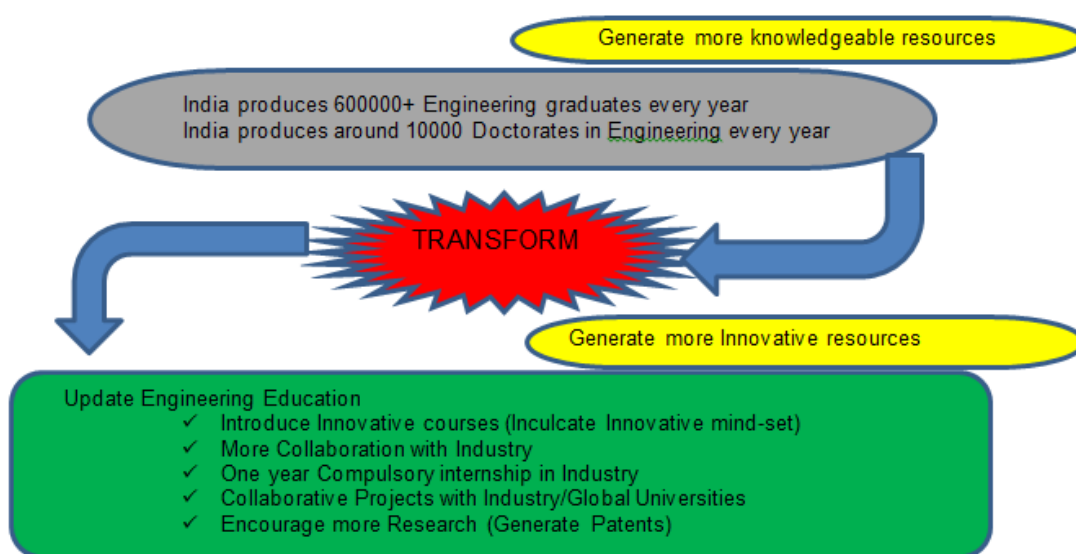


Source:[2] Duke University Offshoring Research Network 2007 Service Providers Survey

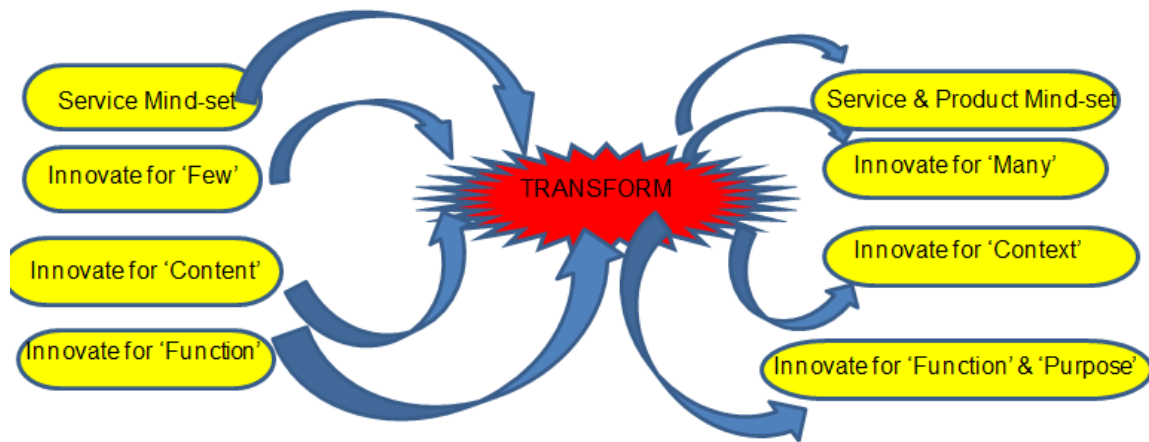
Chart 2: Growth of Innovation and Knowledge Services by offshore region



Source:[2] : Chart 3 – Evolution of offshoring in India as percentage of Innovation Projects



Paradigm shift in Education.



Paradigm shift in Education

“Tourism in Kanyakumari District : An Introspection of the Factors of Preference for Tourists Using Factor Analysis”

Prof. S. Gopalakrishnan
Head, MBA Department
Cambridge Institute of Technology
K.R.Puram, Bangalore 560 036
Email: gopalkr@yahoo.com
Mobile : 09343772667 Landline : 08025423967

Dr. S. John Manohar
Professor & Head, MBA Department
Dr. Ambedkar Institute of Technology
Near Bangalore University Campus
Nagarbhavi, Bangalore.
Mobile : 09980482313
Email : johnmanohar2004@yahoo.co.in,
johnmanohar2011@gmail.com

INTRODUCTION

Tourism is defined as the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited.

The word ‘tour’ gained common acceptance in the eighteenth century, when the Grand Tour of Europe became part of the upbringing of the educated and wealthy British nobleman or cultured gentleman. Grand tours were taken in particular by young people to “complete” their education. They traveled all over Europe, but notably to places of cultural and aesthetic interest, such as Rome, Tuscany and the Alps.

The father of modern mass tourism was Thomas Cook who, on July 5, 1841, organized the first package tour in history, by chartering a train to take a group of teetotalers from Leicester to a rally in Loughbrough, some twenty miles away. Cook immediately saw the potential for business development in the sector, and became the world’s first tour operator. Others soon followed him, with the result that the tourist industry developed rapidly in early Victorian Britain. Initially the growing middle classes, who had time off from their work, and who can afford the luxury of travel and possibly even

staying for periods in boarding and lodging houses, supported it.

Indian Tourism

India is the seventh-largest country in the world, with a total land area of 3,287,263 square kilometres. India is bounded to the southwest by the Arabian Sea, to the southeast by the Bay of Bengal, and to the south by the Indian Ocean. As per census data 2011, the total population of India is: 1,210,193,422

Tourism Development in Kanyakumari District

Kanyakumari is the one of the famous tourism destination in the south Tamil Nadu. In consideration of the size of the state and population in Tamil Nadu with other states, Kanyakumari is in the first place in Tourism. The revenue generated in Kanyakumari District is from Tourism and is the essential contribution to the GDP of the country. Kanyakumari is one of the important Icons of the state in attracting domestic and foreign tourists.

The tourist traffic in the district by means of tourist arrivals were analysed in Table-1 and Table - 2. It is evident from the table - 2 that the tourist arrivals in 2003 was 16,33,790 and it was increased during 2009 as 2325528 tourists, i.e., 65 per cent of growth rate in a 7 years of period.

The growth rate after 2003 is very good and steady with a down trend in 2005, this shows that the importance of tourism is increasing in the district. Tourists-use-patterns at any destination are determined by availability of the various kinds of attractions, facilities and services on the one hand and respective urges of desires of diverse interest group of tourists carefully select the desired combination. Now, if the preferred combinations are not available, the tourists may go for the other available options.

Any destination in the tourism industry may be likened to a market basket of goods. In selecting his destination, the tourist chooses a particular market basket, which involves both the attractions he seeks, and the goods and services which accompany them. The overall success of a tourist center depends on the size of the basket and variety of items it contains in terms of tourist attractions, activities, facilities or services or tourist supplies.

Tourist Products

Out of the several basic components of tourist products, attractions are very important. Unless these are there, the tourists will not be motivated to visit a particular place. Thus, the tourist components are factors, which generate a flow of tourists to their location. The tourist facilities are those elements in tourist product that do not normally he or she provides the motivation for tourist flows. The attractions can be cultural factors like areas of archaeological interest, historical monuments, beach resorts, hill resorts, wildlife sanctuaries, pilgrimage centers, etc. People are not aware of the concessions on Tourism and travel. Efforts on creating awareness about the concessions would help some tourists to make use of it for their benefits.

Design of the Study – Methodology

The study is confined to Kanyakumari District of Tamil Nadu State. Kanyakumari District is

purposely selected for collecting the primary data, as the district has the most important tourist destinations. The tourists visiting to these places were questioned to depict their views and opinions. The exploratory and descriptive design is used to conduct this study.

The primary data collected from tourists visiting to the destination places. The period of study for the collection of primary data is divided into two periods, i.e., December to January and April to June. The periods were so selected, as, December to January and April to June is winter and summer vacation season in the study district, Kanyakumari.

Interview Schedule was used to get comprehensive information about the profile of tourists, their purpose of visit, preferences regarding facilities, activities and attractions.

Sampling size is restricted to 120 respondents of foreign and domestic tourists. The total sample consists of 40 foreign and 80 domestic tourists from Kanyakumari. The ratio of the tourists' respondents is 1:2 (i.e., 80 foreign tourists and 160 domestic tourists). The ratio is so selected, as foreigners are comparatively less in numbers. Random and convenience sampling method is followed for selecting the locations and respondents in the study district. The collected data are analysed using Factor Analysis with the help of a software tool SPSS (Statistical Package for Social Sciences).

LITERATURE REVIEW

Xavier Font analysed the ethical reasons for tourist destinations to follow market-led or supply-oriented strategies when developing tourism as an economic option. Economic, Environmental and Social issues will be used to exemplify the consequences of either pure strategy. The article argues that there is a need to take into account

the public sector, the private sector, non-profit organizations and the residents in order to design sustainable tourism strategies.

Yang Wang and Geoffrey Wall assessed the social impacts of a tourism-caused displacement case at a destination where tourism is being promoted as a regional development strategy and planned in a top-down fashion. Deficiencies in implementation and compensation resulting from the administrative arrangements are pointed out and planning-oriented recommendations are offered to help to mitigate the pain of indigenous populations in future tourism development and related dislocation projects.

Sacratees, J., and Paramasivan, G.P. found that the share of India in the global tourism has improved slightly to more than 0.5 percent. The growth in visitor exports' of spending international tourist in likely to be the fastest in India at 14.3 percent per annum over the next decade. Though ranked low in the tourist arrivals, India has something to cheer about. The ranks 21st in terms of foreign exchange earnings from tourism. The country has received an amount of \$8.9 billion in 2009. It is revealed that the fee from the year 2003 was under estimated being in the rank of 26 per cent to 36 per cent. Moreover, the extent of under estimation was increasing over the years.

Research of the tourism industry has revealed optimistic estimates. Tourism is now the third largest foreign exchange earner after gem and jewellery and readymade garments. According to the world tourism council Brussels, the revenues from travel and tourism in the Asia pacific region will growth at the rate of 7.8 percent annually over the next decade. The positive effects of the booming global tourism industry has located to India as well and the Indian tourism industry has also recorded phenomenal growth. The rate of international arrivals in India in recent years has been around 1.9 million arrivals per year .

According to Robinson , the attractions of tourism are, to a very large extent, geographical in their character. Location and accessibility (whether a place has a coastal or inland position and the ease with which a given place can be reached) are important.

OBJECTIVES OF THE STUDY

The main objective of this paper is to analyse (i) the growth of domestic as well as foreign tourists visiting Kanyakumari district and (ii) the preference of tourist attractions in the study location using factor analysis.

LIMITATIONS

- Primary data was collected only in the seasonal periods of the year.
- Sample size is restricted to 240 due to the practical difficulties of the field data collection.
- Factor analysis: Generation of factors using Factor analysis would give abstract of the facts in terms of the attractions of the tourists in the tourism location.

THE ANALYTICAL FRAMEWORK:

The technique adopted to identify and analyse the influencing factors on the level of attraction of tourism is factor analysis.

Most of the analytic methods produce the results in a form that is difficult or impossible to interpret. Thurston argued that it was necessary to rotate factor matrix if one wanted to interpret them adequately.

There are several methods available for factor analysis. But, the principal factor method with Orthogonal Varimax Rotation which is mostly used and widely available in Factor Analytic Computer Programme (FACP). One of the outcomes of a factor analysis is called Rotated

Factor Matrix, a table of coefficients that expresses the ratios between the variables and the factors have been presented. The sum of squares of the factor loadings of a variable is called communalities. (H2).

The communality of a factor is its common factor variance. The factors with factor loading of 0.50 or greater are considered as significant factors. This limit is chosen because it is judged that factors with less than 50 percent common variation with the rotated factor pattern are too weak to report.

In the present study, the principal factor analysis method with Orthogonal Varimax Rotation is used to identify the significant set of attractions. The results are given in the tables given in the annexures.

FACTOR ANALYSIS

The Technique is used to reduce a large number of variables to a smaller number of factors. The Table - 3 exhibits the rotated factor loadings for the 25 statements of the attractions of domestic tourists in Tamilnadu. It is clear from the table 4 that all the 25 statements have been extracted into eight factors, namely F1, F2, F3, F4, F5, F6, F7 and F8. The factors with identified new names, which influence the attractions, have been presented and the variables with the highest loadings for the attractions are provided in Table - 4.

It is observed from the table 4 that the number of factors was eight. The ratios, which have the highest and significant loading in each factor are grouped, that is the ratios, which are more closely related to a particular factor are boxed. The last column of the table 4 is communality, which is obtained by the sum of the squares of factor loadings of each ratio.

Extraction of Factors in Domestic Tourists

The rotated factor matrix of factor coefficient or factor loading summarizes the results of factor

analysis for the attractions of tourism in domestic tourists. The analysis has given eight factor solutions to find out the influence of groups of inter correlated variables, called 'factor' on tourist attractions. The results reveal that all the factors taken together have explained 78 percent of the total variations. Further, the results are reliable as the communality values have been high

Motivational factors for selection of location- Factor I (F1)

Among the factors attracting in Tamilnadu, the factors regarding business and industrial centres, pilgrimage centres, historical places, and beach resorts is very effective and significant. These were the factors with higher positive loadings on Factor 1.

The above said four factors with high loading on factor 1 are characterized as "Motivational factors for selection of location". Hence the F1 is termed as motivational factors to the domestic tourists. It has explained 15.8 percent of the total variation. It can be concluded that these important factors motivate the tourists to visit the places in the study area. Discern

Enjoying the nature - Factor II (F2)

The factors such as hill stations, climatic conditions, natural and sightseeing were the factors with higher positive loadings on Factor II are characterized as "Enjoying the nature". It has explained 14.3 percent of the total variations. It can be concluded that tourists prefer to visit hill stations to enjoy the climatic conditions and of the beautiful scenes. A favourable climate is certainly regarded as one of the major attractions of an area.

Tourist Ecosystem - Factor III (F3)

From the table 4 the factors regarding food and accommodation, communication transport and

banking facilities were the factors with high loadings on Factor III can be characterized as "Tourist Ecosystem". Hence, F3 is termed as adequate facilities available for the tourists. It has explained 11.3 percent of the total variations. It can be concluded that providing facilities to the tourists will develop the tourism and hotel industry in Tamilnadu. In the study area, tourists are attracted more by the above factors.

Celebrations and Festivals - Factor IV (F4)

The variables with the highest factor loading in the fourth have been entertainment, arts and culture, festivals. The factor has explained 10.3 percent of total variations. The coefficient of the correlation between the factor and the tourist attraction is positive. It can be characterized as "Celebrations and Festivals". Thus, it can be concluded that the domestic tourists are interested to visit the places during festival seasons like Deepavali, Pongal, Jallikattu and Chithirai festival.

Facilitating conditions - Factor V (F5)

Among the factor rotation, the factors regarding securities, guides, tourism promotional agencies were the factors with high positive loadings on Factor V. The factor has explained 9.2 percent of the total variations. The above said three factors with high loadings on Factor V can be characterized as "Facilitating conditions". It can be concluded that the inducing factors activates the main part of attracting more tourists from various places.

Rest and Relaxation - Factor VI (F6)

The factors regarding hygienic surroundings, quality of services in hotels were the factors with high positive loadings on Factor VI. The factor has explained 6.1 percent of the total variations. The above said two factors with high loadings on Factor VI can be characterized as "Rest and Relaxation". It can be concluded that the prime motive of tourists visiting hotels to rest and relax.

State Support - Factor VII (F7)

The seventh factor has explained 5.8 percent of the total variations. The factors were law and order, easy formalities and shopping were the factors with high loadings on Factor VII, can be characterised as "State Support".

Ecological Backdrop - Factor VIII (F8)

The eighth factor has explained 5.2 percent of the total variations. The factors regarding wildlife sanctuaries, health centres and hospitality were the factors with positive loadings on Factor VIII. The above said three factors with high loadings on Factor VIII can be characterised as "Ecological Backdrop". It can be concluded that the above three variables attract more tourists in terms of eco-tourism.

Extraction of factors in foreign tourists

The principal components method of factor analysis has been carried out for foreign tourists. It has also given an eight-factor solution to find out the influence of groups of inter-correlated variables called "factors on tourist attractions". The rotated factor matrix summarizes the results of factor analysis. All the factors taken together explain 69.9 percent of total variations. The results are reliable as the communality values are high.

It is clear from Table - 4 that 'pilgrimage centres' with a factor loading of 0.8021, 'hill resorts' with a factor loading of 0.7624; 'food and accommodation' with a factor loading of 0.8968; 'Arts and Culture' with a factor loading of 0.8356; 'securities' with a factor loading of 0.8564; 'quality of services' with a factor loading of 0.7589; 'law and order' with a factor loading of 0.7804; and 'Hospitality' with a factor loading of 0.8963 were found to be the variables with the highest loadings. These are the identified eight variables,

which had attracted the domestic tourists for the present study.

State Facilitation - Factor I (F1)

The factors regarding, law and order, easy formalities, tourism promotional agencies and securities were the factors with high loadings on Factor I, can be characterised as "State Facilitation". Hence, F1 is termed as government activities. It has explained 15.6 percent of the total variations. It can be concluded that Tamilnadu has been well known for law and order, peace, tranquility and offering adequate security to the tourists.

Ecosystem - Factor II (F2)

Guides, banking facilities, communication facilities, transport facilities and hygienic surroundings were the factors with high loadings on Factor II can be characterized as "Ecosystem". It has explained 11.00 percent of the total variations. It can be concluded that the study area also has a well-knit communication and transportation system and attracting more foreign tourists.

Healthy Environment - Factor III (F3)

The variables with highest loadings in the third factor have been Food and accommodation, Quality of services in hotels and hospitality. It has explained 9.5 percent of the total variations. The factor loading has been positive; it can be characterised as 'Healthy Environment'. It can be concluded that the foreign tourists generally preferred good accommodation, hospitality and quality of services, which those factors attract more foreign tourists to visit in Tamilnadu.

Festivals and Culture - Factor IV (F4)

The fourth factor has explained 7.9 percent of the total variations. Historical places, festivals, and

shopping were the factors with high loadings on Factor IV can be characterised as "Festivals and Culture". It can be concluded that from the sample foreign tourists gave more importance to prefer historical places than others and also the tourists like to enjoy the festivals like 'Jallikattu', Diwali, Chithirai festival and Pongal festival. Foreign tourists visiting Tamilnadu are attracted by the ancient monuments such as historical forts, structuring depicting architecture of different ages, music, dance and drama which forms an integral part of the people in Tamilnadu.

Motivational factors for selection of location- Factor V (F5)

Wild life sanctuaries, business and industrial centres and beach resorts are the factors with high loadings on factor V can be characterised as "Motivational factors for selection of location". It has explained 7.4 percent of the total variations. It can be concluded that the above three factors attracted by foreign tourists.

Mind and body refreshment - Factor VI (F6)

The sixth factor has explained 7.0 percent of the total variations. Hill resorts and entertainment were the statements with high loadings on factor VI can be characterised as "Mind and body refreshment". It can be concluded that hill resorts and entertainment factors are much more attracted by the foreign tourists.

Health and Tranquility - Factor VII (F7)

The seventh factor has explained 6.1 percent of the total variations. Health centers and pilgrimage centres were the statements with high positive loadings can be characterised as "Health and Tranquility". It can be concluded that the foreign tourists visit the study area for the purpose of health activities. Tranquility means Calm and peaceful.

Natural bounty and intrinsic attraction-Factor VIII (F8)

Natural and sightseeing, climatic conditions, arts and culture were the statements with high loadings on Factor VIII can be characterised as 'Natural bounty and Intrinsic attraction'. It explains 5.4 percent of the variations. It can be concluded that the foreign tourists are attracting more to visit the natural scenery.

It is clear from Table - 6 that 'Law and order' with a factor loading of 0.8533, 'Guides' with a factor loading of 0.7676; 'Hospitality' with a factor loading of 0.7644; 'Historical places' with a factor loading of 0.7607; 'Wildlife sanctuaries' with a factor loading of 0.7671; 'Hill resorts' with a factor loading of 0.8431; 'Health centers' with a factor loading of 0.7720; and 'Natural sightseeing' with a factor loading of 0.8596 were found to be the variables with the highest loadings. These are the identified eight variables, which had attracted the foreign tourists as per the present study.

SUMMARY OF FINDINGS

The tourist arrivals from other countries in India have increased from 123095 in 1960 to 1677508 in 1991. After liberalization in India, the growth shows that the double time growth of the tourist arrivals as 5282603 in 2008.

- Tourism revenue has grown at a phenomenal rate of increase @ 18 percent since 1951. Thus, tourism has become the second largest net foreign exchange earner for the country. India's share of international tourist arrivals is 0.6 percent.
- From the analysis of tourism attractions for visiting the locations in the study district, a mostly used and widely available statistical tool Factor analysis - Principal factor method with Orthogonal Varimax Rotation was used and the following findings are presented here.

- With reference to the analysis made against the domestic tourist attractions the order of preference is pilgrimage centres, hill resorts, food and accommodation, art and culture, security system, quality services in hotels and hospitality.
- The sequence of attractions of the foreign tourists include law and order, tourist guide, hospitality, historical places, wild life sanctuaries, hill resorts, health centres and natural site seeing.

SUGGESTIONS

Based on a projective interaction with the foreign tourists, the researcher found that there is a gap between the expectations and the present tourism status of the tourist locations. The projections and photographs in the advertisements are displaying exaggerated settings about the tourist location. The socio cultural aspect is appreciated as the tourist are from different culture and society, and do not know about the culture earlier. Apart from a few locations, there is nothing, which is admiring and thrilling in most of the locations.

