Index

Title of the paper	Author	Co-Author/s	Pg. no.
General Management			
Role of Industries in Bridging the Challenge of Skill Gaps	**Dr. A. B. Dadas**		11
Eco-tourism	**Dr. Ashok Kumar**		14
New trends in Commerce Education	**Dr. Anil B. Adsule**		23
SWOT to SWEAT	**Prof. J.A. Kulkarni**	**Dr.Sandip Pachpande**	26
Management of Change	**Prof. Dr. S.L.Shiragave**		29
Intellectual Property Rights	**Dr. T. G. Gite**		35
Organisational Change Management And It's Importance To Global Business Strategy'	**Prof. J. A. Kulkarni**	**Dr.Asha Pachpande**	40
Awareness about e-procurement systems in colleges	**Mr.Bharat Karhad**		49
Strategies for management of intellectual property rights in india in the changing business environment	**Mr.Prakash Chaudhary**		58
Role of creativity in development in business education	**Dr.S.S.Kaptan**		63
Factors related to Impressions of Foreign Visitors	Dr. Patthira Phon-ngam		65
Human Resource Management			
Employee Engagement and empowerment- a popular global buzzword- an article	**Dr.Sateeshchandra Joshi**		77
Work life balance of Indian working women	**Mrs.Karuna Jadhav**		84

Scanned with CamScanner

An investigation of work life balance in IT Industry: an Empirical Study	Ms. Pooja Kohli	Mr.Lalit Prasad	87
Employee Engagement	Ms.Mamta Rathi		96
Relationships between human resources management practices, and job satisfaction, and organizational commitment among employees in kazakhstani organizations	Senimgul Dossova		104
A case study of Employee Satisfaction	Mrs. Anjali Upadhye	Mrs.Savita Uppili, Mr.Mahesh Vasagadekar	114
Evaluation and effectiveness of training system in industries	Mr.Satish Bendigiri	Dr.Sohrab Sadri	122
Indian perspective on Work-Life Balance	Ms.Hema Mirji	Dr.Kirti Gupta	135
Study of Industrial Relations policies	Mr.Kishor Kenche	Dr.A.B.Dadas	141
From core competence to competitive advantage: an intellectual journey	Mrs.Jayashree Sadri	Mr.Bijoy Guha	146
Auditing industrial relations in Western Maharashtra	Ms.Mona Sinha	Ms.Anjali Kalse	153
Competency Mapping-A successful business strategy in the Global Scenario	Ms.NehaWasalwar		166
Cross Cultural Diversity and its Challenges	Ms.Amaraja Kulkarni	Ms.Priya Gole, Dr.S.Ranganathan	175
Employee Engagement Key Driver for HR	Dr.Sayali Gankar	Dr.Capt.C.M.Chitale	181
Trade unions and the changing socio political environment in india	Ms.Mona Sinha		184

Scanned with CamScanner

The Art of Work And Personal Life Balance:- A Business Strategy For Success	**Ms. Archana Dixit**		190
Work ethics: a futuristic prognosis	**Mr.Shahrukh N Tara**		198
Marketing Management			
Managing Brand for the long run : Brand Reinforcement and Revitalization	**Mr.Vikas Dole**		205
Do's and Don'ts in promotions	**Mrs.Radha Louis**		211
The power of social media clout- a change and a challenge: an empirical study	**Dr. Stephen D'Silva**	**Dr.B.D'silva, Miss. Roshni Bhuptani**	216
Impact of Wal-Mart – Bharti Alliance on Indian Organized and Unorganized Retail Market	**Mr.Komal Chopra**		228
Factors affecting on purchasing in the Thai automotive market	**Preecha Wararatchai**		236
E-Tailing – The new buzzword in Retailing	**Dr. Prasanna Deshmukh.**	**Mr.Sujay Khadilkar**	245
Analysis of Automotive Lubricant Market in India and Marketing Strategies for Rural Markets	**Dr. Prafulla A. Pawar**	**Mr.Rahul Khandelwal**	262
Role of modern CRM practices in enhancing Industry-Institute Interaction Programme	**Dr. Om Prakash Gupta**	**Mr.Shantilal Jadhav**	267
Effectiveness of Product Placement in Hindi Movies	**Ms. Smita.V Harwani**		273
Customer Relationship Management in Service Industry	**Mr. Abhishek Ashok Khadtare**	**Mrs.Meghana Navale/Mr.Vasim Kalavant**	279
Relevance of Luxury Branding in Current Marketing Scenario	**Ms. Shilpa R. Kankonkar**		288

Scanned with CamScanner

General Management

Role of Industries in Bridging the Challenge of Skill Gaps

Dr. A. B. Dadas
Professor,
Neville Wadia Institute of Mgmt. Studies & Research, Pune-1.