There is a high level potential exists in Kanyakumari District to multiply the tourist arrival from both domestic and foreign countries. There is a need to think of a USP (Unique selling proposition) which will make the tourist to get impressed upon the location very much. For example, there is a place called Padmanabapuram Palace with a rich historic background in Kanyakumari. An artistic hall, in which the king used to have discussions and take important decisions in the palace, this hall can be improved to a great extent as a unique attraction with some investments for decorations and constructions with the help of archaeological specialists.

The attraction should bring in a situation in such a way that every tourist visiting Kanyakumari must

visit Padmanabapuram Palace to admire the beauty, culture and the uniqueness of the place. After visiting the palace the tourist should get the satisfaction that he/she has visited a place worth visiting for the time and money spent and it should get registered in their mind for ever. The information and the background history about the place also should be made available to the tourist by way of a booklet distributed free of cost in several languages.

The word of mouth should act as a great advertisement about the tourist location. Similar kind of initiatives should be taken for all the other tourist locations to attract more tourists. The Government should make committees to get ideas for improving the location with uniqueness in each place.

There is a need for a revolution to create a very unique, surprising, astonishing attraction in each of the tourist location. The budget and manpower allocation initiatives should come from tourism development board and the tourism ministry of the state and the national level.

CONCLUSION

This study yields the results that the flow of both foreign and domestic tourists is in the increasing trend in the study district. The improvement of the additional, more inspiring, surprising and interesting entertainment and recreation would make the tourists happy and motivate them to visit Kanyakumari repeatedly. With the help of factor analysis, the preference order of attractions is identified, which gives a clear picture of tourism in Kanyakumari.

REFERENCES

- Xavier Font, Tor E. Ahjem – “Searching for a Balance in Tourism Development Strategies” *International Journal of Contemporary Hospitality Management*; Vol.11: No.2/3 1999; pp. 73-77.
- Yang Wang and Geoffrey Wall – “Administrative Arrangements and Displacement Compensation in Top-down Tourism Planning—A Case from Hainan Province, China” - *Tourism Management* , Vol. 28 (2007), pp. 70-82.
- Paramasivan, G.P., Sacratees, J., “Economics of tourism in India”, *Southern Economist*, Vol. 47, No. 15, Dec. 1, 2008, p. 19.
- Chattopadhyay Monisha, “Influence of Religion on Tourism Implications for India’s Tourism Policy, *The ICFAI Journal of Consumer Behaviour*, Vol. 1, No. 3, 2006.
- Robinson, H., *Geography of Tourism* (London: MacDonald and Evans, 1976)
- Thurstone L.L., Multiple-factor analysis. A development and extension of The vectors of mind. Univ. Chicago Press, Chicago, Ill., 1935.
- <http://faculty.chass.ncsu.edu/garson/PA765/factor.htm>, site accessed no 12th December 2010, **Factor Analysis definition.**
- <http://www.topseekers.com/tourism.html>, site accessed on 4th June 2010, Father of modern mass tourism was Thomas Cook

Table - 1 MONTH WISE TOURIST ARRIVALS IN KANYAKUMARI DISTRICT(2001 - 2008)

Month	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
January	165045	199108	145174	202948	222132	135349	226962	275145	323162	327162
February	145478	69398	72653	117012	122245	75511	122651	176478	164227	174227
March	128471	90577	91548	104480	127353	67353	106727	158471	190032	214345
April	149581	130081	140958	142625	148332	82478	125498	149582	172270	191378
May	254302	182819	200481	128770	175648	141183	203633	254312	296641	303846
June	97167	94179	86980	94208	78919	68887	80331	96167	108282	112983
July	85436	86946	78021	103679	64452	47652	69249	85436	94377	99975
August	98793	108353	59228	105893	94418	81961	115759	98794	107722	113890
September	96677	98342	144783	122662	76894	79384	75256	96687	108324	114598
October	129766	130512	127327	149875	107796	83156	109267	258766	269357	276904
November	137378	138454	140926	182693	126920	64295	142907	141379	151628	160431
December	199127	106163	123793	178945	169708	75641	170662	199137	221721	235789
Total	1687221	1434932	1411872	1633790	1514817	1002850	1548902	1990354	2207743	2325528
Per Day	4623	3931	3868	4476	4139	2748	4244	5453	6032	6371

Source : Department of Tourism, Government of Tamilnadu, 2010.

Table - 2 YEAR WISE TOURIST ARRIVALS IN KANYAKUMARI DISTRICT

Year	Domestic Tourists	Per Day	Foreign Tourists	Per Day	Total No. of Tourists	Per Day
2003	1627974	4460	5,816	16	1633790	4476
2004	1506974	4117	7,843	21	1514817	4139
2005	981497	2689	21,353	59	1002850	2748
2006	1507988	4131	40,914	112	1548902	4244
2007	1956873	5361	33,481	92	1990354	5453
2008	2166917	5921	40,826	112	2207743	6032
2009	2276636	6237	48,892	134	2325528	6371

Source : Department of Tourism, Government of Tamilnadu, 2010

Table - 3 ROTATED FACTOR MATRIX FOR THE ATTRACTIONS OF DOMESTIC TOURISTS

Variables	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7	Factor 8	H2
Pilgrimage Centres	0.8021	0.1923	0.0365	0.0817	0.0025	0.0437	0.1533	0.1422	0.8217
Business Industrial Centres	0.802	0.0371	0.2581	0.019	0.181	0.0129	0.2464	0.1166	0.8585
Historical Places	0.7247	0.2956	0.1307	0.3285	0.1049	0.4354	0.1598	0.1767	0.7414
Beach resorts	0.5853	0.1635	0.2173	0.0648	0.0344	0.0586	0.1313	0.1121	0.7092
Hill resorts	0.0885	0.7624	0.4523	0.0391	0.1906	0.0107	0.0104	0.3317	0.7999
Climatic conditions	0.0133	0.6578	0.1572	0.1549	0.3548	0.0442	0.3505	0.0336	0.7927
Natural sight seeing	0.1303	0.616	0.0975	0.109	0.0672	0.2145	0.0384	0.0031	0.5888
Food and accommodation	0.0613	0.3008	0.8968	0.0538	0.1956	0.0473	0.0547	0.0362	0.7785
Communication facilities	0.0907	0.0687	0.825	0.0689	0.0693	0.0692	0.0462	0.0406	0.8196
Transport facilities	0.1516	0.0815	0.7547	0.409	0.0209	0.0765	0.1012	0.0355	0.7869
Banking facilities	0.3161	0.2238	0.5118	0.2394	0.0593	0.0141	0.0433	0.1288	0.6756
Arts and culture	0.1685	0.0518	0.1701	0.8356	0.1693	0.0004	0.0809	0.2397	0.8395
Entertainment	0.0407	0.1778	0.2952	0.7339	0.388	0.1884	0.0754	0.0686	0.8282
Festivals	0.0987	0.1066	0.1767	0.6066	0.0059	0.0418	0.1108	0.2417	0.7346
Securities	0.0611	0.2829	0.085	0.1623	0.8564	0.1696	0.0439	0.23	0.8706

Table - 3 ROTATED FACTOR MATRIX FOR THE ATTRACTIONS OF DOMESTIC TOURISTS

Variables	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7	Factor 8	H2
Tourist Guides	0.1458	0.001	0.0399	0.0786	0.533	0.1218	0.1026	0.0366	0.6462
Tourism agencies	0.2065	0.0079	0.0497	0.0412	0.515	0.1631	0.0433	0.0004	0.7405
Quality of service in hotels	0.2743	0.0849	0.1989	0.1923	0.2043	0.7589	0.3707	0.4918	0.7867
Hygienic surroundings	0.1845	0.0402	0.1735	0.1264	0.182	0.6467	0.057	0.0682	0.8809
Easy formalities	0.3977	0.1859	0.1605	0.1789	0.1051	0.4566	0.5999	0.092	0.8131
Law and order	0.0465	0.0237	0.0469	0.0803	0.0102	0.0088	0.7804	0.0504	0.8768
Shopping	0.1188	0.0986	0.2832	0.0285	0.0105	0.106	0.6903	0.0863	0.8539
Wildlife sanctuaries	0.0397	0.0311	0.2415	0.2098	0.0315	0.0025	0.0418	0.6485	0.6299
Hospitality	0.3148	0.0928	0.0473	0.4463	0.0022	0.0211	0.0331	0.8963	0.8385
Health centres	0.1952	0.073	0.0185	0.307	0.4259	0.0038	0.1046	0.5118	0.8178
% of Variance	15.8	14.3	11.3	10.3	9.2	6.1	5.8	5.2	
Cumulative % of variance	15.8	30.1	41.4	51.7	60.9	67	72.8	78	

Note : the principal factors method with Orthogonal Varimax Rotation is used to extract factors

Table - 4
VARIABLES WITH THE HIGHEST FACTOR LOADINGS
FOR THE ATTRACTION OF TOURISTS (DOMESTIC TOURISTS)

Factor	Name of the Newly Extracted Factor	Selected Statement	Factor Loadings
F1	Motivational factors for selection of location	Pilgrimage centers	0.8021
F2	Enjoying the nature	Hill Resorts	0.7624
F3	Tourist Ecosystem	Food and accommodations	0.8968
F4	Celebrations and Festivals	Arts and Culture	0.8356
F5	Facilitating conditions	Securities	0.8564
F6	Rest and Relaxation	Quality of services in hotels	0.7589
F7	State Support	Law and order	0.7804
F8	Ecological backdrop	Hospitality	0.8963

Leading Factors in the Internationalization Process: An Empirical Analysis on the Pump and Motor Manufacturers in Coimbatore District

Ms. G. Jayanthi
Research scholar
Karunya School of Management
Karunya University
Coimbatore - 641114
Mobile : 919442738561
Email : jayanthiboopal@hotmail.com

Dr. R. Amudha
Associate Professor
Karunya School of Management
Karunya University
Coimbatore -641114
Mobile :919003610305
Email : amudha8@gmail.com

ABSTRACT

Export has a vital role to play in the economic development of a nation. It is an important key factor in deciding the sustained rate of economic growth of the country and considered very essential for any nation, as it provides ample employment opportunities and promotes industrialization. Nowadays, technological advancements, declining trade barriers etc are driving the world economy to become more and more integrated and this rapid globalization is enabling SMEs to become international in a quicker yet effective manner.

This study presents the Internationalization strategies for the case of small scale and Medium sized enterprises. The purpose of this paper is to understand the importance of Internationalization of SMEs in the light of Uppsala model of Internationalization, Network and International Entrepreneurship theories by taking a sample of 143 manufacturing firms. The variables on each theory is identified and analyzed to find out, how far these factors are influencing in the firm's internationalization process. The basic issue of our research was to describe the internationalization process of SMEs with a focus on the roles of the three theories.

Key words: Internationalization process, Uppsala Model, Network Theory, International Entrepreneurship Theory, SMEs.

INTRODUCTION

SMEs have been drawing a lot of attention of scholars by playing an increasingly active role in international markets during recent years. SMEs rapidly expand their businesses to international markets and use international diversification as an important strategic option to achieve growth. The topic area brings some of the 'much talked about' theories and models into action such as The Uppsala Internationalization Process Model, Network Theory, and International Entrepreneurship Theory. Internationalization theories explain on the different internationalization processes, which are taking place when companies expand, across national borders. Theories are seen as complimentary and parallel rather than competing. Long ago, academics explained the internationalization process by using a stage model,

which follows a step by step process where the firm starts from no international activity and goes on to engage in some international activity and then ends up owning subsidiaries abroad. Such is the case of the Uppsala model proposed in 1977 by Johanson and Vahlne. Right from the beginning this model has been criticized and after much criticism by scholars and other authors such as Andersen (1993), Johanson and Mattsson (1988) introduced a new model known as 'The Network Approach', where they explained the importance of relationships with suppliers, customers and market that can stimulate or help a firm to branch out abroad.

STRATEGIES OF SMES

In order to go international, management team have to plan for the process to happen. Market

knowledge is a key element to come up with a good strategy for internationalization. There are also some other important factors such as: business network, previous experience and skills of the management team, role of the owner manager, financial resources, government agencies, age and size of the firm, entrepreneurial abilities and services etc. While planning to internationalize, the firm should decide the pace and timing of the process as well as the entry mode to use. It is inappropriate to approach the internationalization process without formulating a strategy; a plan of action that is formulated and carried out to achieve a particular goal. We can say that without a proper strategy the firm is about to fail in their internationalization, it is like wanting to swim without knowing how to. Formulating a strategy also involves deciding when, how and which markets to enter. The internationalization process involves risk and uncertainty and they significantly impact upon firm strategy. In order to internationalize successfully, SMEs has to lower the risks and uncertainty and they can do so by choosing the right strategy and methods.

REVIEW OF LITERATURE

It is one of the most influential theories on internationalisation processes where export development plays a central role and is used by both companies and government bodies. The model provides a universal explanation of how internationalisation works in the form of sequential stages during its early stages.

Reuber & Fischer (1997) argue that decision-makers with more international experience, are more likely to have in place a foreign business network and are more likely to have developed the skills needed to identify and negotiate with firms in a different culture.

Internationalization entails mainly export activities, and export sales as a percentage of total sales is the most commonly used proxy for the degree of internationalization (Sullivan, 1994).

There are also studies which explain internationalization as a gradual, sequential

process (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975). These studies suggest that firms proceed from no regular exports to exports through independent representatives and the establishment of sales subsidiaries to the establishment of manufacturing facilities abroad. This stepwise process is mainly explained in terms of the firms' gradual increase of market knowledge (Johanson & Vahlne, 1977). The network approach of Internationalization is most often applied on vertical relationships, between sellers and buyers.

However relationship between competitors have not been studied to the same extent as also the multi dimensional relationships and the advantages that can arise out of relationships. There is growing evidence showing that firms while increasing their involvement in foreign markets, their use of network knowledge increases as well. It was found that experienced firms having been internationalizing in many countries relied heavily on knowledge gained from their network to enter into a new foreign market (Blomstermo et al. 2004).

According to Zahra and George (2002), suggested "international entrepreneurship" that advancements in technology, declining cultural barriers and increasing cultural awareness has opened once-remote foreign markets to all kinds of companies; small firms, new ventures as well as established companies.

OBJECTIVES OF THE STUDY

- To understand the role of the three theories, namely, Uppsala Model, Network, and International Entrepreneurship in the Internationalization process of pump industries in Coimbatore district.
- To assess the applicability of the variables from each theory in the pump industries under study.
- To identify the most prominent variables required in the Internationalization process.

- To find out which of those variables played a role and influenced the process and in what degree of importance.

RESEARCH METHODOLOGY

Sampling Frame – The sample chosen were those, Pump and Motor manufacturing firms, in need of internationalization process, and those already internationalized were chosen for the study, in Coimbatore District, Tamil Nadu. Coimbatore Pumps and Motors manufacturing cluster with over 1,000 units are meeting almost 40 per cent of the country's requirements of pump sets. Coimbatore pumps are being exported for over 25 years. It has maintained quality, reliability and performance throughout all these years. Hence the study is confined to Coimbatore district only. Care has been taken to ensure the proportionate representation of the industries expanded globally, those initiating the internationalization process and those which face problems in internationalizing

Sample size – The sample size for the present study is 143 firms, manufacturing pumps and motors in Coimbatore district. It has been randomly selected based on their sales turnover.

Data Collection - The companies were chosen from the EEPC (Engineering Export promotion council) member list. It was found that 270 firms are effectively exporting their products to various countries. The sample chosen for the study is 143 exporting companies, from both pump and Motor manufacturing Industry.

Sampling Design - Stratified Random Sampling was used for the present study. The strata was downsized according to the sales turnover of the companies which is 1-4 crore and 4 to 40 crore business. According to Sekaran (1992), convenience sampling involves collecting information from members of the population who are conveniently available to provide it. As for collecting data through interviews, our criteria for sample selection also include the SMEs that fit into the definition that they are already into export business.

Instrument for Analysis - A well structured questionnaire was used as primary instrument in collecting the data. Personal interview method was mainly used for the pilot study by the use of questionnaire. The Entrepreneurs, Marketing heads and Export managers of 9 firms were interviewed and based on the result the study was extended to the proposed sample size.

Analysis of Data – The data collected has been analyzed using Principal Component Analysis and Rotation Method of Varimax Kaiser Normalization. The Factor Analysis was used, for identifying the most prominent variables influencing the firms in the Internationalization process. For this purpose, the variables of three theories were taken for analysis and finally identified the most essential factors required in this process. The survey was conducted during the period of March to June 2012.

LIMITATIONS OF THE STUDY

The study is confined to the Pump and Motor manufacturing Industry only. The results obtained may not be applicable for other Industries like service Industry. One significant limitation of the study is that the internationalization process of SMEs in general, were explored with a focus on the application of three major theories.

Another limitation is that the focus was on SMEs and only internationalized firms were considered for the study. However, considering all the limitations regarding time and amount of empirical data, this study can provide the reader with a broad idea of the internationalization process of SMEs and it can be considered as a path and base for further extensive research on this topic in Indian SMEs.

ANALYSIS AND INTERPRETATION

1. Influencing Variables in the theories under study:

(i) Uppsala model Variables (UMV) - The variables related to the Uppsala model are similar

market, market knowledge, similar business culture and cultural awareness

(ii) Network theory variables (NTV) - The variables that are identified as being related to the network theory are: local networks or relationships, foreign networks or relationships and ability to create business networks and almost all the SMEs considered them to be very important factors influencing their internationalization process.

(iii) International Entrepreneurship Theory variables (IETV) - The variables that are related to the international entrepreneurship theory are: growth opportunity, market opportunity, creativity and innovation, entrepreneurial activities, managerial motivation, management's ability to take risks, technological advancement and previous international experience of the management or entrepreneurs and risk seeking behavior of entrepreneurs and management internationally.

Factors Identified in the Internationalization Process

In order to establish the relevance of application of Factor Analysis for the variables selected for the study, KMO Bartlett's test of Sphericity was applied, to measure and quantify the degree of inter-correlations among the variables and the appropriateness of factor analysis. The result of Bartlett's test is reported in Table 1 and reveals that the probability test of Measure of Sampling Adequacy (MSA) for the selected variables is 0.617, which is above the threshold probability value of 0.5. Since the variables selected falls within the acceptable level, MSA supports the decision to perform the factor analysis on the sample data.

Extraction of factors:

The variables in all three theories has been the inputs in the data collection instrument administered in the motor and pump industries. These variables were analysed using Factor Analysis for the purpose of identifying the key variables unanimously applicable to all SMEs. The Table 2 exhibits the extraction of the factors under study.

Communality is the amount of variance, an original variable sharing with all other variables, under analysis. A higher value of initial communalities are suitable for factor analysis. Extraction communalities are the variances with the factors. Higher extraction communalities represent the variables well which is shown in Table 2.

Analysis of Factorial Influences:

The Table 3, contains information regarding the 18 factors selected for the study and their related explanatory power as expressed by their eigen values. All the total 18 factors have got 1 as the initial eigen value. Out of 18 factors, only 5 factors were retained and considered for analysis, which represent 69.689% of the variance explained through inter-correlation between the variables extracted. The remaining 13 factors are considered having insignificant inter-relationship constituting of minor importance for the study. Hence they are non-explanatory factors and so undefined, for the purpose of analysis of these variables.

From the Table 3, the most effective FIVE factors are considered prominent for the Internationalization Process of SMEs, are defined and named as follows;

1. International Market Factors
2. International Business Factors
3. Managerial Factors
4. Firm's behavioral Factors
5. Technological Factors

Factor 1 - International Market Factors

From the above factor analysis, Factor 1 comprises of the International market potential related with the factors Organizational goals, market knowledge, Growth opportunity, Building network relationships, Market opportunity and the attitude of creating business. All these factors comprises of 19.081% variance. The preference

of variables by the respondents is very high in this factor.

Factor 2 - International business Factors

The research is made to validate the three theories of Internationalization and to find which factor is the most important factor in deciding the usefulness of the theories when companies go for Internationalization. Similar Market, Previous International experience, Local Network relationship, Technological advancements, Similar Business culture and Entrepreneurial activities are the combinations of the selected three theories in deciding to internationalize the firm. The total percentage of variance of the factor 2 is 18.712%.

Factor 3 - Managerial Factors

From the above analysis, Factor 3 comprises of management related activities of Motivation and the risk factor involving in the International Business. The total percentage of variance for factor 3 is 11.286% which is also an important for entry into international markets.

Factor 4 - Firm Behavioural Factors

The firm's age and Size are the next preferred variables to enter into international markets irrespective of Age and size of the business. Cultural awareness, is also not preferred by the respondents since the firms deal with Pumps and Motors. The total percentage of variance for factor 4 is 11.003%

Factor 5 - Technological Factors

From the analysis, it is clear that 'creativity and innovation' is the only variable under factor 5 and it is evident that factor 5 is considered to be the relatively less important factor by the respondents with 9.608% variance. Hence creativity and innovation plays the least role in exporting Pump and Motor in this Industry. We can conclude that the small enterprises are manufacturing their products according to the customer's design and foreign specifications. Their ability of innovation and creativity is considered least important. Medium and large sized enterprises have set up

their own R & D facility to implement innovation in their products.