ABSTRACT

The developing industries demand for employees with portfolio of skills is growing in a globalized market scenario. The skill gap is further aggravated by multinational through outsourcing the skill human resources.

The fast growing industries are not constrained by capital, technology and entrepreneur capabilities but by human resources of talents and skills. In a growing problem of skill gap the industries must collaborate with academic institutions in their classical and operant conditioning of learning. The industries should focus their skill gap in different forums of professional institutions. The industries can also develop their own institutions of skill formation and development. The industries should follow HR Strategy to attract, train and develop employees. The HR management should follow open dialogue during performance assessment, career progression on merit transparency in promotion and competitive compensation package.

Role of Industries in bridging the challenge of skill gap

Prior to 1956, we had management hypothesis that the 'Managers are Born'. During this period of time industries had less significance of human resources of skill. The capital and technology had the highest priority in industries. In 1991, our government has introduced the economic reforms, viz. Liberalizations, Privatization and globalization (LPG). All controls on industries have been removed. The Private Sector has been given priority role to play in the economy development. Our economy is integrated to global market. As a result industries have growing opportunities, for their products, services and funds from national to global market. In a market focus competitive environment the management is sensitized for quality, productivity, performance, cost and customer service. In a highly competitive market the performance of industries mainly dependent on the quality, talent and skill of human resources. As a result of this, demand for human resources of skill, talent and quality has exceeded the supply of human resources of skill. This has resulted into skill gap for industries.

During post economic reforms, our industries made significant contributions for achieving 9% rate of growth of economy. This high growth performance of economy along with global demonstration effect provided the big push to our industrial development. This has aggravated problem of human resources of skill. The multinational companies also entered into Indian market of human resources of talent, quality and skill. As a consequence of composite demand for human resources of skill, the problem of skill gap has become more serious.

The fast developing industries in our country are not constrained by capital, technology and entrepreneur abilities but the industries are now constrained by human resources of skill. Existing skill gap is an obstacle to the development of our industries.

The collapsed of Lehman Brothers in U.S.A. resulted into a global financial crisis. Indian industries also had an adverse effect due to economic slow down. But the fundamental of our economy in general and industries in particular are very strong. We had 7% rate of growth of economy. Since, recovery, now our rate of growth is now 8.8%. This has provided big push to the development of industries. However this performance is mainly due to the

performance of human resources. The new human resources management (HRM) mantra is employee is a king because employee is a source of revenue provider.

The demand for human resources of skill is greater than supply. As a consequence the attrition rate is very high in industries. Therefore industries should make perspective planning of bridging skill gap. The human resource management should under take the task of analysis of identifying and quantifying the sectoral skill gap and accordingly plan to fill up the skill gaps in industries. The degree of utilization of skill depends upon the level of management and task assigned to them. The portfolio of skills required for human resources in industries are shown in the exhibit I.

Following exhibit I

- In a high growth performance of industries in a globalized market scenario the skill gap is a critical challenge for industrial performance. Therefore through provoking suggestions have given bellow to bridge the skill gap of industries.
- The employer should develop the preference to skill human resources. For this employer should invest in building "Employer Brand'. The employer should identify the emerging needs of employees. Accordingly he should care concern satisfy and make them comfortable at work, because happy employee will be an appreciable asset and he will ensure the happy customers.
- In a situation of skill gap the employers have to change their attitude and outlook. The employer always consider human resource as cost hut now they should consider human resources as revenue provider and every attempt should be made to retain them.
- The industries have less time to develop human resources with portfolio of skills. So, they are in search of human resources, talents and skills. The human resource management (HRM) of industries is in search of potential employees who can hit the ground running.
- Due to skill gap the industries are experiencing a high attrition rate. The findings of various research studies have shown that the employees leave the jobs not only for money but for career development opportunities, development of skills, training and talents.