FINDINGS, RESULTS AND DISCUSSIONS

Role of the Theories and how they describe the internationalization process of SMEs

- SMEs rely heavily on the network relationships and firm's ability to create networks is important for expansion. The network relationships can also be seen as a source of market knowledge and market opportunities. This in turn, enables the SMEs to internationalize more rapidly without going through the stages suggested by the U model.
- If we analyze the above findings, we can see that the internationalization process of these SMEs cannot be described by one theory alone rather the process demonstrates a mixture of ideas borrowed from all three theories; although the applicability of the Uppsala model is quite limited.
- Growth opportunity and market opportunity can be seen as important driving forces for internationalization with the aid of managerial motivation, creativity and previous experiences while technological advancements were influential in most cases.
- We have observed that firms in different industries have different methods and strategies to carry on their local and international business. Age and size of the firms, are not that important especially when it comes to INVs, which are international firms from inception.
- However, the theories play an important role in describing the process that the SMEs undertake while going abroad. It can be said that there is no right theory to use but the mixture of them which makes the process easier. Theories and models provide tools to plan the internationalization process of firms. There are many variables that shape and influence the internationalization process of

SMEs and they come from all the three theories that we have discussed in this study. From the U-model, psychic distance and market knowledge are still able to explain some behaviors expressed by the process of internationalization of SMEs, while almost all firms tend to base their foreign endeavor on networking, for gathering market knowledge and information in particular; SMEs rely heavily on network relationships. Firm's and management's opportunity seeking behavior is another driving force for foreign expansion with an essential element of this activities coming from previous international experience of owners or managers or entrepreneurs.

- Some aspects of the international entrepreneurship theory are also important for all SMEs; Most of the SMEs studied here agree that it makes the internationalization process much easier if the management has previous international experiences. The SMEs consider growth opportunity, market opportunity and managerial motivation to be the driving forces to initiate the internationalization. Entrepreneurial activities and risk seeking behavior of entrepreneurs and management are also important for some SMEs; since these factors or activities help them recognize opportunities to expand across national borders.
- Overall, in describing the internationalization processes of the SMEs, we need to apply a combination of at least two or all three theories, none of the theories are able to explain the processes alone and in most cases, the behavior still fits into the U-model despite of a lot of criticism about it from the very beginning.
- From Factor Analysis, the five important and indispensable factors required for SMEs in the Internationalization Process are International Market Factors, International Business Factors, Managerial Factors, Firm's behavioral Factors and Technological Factors.

CONCLUSION

The research shows the application and usefulness of three theories to these SMEs, especially their heavy reliance on network relationships. The findings also indicate that firms use a combination of variables from all three theories and some aspects of the much criticized Uppsala model are still significant in describing the internationalization process behavior of SMEs in Coimbatore district. From the above study it is suggested that firms consider domestic market position to be important. First, the reasons to go international are profit, expansion/growth and market opportunity. Second, motivation is one important factor for the firms, with no motivation there is no action. Third, domestic position seems to be really important for both types of SMEs. Fourth, INVs psychic distant is not relevant, but some of the SMEs analyzed prefer to go abroad to countries where they find similar culture and environment.

The internationalization process behavior cannot be described by one theory alone; there is always a combination of two or all three depending on the management structure, tenure of business and the goal or desire for international entry. Hence to conclude, it is evident that the SMEs put significant emphasis on creating and maintaining networks in order to achieve internationalization

REFERENCES

- Andersen, O., 1993. "On the Internationalization Process of Firms: A Critical Analysis", *Journal of International Business Studies*, Vol. 24, No. 2, pp. 209-231.
- Coviello, N., & Munro, H., 1992. *"Internationalizing the Entrepreneurial Technology intensive Firm: Growth through Linkage Development"*, Paper presented at the Babson Entrepreneurship Research Conference, INSEAD, France.

- Blomstermo A, Eriksson K, Lindstrand A, Deo Sharma D (2004) The perceived usefulness of network experiential knowledge in the internationalizing firm. ***Journal of International Management*** 10: pp 355-373.
- Johanson, J., & Mattsson, L.G., 1988. **"Internationalization in industrial systems: A network approach"**, In: Hood, N., Vahlne, J-E., (eds), *Strategies in global competition*. Croom Helm, London, pp. 194-213.
- Johansson, J., & Vahlne, J-E., 1977. "The Internationalization Process of the Firm-A Model of Knowledge Development and Increasing Foreign Market Commitments", ***Journal of International Business Studies***, Vol. 8, No.1, pp .23-32.
- Johansson, J., & Vahlne, J-E., 1990. "The mechanism of internationalization", ***International Marketing Review***, Vol. 7, No. 4, pp. 11-24.
- Johansson, J., & Vahlne, J-E., 2003. "Business Relationship Learning and Commitment in the Internationalization Process", ***Journal of International Entrepreneurship***, Vol. 1, pp. 83- 101.
- Johansson, J., & Wiedersheim-Paul, F., 1975. "The internationalization of the firm – four Swedish cases", ***Journal of Management Studies***, Vol. 12, No. 3, pp. 305-322.
- McDougall, PP & Oviatt, B M, 1997. Challenges for the Internationalization process theory: the case of International new ventures, ***Management International Review Special Issue 2***, pp 85-99
- Reuber, A.R. & Fischer, E.M. 1997. The influence of the management team's international experience on the internationalization behaviors of SMEs. ***Journal of International Business Studies***, fourth quarter.
- Sekaran, U., 1992. *Research Methods for Business: A Skill-Building Approach*. 3rd ed. Brisbane: John Wiley & Sons Inc.
- Stevenson, H.H., & Jarillo, J.C., 1990. "A paradigm of entrepreneurship: entrepreneurial management", ***Strategic Management Journal***, Vol. 11, Summer Special Issue, pp. 17-27.
- Sullivan D. 1994. Measuring the degree of internationalization of a firm. ***Journal of International Business Studies*** pp 325–342.
- Zahra SA, George G. 2002. International entrepreneurship: the current status of the field and future research agenda. In ***Strategic Entrepreneurship: Creating an Integrated Mindset***, Hitt M, Ireland D, Sexton D, Camp M (eds). Blackwell: Cambridge, MA; pp 255–288.

Table 1 - KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.617
Bartlett's Test of Sphericity	Approx. Chi-Square	1594.14
	df	153
	Sig.	0

Table 2 – Extraction of Factors			
	Variables	Initial	Extraction
1	Similar market	1	0.706
2	Growth opportunity	1	0.647
3	Market Opportunity	1	0.53
4	Market knowledge	1	0.807
5	Age of the firm	1	0.679
6	Size of the firm	1	0.79
7	Similar business culture	1	0.509
8	Cultural awareness	1	0.65
9	Creativity/Innovation	1	0.721
10	Local Network relationship	1	0.812
11	Foreign Network relationship	1	0.759
12	Ability to create business	1	0.639
13	Entrepreneurial activities	1	0.561
14	managerial Motivation	1	0.718
15	Managements ability to take risk	1	0.801
16	Technological advancements	1	0.761
17	Previous International experience	1	0.675
18	Organizational goals	1	0.78
<i>Extraction Method: Principal Component Analysis</i>			

Factors		Initial Eigen values			Extraction Sums of Squared Factor Loadings		
		Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	E.F. - 1	5.513	30.629	30.629	3.435	19.081	19.081
2	E.F. - 2	2.59	14.39	45.019	3.368	18.712	37.793
3	E.F. - 3	1.838	10.21	55.23	2.031	11.286	49.078
4	E.F. - 4	1.416	7.867	63.096	1.98	11.003	60.081
5	E.F. - 5	1.187	6.592	69.689	1.729	9.608	69.689
6	Undefined	0.958	5.324	75.013			
7	Undefined	0.873	4.849	79.862			
8	Undefined	0.859	4.77	84.632			
9	Undefined	0.644	3.576	88.208			
10	Undefined	0.456	2.534	90.741			
11	Undefined	0.423	2.348	93.089			
12	Undefined	0.343	1.906	94.995			
13	Undefined	0.253	1.406	96.401			
14	Undefined	0.196	1.089	97.49			
15	Undefined	0.186	1.031	98.521			
16	Undefined	0.114	0.636	99.157			
17	Undefined	0.097	0.538	99.695			
18	Undefined	0.055	0.305	100			
[Extraction Method: Principal Component Analysis. Rotation Method : Varimax with Kaiser Normalization E.F. – Explanatory Factor]							

Developing a Framework to Identify the Factors Affecting the Measurement of Organization Readiness for Business Process Reengineering Implementation An Exploratory Factor Analysis Method (EFA)

Hamid.Shahbandarzadeh
Department of Industrial
Management, Persian Gulf
University, Bushehr, Iran
Shahbandarzadeh@pgu.ac.ir

Khodakaram. Salimifard
Department of Industrial
Management, Persian Gulf
University, Bushehr, Iran
Salimifard@pgu.ac.ir

Farid. Saeedi
Department of Industrial
Management, Persian Gulf
University, Bushehr, Iran
Saeedi.farid@gmail.com

ABSTRACT

Results of business processes reengineering (BPR) projects in Iran and many other countries show that the most necessary and fundamental changes on processes do not implement and remain only as a suggestion. Therefore, before attempting to redesign and re-engineering business processes, variables and factors affecting the assessment of organizations readiness for the re-engineering process should be identified in order to improve conditions and making good infrastructure to implement re-engineering projects. Therefore, the aim of this study is to identify the factors that affect the success or failure of re-engineering projects in organizations, and to develop a framework for assessing organization readiness for processes re-engineering implementation. This research uses exploratory factor analysis method and opinions of 229 of Iranian experts in the field of BPR to develop a framework for identifying the factors affecting the measurement of organizational readiness for BPR implementation.

Keywords:

Business Process Reengineering, Organization Readiness, Success Factors, Failure Factors, Exploratory Factor Analysis.

INTRODUCTION

Today's world is a world of changes and mutation. These changes include all aspects of economic, social, political, and technological-based. Organizations that work in unstable conditions face with unexpected events that if they are not properly ready, needful and proportionate flexible to the current situation, they will lose their contest potency in the market. Therefore, organizations must be dynamic and have flexible structures to accommodate with external environment turbulences.

Business Processes Reengineering (BPR) is one of the most widely used approaches to cope with

changes. Hammer and Champy introduced the concept of business processes re-engineering in 1990 in an article in the Harvard magazine for the first time (Hammer & Champy, 1993). BPR was defined as a radical redesign of processes to achieve salient improvements in cost, quality and service (Ozcelik, 2010). The base of the re-engineering is thematic survey and removes the old rules and fundamental assumptions that plat the performance of the current business. Accordingly, anything that does not have contribution in the product efficacy is doomed to elimination (Ryan & Hurley, 2003). Generally, the main reasons for using re-engineering are external competitive pressures, reduction in

internal costs and to improve productivity (Tennant & Wu, 2005).

Predictions in 1995 showed that if all American private companies proceeded to re-engineer their processes, 25 million of workforce population would be reduced and it is the most important reason of personnel fear from this concept (Johnston, 1995). Research results revealed that in companies that utilized re-engineering, only a few have been successful in implementing re-engineering and most of companies failed (Hammer & Champy, 2001). In general, 70 percent of companies that went into re-engineering did not succeed to implement it. All these results indicate that this process has a high risk (Tarokh, Sharifi, & Nazemi, 2008).

Since the lack of attention to identify the factors affecting the measurement of organization readiness for processes re-engineering, it increases the cost and time required to implement re-engineering projects. If a company is not ready, it leads to huge costs. Therefore, it is necessary to identify the indicators, variables and factors affecting the assessment of organizations readiness for the processes re-engineering to improve the situation and make appropriate infrastructure ready to implement BPR project. This study, therefore, intends to overview the researches done in this area and to identify the factors affecting the success and failure of reengineering project implementation. Its objective is to develop a framework for measuring the organization readiness for processes re-engineering implementation and it provides some prerequisite to successfully implement BPR in organizations.

LITERATURE REVIEW

It is essential to carefully examine the factors that challenge the future actions for change before designing and re-engineering business processes. Various available methods for re-engineering implementation are not interchangeable because none of these methods completely covers requirements and major prerequisites for successful

implementation of BPR. Many articles have been running the definition of the re-engineering nature and its implementation processes, but they ignore to clarify what is important in successful re-engineering implementation and risk management resulting from BPR implementation. Following, we examine key factors in the success or failure of BPR projects.

STRATEGIC FACTORS

Strategic factors are most important factors affecting the measurement of organizations readiness for processes re-engineering implementation. Some researchers mention that the most important reason for the failure of BPR is the lack of correlation between organization and organization strategic objectives. Terziovski and others (Terziovski, Fitzpatrick, & O'Neill, 2003) studied the Australian financial services sector firms which engage in re-engineering. They deduced that the strategy and customer orientation are the most important factors in the success of BPR projects. Paper and Chang (2005) believe that factors related to organization vision, such as development, prophecy, pitch and flexibility, are essential for the successful re-engineering program. Lack of good strategy is one of the main obstacles to successful re-engineering in the organizations (Attaran, 2004). Other researchers such as Khong & Richardson (2003), Wu (2002), and Mcadam (2000) emphasized the importance of strategic factors, such as prospective, market environment and beneficiaries analysis, and mutual relation between organization view and BPR goals and view.

PROJECT MANAGEMENT FACTORS

BPR requires planning and time scheduling, enough budget, and accurate control as every projects need. BPR projects should be based on primal time schedule to prevent any time delay in BPR implementation (Hutto & R. Kasich, 1994). Lack of efficient planning, inadequate resources in executive stage, and lack of utilizing project management techniques are important BPR

failure factors (Tarokh, Sharifi, & Nazemi, 2008; Hammer & Champy, 2001). Project management should cover all required activities and resources at any time during the lifecycle of the project (Obara Magutu, Onserio Nyamwange, & Kiplimo Kaptoge, 2010). Learning, careful redesign of processes and determination of performance key goals are other important factors in BPR project management (Xiang, 2010). Many other studies have emphasized on factors associated with project management in BPR success and failure (Herzog, Polajnar, & Tonchia, 2007; Ahmad, Francis, & Zairi, 2007; Salimifard, Abbaszadeh, & Ghorbanpur, 2010).

INFORMATION TECHNOLOGY FACTORS

Information technology (IT) plays a vital role in the overall success of the initiative to re-engineer (Akhavan, Jafari, & Ali-Ahmadi, 2006). IT is the most effective factor in BPR success and failure (Love & Gunasekaran, 1997; Goksoy, Ozsoy, & Vayvay, 2012; Herzog, Polajnar, & Tonchia, 2007; Abdolvand, Albadvi, & Ferdowsi, 2008; Paper & Chang, 2005; Ahmad, Francis, & Zairi, 2007). Having the right IT infrastructure is a vital factor in the successful implementation of BPR (Obara Magutu, Onserio Nyamwange, & Kiplimo Kaptoge, 2010) because unlike other approaches such as TQM, BPR is heavily based on IT. Attaran (2004) believes that IT role is very important in three stages: a) before BPR implementation, b) implementation stage and c) after BPR implementation.

FACTORS RELATED TO TOP MANAGEMENT

Top management performs the leader role in process management paradigm with effective cultural change and elimination of obstacles (Hutto & R. Kasich, 1994). Many of reported failures in re-engineering planning caused by lack of top management support and disinclination towards change (Adenso-Diaz & Canteli, 2001). It is mentioned that elected leadership is one of the biggest barriers to successful implementation of BPR. It is important for a manager to have a proper mindset in addition to his management

authority (Hammer & Champy, 2001). Changing cultural attitudes, understanding and acceptance of the selected orientation, face-to-face communication, and education are other committed top management tasks (O'Neill & S. Sohal, 1998). Sutcliffe (1997) obtained two important results in his research on the relationship between leader behavior and the results of re-engineering; 1) successful leaders of BPR projects use leadership styles that have better fitness with vital factors; 2) successful leaders of BPR projects do their leadership duties in a very balanced way. Abdolvand and others (Abdolvand, Albadvi, & Ferdowsi, 2008) believe that sufficient knowledge about IT projects, realistic expectations of the BPR results, and frequent communication with BPR users and team are the most essential tasks for top management in BPR implementation. Other researchers such as Wu (2003), Khong and Richardson (2003), Salimifard and colleagues (Salimifard, Abbaszadeh, & Ghorbanpur, 2010), and Terziovski and others (Terziovski, Fitzpatrick, & O'Neill, 2003) emphasized the top management role in the success and failure of BPR.

CULTURAL FACTORS

Cultural factors are among influential factors of BPR project performance. In many previous BPR projects, some resistances in the organization against re-engineering were due to cultural factors that would cause organization failure if not to be considered (Warren & David, 2006; Attaran, 2000; HRFocus, 1994). BPR problems and restrictions in developing countries such as Iran are more related to organizational and managerial culture and not to technical or work capabilities (Salimifard, Abbaszadeh, & Ghorbanpur, 2010). Mainly traditional conservative organizations are task-oriented and vertically structured while top manager rarely deals with fundamental changes. Employees do not feel that they belong to the organization and avoid new experience and risks. Therefore, there is no attention to long-term needs of customers, and flexibility is minimized (Sepehri, 2005). These changes led to more flat organizational hierarchy or larger control area in

organizations, more productivity and employees satisfaction (Goksoy, Ozsoy, & Vayvay, 2012). Yu et al. (Yu, Yi, Wang, & Zhao, 2010) believe that organizational culture plays two important roles in the organization. Firstly, it fosters unity and makes a good communication mechanism in which they cooperate better with high productivity. Secondly, it helps organization to be consistent with external environment in order to train employees the daily responsibilities to work faster and become consistent with changes in exterior environment. Other researchers focus on the cultural factors in investigation of the amount of BPR success (Haghighat & Mohammadi, 2012; Ahmad, Francis, & Zairi, 2007; F. Jarrar & M. Aspinwall, 1999; Terziovski, Fitzpatrick, & O'Neill, 2003).

METHODOLOGICAL FACTORS

Methodological factors focus on attempts to change, support, set goals, measurement, modeling, customer orientation, BPR team and its performance (Kyung Sung & Gibson, 1998). In fact, methodology is a combination of organized methods, techniques and tools to direct re-engineering project towards success by helping to solve problems in this risky trend (Vakola & Rezgui, 2000). Factors such as suitable guide, commitment, orientation, continuous monitoring, customer support, process-oriented, and generally BPR performance are involved in this collection (Paper & Chang, 2005; Kyung Sung & Gibson, 1998; Hammer & Champy, 1993; Davenport, 1993; Belmonte & Murray, 1993; Hall & Wade, 1993). Certainly, selection of appropriate techniques and methodology based on organization conditions for BPR implementation has a very significant impact in its success or failure.

FACTORS RELATED TO THE CHANGES IN MANAGEMENT SYSTEMS

Human resources play a vital role in improving organizational processes (Abdolvand, Albadvi, & Ferdowsi, 2008) and since business processes should be run by human resources, considering this factor is among most important elements in changing processes because employees resistance

against changes will cause project failure (Paper & Chang, 2005). Previous approaches for BPR success should be changed. Re-engineering is not only changing the processes, rather it is a change in all sections of organization. Without change management process, no improvement can be enforced in any organization (Tissari & Heikkila, 2001). Changes in rewarding system, changing of organization structure to a flat state, improved communications and decision-making, and training or empowerment of employees are all among factors related to this category (Fortune Magazine, 1998; Khong & Richardson, 2003; Kyung Sung & Gibson, 1998; AL-Mashari & Zairi, 1999; Abdolvand, Albadvi, & Ferdowsi, 2008; Jeston & Nelis, 2008).

METHODOLOGY

This study is a survey research. Considering sampling performed in a period, this study is cross section study. General model of this study includes seven main categories described in previous sections. Exploratory factor analysis was used to classify and name each factors related to each category. The purpose of the factor analysis is to reduce the volume of data and determine the most effective variables in shaping phenomenon (Dobni, 2008).

DATA COLLECTION

A questionnaire was used for data collection. The questionnaire contained 80 questions for the seven categories of factors that affect the measurement of organization's readiness to implement the BRR. It was designed for exploratory factor analysis. Some of the questions in the questionnaire were in the form of compilation and others were designed with the previous articles help. 15 experts in quality management and industrial engineering in Tehran confirmed the validity of the questionnaire. The sample size for factor analysis should be between 40 - 400 (Hanafizadeh & Osouli, 2011). Random cluster sampling method was carried out in this study. Namely, the overall sample divided into three industrial, scientific and services areas and

then the questionnaire was distributed among countries and institutions of higher education randomly. In general, 500 questionnaires were sent electronically to Iranian professionals among whom 183 questionnaires completed electronically and 46 were completed face to face. A total number of 229 questionnaires were used for exploratory factor analysis. Data collection was conducted in August and September of 2012.

EXPLORATORY FACTOR ANALYSIS

In exploratory factor analysis, the researcher intends to discover the underlying structure of a large set of variables. In other words, the researcher has no initial theory. SPSS v19 was used for exploratory factor analysis. The following conditions should be observed for exploratory factor analysis:

1. KMO coefficient: this coefficient indicates sampling adequacy that its value is always between zero and one. The result is acceptable if KMO is more than 0.6.
2. Significance of Bartlett's test: it is a minimum requirement for factor analysis.
3. Matrix coefficient is greater than zero.

ANALYSIS OF FINDINGS

Cronbach's Alpha method was used in this study to assess the reliability of the questionnaire. In this case, each statement of the seven major parts of factors were analyzed separately in order to determine the scores of statement related to each factor have accurate measurement in explaining the actual score of responded. Information about measuring Cronbach's Alpha for each of seven categories is presented in Table 1. It should be noted that Cronbach's Alpha value of all eight statement of the questionnaire was generally calculated as 0.973 that indicated high level of reliability in the research questionnaire. Table 2 shows the scope and frequency of respondent.

As already mentioned, the main measuring factors of organizations readiness to implement BPR were classified into seven main categories. Hence, exploratory factor analysis purpose is to identify latent measures of each of these main categories.

Table 3 represents KMO coefficient values, Bartlett's test and determining correlation matrix for each of the seven categories.

STRATEGIC FACTORS

According to high amount of KMO that is above 0.6 and obtained determining value of correlation coefficient bigger than zero, the results are acceptable. Moreover, it is worth nothing that finding rotation matrix of factors has been obtained with 5 replications. As data in Table 4 represents, 60.459 percent of changes in explained by three new factors. The eigenvalue in finding of the rotated matrix have been obtained for first factor as 3.069, for the second factor as 1.979, and for the third factor as 1.602. Naming of the factors in the theoretical literature and statement that have taken place in the same categories has been performed. Now, three outputs for statements concerning strategic factors should be named and explained that will be investigated in next part.