- India is emerging as a global industrial leader. As a result India has become the global platform for corporate to hunt for human resource of talents and skills. The human resource management (HRM) of industries has to design the human resource strategy to retain the human resources of skills and talents. The focus areas of HR strategy are as follow :
    - To attract train and develop employees
    - Open discussion during performance assessment
    - Career Progression on merits
    - Transparency in Promotion
    - Competitive remuneration structure
- To meet the challenges of skill gap the industries must collaborate with academic institutions which are engaged in classical conditioning and operant conditioning of learning. In order to over come the skill gap, the industries can adopt the following methods.
    - Participating in designing the need base academic courses.
    - Organizing guest lectures of Professional
    - Organizing workshops, seminars and conferences on portfolio of skills management

Conclusion:

Indian industries are emerging as a global industrial leader. The future development of industries will not be constrained by capital, technology and entrepreneurs capabilities but by human resources of quality skills and talents. Therefore the academic institutions of professional learning must develop industry interface. The industries should also develop their own institutions of training and development of human resources, mainly focusing on the development of human resources of required skills. The consultancy firms should evolve a new approach of corporate skill management. The corporate skill management approach of corporate consultancy firms will help to minimize the problem of skill gap of industries. The academic institutions, industries and new approach of corporate consultancy training and skill development of human resources can over come the existing skill gap of Indian industries.

Eco-Tourism In Emerging Tourism Industry: An Analysis Study Of Indian Economy

Dr. Ashok Kumar,
Senior lecturer, Dept. of Management (MBA),
Siddhant Institute of Business Management, Sudumbare, Chakan Tale-gano Road, Affiliated from University of Pune, Pune, Maharastra, email: ashok.sibm@gmail.com
Mobile- 08888234194

Acknowledgement
It is privilege to express my sincere thanks to my esteemed advisor Dr. S.N. Tiwary, Director of Siddhant Institute of Business Management, Pune for his benevolent and sustained guidance, constructive criticism, enthusiastic interest and unfailing encouragement throughout the course of this study. In spite of his busy schedule, He devoted time and patience to review my manuscript with meticulous care and warm personal affection.

I am highly grateful to Shri R.S. Yadav, President, Siddhant Group of Institutions, Pune for his fruitful support and motivation to the work presented.

My heartiest gratitude to my affectionate parents for their constant and unlimited support, encouragement, love and patience in this work of Research Article.

Finally, I feel happy to congratulate with thankfulness to Superpower, God who made me to perform this research work .

Abstract
This research indicates that how new trend as eco-tourism is helping to growing Indian tourism industry. There are also written about the development of heritage as tourist spots, natures based activities, conservative education for tour operators and eco-cultural sustainability. Mass tourism could be based on pleasure, relaxation, religion or carnivals. ET enterprises need to be focused on the natural environment. A resort near seashore or inside a protected forest could meet all the four characteristics of ET while the regular mass visitation to a beach or to a forest temple can only be made eco-friendly.

Keywords
Eco-tourism, global market, rural communities, tourist satisfaction, Conservation Education, nature, Mass tourism, foreign tourist, and employment generation.

Characteristics of Eco-Tourism (ET)
The tragedy of mass tourist-spots digging their own graves and the emerging global market for ethnic and unique experience gave rise to enterprises under the banner of eco-tourism (ET) in various parts of the world. In spite of its increasing importance as a business opportunity and its phenomenal growth within the larger tourism industry, the concept of eco-tourism (ET) is not well defined. Used as a tool to harvest consumer's surplus in the context of economic growth and environmental degradation, ET practices vary from wildlife and heritage to health and adventure. ET is generally perceived as 'high value low volume enterprise' depending on a few interested tourists with high willingness to pay. Developing countries are gradually realizing that ET can be a livelihood tool for rural communities and can also result in sustainable management of natural resources. The educational and cultural attributes attached to eco-tourism (ET) add value to the business and also make us think that it may not be the quantity of tourists but the quality that we need to address first. It is also known that in natural environments,

tourist satisfaction is inversely related to the user intensity and well known eco-tourism (ET) destinations (e.g.: Galapagos Islands) face threat due to over visitation.

The challenge lies in reconciling conservation, community benefits and business proposition and these calls for careful planning, implementation, monitoring and regulations.

Existing ET enterprises often highlight some conservation activities like energy saving gadgets or restricted use of plastics, but tend to ignore the overall impact on the natural and cultural integrity of the destination. There are instances where this has either led to eventual degradation of the marketed tourism products themselves or to social unrest. Distinguishing the components of eco-tourism (ET) enterprises can clarify the ambiguity in the concept and practice of ET in the country. In many countries, 'home grown' definitions are in vogue groomed to meet specific needs of the context. Based on various definitions of ET, we can distinguish ET for our context by the following four essential characteristics.

1. Nature based activities
2. Eco-cultural sustainability
3. Conservation Education (for tour operator and the tourist) as a major component
4. Significant involvement of and benefits to local people

Mainstream tourism is geared towards tourist satisfaction and ET on the other hand, has conservation (of nature and culture) and livelihoods (economic and educational benefits) as essential constituents. While it is obvious that tourism should at least be harmless to nature and society, ET needs to be pro-active towards all the four components mentioned above.

Mass tourism could be based on pleasure, relaxation, religion or carnivals. ET enterprises need to be focused on the natural environment. A resort near seashore or inside a protected forest could meet all the four characteristics of ET while the regular mass visitation to a beach or to a forest temple can only be made eco-friendly. Last two components of ET do not prevail as dominant in these as in other ventures located in the same destination. In fact it is often considered desirable to keep mass tourism away from local communities to retain the cultural uniqueness un-invaded.

While cultural nuances evolve in the natural uniqueness of any region, both these together need to be sustained for continued tourist attraction. Natural and cultural sovereignty is crucial in projecting the handicrafts and culinary traditions as vibrant economic products. It is also worth mentioning that tourism in developing economies emerged as an industry in the post-war era due to the adverse terms of trade in agricultural commodities and the major contribution of the sector was perceived as improving the balance of payments situation.

Hence there has been a conventional focus on international tourists, in spite of the environmental costs in long distance travel, leakage of benefits from the destinations and greater uncertainty. In any case, the number of foreign tourists is not a large proportion of the total visitors (Figure-1). ET, led by objectives of nature and culture conservation, livelihoods and education, needs to be different.

Figure1 :Percentage of foreign tourist to total tourist arrival

Role of participatory tourism initiatives is well laid out in George and Reid (2005). This is envisaged as the most important feature of ET, because it is only a sub sector under the vast tourism arena, focusing on the willingness to pay for certain unique experiences with minimum eco-cultural footprint. Any tourism venture with a potentially large impact or dependence on local ecology and/or culture could be regarded as Eco-tourism.

It need not be confined to forests and could include home stays, houseboats, or beach tourism. This realization is based on the understanding that there is increasing willingness to pay for eco-tourism activities and the sector is expanding fast with increasing number and variety of players. Also there are increasing volume of visitors to natural reserves (Li and Han, 2005) that needs to be spread across a wide variety and number of locations.

The Process of restructuring policy

Policies are dynamic in nature reflecting the evolving understanding of the society. Policies may need periodic revisions based on emerging perspectives and techniques. Therefore policy formulation benefits from guidelines brought out at different times, at different governance levels and by different agencies. The policy framework being recommended here, also finds its origin in existing practices, policies and guidelines both within and outside the country. Nevertheless it is realized that eco-tourism is a vast business domain having wide repercussions on the socio-ecological fabric of an economy. Therefore, it is time now to develop these broad guidelines into clearer regulations, strategies and action plans. While guidelines can be national, policies need to reflect state-specific needs and imperatives of ET.

Hence these recommendations provide space for regions and communities to innovate and to retain their ecological and cultural integrity. In terms of the process of policy formulation, there has to be dialogue, consensus, bottom-up approach, decentralized governance and redressal mechanisms. The Quebec declaration (2002) says: "formulate national, regional and local eco-tourism (ET) policies and development strategies that are consistent with the overall objectives of sustainable development, and to do so through a wide consultation process with those who are likely to become involved in, affect, or be affected by eco-tourism (ET) activities;"

Following this process, National and state level institutions and mechanisms should promote and sustain ET in the country as a tool for conservation, livelihood and development.

The Emergence of Eco-Tourism

In the last decade, eco-tourism (ET) has emerged as one of the most important sectors in tourism. During 1998, the Government of India prepared a policy document on eco-tourism (ET). This identifies the eco-tourism (ET) resources of the country and lays down the need for a specialized, participatory, policy planning approach for the development of the eco-tourism (ET) destinations. It also stipulates the roles to be played by the stakeholders such as the government, the tour operators, the destination managers, the tourists, the host community and the voluntary organizations.

The State of Kerala ("gods own country") has taken a pioneering step in this regard by creating a separate directorate for eco-tourism (ET). Some other states have public sector corporations to promote eco-tourism (ET), for example, Jungle Lodges and Resorts Limited of Karnataka State. The Wildlife Institute of India, which is a national institute, has got a separate wing to consider various issues related to eco-tourism (ET). This institute and others like the Kerala Forest Research Institute, and the Indian Institute of Forest Management, provide technical support by way of consultancies in preparing environmental impact assessments for eco-tourism (ET) projects.

Recently the national government has taken over eight sanctuaries for eco-development projects, with the support of the United Nations Global Environment Facility. In all, these eight "project tiger reserves", eco-tourism (ET) has been visualized as an important component to provide employment opportunities for the local people, without having adverse impacts on the delicate ecosystems.