Vision and Strategy

The first category of statements classified based on the type of exploratory factor analysis and theoretical review of literature. The statement is called "prospects and strategy". Five definitions of prospects and strategy subcategories are "landscape changes with the load factor of 0.834", "identification and providing appropriate strategies of changing with load factor of 0.846", "re-engineering strategy consistent with the overall strategy of the organization with factor load of 0.528", "commitment to changing prospect with factor loading of 0.696" and "flexibility of changing prospects with factor load of 0.547".

Top- down approach

The second factor extracted from related statements was called "top-down approach". A major change must start from the top level. It is clear that re-engineering never be implemented in bottom up approach. Undoubtedly, top manager of an organization with a holistic view

of the process and a clear vision of re-engineering should manage organization during changes and re-engineering. Three statements of "requirement of re-engineering of top top with a loading factor of 0.849", "cooperation of middle top managers in re-engineering with a factor load of 0.568" and "announcement of guidelines from top managers of the organization with factor load of 0.828" are in this category.

Identification of stakeholders

Since business environment is continuously changing and competitive environment will determine the direction of the markets, so identification of the market and stakeholders, analyzing of environment and prediction of the possible changes play an important role in long term re-engineering planning. Statements of "market analysis and identifying stakeholders" and "prioritizing stakeholder expectations in re-engineering plan" with load factors of 0.701 and 0.884, respectively, were in this category.

FACTOR ANALYSIS OF PROJECT MANAGEMENT FACTORS

According to Table3, the determining value of correlation coefficient matrix is greater than zero and other indices are in acceptable range. It should be noted that the rotated matrix of factors is obtained with three iteration. As it can be seen in Tables 4, eigenvalue of two new factors is greater than 1. Therefore, it is acceptable for factor analysis. Eigenvalue of the first and second factors was 4.140 and 1.978, respectively. Generally, 55.616 percent of the total variation is explained by these two factors that are acceptable in factor analysis.

Planning and project control

The first factor in a series of factors is called "project planning and project control". These factors represent a set of statements regarding the management of re-engineering. It should be noted that one of the major reasons for the failure of re-engineering projects is that they are too long.

The main causes include lack of proper planning and monitoring of project resources. Statements of "effective planning and using project management techniques of 0.721", "regular reporting of project progress of 0.710", "proper timing of projects of 0.797", "regular project monitoring and correction of 0.732" and "avoiding long delays in project of 0.629" are placed in this category.

Allocation of resources

Lack of allocation of necessary resources for the re-engineering is one of the other reasons for its failure. This includes skilled work force and capital resources and tools needed to implement project. Existence of unnecessary workforces and lack of skills and education will not only stops project progress but also people will be disappointed. Allocation of sufficient funds to advance the project in accordance with the scheduled program will be crucial. In addition, the role of top management to guide the process in the right direction is very important. Based on the results of exploratory factor analysis, the factor of "allocation of required resources" is formed by statements of "having enough resources with loading factor of 0.812", "diversity of project resources (use of consultants, users, customers, suppliers, etc.) with a load factor of 0.585" and "Allocation of resources consistent with the estimated load factor of 0.664".

FACTOR ANALYSIS OF INFORMATION TECHNOLOGY (IT) FACTORS

Since determining the correlation matrix was 0.002 and the other values of indicators were acceptable based on obtained information, so results of factor analysis are acceptable. According to statistical data of Table 4, it can be seen that 60.321 percent of changes are presented by two new factors that are somehow acceptable. Eigenvalue of first factor in rotated matrix is 3.703 and for the second factor is 3.536.

IT knowledge and resources

As mentioned before, one of the most important differences of process re-engineering with other

development approaches such as TQM is the important role of IT in its success. In order to have a successful process re-engineering, IT opportunities should be used effectively based on sufficient resources and update knowledge of individuals in the field of IT. Statements of "having databases and appropriate information systems with load factor of 0.741", "sourcing and suitable investment in IT with load factor of 0.734", "appropriate use of software with load factor of 0.755", "developed organizational information system with load factor of 0.634" and "synergetic use of IT and redesigning methods of process with load factor of 0.549" are related to this category based on obtained results of factor analysis.

IT infrastructure

Before implementing BPR, we should ask whether there are appropriate software and hardware facilities available. To what extent the technology infrastructure of the organization can meet the process reengineering requirements. One of basic conditions of process reengineering is the availability of a powerful IT infrastructure. Statements of "having appropriate IT infrastructures with load factor of 0.615", "development of abilities of IT unit with load factor of 0.758", "IT infrastructure consistent with process reengineering strategies with load factor of 0.728", "appropriate measurement of effective IT infrastructure in business process reengineering with load factor of 0.815" and "appropriate design of IT network with load factor of 0.767" are classified in the IT infrastructure category.

FACTOR ANALYSIS RELATED TO TOP MANAGEMENT

According to high value of KMO and determining value of correlation coefficient bigger than one, obtained results are acceptable. Eigenvalues, variance percentage and cumulative variance percent are considered for new factors before and after rotation of factor loads in Table 4. Generally, 59.626 percent of changes are presented by three new factors. Eigenvalue of first factor in the rotated

matrix is 3.820, for second factor are 2.718 and for third factor is 1.710.

Commitment and leadership

One of the most important factors in successful implementation of BPR is commitment and leadership of top managers during change operation. It is considered that top management commitment is a requirement for successful reengineering (Hammer & Champy, 2001). According to obtained results, statements of "planning, guiding and coordinating of resources by top management with load factor of 0.640", "cooperation of top management with load factor of 0.606", "top manager support during operation with load factor of 0.738" and "braveness of top management towards project failure with load factor of 0.585" are classified in the factor category of "commitment and management".

Knowledge and wisdom

Manager who has no understanding of how to re-engineering or someone who has no knowledge in this field cannot manage BPR during implementation phase. Top manager of organization not only should have a good understanding of re-engineering but also should clarify it for staff. According to the obtained results of factor analysis, statements of "sufficient knowledge of top manager about reengineering with load factor of 0.659", "integrated management approach to re-engineering in all units with load factor of 0.575", "tendency of top manager to accept and perform suggestions of reengineering team with load factor of 0.736", "having an understanding of reengineering with load factor of 0.601" and "effective management of risks by top manager with load factor of 0.848" are in this group.

Open communications

Top manager should have a clear communication with other units of the organization. He/she should communicate all the time and regularly with implementing team of the

project. He/she should have contact with staff, investigate their work progress, and make staff aware of project progress. According to related statements and theoretical literature review, the third factor in the collection of top manager factors is "open communication". Statements of "continuous communication of top manager with staff during the project with load factor of 0.763", "regular communication of top management with the team with load factor of 0.572" and "continuous communication of top manager with other stakeholders of the project with load factor of 0.639" are in this group.

FACTOR ANALYSIS RELATED TO CULTURAL FACTORS

According to Table 3, determining value of correlation coefficient is 0.099 and other values of indicators are acceptable. Eigenvalues, variance percentage and cumulative variance percent are considered for new factors before and after rotation of factor loads in Table 4. Generally, 71.425 percent of changes are presented by two new factors. Eigenvalue of first factor in the rotated matrix is 2.679 and for second factor is 1.607.

The climate of trust and collaborative environment

When employees are not very intimate with each other in a corporate environment and there is no trust to top manager, then they will never cooperate in re-engineering project. It is necessary that all staff cooperate in the project. According to obtained results of factor analysis, available statements of this category are: "climate of trust and collaborative environment between staff with load factor of 0.810", "existence of cooperation culture among staff with load factor of 0.894", "giving more authority for attraction of staff with load factor of 0.905".

Readiness and acceptance for change

It is natural that each kind of new change in the organization environment will cause some opposing ideas and resistance. However, the important point

is that manager should not give up on these disagreements. Organization disagreement against re-engineering is a natural phenomenon. Therefore, another important factor for preparation of organization to perform re-engineering project is intra-organizational preparations to accept changes. Various meetings and briefings are considered as the most important factors to remove this problem. According to obtained results of Table 4, 22 statements of this category are "creation of an effective culture for organizational changes with load factor of 0.806", "stimulation of the organization to accept change with load factor of 0.690" and "reduce the fear of individuals and units towards make changes".

FACTOR ANALYSIS RELATED TO METHODOLOGICAL FACTORS

Determining value of correlation coefficient is 0.005 and other values of indicators are acceptable based on obtained data. Eigenvalues, variance percentage and cumulative variance percent are considered for new factors before and after rotation of factor loads in Table 4. Generally, 55.917 percent of changes are presented by two new factors. Eigenvalue of first factor in the rotated matrix is 3.682 and for second factor are 3.028.

Process focus

Re-engineering of processes requires process-based thinking, processes scope, graphical mapping, analysis based on local needs and expectations of customers. For this purpose, all required techniques and methods such as modeling and continuous monitoring should be used. In this study and according to the obtained results, statements of this category are: "having a process-based thinking among project team with load factor of 0.527", "performing an exact evaluation for identification and deletion of activities with no added value with load factor of 0.674", "identification of purposes of developed function that requires development and reengineering with load factor of 0.788", "definition of main processes to achieve goals

and giving services to customers with load factor of 0.767", "attempt to change business processes not their modification with load factor of 0.720", "identification of the main customers, their needs and requirements consistent with future changes with load factor of 0.681", and finally, "effective training of modeling tools and business analysis with load factor of 0.533".

Methodology and BPR team

Selection of methodology is dependent on time, structural conditions and type of business. Moreover, using a capable BPR team is considered as the first step in successful re-engineering plan. BPR team should be selected among most expert people with high motivation and sufficient knowledge of the organization process. This team can be a combination of experts inside or outside the organization. According to obtained results of Table 4, 25 statements in this category are: "using appropriate methods and tools for implementing re-engineering process with load factor of 0.564", "allocation of best knowledgeable staffs for reengineering process with load factor of 0.792", "focus of this team on the results with load factor of 0.828", "using appropriate methodology in this process consistent with time, cost, structure and type of processes with load factor of 0.607", and "good identification of process re-designers based on their experiences with load factor of 0.677".

FACTOR ANALYSIS RELATED TO CHANGES IN MANAGEMENT SYSTEMS FACTORS

According to Table 3, determining value of correlation coefficient is 0.002 and other values of indicators are acceptable. Eigenvalues, variance percentage and cumulative variance percent are considered for new factors before and after rotation of factor loads in Table 4. Generally, 60.685 percent of changes are presented by three new factors. Eigenvalue of first factor in the rotated matrix is 3.064, for second factor is 2.763 and for third factor is 2.669.

Rewarding and motivation systems

Reengineering means changes in all organizational sections. In order to change one or several

processes, all other sections should be changed. Philosophy of re-engineering means a kind of fundamental change in the previous methods. One of the most important changes is changing of rewarding and motivation systems. All bureaucratic structures and mechanical environments should be removed in which staffs are working with senseless machines. Staff should be motivated to cooperate and share information in BPR project. Although some occupations may be eliminated after re-engineering and some staffs become unsatisfied with this system. Traditional occupations should be removed in order to make fundamental changes. However, it does not mean to endanger staffs job security. According to the obtained results of the factor analysis, statements in this category are: "designing of a new rewarding system with load factor of 0.626", "encouraging of staffs to help changing process with load factor of 0.709", "maintenance of staffs job security with load factor of 0.672", "having training classes for staffs about the PBR with load factor of 0.543", "related evidence feedback with new processes for workforces with load factor of 0.574", "not using of intensive and bureaucratic methods of re-engineering with load factor of 0.594" and "preparation of conditions for an effective team work with load factor of 0.572".

Participation and empowerment of employees

As mentioned before, performance of reengineering will not be successful without cooperation of all organizational units. It is clear that those employees can help in present project that are completely familiar with this concept and understand its necessity. Another requirement of successful reengineering is to have skilled work forces with multiple responsibilities that can play a role in different organizational posts when some fundamental changes happen. According to obtained results of the factor analysis, statements of this category are: "empowerment of employees for multiple responsibilities with load factor of 0.758", "giving authority, motivation and responsibility to employees with load factor of 0.665", "measurement of work for efficiency with

load factor of 0.773", "training of decision making skills and problem solving to employees with load factor of 0.785".

Effective Communicative Channels

It is not possible to coordinate different sections of an organization during project without an effective communication channel. Communications indifferent levels should be clear. Traditional methods such as excess correspondence should be avoided. Another way to accelerate communication between different sections is to make a network-based and information technology via Office Automation System. According to obtained results of factor analysis, statements of this category are "maximum use of network, computer and IT for acceleration of communication with load factor of 0.684", "communication development with external environment of shareholders with load factor of 0.860" and "making effective communication at all organizational levels with load factor of 0.648". Finally, theoretical model of this study can be seen in Figure 1.

SUMMARY AND CONCLUSIONS

Identification of capabilities, effective factors of failure or success of BPR project has had a huge impact on the results of this study. So far, in Iran BPR is used in many organizations and institutions such as Railways, Customs, and Oil and Gas companies. However, the results of BPR projects remain as suggestions and not being used in practice. The main reason is that preparation of these organizations for BPR is not measured in the organizations and they do not pay attention to requirements, infrastructures and effective factors. After the completion of BPR project, following questions should be answered:

1. Is there any determined prospect and strategy provided by organization to perform BPR?
2. Is the project correctly planned and required resources are available?
3. Is IT infrastructure capable to support changes?
4. Is top manager prepared to manage, cooperate and support BPR changes?
5. Are necessary measures provided to manage, cooperate and support BPR changes?

This study attempted to investigate effective factors of organizations readiness to perform BPR. As it is shown, this framework includes 7 general categories with 17 factors each of which are classified based on obtained results of factor analysis. Criteria to select the main categories were review of theoretical literature and amount of focus on each category as effective factors on BPR results. Next, a separate exploratory factor analysis performed to identify each subset of factors. It is suggested in this study to classify each main category with their subcategories to determine importance of each one in BPR implementation.

REFERENCES

- Abdolvand, N., Albadvi, A., & Ferdowsi, Z. (2008). Assessing readiness for business process reengineering. *Business Process Management Journal*, 497-511.
- Adenso-Diaz, B., & Canteli, A. F. (2001). Business Process Reengineering and University Organisation: a normative approach from the Spanish case. *Journal of Higher Education Policy and Management*, 63-73.
- Ahmad, H., Francis, A., & Zairi, M. (2007). Business process reengineering: critical success factors in higher education. *Business Process Management Journal*, 451-469.
- Akhavan, P., Jafari, M., & Ali-Ahmadi, A. R. (2006). Exploring the interdependency between reengineering and information technology by developing a conceptual model. *Business Process Management Journal*, 517-534.
- AL-Mashari, M., & Zairi, M. (1999). BPR implementation process: an analysis of key

- success and failure factors. **Business Process Management Journal**, 87-115.
- Attaran, M. (2000). Why does reengineering fail? A practical guide for successful implementation. **Journal of Management Development**, 794-801.
- Attaran, M. (2004). Exploring the relationship between information technology and business process reengineering. **Information & Management**, 585-596.
- Belmonte, R., & Murray, R. (1993). Getting Ready for Strategic Change: Surviving Business Process Redesign. **Business Week**.
- Davenport, T. (1993). **Process Innovation: Reengineering Work Through Information Technology**. Harvard Business School, Cambridge, MA.
- Dobni, C. B. (2008). Measuring innovation culture in organizations. **European Journal of Innovation Management**, 539-559.
- F.Jarrar, Y., & M.Aspinwall, E. (1999). Business process re-engineering: Learning from organizational experience. **Total Quality Management**, 173-186.
- Fortune Magazine. (1998). CSFs of BPR.
- Goksoy, A., Ozsoy, B., & Vayvay, O. (2012). Business Process Reengineering: Strategic Tool for Managing Organizational Change an Application in a Multinational Company. **International Journal of Business and Management**, 89-112.
- Haghighat, F., & Mohammadi, M. (2012). Designing the Model of Effective Factors on Acceptance of Business Process Reengineering(BPR) Case study: Isfahan Municipality. **Interdisciplinary Journal of Contemporary Research in Business**, 281-289.
- Hall, R., & Wade, J. (1993). How to Make Reengineering Really Work. **Harvard Business Review**, 119-131.
- Hammer, M., & Champy, J. (1993). Re-engineering the Corporation: A Manifesto for Business Revolution. **Harper Business**.
- Hammer, M., & Champy, J. (2001). Reengineering the corporation: a manifesto for business revolution. New York: 2nd Edition Harper Collins.
- Hanafizadeh, P., & Osouli, E. (2011). Process selection in re-engineering by measuring degree of change. **Business Process Management Journal**, 284-310.
- Herzog, N., Polajnar, A., & Tonchia, S. (2007). Development and validation of business process reengineering(BPR) variables: a survey research in Slovenian companies. **International Journal of Production Research**, 5811-5834.
- HRFocus. (1994). **Reengineering Succeeds Despite Tight Budgets**. HRFocus.
- Hutto, E., & R. Kasich, J. (1994). **Reengineering Organizations**. Washington, USA: United States General Accounting Office, Results of a GAO Symposium.
- Jeston, J., & Nelis, J. (2008). **Business process management: practical guidelines to successful implementation**. Oxford: Butterworth-Heinemann: Elsevier.
- Johnston, V. R. (1995). **Increasing Quality and productivity: Strategic Planning, TQM, and Beyond**. IOS Press.
- Khong, K. W., & Richardson, S. (2003). **Business process reengineering in Malaysian banks and finance**

- companies. Managing Service Quality**, 54-71.
- Kyung Sung, T., & Gibson, D. V. (1998). Critical Success Factors for Business Reengineering and Corporate Performance: The Case of Korean Corporations. **Technological Forecasting and Social Change**, 297-311.
- Love, P., & Gunasekaranb, A. (1997). **Process reengineering: A review of enablers. Int. J. Production Economics**, 183-197.
- Mcadam, R. (2000). The Implementation of Reengineering in SMEs: A Grounded Study. **International Small Business Journal**, 29-45.
- Neuman, W. (2000). **Social Research Methods: Qualitative and Quantitative Approaches. Needham Heights**, United States of America: ALLYN AND BACON.
- Obara Magutu, P., Onserio Nyamwange, S., & Kiplimo Kaptoge, G. (2010). Business Process Reengineering For Competitive Advantage: Key Factors That May Lead To the Success or Failure of the BPR Implementation (The Wrigley Company). **African Journal of Business & Management** (AJBUMA), 135-150.
- ONeill, P., & S.Sohal, A. (1998). Business process reengineering: application and success – an Australian study. **International Journal of Operations & Production Management**, 832-864.
- Ozcelik, Y. (2010). Do business process reengineering projects payo ? Evidence from the United States. **International Journal of Project Management** , 7-13.
- Paper, D., & Chang, R.-D. (2005). The State of Business Process Reengineering: A Search for Success Factors. **Total Quality Management**, 121-133.
- Ryan, S., & Hurley, J. (2003). Have total quality management, business process reengineering and the learning organisation been replaced by knowledge management. **The Irish Journal of Management**, 41-55.
- Salimifard, K., Abbaszadeh, M., & Ghorbanpur, A. (2010). Interpretive Structural Modeling of Critical Success Factors in Banking Process Re-engineering. **International Review of Business Research Papers**, 6(2), 95-103.
- Sepehri, M. (2005). Business Process Reengineering: a Literature Review. **3rd International Management Conference** . Tehran: Civilica.
- Sutcliffe, N. G. (1997). **The role of Leadership in Business Process Reengineering: An Empirical Study of the Relationship b e t w e e n Leadership Behavior and the Reengineering Outcomes**. Los Angeles, USA: University of California, Los Angeles, USA.
- Tarokh, M. J., Sharifi, E., & Nazemi, E. (2008). Survey of BPR experiences in Iran: reasons for success and failure. **Journal of Business & Industrial Marketing**, 350-362.
- Tennant, C., & Wu, Y.-C. (2005). The application of business process reengineering in the UK. **The TQM Magazine**, 537-545.
- Terziovski, M., Fitzpatrick, P., & O'Neill, P. (2003). Successful predictors of business process reengineering (BPR) in financial services. **Int. J. Production Economics**, 35-50.
- Tissari, T., & Heikkila, J. (2001). Successful Re-engineering Learning by Doing. **International Journal of Logistics: Research and Applications**, 329-344.

- Vakola, M., & Rezgui, Y. (2000). Critique of existing business process re-engineering methodologies: the development and implementation of a new methodology. *Business process Management journal*, 238-250.
- Warren, T., & David, N. (2006). *Reengineering. In Encyclopaedia of hospital Administration and Management* (pp. 263-278). Delhi.
- Wu, I.-L. (2002). A model for implementing BPR based on strategic perspectives: an empirical study. *Information & Management*, 313–324.
- Wu, I.-L. (2003). Understanding senior management's behavior in promoting the strategic role of IT in process reengineering: use of the theory of reasoned action. *Information & Management*, 1–11.
- Xiang, J. (2010). *Business Process Redesign Project Implementation and Outcomes- A Proposed Model and Its Validation*. Ottawa, Canada: McMaster University.
- Yu, D.-h., Yi, S.-p., Wang, T., & Zhao, J. (2010). An Empirical Study on the Success of BPR Based on BPR Support Systems. *Industrial Engineering and Engineering Management (IE&EM)*, 2010 IEEE 17Th International Conference on (pp. 489-495). Xiamen: IEEE.

Table1. Cronbach's alpha coefficient value for each of the seven major categories

Category name	Statements	Cronbach's alpha coefficient
Strategic factors	01-11	0.829
Project management factors	12-22	0.868
IT factors	23-34	0.907
Top management factors	35-48	0.893
Cultural factors	49-54	0.814
Methodological factors	55-66	0.89
Changes in management systems factors	67-80	0.912

Table2. Scope and frequency of respondent			
Context	Percentage	Frequency	Cumulative frequency percentage
Academic - Research	59.83	137	59.83
Computer and Electronic Commerce	9.17	21	69
Production-Industrial	5.24	12	74.24
Car building	4.8	11	79.04
Services (Insurance)	1.31	3	80.35
Services (consultant engineering)	6.55	15	86.9
Services (health care)	0.87	2	87.77
Banks	0.44	1	88.21
Municipal administration	1.75	4	89.96
Telecommunications	1.75	4	91.7
Transportation (railway, subway, etc.)	4.37	10	96.07
Oil and Gas	2.19	5	98.25
Mining and Industry (Development and Renovation)	1.75	4	100
Total	100	229	

Table 3. KMO Coefficient values Bartlett's test for each of the main factors								
Indicator		Strategic	Project management	IT	Top management	Cultural	Methodological	Change in management systems
KMO		0.805	0.865	0.896	0.866	0.779	0.89	0.856
Bartlett's test	Chi-square (X ²)	864.646	922.544	1390.803	1393.582	521.791	1189.813	1440.105
	Freedom degree	55	55	66	91	15	66	91
	Possibility value	0	0.000	0.000	0.000	0.000	0.000	0.000
Determining the correlation matrix		0.001	0.001	0.002	0.002	0.099	0.005	0.002

Table 4. Eigenvalues and percentage of variance explained for each factor in the matrix and the rotation

Category	Factor	Initial eigenvalues			Extraction Sums of Squared loading		
		Total	% of Variance	Cumulative % of Variance	Total	% of Variance	Cumulative % of Variance
Strategic factors	1	4.239	38.537	38.537	3.069	27.904	27.904
	2	1.387	12.606	51.143	1.979	17.993	45.897
	3	1.025	9.316	60.459	1.606	14.562	60.459
Project management factors	1	4.967	45.152	45.152	4.14	37.635	37.635
	2	1.151	10.464	55.616	1.978	17.98	55.616
IT factors	1	6.018	50.149	50.149	3.703	30.859	30.859
	2	1.221	10.173	60.321	3.536	29.463	60.321
Top management factors	1	6.034	43.097	43.097	3.82	27.285	27.285
	2	1.196	8.544	51.641	2.817	20.124	47.409
	3	1.118	7.986	59.626	1.71	12.217	59.626
Cultural factors	1	3.151	52.513	52.513	2.679	44.645	44.645
	2	1.135	18.913	71.425	1.607	26.78	71.425
Methodological factors	1	5.524	46.035	46.035	3.682	30.686	30.686
	2	1.186	9.882	55.917	3.028	25.231	55.917
Changes in management systems factors	1	5.964	42.603	42.603	3.064	21.886	21.886
	2	1.47	10.498	53.101	2.763	19.734	41.62
	3	1.062	7.585	60.685	2.669	19.065	60.685

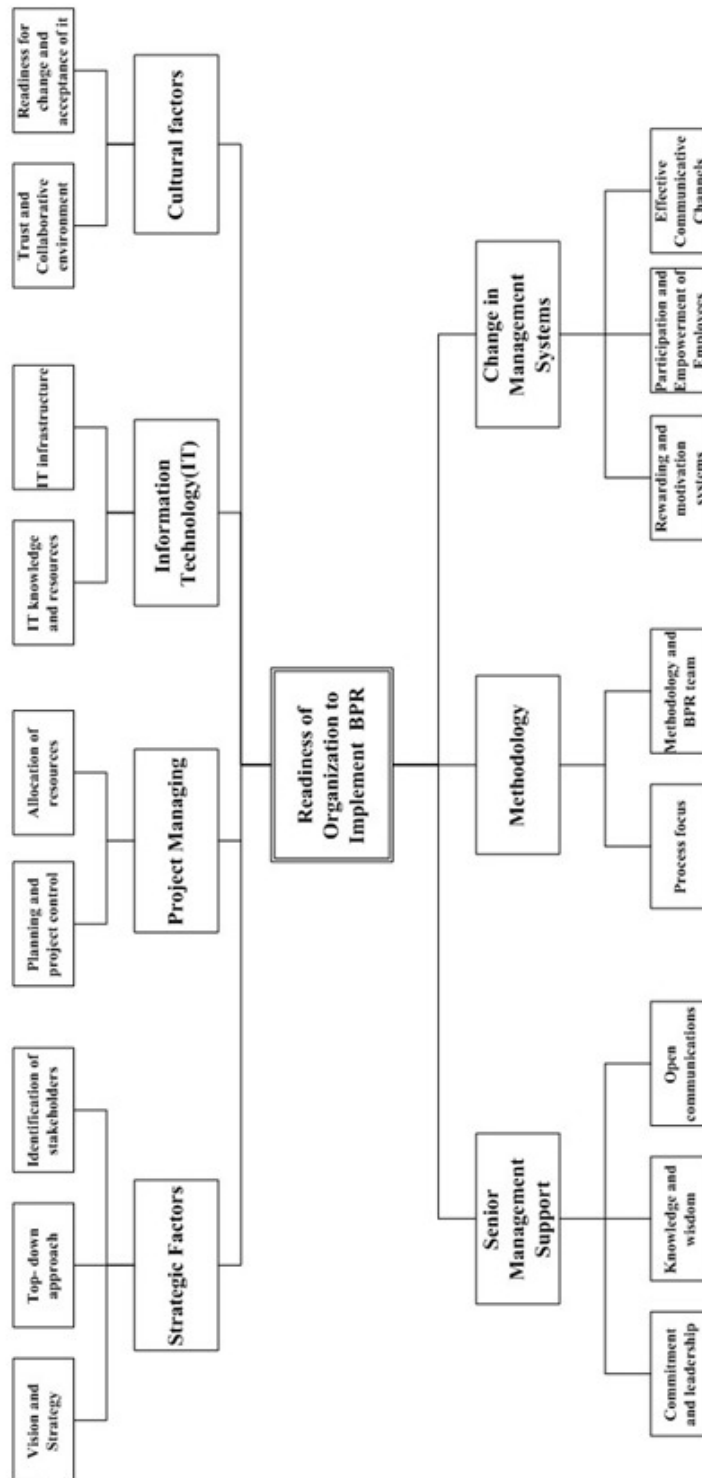


Figure 1: Research Framework

The Impact of Relationship Marketing Levels on Non-Financial Hotel Performance Case of Study: Four and Five-Star Shiraz Hotels

Fakhrieh. Hamidianpour
Department of Business
Management,
Persian Gulf University,
Bushehr, Iran
hamidianpur2000@yahoo.com

Seyed Yaghoub. Hosseini
2Department of Business
Management,
Persian Gulf University,
Bushehr, Iran
hossainee@yahoo.com

Samaneh. Raeesi Nafchi
(Corresponding author)
Department of Business
Management, Persian Gulf
University, Bushehr, Iran
pgu.raeesi@yahoo.com

ABSTRACT

In today's competitive market it is usually not sufficient to only implement traditional marketing strategies. Relationship marketing is a new paradigm that is more customers focused in order to stand out from competitors and create sustainable competitive advantages. The application of relationship marketing in the hotel industry enables hotels to create customer satisfaction and thereby improve their performance. The aim of present research paper is to point out the impact of different levels of relationship marketing on non-financial performance based on 402 reviews of guests in four and five star hotels. In order to test the research hypothesis, Beta coefficient test was used. The research results have shown that relationship marketing levels positively affected the non-financial performance in hotels and the conceptual model has been accepted.

Keywords : Relationship Marketing, Financial Level, Social Level, Structural Level, Non- Financial Performance, Hotel Industry

INTRODUCTION

The hotel is a "service oriented" and its survival is dependent on the number of guests. But customers are more carefully differentiate between the values of competing hotel services before making decision (Chen & Wang , 2011).

In today's world, the hotel industry is highly competitive and it is essential to have a right knowledge about customer values and demands. It helps them to the differentiate gain sustainable competitive advantage. When supply is higher than demand, the traditional marketing strategies might not be enough to achieve long- term goals (Bjerre & Hougaard, 2002).

By gathering useful information, building, and maintaining relationships with customers, it is possible to learn what the segment really values in a product or service, which results in an increased chance to gain an advantage against competitors. Managing customer relations is becoming more

important and is being portrayed as a new paradigm within marketing management (Bjerre & Hougaard, 2002).

Relationship marketing has increasingly become more important. This new paradigm of marketing focus on retaining the customer, creating and developing long term relationship with them.

Researchers like Porter (1985) and Day (2000) point out that relationship marketing can be a competitive advantage to a firm, a tool to reduce the customer complaints and overcome service failures and an opportunity for marketing additional products and services to a more receptive customer base. To the researchers, a company that cannot maintain this relationship experiences a lot of difficulties in trying to cope with changes in customer needs and wants particularly in attempting to attract and maintain customers or expand into new markets. When a company integrates customer service and quality with marketing, the result is a relationship

marketing orientation. Relationship marketing creates a new level of interaction between buyers and sellers (Hammer M. , 2008).

Rather than focusing exclusively on attracting new customers, marketers have discovered that it pays to retain current customers and in this competitive environment it can help the organizations such as hotel to improve their performance.

Performance divided to financial and non-financial. Most on researches focus on the financial one but in this research the impact of relationship marketing on non-financial performance is the goal.

LITERATURE REVIEW

Relationship marketing levels

Opposed to classic marketing theory that was absorbing and more emphasis focused on transactions, relationship marketing, a new paradigm in marketing, is to build and maintain customer's relationships. Relationship marketing has recently been termed as a paradigm shift in the marketing theory and practices (Ganesan, 1994). Service organizations have changed their "exchange trading" to "exchange relationship" in order to increase their relationship with customers and satisfy them (Jain & Jain, 2005). Relationship marketing try to maintain and retain customers instead of attracting new ones, therefore, customer is in the core of relationship marketing. The idea of relationship marketing tries to build customer loyalty. So Long-term, stable and mutually beneficial relationship, develops (Peltier, Pointer, & Schibrowsky, 2006).

According to Berry and Parasuraman, relationship marketing is based on using one of three levels: financial, social, and structural. Each level refers to a closer link between agency and client of its level than previous level (Berry & Parasuraman, 1991). Although a particular product or service can be

offered to customers at various levels, every customer reaches them through one level. Each of these levels is included relational bonds. Relational bonds are so in order to build relationships and impact on customer satisfaction.

Financial level

The first level of relationship marketing is financial which includes financial bonds. Financial bonds is applied to economic benefits such as price discounts, rewards, incentives and other financial stimulus that aim to maintain customer loyalty and increase sales and service. When financial incentives are increased, customers feel that they are committed to the care and welfare. Financial bonds based on economic factors to achieve customer loyalty. These bonds are so important especially at the beginning of the relationships. While making financial bonds are easy but it is so hard to maintain them (Ackerman & Schibrowsky, 2008).

Lin believes that if give financial incentive to the customer who wants to use our services, we will get his satisfaction and this customer will use our products and service again in the same case of need. For example, if supermarket gives a customer a discount, then this customer prefers to refer to the same vendor again (Lin, Weng, & Hsieh, 2003).

Although the theory of relationship marketing is relatively new, many organizations have used this strategy. Airlines and the hotel industry is an obvious example of this. "Continuous flight" Programs in airlines industry proposed on the fiscal stimulus, Included rewarding for those customers that most of their trips are done with a specific airline and permanent customers are encouraged through these programs.

Financial bonds emphasize on rewards programs, offering discounts on hotel costs and free gifts in

hotel relationship marketing implementation. Hotels can provide cheaper services for permanent guests too (Schiffman & Kanuk, 2004; Chiu, Hsieh, Li, & Lee, 2005).

Since the financial bonds are based on financial incentives, it is not easy for customers to distinguish between competition programs. Researchers believe that these programs can be imitated easily by a competitors and it is a main problem in this level.

Social level

Another type of bonds which use in relationship marketing is social bonds that create the second level; social level which is abundant in the literature review.

At first time, Stone suggested the importance of social exchanges and identified vendors who value of personal relationships because they believe that they should have a different way to provide service to customers (Stone, 1954).

In definition of social bonds, Ling and Wang (2005) defined these bonds as personal relationships that are created during the interaction (Liang & Wang, 2005). The approach taken from previous researcher's view that sees personal bonds the same as social bonds. Therefore, the social bonds including closeness, support or advice, compassion and accountability, a sense of belonging, attachment, or the integrity and experience are shared. These bonds develop through personal interactions and continuous communications with customers (Palmatier, Gopalakrishna, & Houston, 2006).

Social bonds can encourage customers to remain in a relationship and it gradually over financial bonds that can be used in isolation, are considered more effective. Unlike financial bonds, Social bonds are more difficult to imitate by competitors, such

bonds have been established over time and for the individual's needs. This level of bonds is common between service providers and their customers.

Although social bonds are not sufficient to overcome the prices, they can encourage clients to maintain their relationship with the current supplier. Liang and Wang noted that companies donate gifts to clients to show their own thanks of crated relationship that it will be strength the relationship and its quality (Liang & Wang, 2005).

Structural level

Structural level is the third level of relationship marketing. Structural bonds is considered as the highest level of Relationship marketing because in addition to financial and social bonds they are created by providing services to valued customers, and will not be easily imitated by a competitors (Parvatiyar & Sheth, 2000; Shammout, 2007).

As Structural bonds more privilege and advantages make for customers than other competitors, solve customer's problem better, and create value for them. Many service companies such as Federal Express and UPS have been used these bonds successfully (Zeithaml, Bitner, & Gremler, 2006). Service companies can use structural bonds to gain customer loyalty. These bonds provide solutions for problems of supplier and customer relationship that will increase customer loyalty (Lin, Weng, & Hsieh, 2003; Palmatier, Gopalakrishna, & Houston, 2006). For example, companies can integrate services, and crate creative and innovative products and services proportionate to the needs of their customers (Hsieh, Lin, & Chiu, 2002).

Depending on the level of customization, it is difficult to mimic the structural bonds. Some

companies have invested in structural bonds. These investments include the creation of a customer database, and two-way information exchange technologies that will provide a more comfortable environment for customers to use the service and this is a key success factor for a company than its competitors (Dibb & Meadows, 2001).

Structural bonds are essential for organizations and specially service organizations such as hotels. Researchers believe that hotel managers provide benefits that are not easily imitated by competitors to keep their loyal customers (Shammout, 2007).

Hotel Performance

Organizations and among them, hotels should provide a broad range of service/ products in order to satisfy their customers. This wide range of service and products let the customers to take their choices according to their preferences (Ramanathan & Ramakrishnan, 2011). Organization's performance affect by this strategy. Increasing sales, market share and profitability are some results of customer satisfaction. Customer satisfaction consists of the perceived customer satisfaction level in using hotel services and the intention level of the customer to repurchase/recommend hotel services to others (Johnston & Jones, 2004). Therefore, performance can be defined as "the accomplishment or outcomes of an entity" or as "the ability of an object to produce results in a dimension determined a priori, in relation to a target" (Nagy, Babaia, & Andereia, 2011).

It is vital to identify the factors which influence the hotel's (as an organization) performance. Performance has been studied in different ways. Some researchers believe that organizational performance can divided in two main indicators: objective and subjective (Harris & Mossholder, 1996). Others focused on financial and non-financial grouping (Pealow, 2000).

Ottensmeyer identifies three performance dimensions: market performance, financial performance and employee and customer relationship enhancement. These dimensions using the following indicators: market share, attracted new customers, profitability, cost efficiencies, total sales, positive employee feedback, competencies of employees, as well as customer satisfaction (Ottensmeyer, 2007). In another study, three dimensions of a firm's success were identified by Venkatraman and Ramanujam: the financial, operational and organizational dimensions. These dimensions are mainly financial ratios, occupancy, prices, sales growth, and customer satisfaction (Nagy, Babaia, & Andereia, 2011).

In this research we focused on non-financial factors as a hotel performance indicators.

Non-financial performance

Financial measures are not enough to explain an organization's trends and that there are different non-financial factors influencing the organizations performance, such as quality of products and services, and resource utilization (Nagy, Babaia, & Andereia, 2011). Most frequently used nonfinancial performance measures are: customer satisfaction, employee feed-back, human resources, product quality.

Although measuring a company's performance is difficult, previous researches shown that there are different measures of performance that can be classified into two major categories: financial and non-financial performance measures (Ottensmeyer, 2007; Abdel-maksoud, Dugdale, & Luther, 2005).

Phillips and Louvieris included three major critical success factors that are quantified through different key performance indicators. These CFSs refer to quality of service, customer relationship

management and customer profiling (Philips & Louvieris, 2005).

Abdel-Maksoud et al suggested a model involving five non-financial performance measures: customer satisfaction, product quality, on-time delivery, efficiency and utilization and employee morale (Abdel-maksoud, Dugdale, & Luther, 2005). This model factors can be adjusted for hotel industry and due to their reliability and frequency of citations, we decide to take these in our analysis of four and five star hotels of Shiraz. Value of people in the hotel service delivery process has a big importance for the hotel performance. This orientation has led to suggestions that hotels need to develop better performance information relating to such key areas as employee morale and customer satisfaction (Atkinson & Brander Brown, 2001).

The linked between relationship marketing and performance

The performance of the hotel sector is also influenced by the volatility of changes in the external and international environment. An economic upswing or downturn will have an almost immediate impact on its performance.

These changes may come from external factors as well as internal factors. The external factors such as the global competition that would significantly affect the hotel performance. The competition in hotel industry faced them with the challenge of losing their customers/gusts In order to avoid these challenges. Hotels should get strategies to improve their performance. In other words, hotels should excel in one or more capabilities to succeed in today's environment (Serdar Vural Öktem , 2000). One the most important strategy is relationship marketing. This concept including three levels of strategies in order to build and maintain customer-seller relationships. Relationship marketing activities which in turn influence the customer

behaviors which affects the performance (Palmatier, 2008).

Despite the importance of this issue, there is no empirical evidence that explains the relationship between relationship marketing levels and non-financial of hotel performance. Therefore, the main objective of this paper is to examine this relationship.

Research Conceptual Model and Hypothesizes

Scientific and theoretical framework is needed for every scientific and systematic research which is call conceptual model. Conceptual model of this research contains of relationship marketing that including three level of financial, social, and structural. Moreover non-financial performance of the hotel is shown in this model. According to this model, the research is attended to measure the impact of relationship marketing levels on non-financial performance of the hotel.

The proposal conceptual model is depicted in Figure 1.

Table 4 is model summery which shows that three independent variables (financial, social, and structural level) have ability about 18/8% to predict the dependent variable (non-financial performance).

Conceptual model has been tested and as table 5 illustrated, significant level is 0.000 ($p < 0.05$), therefor the research conceptual model accepted.

According to research conceptual model, the following research hypothesizes are drawn:

H1: Financial level has a positive effect on non-financial performance of the hotel.

H2: Social level has a positive effect on non-financial performance of the hotel.

H3: Structural level has a positive effect on non-financial performance of the hotel.

To test this hypothesis we employed a survey methodology which is discussed in the following section.

RESEARCH METHODOLOGY

The main objective of this research is to analyze the relationship between relationship marketing levels and non-financial performance of the hotel in hotel industry. Findings of this research can help hotel managers and be applied in to succeed relationship marketing strategies in order to increase the hotel performance. The statistical population of the research includes all four and five stars hotels in Shiraz, Iran which conclude 11 hotels.

Our research concludes a questionnaire. Research questionnaire consists of two parts. Relationship marketing levels is the first part that includes three levels (financial, social and structural). Questions of this section gathered from standard questionnaires of different researches. The most important one was Shamout research (Shammout, 2007). We have done some petty modification to adjust both questionnaires to the statistical population. Another part of the questionnaire was related to non-financial performance that questions gets from the research which done in hotels (Pimtong, 2009).

Reliability analysis was calculated. Table1, shown Cronbach's alpha for the questionnaire. The results showed that all the research variables had a high reliability coefficient. In order to analyze the relationship between variables (and testing hypotheses), beta coefficient significance test has been used.

Hypothesis Testing and Data Analysis

Based on sampling data (402 questionnaires) 11.4% of hotel guests have master and PhD degree, 59% with university bachelor and others

with high school diploma degree and lower than it that 58.7% of them were men and only 41.3% were women. Hotels are divided to four stars (63.64%) and five stars (36.36%). On the other hand, we have found that 36.1% of responds are five star hotel guests and 63.9% of them reside in four star hotels.

In this research, we are focusing on the relationship between variables. Therefore, in order to test research hypotheses; β coefficient significance test were used.

To test this hypothesis, each hotel mark in Relationship marketing levels is compared with its mark in Non-financial performance (Table 2. And Table 3).

H1: Financial level has a positive effect on non-financial performance of the hotel.

Since the nature of the H1 is causal relationship, β coefficient test was used. The result for the hypothesis test is illustrated in Table 6. As it is seen, T value is calculated at 3.345. It means that causal relationship is significant and financial level has a positive impact on non-financial performance. The positive value for β (+0.172) indicates the positive nature of the causal relationship. It means the greater mark in financial level causes the greater mark in non-financial performance.

H2: Social level has a positive effect on non-financial performance of the hotel.

The impact of social level on non-financial performance was tested by β significant test. The test result is shown in Table6. The value for T was calculated at 3.766 (with $p < 0.05$) which indicated a positive relationship between social level and non-financial performance. The value for β (+0.185) indicates a positive impact of social level on non-financial performance.

H3: Structural level has a positive effect on non-financial performance of the hotel

β coefficient significant test was used for testing this hypothesis. Table 6 illustrated the results for

testing research hypothesis H3. Table 6 is shown that T value is calculated at 5.948 (with $p < 0.05$). The result indicates that structural level has a positive impact on non-financial performance. The positive value for β (+0.308) states the positive relationship.