The tourism destinations of India present a wide range of natural and cultural products. These include beaches, hill stations, wildlife sanctuaries, mountain regions, archaeological monuments, religious monuments, fairs and festivals, amusement parks etc. The government has taken several policy amusement parks etc. The government has taken several policy initiatives including providing incentives for promoting tourism in these areas, and also for developing new destinations and products. The incentives are given by way of interest subsidies, allocation of funds to state governments for unique schemes, classification of hotels, and awards for the best hotels, tour companies, destination managers etc.

In the eco-tourism (ET) program, the Government of India supports state governments in the purchase of trekking and camping equipment, and also helps projects which use renewable energy resources. Non-governmental organizations (NGOs) work as watchdogs to see that the tourism activities are managed on sustainable principles. NGOs also help the government and private sector in feasibility studies, development of strategies etc.

Eco-tourism (ET) lies mostly in the public sector and projects are being developed by government, but private sector support is expected by way of provision of accommodation, conduct of tours etc. There are not many eco-tourism (ET) projects financed by international funding agencies.

Major Issues in Eco-Tourism

As explained earlier, the majority of the eco-tourism (ET) resources are to be managed on internationally accepted principles, which ensures ecological sustainability of natural areas, with adequate provision for learning by the visitor, and with a strong component of local participation. Economic benefits should accrue to the local population as local people develop a stake in the conservation of the natural resource.

To make eco-tourism (ET) successful, there is a need for policy and institutional changes in the decision-making systems. Since the majority of the potential eco-tourism (ET) sites are not with the Tourism Department, interdepartmental coordination and cooperation is crucial for their success. Community awareness issues related to the empowerment of the local people and the creation of adequate eco-tourism (ET) interpretation are some of the major challenges.

Establishment of scientific parameters of sustainability, continuous monitoring and making the data available to stakeholders needs to be done, and in a transparent way. There needs to be significant attitudinal changes among the policy makers, the private entrepreneurs, tour operators, destination managers, the visitors, and the local community in order to make eco-tourism (ET) happens the way it should. The Government of India, the state governments, the trade bodies and the NGOs are all fully aware of the problems and issues of resistance to change. Earnest efforts are being taken to formulate strategies to overcome negative influences and to prepare India to attract a large portion of this fastest growing segment of the international tourism sector.

ET as it is practiced in India

Table 1 provides an overview of the strengths and weaknesses of existing policy documents related to ET in the country at national and state levels. The only document available with regard to eco-tourism (ET) policy at national level is the eco-tourism (ET) Policy and Guidelines 1998 which identifies key players in eco-tourism (ET) as: Government, Developers/operators & suppliers, Visitors, Host community, NGOs & Research Institutions. It also prescribes operational guidelines for these key players. The policy defines and hence approaches ET with a clear conservation bias. It lays out cardinal principles suggesting the importance of involvement of local communities, minimizing the conflicts between livelihoods and tourism, environmental and socio-cultural carrying capacities.

Table 1. Status of existing policy initiatives in the ET sector, India

Region	Policy Title	Objectives	Strengths	Weakness
India	Ecotourism in India: Policy and Guidelines 1998	Same as general tourism; to be a unifying force, preserving natural and cultural heritage	Identified key players in Ecotourism	No institutional set-up, fiscal incentives or community ownership.
Karnataka	Wilderness Tourism Policy 2003	Opening up forest areas for ecotourism	A beginning	Public sector gets priority/Monopoly access to forest areas

Kerala	Kerala Tourism Eco initiative 2004	Eco-Certification Scheme to make each sub-sector within the tourism sector to be eco-friendly	One of the first standards issued by a state, intends to cover all sectors of tourism	Less stress on socio-cultural aspects including local employment, insufficient incentives for achieving the standards
	Conservation and Preservation of Areas Act 2005	Avoid unsustainable tourism	Regulates unplanned growth of tourism	In conflict with the expected powers and rights of 'panchayati raj' institutions
	Participatory Ecotourism programme of Forest Dept 2005	Promotes participatory Ecotourism programme through EDC/VSS	Inter-departmental cooperation, financial assistance for establishing community ecotourism	Difficult procedural formalities involving many sanctioning authorities
Sikkim	Sikkim wildlife (Regulation of Trekking) Rules, 2005	To regulate trekking activities in the state	Prescribes penalties for offences and rewards for reporting offences	Confines only to trekking activities
	Singalila Ecotourism Promotion Zone, 2006	To promote sustainable community based ecotourism with minimum negative impacts	Participatory enforcement of tourism regulations	Clearcut monitoring methods need to emerge
Madhya Pradesh (MP)	Eco & Adventure Tourism Policy 2002	Opening up forest areas for eco/adventure	A beginning	Stresses on adventure tourism and private sector. Lack of community involvement
Himachal Pradesh (HP)	Policy on Development of Ecotourism 2001	Opening up of forest areas for community based ecotourism	Community involvement, well detailed institutional set up	Too much stress on trekking and less on other ecotourism activities