CONCLUSION AND DISCUSSION

The objective of this research was to investigate the relationship between relationship marketing and non-financial performance of hotels. According to Payne and Frow, Relationship marketing is recognized as fundamentally reshaping the marketing field and evolving as a part of modern marketing (Payne & Frow, 2005). The application of relationship marketing in the hotel industry enables hotels to create customer satisfaction and thereby improving their performance. Therefore, relationship marketing is one of the most important strategies for competitive advantage for business survival today. Regarding the hypothesis H1, Financial level has a positive impact on non-financial performance. This type of level applied to economic benefits such as price discounts, rewards, incentives and other fiscal stimulus that aim to maintain customer loyalty and increase sales and service (Chiu, Hsieh, Li, & Lee, 2005; Schiffman & Kanuk, 2004). Regarding the hypothesis H2, Social level has a positive impact on non-financial performance. Social level can encourage customers to remain in a relationship and it gradually over financial bonds that can be used in isolation, are considered more effective (Palmatier, Gopalakrishna, & Houston, 2006).

Regarding hypothesis H3, Structural level has a positive impact on non-financial performance. As Structural level make more privilege and advantages for their customers than other competitors, solve customer's problem better, and create value for them (Zeithaml, Bitner, & Gremler, 2006). Service companies can use structural bonds to gain customer loyalty. These bonds provide

solutions for supplier and customer relationship problems that will increase customer loyalty (Lin, Weng, & Hsieh, 2003; Palmatier, Gopalakrishna, & Houston, 2006).

These results support the proposed model. Present research findings provide knowledge to academicians and hotel managers on the role of relationship marketing levels in improving the non-financial performance.

Research Limitations and Suggestion

In order to gather the data, questionnaires were used. Research's questionnaire has 36 items that we further suggest that all questionnaire items can be filled with hotel guests and unfortunately many of hotel guests didn't cooperate with researches. In addition to this, it was hard to convince many hotel managers to let us to distribute the questionnaires.

Based on past few years' studies and on this research results, there is no doubt that many organizations are more and more customer oriented. They are aware that the customer is one of the most important sources of feedback, innovation and business performance. It suggested that the same research done in other service organization.

As the present research done in Shiraz hotel and results are only related to one city hotels, similar researches in all over the country hotel are suggested. These researches can show the apply rate of relationship marketing level and its impact on performance.

REFERENCES

- Abdel-maksoud, A., Dugdale, D., & Luther, R. (2005). Non-financial performance measurement in manufacturing companies.

- The British Accounting Review**, Vol. 37, 261-297.
- Ackerman, R., & Schibrowsky, J. (2008). A business marketing strategy applied to student retention: A higher education initiative. **Journal of College Student Retention: Research, Theory & Practice**, 307-336.
- Atkinson, H., & Brander Brown, J. (2001). Rethinking performance measures: assessing progress in UK hotels, International. **Journal of Contemporary Hospitality Management**, 13/3, 128-135.
- Berry, L., & Parasuraman, A. (1991). Marketing Services: competing through quality sloan **management review**. New York, Free Press, 29-38.
- Bjerre, M., & Hougaard, S. (2002). Strategic Relationship Marketing. Springer- Verlag Berlin Heidelberg, Germany.
- Chen, S.-C., & Wang, C.-H. (2011). The Effect of the link Total Quality Management and Market orientation On Hotel performance. **International Conference on Business and Economics Research** (pp. 272-276). Kuala Lumpur, Malaysia: IACSIT Press.
- Chiu, H.-C., Hsieh, Y.-C., Li, Y.-C., & Lee, M. (2005). Relationship marketing and consumer switching behavior. **Journal of Business Research** 58, 1681– 1689.
- Dibb, S., & Meadows, M. (2001). The Application of a Relationship Marketing Perspective in Retail Banking. **The Service Industries Journal**, Vol.21, No.1, 169–94.
- Ganesan, S. (1994). Determinants of long-term orientation in buyer-seller relationships. **Journal of Marketing**, 58(2), 1-19.
- Hammer, M. (2008). **Acquiring and Retaining Customers through Traditional- and Relationship Marketing - Case- Study on the Quality Hotel Burke & Wills. University of Gulve**, Faculty of Business.
- Harris, S. O., & Mossholder, K. (1996). The Affective Implications of Perceived Congruence With Culture Dimensions During Organizational Transformation. **Journal of Management**, 22 (4), 527-47.
- Hsieh, Y., Lin, N., & Chiu, H. (2002). Virtual Factory and Relationship Marketing- A Case Study of Taiwan Semiconductor Manufacturing Company. International **Journal of Information Management**, Vol.22, No.2, 109–26.
- Jain, R., & Jain, S. (2005). Towards relational exchange in services marketing: insights from hospitality industry. **Journal of Services Research**, 5 (2), 139-150.
- Johnston, R., & Jones, P. (2004). Service productivity: towards understanding the relationship between operational and customer productivity. **International Journal of Productivity and Performance Management**, Vol. 53 No. 3, 201-13.
- Liang, C., & Wang, W. (2005). Integrative research into the financial services industry in Taiwan: Relationship bonding tactics, relationship quality and behavioural loyalty. **Journal of Financial Services Marketing**, 10(1), 65-83.
- Lin, N.-P., Weng, J. C., & Hsieh, Y.-C. (2003). Relational Bonds and Customer's Trust and Commitment - A Study on the Moderating Effects of Web Site Usage. **The Service Industries Journal**, Vol.23, No.3, 103 – 124.

- Nagy, A., Babaia, C., & Andereia, I. (2011). Non-financial performance measurement of hotel activity. ***Recent Researches in Tourism and Economic Development***, 225-228.
- Ottenbacher, M. (2007). Innovation Management in the Hospitality Industry: Different Strategies for Achieving Success. ***Journal of Hospitality & Tourism Research***, Vol. 31. No. 4, 431-454.
- Palmatier, R. (2008). Interfirm Relational Drivers of Customer Value. ***Journal of Marketing***: Vol.72, No. 4, 76-89.
- Palmatier, R., Gopalakrishna, S., & Houston, M. (2006). Returns on Business-to-Business Relationship Marketing Investments: Strategies for Leveraging Profits. *Marketing Science*, 477-493.
- Parvatiyar, A., & Sheth, J. (2000). The domain and conceptual foundations of relationship marketing. In J. N. Sheth & A. Parvatiyar (Eds.). ***Hand book of Relationship Marketing. Thousand Oaks***, CA: Sage Publications, 3-38.
- Payne, A., & Frow, P. (2005). A strategic framework for customer relationship management. ***Journal of Marketing***, 69 (4), 167-176.
- Pealow, J. (2000). ***Strategic Management And Accountability For First Nations***. Aboriginal Financial Officers Association of Canada.
- Peltier, J. W., Pointer, L., & Schibrowsky, J. A. (2006). Internal marketing and the antecedents of nurse satisfaction and loyalty. ***Health Marketing Quarterly***, 23(4), 75-108.
- Philips, P., & Louvieris, P. (2005). Performance Measurement Systems in Tourism, Hospitality, and Leisure Small Medium-Sized Enterprises: A Balanced Scorecard Perspective. ***Journal of Travel Research***, Vol.44, 201-211.
- Pimtong, T. (2009). ***The impact of industry forces on resource competitive strategies and hotel performance***. Stillwater, Oklahoma: The Faculty of the Graduate College of the Oklahoma State University.
- Ramanathan, U., & Ramakrishnan, R. (2011). Guests' perceptions on factors influencing customer loyalty. An analysis for UK hotels. ***International Journal of Contemporary Hospitality Management***, Vol. 23, 7-25.
- Schiffman, L., & Kanuk, L. (2004). ***Consumer behavior***. 8th ed. Upper Saddle River(NJ)7 Pearson Prentice Hall.
- Serdar Vural Öktem , M. (2000). ***MARKET ORIENTATION AND BUSINESS PERFORMANCE IN HOTEL INDUSTRY***. Istanbul / TÜRKİYE: Head of Department of Tourism and Hospitality.
- Shammout, A. (2007). ***Evaluating an Extended Relationship Marketing Model for Arab Guests of Five-Star Hotels***. Melbourne: School of Hospitality, Tourism and Marketing Faculty of Business and Law, Victoria University.
- Stone, G. (1954). City shoppers and urban identification: Observations on the social psychology of city life. ***American Journal of Sociology***, 60, 36-45.
- Zeithaml, V., Bitner, M. J., & Gremler, D. (2006). ***Services Marketing: Integrating Customer Focus Across the Firm***. (2nd ed.). New York: McGraw-Hill

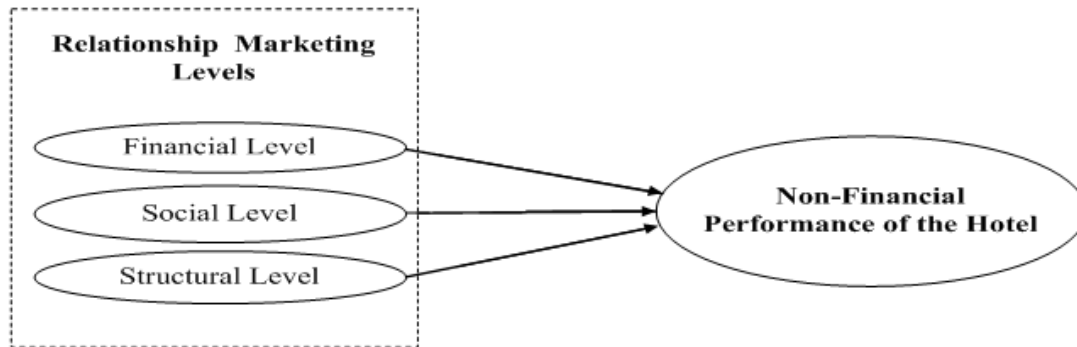


Figure1. Research conceptual model

Table 1. Reliability test based on Cronbach's Alpha				
Variable	Questionnaire	Dimension	No. of Questions	Alpha
Relationship Marketing Levels	(Pimtong, 2009)	Financial level	4	0.704
		Social level	5	0.719
		Structural level	7	0.725
		Total	16	0.731
Non-Financial Performance of the Hotel	(Shammout, 2007)	Total	6	0.764

Table 2. Relationship marketing levels in Shiraz four and five star hotels					
Variable	N	Minimum	Maximum	Mean	Standard Deviation
Financial level	402	1.75	5	3.8986	0.65098
Social level	402	2.4	5	3.8891	0.52292
Structural level	402	1.86	5	3.8333	0.51561

Table 3. Non-financial performance in Shiraz four and five star hotels

Variable	N	Minimum	Maximum	Mean	Standard Deviation
Non-financial performance	402	2.17	5	4.0502	0.52074

Table 4. Model Summary

Model	R	R Square	Adjusted R Square	Standard Deviation
1	0.434	0.188	0.182	0.47092

Table 5. Model Testing (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.476	3	6.825	30.777	.000a
	Residual	88.263	398	0.222		
	Total	108.738	401			

Table 6. Results of Hypothesis Testing

Model	Unstandardized Coefficient		Standardized Coefficient	T	Sig
	β	Std. Error	β		
(Constant)	2.129	0.224		9.485	.000
Financial level	0.137	0.041	0.172	3.345	.000
Social level	0.184	0.049	0.185	3.766	.000
Structural level	0.311	0.052	0.308	5.984	.000

Memorabilia of The Indian Cricket League, A Forgotten Brand

Dr. Nitu Saxena,
Assistant Professor,
Faculty of Management Studies,
WISDOM, Banasthali Vidyapith.

Shilpa.S.S
Research Scholar, Banasthali Univeristy
Bangalore Management Academy
29/3, Yeshaas Siddhi, Siddhareddy Layout,
Doddanekkundi Cross,
Bangalore- 37
Tel: 080 4354 4114/ 4116, Mobile: 9916271057
E-Mail:shilpass.ibs@gmail.com

INTRODUCTION

The Indian Cricket League (ICL) was a private cricket league founded by Zee Televisions Private Limited that operated between 2007 and 2009 in India. Its two seasons included tournaments between four international teams (The World, India, Pakistan and Bangladesh) and nine domestic teams speculatively located in major Indian cities as well as the champions Lahore Badshahs who were based in Lahore , Punjab ,Pakistan . The matches were played in the Twenty20 format. There was also a planned domestic 50-over tournament, but this did not materialize. While its establishment predated the Indian Premier League, the ICL folded in 2009. ICL did not get the support of the BCCI apart from the various other commercial factors and hence forth became a forgotten brand.

HISTORY

Zee Telefilms,had bid for the telecast rights to the 2003 Cricket World Cup. It was a part of the Essel group pro-moted by Subhash Chandra. Even though it had the highest bid, it was not successful. In 2004, Subhash Chandra yet again bid for broadcast rights and ended up in an uncertain court conflict. He made another attempt to bid for the 2006 ICC Champions Trophy rights and he lost once again. He responded by building the ICL. Himanshu Mody, business head of ICL said "They denied us the cricket content," and Zee's sports, "so, we had to create our own content." Zee Telefilms decided to partner with major infrastructure group IL&FS to create a new, ambitious cricket organization, the Indian Cricket

League by announcing prize money of one million US dollars in the initial edition for the winning players.

The ICL was set up with a billion dollar Indian Rupee amount, and in the beginning had six teams playing Twenty20 cricket, with plans to expand to sixteen teams within three years and to eventually move to 50-over matches. These plans, if they had been realized, would have made the ICL the richest professional league in India. On 24 July 2007, ICL announced some of the famous international names such as Brain Lara Chris Cairns and Craig McMillan, to have signed to play in the ICL.

Most of the national cricket boards warned their players against joining ICL due to the unofficial nature of the league, and the resultant was which most of the international players who had agreed to play and signed for the first edition were retired internationals, such as Brian Lara, Chris Cairns and Craig McMillan, or former players with little hope of breaking back into their national team, such as Chris Read and Daryl Tuffey (who has since broken back in the New Zealand team, after breaking ties with the league). A notable exception was Imran Farhat, who was chosen to opt out of his Pakistan Central contract in order to sign with the League. Former Pakistan captain Javed Miandad said he was not able to understand why the PCB would not allow its players to participate in the league and why it was threatening players with a lifetime bank. The PCB subsequently banned players involved in the ICL from playing domestic cricket, a move that

prompted some players, notably Farhat and Taufeeq Umar, to threaten court action.

Pakistan in the last quarter of 2008, the venue was at Ahmadabad

The opposition to the league from the national cricket boards across the world and the International Cricket Council (ICC) was continued into the league's second edition. The home counties cricket boards refused to grant the necessary documents to play in England to Several international ICC players who were signed to play domestic cricket for, Rana Naved-ul-Hasan, Mushtaq Ahmed and Jason Gillespie were unable to fulfill teams in the English County Championship, including Shane Bondll their County Championship contracts.

30 November 2007 the first edition of the league was commenced. The league comprised six teams and the matches were played at Panchkula, near Chandigarh. Matches were initially held at Tau Devi Lal stadium in Panchkula, near Chandigarh, Lal Bahadur Stadium in Hyderabad, and at Tau Devi Lal Stadium in Gurgaon, near New Delhi. ICL games were played at different venues, during 2008. The first edition had 6 teams; this was extended to 8 in near the beginning 2008, and one more team was added in the second half of that year. Players participating in this league had been threatened with bans by the cricket boards of their respective countries, as the ICL was regarded by them as an unauthorized rebel league. However most of the players continue to play first class cricket under the control of their respective boards. The first edition concluded on 16 December 2007 with the Chennai Superstars winning the first title. The second edition was played from 7 January 2008 to 28 January 2008 at Mayajal Cricket Ground, near Chennai which was a 50 over tournament, with Chennai Superstars as a winning team again. Third edition was commenced on 9 March 2008, the league was expanded to eight teams and matches was played at Hyderabad and Gurgaon. The winner of third edition was Hyderabad Heroes. The fourth edition was a twenty20 tournament and the winner of third edition was Chandigarh Lions. The Second season was commenced with the Lahore Badshahs from

OBJECTIVES

1. To identify/study the failed brand Indian Cricket League, Whose Business model was very similar to India Premier League.
2. To analyze the cause and reason for the failures of Indian Cricket League.
3. To analyze the marketing and branding strategy has worked in favor of IPL when ICL was a huge flop.

League configuration

The coach chosen for each team was experienced former international cricketer. Each team will comprise four international, two Indian and eight budding domestic players. Essel Group also planned to start cricket academies all over the India. BCCI also promised Essel Group that it is free to draw from ICL's talent pool. The league became energetic in November 2007 with matches in the Twenty20 format. Cricket icons such as Kapil Dev, Tony Greig, Dean Jones and Kiran More have been hired as board members of the league. The board position was a paid position.

There were nine teams of private Clubs:

- Mumbai Champs
- Chennai Superstars
- Chandigarh Lions
- Hyderabad Heroes
- Royal Bengal Tigers (Kolkata)
- Delhi Giants
- Ahmedabad Rockets
- Lahore Badshahs
- Dhaka Warriors

Each team has a paid mentor, media manager, psychologist and physiotherapist . There is a US\$ 1 million prize for the winning club team. An Ombudsman is available to look into grievances of players

ICL Domestic Teams

Tournaments

First season

- ICL 20-20 Indian Championship 2007/08
- ICL 50s 2007/08
- ICL 20s Grand Championship 2007/08
- ICL 20s World Series 2007/08

Second season

- ICL 20-20 Indian Championship 2008/09
- ICL 20s World Series 2008/09

Reasons for creation

The major factors that have played a role in formulation of a cricket league are as follows:

- The "Inverted Pyramid" cricket configuration
- Zee Telefilms wish to create sports content
- Support for the league
- The "Inverted Pyramid" cricket configuration

There was a wide discrepancy between the facilities and coaching provided to the national team with that of the regional team. Much concentration was given to the national players; this resulted in poor contribution from the regional players when they are called to represent their country. It put a stop to the country like India to a larger extent from having sufficient players resources in the national team when key players are injured or retire. Regional cricket board was depending on BCCI for the funds, infrastructure and grassroots development. The National players who were well established at the top was given strong assistance from sports management firms and also they were provided the best in personal trainers, physiotherapists and technical consultants, which are well beyond the scope of the average player.

Zee Television create sports content

The Essel group had a keen desire to support and develop Cricketing talent of India and also to provide beneficial sports programming for Zee Television, who had lost all the broadcasting rights of BCCI sanctioned cricket matches in India till 2011. During 2006 With the hope of getting at least

some of the telecast rights from BCCI, Essel Group had launched a sports channel named Zee Sports which was followed by acquiring 50 percent in TEN Sports for Rs. 257 crore (Rs. 2.57 billion). This made the company to get few international cricket rights - West Indies, Sri Lanka and Pakistan. India will generate Rs. 1,000 crore (Rs. 10 billion) in advertisement and subscription revenue if the cricket played in the country. Subhash Chandra realized that the company is missing out this profitable opportunity. He was fighting for the battle with BCCI and ESPN Star Sports for the five-year telecast rights in August-September 2004 in the Bombay High Court for the reason that in spite of Zee bidding the highest at a \$307 million, BCCI and its then president Jagmohan Dalmiya denied him the rights. He was present every day for the hearings. Chandra was deeply upset since 2000 when the ICC World Cup rights were sold to News Corporation's Global Cricket Corporation (GCC) for \$550 million despite Zee bidding the highest at \$650 million citing Zee's insufficient sports marketing experience. Again in 2005 Zee become known as predecessor with \$340 million while ESPN star Sports, the other principal contender, is believed to have offered around \$325 million. BCCI took the stand that Zee was not qualified as a expert broadcaster and refused to consider Zee's proposal. Again Chandra took this matter to court. Court judgment was to provide the rights of telecast to Doordarshan, which emerged as the beneficiary. Chandra did not end the battle against BCCI, he continued the battle with the political route by supporting Sharad Pawar's candidature as BCCI president against Dalmia. Even though Pawar won the candidature, Chandra was not successful in getting the broadcast rights. At last in February 2009, the last round of bidding was being held and Nimbus bagged BCCI telecast rights till 2011 with Zee trailing at 513 million.

Zee and Nimbus had an alliance before the bidding, so media experts thought that Zee is also involved with Nimbus for the bidding. But Nimbus after bagging the telecast rights from BCCI did

not made any alliance with any one; they chose to be independent and launched its own network called NEO Sports.

Support for the league

ICL basically lacked in infrastructure like the premier cricket Stadiums, which was very vital for the operation of the league. ICL never thought that they would get support from the other quarters, but ICL received support from various government bodies which helped to boost the league.

League decided to have campus at a private resort with good cricket facilities at Mayajaal in Chennai. Previous Indian Railways minister Lalu Prasad has shown his support by opening all the cricket stadiums controlled by the Indian Railways to the league. Describing the ICL as a "good initiative", Prasad has issued a statement saying that the BCCI and ICL should each come up with a cricket team and play against each other to show who the best is. The state government of West Bengal has also agreed to rent its cricket grounds, notably Eden Gardens, to the league.

Controversy

The reasons for the controversies that occurred in ICL are due to:

- BCCI Response
- Pressure on Players from Other National Organizations
- ICL takes BCCI to court

BCCI Response

The BCCI did not consider ICL as a Cricket League, and criticized Kiran More and Kapil Dev for joining the ICL. Kapil Dev was also the chairman of National Cricket Academy, a BCCI owned cricket facility. Thus his association with ICL was seen by the establishment as a conflict of interest. National Cricket Academy dismissed him from the chairman post during August 21st, 2007. Subhas Chandra was very clear with his stand that ICL will go ahead re-gardless of the BCCI's stance. The International Cricket Council refused to recognize the ICL as a cricket league and gave a statement through its

chief executive, Malcolm Speed, that the ICC would not recognize the ICL unless the BCCI chooses to recognize it. ICC gives the impression of being ICL as an issue which has to be sorted out by BCCI.

Young players of ICL faced the threat from BCCI from joining the ICL. The BCCI jacked up prize money for winners, runners-up and losing semi-finalists across all tournaments.

An average domestic cricketer can hope to make around Rs 35,000 per match day from the season of 2007-08: more than double the Rs 16,000 they got in 2005-06. The BCCI has also planned to do away with honorary selectors, who will be paid professionals from September 2008 onwards. The BCCI started its own international Twenty20 league. The official league, which launched in April 2008, is called the Indian Premier League Twenty20 cricket. The league model is revolutionary, based on the franchise model of the National Football League and Major League Baseball in the USA.

Pressure on Players from Other National Organizations

England wicketkeeper Paul Nixon put his career in risk by rejoining ICL because any player that signs up with the ICL, which does not have official status from the International Cricket Council, risks losing their registration. The cricket board of Bangladesh banned the players for 10 years for joining the 'rebel' ICL because of the addition of new team from Dhaka in Bangladesh which constituted a large group of internationals. This lead in the creation of more controversy. Most of the player's went away from the new Dhaka team. The board appealed to other Ban-gladeshi players to reject the new ICL team.

ICL takes BCCI to court

In August 2007, the ICL filed a petition against the BCCI in the Delhi High Court accusing the BCCI of threatening and intimidating them and

other state organizations, and asked the court to stop BCCI from interfering with its attempts to sign up players for its tournaments. It also petitioned that the BCCI stop trying to "out-hire" cricket stadiums in India that are owned by the state governments, in anti-competitive attempts to stop the ICL from using them to play matches.

On August 27, 2007, the Delhi High Court ruled in favor of the ICL. In its ruling, the Delhi High Court said that players should not suffer in the battle between corporate giants. The court has issued notices to all corporate sponsors, the state cricket associations & the BCCI against terminating valid contracts of players joining the ICL.

The Monopolies and Restrictive Trade Practices Commission (MRTPC) of India has asked its Director-General of Investigation to do an initial investigation into the BCCI's action against players who have joined the ICL. The investigation was based on media reports of the BCCI giving an open statement that it will ban players who join ICL. It was also reported in the media that all state associations, under direction from the BCCI, have cancelled contracts with players.

The Downfall of the ICL

The reasons for the down fall of ICL are as follows:

- The hope of ICL came to an end when BCCI allowed the ICL players to play international matches. Since then many ICL players have returned to their national team including famous players like Shane Bond, Abdul Razzaq.
- The huge success of IPL is also a reason of the coming down of ICL. Shortly before the conclusion of the inaugural tournament, the ICL announced its plans for expansion, which include a fifty over tournament in February 2008, and the expansion of the ICL Indian Championship to eight teams for the second tournament, due to be held in September and October 2008.
- A similar initiative has been launched in United States by the Pay Automata group but details have yet to emerge. In October 2008, the

promoters of the ICL, Zee and its parent company Essel Sports Pvt. Ltd, had applied for trademark registration of T20 under Class 28 of the Trade Mark Rules, 2002.

Transparency Issues

Independent analysts have had difficulty gauging the financial viability of the ICL due to the lack of transparency of the league's operations. Terms of contracts are hidden and advertising revenue from match telecasts — considered to be a major contributor to revenues — have never been disclosed. Because they are unsanctioned by the ICC, the teams do not have access to the best facilities across the whole country or access to the best players, limiting their ability to generate high gate revenues. This lack of transparency leads to questions regarding the overall viability of the ICL's business model

Upcoming stuff

The 9 teams in ICL were scheduled to play their next edition of the Indian Championship in India from October 10 2008, to be followed by the second World Series, with four teams. However, this tournament was cancelled following the Mumbai attacks.

The end of ICL

ICL came to an end after all its players opted out from it because BCCI allowed the ICL players to play international matches only if they leave ICL.

Will it ever come back?

It is a very common question that very one will ask. It has been told that Subhash Chandra may restart this league in 2012.

Broadcasting of ICL

Since the ICL is conducted by Zee Television, the ICL is broadcast in most domains on the Zee network.

Broadcasting Ban

In November 2008, the Bangladeshi government set a ban on the broadcasting of live matches of the ICL on a the private held Diganta TV channel in the country. This would extend to the ICL World Series featuring the country's national team.

Other private cricket leagues

Most professional cricket around the world is run by the national cricket boards of the full members of the ICC, but there have been several previous attempts to create professional leagues outside the established system. Like the ICL, each of them came into conflict with the establishment:

World Series Cricket was formed by Australian media tycoon Kerry Packer in the late 1970s, and played a major role in the development of limited overs cricket and commercialization of the game. Pro Cricket League in USA formed by Kalpesh Patel. It started with eight teams on 2 July 2004 and expired the same year.

Indian Cricket League (USA) formed in 2005 by PayAutoMata Group in the U.S. state of Florida. Stanford 20/20 formed in 2006 by billionaire Sir Allen Stanford in the West Indies. It has since reconciled with the cricket establishment, gaining recognition by the West Indies Cricket Board.

CONCLUSION

Mistakes and failures are a necessary part of learning, development and innovation for a growing organization. Failure is not only an acceptable risk, it's just as important as success. Though the risk of brand failure can't be removed completely studying the history of product failures it can generate some valuable insight into the reason for those failures and create a list of factors that may increase the opportunity for success. So instead of focusing on the negative aspects of past failures, an organization should zero in on the insight they provide to create meaningful change in the organization as well as in the marketplace.

Unlike ICL, IPL is also a private event like ICL, TV, Internet, Newspapers... Every medium is flooding with DLF IPL. For a private event like IPL, entire media is fighting to give free of cost coverage! Strange, but Interesting!

So what marketing and branding strategy has worked in favor of IPL when ICL was a huge flop? Some of the reasons behind the success of IPL are as follows:

One, "Packaging of the Event" from day 1 as entertainment is the biggest strategic hit. Cricket just happens to be there!

Two, to keep it focussed in 20 overs and inviting International players, not only enhanced the entertainment value but also factored in the fastest growing segment of high income youth. This segment is short of time and wants everything to be packaged small.

Three, It structured teams around states thereby ensuring team and brand loyalties and assured eyeballs when it comes to media.

Five, by following a well tried international model of clubs and player auctions, it got players interests and their willingness to give the tournament their 110%. Knowing that players are going to play attacking entertaining cricket attracts paid audience to the stadium and draws them towards other forms of media like TV, internet and print press.

Six, the public and press relations during the first two versions meant media hype was maintained and that has lead to immense unpaid publicity.

Some of the Professional Sports Leagues in United States which Failed Miserably One of the ways that athletes can show their prowess is to compete against others on a similar level. As a result, sports leagues are formed to give athletes a chance to compete. Managers, athletes and others get involved to try and help the league gain popularity so that it is profitable and viable.

However, some sports leagues just don't make it. They have poor planning and management, or, in some cases, it just really wasn't a good idea in the first place. Here are 20 professional sports leagues that failed:

Football



The **United States Football League** was created in order to be an alternative to the National Football League. The USFL was supposed to be profitable by not competing with the NFL, holding its season during the spring rather than going head to head with the NFL. Donald Trump even owned a USFL team, the New Jersey Generals. However, franchise instability was a problem, and nobody really cared to watch. The USFL lost \$163 million during 1983 to 1985 before ceasing to exist. An anti-trust lawsuit was filed against the NFL, but not decided until 1988. The USFL was awarded \$3.



The **XFL** was meant to be an "extra fun" football league, full of action and excitement. Vince McMahon, the head of the WWE, started it in 2001. The idea was that the NFL was too staid, with too many rules, and was too boring. The XFL didn't compete directly with the NFL, playing during the NFL's off season. The XFL was meant to be a single business entity, without individual franchises operating their own business concerns. Even though there was a great deal of TV coverage for the startup league, the XFL never really caught on. Few people cared to watch, and the XFL only lasted one season.

The **Arena Football League**, the AFL, was reasonably successful for some time. It was an

indoor football league that started in 1987. Jim



Foster started it, and it was meant to provide more excitement, since the field was shorter, creating an atmosphere that made it easier to score, with a faster paced game, and it was popular in some markets. However, the business model wasn't working very well, and by 2008 the AFL was in serious debt. The league suspended operations, filing Chapter 7 bankruptcy. A new arena football league, Arena Football 1, started up in late 2009, and then changed its name to the Arena Football League in 2010.



The **World Football League** was yet another short-lived attempt to cash in on American football. The league only lasted for one season in 1974, and part of a season in 1975. The idea was to bring American style football to the world. The World Football League did manage to convince some NFL players to switch leagues, but the league ultimately failed. It couldn't get the interest, and the closest it got to being a "world" league was a team in Hawaii. Without the benefits of cable, which would come later, the WFL just couldn't cut it.



The **United Football League** started in 2008. Well, sort of. It false-started in 2008. Unable to get the traction it needed, it put things off until 2009. And it is struggling through 2010. While not officially failed yet, many are already ringing the death knell, since the UFL is making use of washed up NFL pro-spects. But, the UFL seems

to hope that if it can hold on until next year, it can gain traction as a place for NFL play-ers on strike over new contract negotiations in 2011.



The **World League of American Football** was another attempt at expanding the fan base beyond the U.S. The WLAFF started in Europe, trying to get fans excited about American-style football. Unfortunately, things just got confusing. Europeans have their own kind of football — what we call soccer. And they weren't all that excited for it. The WLAFF folded in 1993, only two years after its inception, replaced by NFL Europe. Which also died out.



The **All-America Football Conference** was yet another competitor to the NFL. However, unlike many other competitors, the AAFC actually provided some innovations to the game that have stood the test of time. AAFC attracted some good players from 1946 to 1949, but even the well-funded league couldn't win out over the NFL. In the end, three of the AAFC's teams were absorbed by the NFL.

Basketball



The **American Basketball Association** started in 1967, and meant to compete with the NBA. The hallmarks of the ABA were its tri-colored basketball and the three-point shot. Another main point of the ABA was flashier play. The ABA was actually designed to fail: ABA promoters planned to force a mer-ger with the NBA. Ultimately, even though the ABA failed to get all of its teams accepted into the

NBA, it still suc-ceeds in its goal of failure with the merger in 1976.



The **American Basketball League** was a women's league, meant to provide a place for professional female athletes excelling at basketball. The league only lasted two full seasons, from 1996 to 1998. One of the biggest reasons that the American Basketball League failed was due to operating losses. Wide-spread interest was hard to come by, and the ABL couldn't compete with the resources garnered by the WNBA, which the NBA has operated (at a loss) since its inception.



Slamball is basketball played with trampolines. It's a full contact sport, offering fast-paced excitement. There was a Slamball professional league in existence for 2002 to 2003, when games were aired. There was some Slamball in 2008, but that sort of died off as well. However, Slamball is trying to make a comeback in 2010. We'll see how that goes. It is mostly Internet sensation fodder — and loved by reams of try-it-at-home types, many of whom find themselves in the hospital.



The **All-American Basketball Alliance** formed in 1977. The idea was to create a professional minor basketball league to compete with the Continental Basketball Association. Games were only played for a couple of months in 1978 before the league folded. It was a nice thought — becoming a premier minor league — but it just

didn't work out. The AABA couldn't compete with the established minor league, and it didn't get enough attention and funding to survive.

Another league called the **All-American Basketball Alliance** is a new league to be based in Atlanta, Georgia. This new league is a whites-only league, and will also exclude foreigners. The original start-up plan was to have the league in 12 cities, primarily in the South. But there appears to be little interest, despite the founder's insistence that he isn't a racist. (He said that "people of color" play "street-ball" instead of fundamentally sound basketball.) There just doesn't seem to be that much interest in ponying up to watch the league, and it is expected to completely fizzle out any minute.

Other Sports



The **Women's United Soccer Association** represented the first professional soccer league in the world for women, beginning play in April 2001. All the women were paid professionals, and the soccer league was formed on the heels of the 1999 World Cup Championship and the gold medal in the 2000 Olympics. The women, like Mia Hamm, were clean and sponsor friendly. However, the interest wasn't there, and the league ceased operations in 2003. The league lost right around \$100 million.



The **North American Soccer League** was an attempt to provide professional soccer in the United States and Canada. It was in operation from 1968 to 1984, but it never really gained widespread support. The league included indoor games as well as outdoor games to try and boost its fan base, but even that didn't work. The game schedule was sparse, and sponsorship low. The league limped

along until its final demise. Americans weren't very interested in soccer, and it showed.



The **World Boxing League** was introduced in 2007, and debuted in 2008, and was meant to make money off team boxing. Every team was required to have six weight divisions, and participate in fights throughout the seasons. Playoffs would be held, to determine the best boxing team. The World Boxing League is still in existence, limping along, looking for an audience. Indeed, the "official" site hasn't even been updated since 2009, leading some to believe that it might already be defunct.



Elite Xtreme Combat was a league designed around Mixed Martial Arts. EliteXC was supposed to be raw and exciting, promising fierce fights. Specials were to be broadcast every other month on CBS, but things soon fell apart. One of the issues was that in the opening fight, Kimbo Slice took off the ear of his opponent, and the fight was pretty much over. The EliteXC league was only in operation for 2008, folding as it was unable to garner a mass market audience.



International Fight League was another MMA league that failed. It billed itself as the first Mixed Martial Arts league in the world, and didn't manage to gain a wide following. It had a team for-mat, opening in 2006 and closing in 2008. While Mixed Martial Arts is a fast-growing sport, and tournaments are televised, official leagues seem to have very limited success indeed, unable to gain a following. It seems as though people are

more interested in watching individuals do MMA, rather than teams.



All-American Girls Professional Baseball League was in effect from 1943 to 1954. It started as a softball league, and did not play regulation baseball until its final season (which was done in an effort to increase fan interest). The league started up during World War II as a way for baseball to remain in the public eye while many of the male baseball stars were serving in the military. Mostly popular in the Midwest, the AAGPBL faded and eventually fizzled out, leaving baseball dominated by the male game.



The **World Hockey Association** was a North American league created in 1972 to compete with the National Hockey League. The WHA challenged the NHL, offering players higher pay, and creating an environment in which players could easily switch between leagues. The WHA was ultimately unstable, however, with teams folding. Throughout its history, the WHA was almost always engaged in legal battles with the NHL. In 1979 the NHL absorbed some of the WHA teams, and the WHA was no more.



Another attempt to resurrect the **World Hockey Association** was made in 2003. The new WHA planned to provide a place for NHL players during the 2004-05 lockout. There was draft in 2004, and an invitational tournament, but the actual league failed to materialize. The second attempt at the WHA fizzled before it even started, a true failure.

REFERENCES

Ekbaat staff (September 15, 2007). "Why and how was ICL created". Ekbaat. <http://www.ekbaat.com/document.php?Retrieved> 2007-09-15.

Cricinfo staff (3 April 2007)"Business mogul announces new cricket league". Cricinfo. <http://content-usa.cricinfo.com/india/content/current/story/288641.html>. Retrieved 2007-06-13.

Cricinfo staff (July 26, 2007). "Warne and McGrath set to join ICL: Kapil". Cricinfo. <http://content-usa.cricinfo.com/ci/content/story/303681.html>. Retrieved 2007-07-26.

Cricinfo staff (August 16, 2007). "Farhat released from central contract". Cricinfo. <http://content-usa.cricinfo.com/pakistan/content/story/307111.html>. Retrieved 2007-08-16. <http://cricketnext.in.com/news/recognise-icl-says-miandad/26518-13.html>. Retrieved 2008-10-20.

CricketWorld (December 24, 2007). "Pakistan Bans ICL Players From Domestic Cricket". CricketWorld. <http://www.cricketworld.com/internationalcricketnews/pakistan/article/?aid=14237>. Retrieved 2007-12-26.

Andrew McGlashan (13 March 2008). "ICL-county situation as clear as mud". Cricinfo. <http://content-usa.cricinfo.com/england/content/story/342292.html>. Retrieved 2008-03-24.

Indian Board Threatens To Ban Players Who Play In ICL, Cricket World, retrieved August 3, 2008

South African players warned over rebel league, Reuters, retrieved August 3, 2008

- Cricinfo staff (14 May 2007). "Zee Sports denies signing of stars". Cricinfo. <http://content-aus.cricinfo.com/india/content/story/294055.html>. Retrieved 2007-06-13.
- Khanna, Roma (14 May 2007). "BCCI's own now have a new job". CricketNext. <http://www.cricketnext.com/news/bccis-own-now-have-a-new-job/24999-13.html>. Retrieved 2007-06-13.
- Vasu, Anand (22 August 2007). "ICL to hold camp at Mayajaal in Chennai". cricinfo.com. <http://content-usa.cricinfo.com/ci/content/story/307932.html>. Retrieved 2007-08-23.
- Press Trust of India (23 August 2007). "State minister allows ICL use of Eden Gardens". cricinfo.com. <http://content-usa.cricinfo.com/icl/content/story/308020.html>. Retrieved 2007-08-23.
- Press Trust of India (13 June 2007). "BCCI shoots down ICL". Rediff.com. <http://inhome.rediff.com/cricket/2007/jun/13icl.htm>. Retrieved 2007-06-13.
- Shanbhag, Sudhakar (13 June 2007). "BCCI Not To Recognise Zee-Promoted Indian Cricket League". Worldcuplatest.com. <http://www.cricketworldcuplatest.com/news/bcci-not-to-recognise-zee-promoted-indian-cricket--113086.html>. Retrieved 2007-06-13.
- Press Trust of India (21 August 2007). "Kapil sacked as NCA Chairman". Rediff.com. <http://in.rediff.com/cricket/2007/aug/21kapil.htm>. Retrieved 2007-08-21.
- Press Trust of India (21 June 2007). "BCCI hikes domestic match fees". Rediff.com. <http://www.rediff.com/cms/print.jsp?Docpath=/cricket/2007/aug/21hike.htm>. Retrieved 2007-08-22.
- Jamie Alter (13 September 2007). "International Twenty20 league launched". Cricinfo.com. <http://content-usa.cricinfo.com/ci/content/current/story/310809.html>. Retrieved 2007-09-13.
- "Delhi HC orders companies to let players join ICL". <http://in.reuters.com/article/topNews/idINIndia-29170020070827>.
- "Cricket row under MRTPC scanner". <http://www.thehindubusinessline.com/2007/09/07/stories/2007090752610100.Htm>.
- Hoult, Nick (1 October 2008). "Paul Nixon may put county career in jeopardy by rejoining 'rebel' Indian Cricket League". The Daily Telegraph (London). <http://www.telegraph.co.uk/sport/cricket/twenty20/3114957/Paul-Nixon-puts-county-career-in-jeopardy-by-rejoining-rebel-Indian-Cricket-League.html>. Retrieved 5 May 2010.
- "Bangladesh vow to ban ICL rebels". BBC News. 17 September 2008. http://news.bbc.co.uk/sport2/hi/cricket/other_international/bangladesh/7621276.stm. Retrieved 5 May 2010.
- <http://sify.com/sports/fullstory.php?id=14759551> "Indian Cricket League invades the Americas". <http://www.mmdnewswire.com/the-indian-cricket-league-invades-the-americas-2626.html>.+4 December 2007. <http://www.indiancricketleague.com>. Retrieved 2007-12-04.
- <http://www.livemint.com/2008/09/2300030%008/09/17232516/2008/10/03005121/Zee-Twenty20-cricket-league-se.html?d=2>
- <http://thecricketingleague.blogspot.com/2008/10/zee-promoted-icl-planning-to-patent-t20.html> ICL Launches Third T20 Season And Ninth Team, Cricket World, 16th September 2008

http://www.indiancricketleague.in/news/inner-news.aspx?xfile=data/news/2008/October/news_20081007_20.xml

Giri, Nisha (5 August 2005). "The ICC Is Not Against Procricket". Little India.

<http://www.hindustantimes.com/StoryPage/StoryPage.aspx?id=8f2e6595-6447-4110-b354-d3d1595530d0>

<http://www.littleindia.com/news/152/ARTICLE/1521/2004-08-05.html>. Retrieved 2007-06-13.

The World	India	Pakistan	Bangladesh
John Emburey - Coach,	Steve Rixon - Coach	Moin Khan - Coach	Balwinder Sandhu - Coach
Chris Cairns - Captain	Rajagopal Satish - Captain	Inzamam-ul-Haq - Captain	Habibul Bashar - Captain
Andrew Hall,	Abbas Ali,	Azhar Mahmood	Aftab Ahmed
Chris Harris,	Abhishek Jhunjhunwala,	Taufeeq Umar	Alok Kapali
Damien Martyn,	Abu Nacheem,	Imran Farhat	Dhiman Ghosh
Daryl Tuffey,	Ali Murtaza,	Rana Naved-ul-Hasan	Farhad Reza
Ian Harvey,	Ambati Rayudu,	Abdul Razzaq	Manjural Islam
Jimmy Maher,	Ganapathi Vignesh,	Naved Latif	Golam Mabud
Johan van der Wath,	Ibrahim Khaleel (Wicketkeeper),	Humayun Farhat	Mahbubul Karim
Lou Vincent (Wicketkeeper),	Love Alish,	Arshad Khan	Mohammad Rafique
Marvan Atapattu,	Ravi Raj Patil,	Shahid Nazir	Mohammad Sharif
Matthew Elliot,	Rohan Gavaskar,	Hasan Raza	Mosharraf Hossain
Michael Kasprovicz,	Stuart Binny,	Mohammad Sami	Shahriar Nafees
Russel Arnold	Syed Mohammed,	Imran Nazir	Tapash Baisya
	Thiru Kumaran,	Riaz Afridi	
	TP Sudhindra,	Shabbir Ahmed	
	Sarbjit Singh,		
	Tejinder Pal Singh,		
	V. Sarvanan		

ICL World Teams

Broadcaster	Regional Broadcast Rights
Zee Sports	Global Rights, India -- Hindi, Bangladesh & USA
Ten Sports	India -- English, Bangladesh, Pakistan & Middle East
BTV	Bangladesh
ATN Bangla	Bangladesh
Gateway	North Africa
Telkom-Malaysia	Malaysia
Astro TVIQ	Malaysia
Fox Sports	Australia
Zee Music	UK
Zee Smile	Asia
Zee TV	Africa
Caribbean Media Corporation	Caribbean

Broadcasting of ICL

Personality traits & the challenges of Business and Management - An empirical study of Automotive Industry.