It also perceives that ET should be part of integrated development of the area. It emphasizes the role of careful planning in infrastructure development and a detailed benefit cost analysis prior to implementation. It talks about standards, continuous monitoring and codes of conduct for visitors. The way to go ahead is to develop these guidelines into action plans, incorporating the missing components: institutional support, monitoring criteria, incentives and regulations.

Table 1 brings out the need for broad comparability of policies across states, even allowing for contexts to determine this to a great extent (mountains, coast, wildlife rich, etc). There is a clear picture of the confusion that surrounds the states' definition of ET and their articulation of what they want to achieve—ET as purely business proposition in MP privileged access to public sector in Karnataka, to detailed institutional set up in HP and enabling decentralization in Kerala and Sikkim. Identified policy gaps in Indian ET sector are the following:

Policy gaps

- ET policies often conflict with policies of the Tourism sector.

  Tourism policies promote infrastructure development and recommend simplification of environmental regulations to attract large capital inflows. ET objective is to minimize new infrastructures and comply with

all environmental regulations.

- Role of Government and other institutions not specified except in Kerala, there has been no attempt to craft a Nodal agency for ET, where the roles of different government departments are specified in any policy document.
- Conservation - heavy and local benefits not emphasized
  Due to the conceptual ambiguity in defining ET, most of the stakeholders, except forest department have not taken a proactive role. The result is an apparent conservation bias at the cost of local stakes.
  Lack of community involvement
  Even in cases where local community is projected as beneficiaries, benefits mostly confine to employment of a few locals as guides and cooks. Other forms of benefit sharing are nearly absent in the sector. Even the employment benefit could be higher if capacity building was considered as a prerequisite for assessing the eligibility of locals for different jobs.
- Lacks clear and measurable indicators to monitor
  Except for self imposed regulations in specific activities (e.g.: picking up waste thrown around while trekking, checking the number of plastic articles etc) there are no clear guidelines for monitoring even the environmental impact. Impact on socio-cultural parameters so far remain ignored.
- Absence of links between monitoring and Regulations or incentives.
  Wherever some regulations exist, they are not linked to continuous monitoring
  Well-laid out incentives linked to regular monitoring and standards can streamline the connectivity between practices and policy.

Way ahead:

Objectives as mentioned in section I, of eco-tourism cannot be met without a focused and concerted approach. The identified gaps are interconnected and are the consequence of the absence of a commonly accepted definition of ET. National policies and guidelines should be drawn for the proposed components of ET, within the purview of international environmental treaties and related Indian legislations, incorporating equity and fair Trade principles. State wise regulatory institutions and regulations can be based on these guidelines but should reflect grassroots ecological and cultural integrity. While all environmental legislations apply to these enterprises, the sector cannot sustain without targeted regulations, as it's potentially significant impacts on environment and social fabric.
Extensive decision making powers of Panchayati Raj Institutions under schedule XI of constitution could be made use of to ensure realization of important aspects of ET: nature and culture conservation, generating livelihood opportunities and regular monitoring. These constitutional rights need to be taken into account for negotiations under international agreements like GATS.

Existing ET enterprises in India vary in nature of origins and scale of operations can be categorized into the following:

1. Government
a. Government initiated and managed e.g. Thenmala, Kerala
b. Public sector corporate; e.g. Jungle Lodges and Resorts, Karnataka.

2. Private
a. Small-scale, e.g. House boats (Kerala) and Home stays (Kerala and Karnataka)
b. Corporate, e.g. The Blue Yonder, Kerala

3. Community
a. Self- Initiated and community managed, e.g. Kokkrebellur, Karnataka
b. NGO Initiated and community owned, e.g. Rampuria, Darjeeling; Pastanga, Sikkim

4. Co-managed

5. Community Managed and Government Supported, e.g. Bamboo Groves, Kerala

The policy needs in terms of monitoring and regulations may differ for these models. An attempt has been made

in section VII to demonstrate the utility of a set of criteria and concerned indicators for all ET models in general. Scoring of criteria, based on quantification of indicators, needs more research and participation from stakeholder groups. A nodal agency can articulate process for monitored promotion of these models in proposed destinations and also correct the imbalance brought out in Table 1, by setting broad basic operational guidelines for all.

Economics of Eco-Tourism:

Eco-tourism in developing countries with tropical forests has become a big business. Tourism in natural areas, especially in mountains, forests, hills, wildlife, national parks, lakes etc face a dual problem of ensuring the survival of plants and animals while providing opportunities for tourism activities. The development of tourism in these areas, therefore, relates to the economics of ecosystems, the economic importance of eco tourism is justified on the ground that it brings income and employment to remote areas having little economic opportunity. In contrast, the integration of these areas with other geographical plains of the nation in pursuit of employment will destabilize both the economy and the ecology. As eco tourism is small scale, a more diversified innovative and stable economy can emerge from the needs, requirements and interests connected with it in local areas. By and large, eco tourism projects are less capital intensive.

The basic tenet of successful economic activity is maximization of benefits and minimization of costs. Eco-tourism involves direct, indirect as well as opportunity costs. While the expense for establishing and maintaining a nature tourism site are direct, the damages caused by nature tourism to society are indirect. If no profitable alternative exists for an area, the opportunity cost may be very low. A well-planned nature tourism scheme can minimize all these costs considerably. Several experts have discussed the benefits of eco tourism in detail (eg. Boo 1999, Lindberg 1991, Ziffer 1989). They include:

- Economic diversification especially in rural and non-industrial areas.
- Long term economic stability
- The tendency for higher expenditure and length of stay.
- Demand for local goods and services.
- Infrastructure development
- Increase of foreign exchange earnings.

Several studies and estimates show that eco tourism is one of the fastest growing segments of the tourism industry. An estimate made by WTO (2001) shows that the global spending on eco-tourism (ET) increased by 20 per cent per year, about five times the average rate of growth in the tourism industry as a whole. It is also revealed that 50 per cent of all tourists would like to visit natural areas. Natural resource provides the basis of eco tourism.

Michel (1989) stated that natural resources are identified by human perception and attitudes, wants, technological skills, legal, financial and institutional arrangements as well as by political system. Natural attraction from the primary commodity in eco-tourism (ET) is fixed in supply. Using the classification by Hufbaur and Chilas (1974) of traded goods, tourist attraction can be divided into two groups-Hecksher-Ohlin and Ricardian type. Basically, Hecksher-Ohlin tourist attraction is man made, relying heavily on labour and capital for their provision, which could be reproduced in almost any part of the world. Ricardian type of tourist attractions, on the other hand, is unique or relatively unique and cannot be reproduced. Their supply and original properties are essentially fixed. In Ricardo's sense they are the gift of nature. Owing to their uniqueness and in elasticity of supply, Ricardian type of attractions - Natural - is the potential sources of surplus from tourists. In this context, it may be noted that value of land is most important. The total economic value of land can be of personal use value and non-use value. Any discussion on personal use value should take into account direct use value, indirect use value and option value. Output that can be consumed directly like food, biomes, recreation, health etc fall under direct use value. Functional benefits like ecological function, flood control, storm protection etc comes under indirect value. Non-use value may be option, bequest and existence value. Biodiversity, conserved habitat" irreversible changes, endangered species etc form the subject matter of non-use value. Maximizing the economic benefit without degrading this resource would enable sustainable use of resources for eco-tourism (ET). Once decision on how to use resources for eco tourism is taken, a plan of action can be prepared for eco tourism project.

However, the economic benefit is largely decided by the flow of money. A major component of this flow is direct

income, which is the tourism receipt. There can be several leakages from the direct income like taxes, profits and wages paid out side and imports. Money after these leakages is called secondary income, which circulates successively in the economy creating multiplier effects. Concurrently the effect is reflected in generating direct, indirect and induced types of employment in the economy. While this is a macro picture of the economic benefit, the eco tourism destination in particular derives income from other sources also. User free, concession fee, royal ties, and donation are peculiar to eco tourism destination. Last but not least, community participation is the hallmark of eco-tourism. It works as a tool for ensuring regional development from a sustainable perspective.
As eco-tourism becomes more important economically, ensuring that it follows a truly sustainable path will require cooperation among the tourism industry, governments, local people and, above all, tourists themselves. To address these issues, the United Nations has designated 2002 as the International year of Eco-tourism and today national economies are designing strategies for promoting eco tourism for sustainable development.