Dr. R. Krishna
Director-P.G.Studies
Cambridge Institute of Technology, Bangalor
directorcitmba@gmail.com
Ph: 98440 24758

Mrs. Meera Uday
Visiting Professor
Adarsh Business School Bangalore
udaymeera@gmail.com
Ph: 99003 12933

ABSTRACT

“Control your own destiny or someone else will” - Jack Welch. The afore said emphatic statement by Jack Welch speaks volumes about entrepreneurs’ personality traits to meet the challenges of Business & Management.

Achieving sustained sound economic performance in a fierce fully competitive environment demands excellent planning & executing skills. This necessitates a host of Personality traits, predominant among such of whom are Machiavellianism and Locus of Control. The objective of this research work is to understand their role in facing the challenges of Business and Management.

The current survey based explorative & descriptive research focused on the said Personality Traits of 100 randomly chosen Medium & Small Scale Entrepreneurs, who manufacture Automotive Components/OEMs and in turn supply to the Automotive Component Giant - BOSCH Ltd., Bangalore. The study determined the two personality traits by administering two structured questionnaires and cross verified the same with their average annual business performance.

Interestingly, the research has found that entrepreneurs with higher Machiavellianism and Internal Locus of Control are more successful. Hence, every entrepreneur should have these traits to achieve his entrepreneurial success, sustain it & grow and thus meet the challenges of Business.

Key words: Business & Management – Entrepreneurship – Challenges - Personality Traits - Machiavellianism – Locus of Control - Relationship between Machiavellianism, Internal Locus of control and entrepreneurial Success.

INTRODUCTION

“Control your own destiny or someone else will” - Jack Welch. The afore said emphatic statement by Jack Welch speaks volumes about entrepreneurs’ personality traits to meet the challenges of Business & Management.

Achieving sustained sound economic performance in a fiercely competitive environment demands excellent planning & executing skills. This necessitates a host of Personality traits, predominant among such of whom are Machiavellianism and Locus of Control. The

objective of this research work is to understand their role in facing the challenges of Business and Management.

Keeping the above said challenges of Business and Management in the Automotive sector in mind, an empirical study is conducted at BOSCH Ltd., a leading automotive component manufacturing enterprise.

The respondents are a randomly chosen group of 100 entrepreneurs who manufacture and supply automotive components and sub-

assemblies to BOSCH, and in turn to leading automotive companies like Maruti Udyog Ltd., Toyota Motors, TATA Motors, Mahindra & Mahindra, Bajaj Auto Ltd., Etc.

“The automotive sector is undergoing a substantial shift, with many macro forces rapidly changing the industry dynamics. Trends such as rising fuel prices, technological innovation, global urbanization, changing consumer demands, increasing regulation, intense competition (and more) are starting to create a market environment where sustainability will be a key component for future success”.

Machiavellianism: An entrepreneurial characteristic, Machiavellianism is the ability of an entrepreneur to manipulate people, events, process, and situations for the attainment of his organizational objectives. Despite its positive & negative connotations, its positive connotation only is considered in this research study.

Based on their Machiavellian levels, entrepreneurs can be classified into High Machs and Low Machs. Niccolo Machiavelli opined that High Machs tend to take control, especially in loosely structured situations; they tend to be more logical, rational and pragmatic than Low Machs.

High Machs are often skilled at influence and coalition building. Entrepreneurs are necessarily High Machs.

Locus of Control

It is the degree to which persons believe that they are the masters of their own fate. It refers to the extent to which individuals believe that they can control events that affect them. Normally, the Locus of Control score ranges from 0 to 14; Lower the score(0-7), it is Internal Locus of Control, while, Higher the score(8-14), it is External Locus of Control.

J.B. Rotter emphasized that individuals with a high internal locus of control believe that events result primarily from their own efforts and behavior. Individuals with a high external locus of control

believe that powerful others, fate, or chance primarily determine events.

Literature survey : Machiavellianism

“As such, Machiavelli's overriding point is that in a competitive arena, like that of modern-day business, individuals holding leadership positions, or aspiring to them, must be prepared to go beyond conventional morality and live by a different and, indeed, icy set of rules.” Being good in business, Machiavelli warns, will only lead to personal ruin.

This paper empirically studied the relationship between Entrepreneurship traits and entrepreneurial success using structural equation model based on 153 valid surveys. The result showed that “innovativeness, locus of control, risk-taking and the need for achievement are all positively associated with entrepreneurial success”- Ge Baoshan Wang Kan Dong Baobao, Entrepreneurial Res. Centre, Jilin Univ., Changchun, China

LOCUS OF CONTROL AND ENTREPRENEURS IN A SMALL TOWN

Locus of control has been found, in studies conducted in the United States, Australia, and Great Britain, to differentiate entrepreneurs from the general public and middle/ senior managers, as well as to distinguish successful from unsuccessful entrepreneurs (Brockhaus 1980, Cromie and Johns 1983, Gilad 1982).

An internal locus of control has been one of the psychological characteristics most often used as predictive of entrepreneurship (Perry 1990; and Kaufmann & Walsh 1995). An interpretation of research relevant to locus of control, entrepreneurs, and the environment comes from Gilad (1982).

Gilad theorizes that the influence of locus of control on perceptual alertness (i.e. ability to see opportunities in the environment) explains the influence of locus of control on entrepreneurs. This premise is based on an extensive review of

psychological research which found that persons who have internal locus of control have greater amounts of perceptual alertness. The research shows that this leads to spontaneous learning, defined as "... the discovery of the existence of an opportunity" (Gilad 1982, 134). Similar research concludes that internal locus of control persons are active seekers of information that is useful to them. In essence, Gilad notes that almost three decades of research consistently shows that internals are alert, discover opportunities, and scrutinize their environment to find information needed to formulate the optimal approach to developing those opportunities.

From the afore said review of literature, the researchers draw a pair of opinions:

- Entrepreneurs are characterized by Internal Locus of Control.
- High Mach Entrepreneurs are likely to have internal locus of control.

Research Gaps

The role of Machiavellianism and Locus of Control are fairly evident in academic accomplishments and scarcely in few other industries. Its contribution to entrepreneurial success with reference to Automobile Industry is substantiated in this research.

MATERIALS AND METHODS

Research Methodology

The current Survey based explorative & descriptive study focused on the said Personality Traits of randomly chosen 100 Medium & Small Scale Entrepreneurs, who manufacture Automotive Components/OEMs and in turn supply to the Automotive Component Giant - BOSCH Ltd., Bangalore. Two Structured Questionnaires were administered to the identified respondents chosen by using Stratified random and convenient sampling techniques, to determine their Machiavellian level & Locus of Control. Initial results suggested a positive relationship between Machiavellianism & Locus of Control.

Outcome of the Study

75% of the respondents experientially opine that shrewd planning and executing skills along with Rational thinking process contribute to entrepreneurial success, sustainability and Growth.

Their opinion is also corroborated by their high Machiavellianism & internal Locus of Control reflected by their responses in the scientifically designed Questionnaire. Incidentally, their average annual business performance over the last Five Years is also found to be 95% to their respective target.

Responses to selected 5 important questions from among 20 questions in the main questionnaire reflect High Machiavellianism among the respondents, as given below.

Inferences

70%, 76%, 77%, 94% and 77% of the respondents scored high on few important dimensions of Machiavellianism, viz. Diplomacy, Interpersonal skills, Employee Management skills-Reinforcement, Preparedness (being careful to face unplanned events) and Rational thinking respectively, thereby amply demonstrating Machiavellian traits in them. (please refer to data provided in the annexure).

Likert scale used in this research study, provides a score range from a minimum of 20 to a maximum of 100, and from 40 to 120 when a correction factor of 20 is added to the same. The higher the score, the higher the Machiavellianism tendencies.

The average Machiavellianism score is calculated by taking an average of all the scores scored by the 100 respondents, in order to determine the Machiavellianism level. Hence, the Range of the Mach score varies from a minimum of $40 \times 100 = 4000$ to a maximum of $120 \times 100 = 12000$.

When the scores of all the 20 questions for the 100 responses are summed up, it adds up to

6350. When a correction factor of $(100 \times 20 = 2000)$ is added to this, it comes to 8350 (as shown below).

**Sum of Scores for 100 Respondents= 6350;
Correction factor=100*20= 2000**

**Sum total score=8350; Average Mach score for
100 respondents =8350/100=83.50**

Thus, the average Machiavellianism score of the 100 respondents is 83.50, which falls under the bracket of High Mach.

Inferences on the Responses to selected Five Questions from among the 29 questions in the Questionnaire to test Locus of Control 80%, 64%, 92%, 86% and 64% of the respondents have endorsed respectively that Employees' misfortunes are the results of their mistake, experience & deeds make employees what they are, getting a good job is a result of planning, importance of timely execution of well thought plans and ability of entrepreneurs to influence people makes a successful entrepreneur, etc., which are few important reflections of their Locus of control.

The afore said endorsements are reflections of Internal Locus of Control traits that are evidently amply demonstrated by the respondents.

However, from the primary data, the added scores for 29 questions of LoC is 540, which, when divided by 100, gives 5.4. Hence, the final Scores=540/100=5.40.

The average score 5.4 of 100 respondents indicates that the respondents are Internals and they believe in controlling the events happening in their lives and business activities.

Need for finding correlation

The researchers strongly believe that an entrepreneur's Machiavellianism & Locus of Control traits are interrelated. This calls for a thorough understanding of the interrelationship between of Machiavellianism & LoC and their impact on success.

Correlation between Machiavellianism and Locus of control

$$\begin{aligned} r &= \frac{N\sum XY - \sum X \sum Y}{\sqrt{(N\sum X^2 - (\sum X)^2)(N\sum Y^2 - (\sum Y)^2)}} \\ &= \frac{2(83.5 \times 5.4) - 83.5 \times 5.4}{\sqrt{(2 \times (83.5)^2 - (83.5)^2)(2 \times (5.4)^2 - (5.4)^2)}} \\ &= \frac{2(450.9) - 450.9}{\sqrt{(2 \times 6972.25 - 6972.25)(2 \times 29.16 - 29.16)}} \\ &= \frac{450.9}{450.9} = 1. \end{aligned}$$

Machiavellianism and LoC are thus positively correlated (as per the above correlation coefficient).

Similarly, the average annual business performance of 100 respondents is calculated for the past 5 years (from 2007 to 2011) and it is found to be around 95 % to their target. (As shown below)

Source: Primary Data Hence, the average performance of 100 respondents over 5 years period is: 95% Summary of Observations:

The above said results reiterate on the fact that Machiavellianism & Locus of Control are important Personality traits for success, sustainability and Growth in Automobile component Industry.

Personality traits indeed contribute to entrepreneurial success, sustainability, growth and thus meet the challenges of Business and Management.

DISCUSSION

Regulating/Controlling one's own thinking, planning and executing skills along with rational thinking process as per the dynamics of the market situation and strategizing approaches with a constant eye on the bottom lines of business operations demands few important Personality traits, viz. Machiavellianism and Locus of control.

The results of this research work support the hypothesis of the researchers that Machiavellianism and Locus of control together

sustain entrepreneurial challenges of Business & management.

Now another set of questions arise in the minds of the researchers as to whether the combination of Machiavellianism and Locus of control alone can make a successful entrepreneur.

Or are there any other contributing traits for entrepreneurial success? Research reports abound claiming the influence of few other personality traits Viz: Achievement Orientation, Extroversion & Introversion, Authoritarianism, etc. This thirst for further knowledge paves way for further research.

CONCLUSION

Niccolo Machiavelli was perhaps very right when he professed in the 16th century itself that Machiavellianism is a key personality trait for entrepreneurial success. Today's automotive entrepreneurs, with their Machiavellian characteristics (strong business knowledge, planning & executing abilities, rational thinking, interpersonal skills, etc.), have reconfirmed the truth. J.B. Rotter emphasized that individuals with a high internal locus of control believe that events result primarily from their own efforts and behavior. Individuals with a high external locus of control believe that powerful others, fate, or chance primarily determine events. The results of this research work also support the hypothesis of the researchers that Locus of Control impacts entrepreneurial success.

Thus, the combined contribution of the two important Personality traits – Machiavellianism and Locus of control to meet the challenges of Business and Management is amply justified.

Entrepreneurs who are High Machs, are Internals (have Internal Locus of Control). Similarly, Internals are normally, high Machs. High Mach Internals are performing entrepreneurs.

Contribution/Implications of the Research Work

There are a large number of entrepreneurs who are failed and successful. Many may be unconsciously

successful and failed, but they may not know the cause of failure.

While many factors contribute to both success and failure of entrepreneurs & their entrepreneurs, the researchers have strong reason to believe that personality traits are fundamentally responsible for their success. In other words, failures/success can be traced back to their Machiavellianism levels and whether they are externals or internals. Since externals and Low Machs may be oriented to failure, Internals and High Machs would be sure to succeed. Hence all the entrepreneurs must be oriented to higher Mach levels & Internals Locus of Control.

Acknowledgements: We fall short of words to express our Warm Regards and gratitude to our family members and Friends who have given us continuous support and encouragement to complete this research work. Our special gratitude to Mrs. Suma Krishna for her commendable care and Mr. C.N. Udayashankar for his constant Support.

REFERENCES/LITERATURE CITED

<http://sustainablebusinessforum.com/greeneconomy/51927/ceos-see-sustainability-engine-growth-industry-sectors-split-priorities>.

Race effects on the employee assessing political leadership: a review of Christie and Geis' (1970) Mach IV measure of Machiavelli By Jennifer Moss | Journal of Leadership & Organizational Studies - Wntr, 2005 .The Machiavellian Challenge to Business Ethics George Bragues University of Guelph-Humber, February 2008.

"An Empirical Study on the Relationship between Entrepreneur's Traits and Entrepreneurial Success" Control, Automation and Systems Engineering, 2009. CASE 2009. IITA International Conference on Issue Date: 11-12 July 2009 ,On page(s): 261 - 265

Morris Boydston, Rich Mountain Community College; Lisa Hopper, Rich Mountain Community

College; and Alan Wright, Henderson State University,

<http://hbr.org/1963/05/managing-for-business-effectiveness/ar/1>

<http://pdfcast.org/pdf/locus-of-control-and-entrepreneurs-in-a-small-town>

Randolph and Blackburn, Managing Organizational Behavior :Tata McGraw Hill, New Delhi, 1975,pp-160-164

<http://www.designcouncil.org.uk/resources-and-events/designers/sustainability-and-growth/>

Richard Christie and Florence L. Geis, studies in Machiavellianism (Orlando, Fla: Academic press ,1970)

http://ec.europa.eu/enterprise/policies/sustainable-business/files/brochure_sustainable_industry_150711_en.pdf

Stephen Robbins, "Organisational behavior- Concepts", 4th edition 1990, Prentice Hall Publications, New Delhi, pp-72-73

Harvard Classics, Vol. 36, Part 1- The Prince- Niccolo Machiavelli

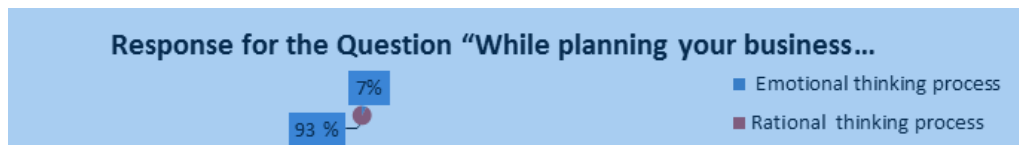
Scores	Mach Type/level	Characteristics
40-60	Very Low Machs	Less Desirable, since it implies highly submissive behaviour
60-80	Low Machs	Desirable(to some extent)
80-100	High Machs	Most Desirable(Ideal)
100-120	Very High Machs	Less Desirable in organizations like BOSCH, since it implies autocratic approaches

Sl. No	Financial Year	Average Annual Target (in Million Rs)	Average Performance-Turnover (in Million Rs.)	Average achievement in % to target
1	2007-08	100	78.53	78.53%
2	2008-09	115	93.82	81.58%
3	2009-10	138	113.47	82.22%
4	2010-11	165.6	174.9	105.62%
5	2011-12	198.72	220.6	111.01%
Average of 5 years		143.46	136.26	94.98%
Source: Primary Data				
<i>Hence, the average performance of 100 respondents over 5 years period is: 95%</i>				

Summary of Observations		
Average Mach Score	Average LoC score	Average Annual Performance
83.5	5.4	95%
High Machiavellianism	Internal Locus of Control	Positively correlated

Annexures: Table 1 showing the Responses for the Question : Machiavellianism

While planning your business activities, please specify your thinking process? <input type="checkbox"/>	No. of	Percentage
	Responses	
Emotional thinking process	7	7%
Rational thinking process	93	93%
Total Responses	100	100%



Source: Primary data

Graph 1 showing the Responses for the Question "While planning your business activities, please specify your thinking process?"

What determines your Entrepreneurial success? <input type="checkbox"/>	No. of Responses
Your Luck/Fate	7
Your planning and executing abilities/skills	93
Total Responses	100

Source: Primary Data

Table 2: Responses for the Qn. "What determines your Entrepreneurial success?"

Response for the Question "What determines your Entrepreneurial success?"



Source: Primary Data

Graph 2: Responses for the Qn. "What determines your Entrepreneurial success?"

Source: Primary Data

Few Selected Questions and their responses to reflect Machiavellianism Levels.

Scale: 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree

MACHIAVELLIANISM	
Q1	Always hide the real reason when you do something, unless it is useful to say (Diplomacy)
Q2	A better way to manage people is to tell them what they want to hear about them.(Inter Personal skills)
Q3	Generally, people/employees need to be forced to do the work. (Employee Management Reinforcement)
Q4	Trusting anyone completely is nothing but inviting trouble.(Being Careful and Preparedness)
Q5	Between death of Parents and loss of property, people often remember their loss of property than otherwise.(Rational Thinking)

Questions	Choice	Weightage	No of Respondents	Total Score	Percentage of Respondents
1	1	1	12	12	12%
	2	2	12	24	12%
	3	0	6	0	6%
	4	4	30	120	30%
	5	5	40	200	40%
Total			100	356	
2	1	1	12	12	12%
	2	2	12	24	12%
	3	0	0	0	0%
	4	4	33	132	33%
	5	5	43	215	43%
Total			100	383	
3	1	1	0	0	0%
	2	2	23	36	23%
	3	0	0	0	0%
	4	4	37	148	37%
	5	5	40	200	40%
Total			100	384	
4	1	1	0	0	0%
	2	2	6	12	6%
	3	0	0	0	0%
	4	4	47	188	47%
	5	5	47	235	47%
Total			100	435	
5	1	1	6	6	6%
	2	2	17	34	17%
	3	0	0	0	0%
	4	4	48	192	48%
	5	5	29	145	29%
Total			100	377	

Source: Primary Data

Few Selected Questions and their responses to reflect Locus of Control: LOCUS OF CONTROL

Q1	a) Many of the unhappy things in employees lives are partly due to bad luck.
	b) Employees misfortunes are the result of the mistakes they make.
Q2	a) Heredity plays the major role in determining one's personality.
	b) It is employee's experiences in life which determine what they're like.
Q3	a) Becoming a success is a matter of hard work, luck has little or no role to play.
	b) Getting a good job depends mainly on being in the right place at the right time.
Q4	a) When I make plans, I am almost certain that I can make them work.
	b) It is not always wise to plan too far ahead because many things turn out to be a matter of good or bad fortune anyhow.
Q5	a) Many times I feel that I have little influence over the things that happen to me.
	b) It is impossible for me to believe that chance or luck plays an important role in my life.

Questions	Choice	Weightage	No. of Respondents	Total Score	Percentage of Respondents
1	a	0	20	0	20%
	b	1	80	80	80%
2	a	1	36	36	36%
	b	0	64	0	64%
3	a	1	8	8	8%
	b	0	92	0	92%
4	a	0	14	0	14%
	b	0	86	0	86%
5	a	0	64	0	64%
	b	1	36	36	36%

CALL FOR PAPERS

The *International Academic Research Journal of Business and Management (IARJBM)* is a peer-reviewed journal, published by Academic Research Publishers. We are indexed with Cabell's Directory, Ulrich, Index Copernicus and EBSCO & Proquest are in process. The journal publishes research papers in the fields of business, management, marketing, finance, economics, human resource management and relevant subjects. The journal is available only on print edition and the current issue can be viewed online. Emphasis is given to papers that address controversial topics and which have a sound theoretical base and/or practical applications. All papers submitted should be original contributions and not under consideration for publication elsewhere.

We have listed the topics that fall under the very scope of the journal for the ease of our authors:

Research Areas:

Management, Human Resource Management, Strategic Management, Psychology, Advertising, Marketing Communication Issues, Consumer Behavior, Leadership Management, Organizational Development, Training and Development, Performance Management, Organizational Politics, Risk Management, Financial Management, Information Technology, International Marketing, Business Research Methodologies, Consumer and Personal Selling, Consumer Buying Behavior, Selling and Marketing Areas, Public Management Areas, Health Management, Services Marketing, Services Management, Economics, Economic Development, Strategic Issues, Marketing and Information Management, Enterprise Resource Management, Ethics, Entrepreneurship, Global Business Processes, Online Marketing, Conceptual and Theoretical Papers in Business, Logistics / Supply Chain Management, Marketing Management, E-Commerce, Islamic Banking, Engineering Management, Emerging issues in Finance, International Trade, Social Marketing, Banking, Public Policy, Public Administration, Public Finance, Social Policy, Pricing, Distribution Channels, Contemporary Economics, Insurance, Compensation Management. Kindly submit us your manuscripts by attaching them into e-mails and send to iarjbm@acrpublish.com

We normally take a week for getting an article reviewed. We charge USD 200 for an article to be published in *International Academic Research Journal of Business and Management*.

Before submitting the articles, you need to make sure that you have gone through our "Submission Guide" or <http://www.acrpublish.com/SubmitYourArticle.php>

All correspondence regarding your manuscripts will be handled via iarjbm@acrpublish.com