Some Eco-Tourism Destinations:

The most popular destinations of eco-tourism include Kenya, Tanzania, Nepal, China, Mexico, United States, Costa Rica, Belize, Ecuador and Caribbean. Even countries like West Indies and Thailand, which once promoted mass tourism, have changed their course of action and specifically designed and promoted eco tourism projects.
Kenya is the world's foremost eco tourist attraction. The total number of visitors to Kenya's Park and protected areas is about 650 thousand every year, bringing home around $350 million. The eco tourism products of Kenya include its biodiversity, wild life, unique ecosystem, breathtaking scenery and sunny beaches. Specialized tours are also arranged for small groups like botanists and ornithologists.
Costa Rica is bestowed with a variety plant and animal life. Many of the natural attractions, which play an increasingly major role in the development of tourism in Costa Rica, are under some form of protection. The national park system covers nearly 20 per cent of the country. In addition to government initiative, private sector also plays a crucial role in the promotion of eco tourism. Private resources and parks attract large number of visitors of Costa Rica. Since 1986 the government has been committed to developing tourism as a priority area and encouraging 'soft nature tourism'.

The Greater Yellowstone Ecosystem is another major centre of attraction to eco tourists. An aerial view provides an image of vast island of mountains and plateaus, rising from the high plains to form one of the most extensive tracts of wild lands. The ecosystem encompasses two national parks; portions of seven national forests, three national wild life refuges, Bureau of land Management lands, and state and private properties. Today efforts are being taken both at the private and public levels to manage eco tourism more effectively.
Most of the tourism attractions of Dominica are natural areas. The island has two national parks and two forest reserves to its credit. Boo has identified the major obstacles to further growth of nature tourism in Dominica, which include inadequate funding for park maintenance, poor tourism infrastructure in parks, lack of trained guides and inadequate promotional facilities.

Tourism occupies a significant position in the Ecuadorian economy over the last 15 years. The industry is founded on the cultural folklore attraction as well as those associated with nature and adventure. Boo has stated that tourism has a fluctuating trend in the Ecuadorian economy with positive and negative impacts.
The Mexican tourist industry is well established with constant growth in arrivals from 20,000 in 1929 to more than 54, 00,000 in 1987. About 0.8 per cent of the country is protected. The great variety of categories for protected natural areas in the country includes parks, reserves and protected zones. The country's natural attractions include beautiful beaches, colorful villages, outstanding archaeological heritage and spectacular natural attractions.
Tourism is the largest single industry in the Caribbean with a new emphasis on parks and protected areas. The small island Saba, part of the Netherlands Antilles, is an excellent example of mutually beneficial interaction of nature tourism and eco-system protection.

Maldives and Bhutan in South Asia are regarded as successful examples of sustainable tourism development. In both these countries tourism has been planned and developed as a major economic component. The establishment of tourist facilities in the form of island hotels has influenced to a large extent the overall geographic, economic, socio-cultural and ecological environment. Steps have been taken to increase earnings from tourism while minimizing the import requirements for tourism activities. Strict environment standards and controls are also

applied in Maldives.

The Government of Bhutan is following a policy of controlled tourism development in its mountain ecosystem. The overriding aim of Bhutan is to ensure that the type and rate of growth of tourism which do not damage the natural environment and cultural heritage.
Tourism business in Kashmir in India is largely eco based. But mass tourism in this area has created several environmental problems. Ruza has undertaken a case study on the ecological burden of tourism in Dal Lake. The study reveals that the carrying capacity of the Lake has exceeded and a moratorium should be imposed on all kinds of infrastructure.

The Annapurna region in Nepal attracts large number of visitors to its mountain ecosystem. But the increasing number of tourists has upset the delicate ecological balance between life and land in the Himalayas. The Annapurna Conservation Area Project, an innovative scheme, has been launched to balance the needs of the local people, trekkers and the natural environment.

India, with its geographical diversity, natural attractions and rich cultural heritage, provides a fertile ground for eco tourism. Many protected areas in the country contain structures of religious significance and are sites of pilgrimage. Tourism management in protected areas is the responsibility of the Forest Department, which has marked tourism zones in the forest. Of the project sites Ranthambhore, Gir and Periyar are the most popular destinations. Most of the visitors are domestic tourists. Giving emphasis to protected areas the eco-development programme in India aims at providing strong incentive to conserve the environmental and cultural heritage through the extensive re-distribution of decision making and economic benefits to local communities.

Problems of Eco-Tourism:

Despite planning, local participation and conservation measures, the unintended negative effects of wildlife tourism have been pointed out by several writers. The influx of tourists is followed by the need for more accommodation, roads, parking lots and services such as water, water disposal and power. These can have significant impact on natural areas and their eco-system. Other impacts such as development of rural slums, noise and air pollution, litter destruction, loss of habitat, disturbance to wild life etc. may also follow. The physical and social carrying capacities of many areas place constraints on eco tourism. Serious conflicts between nature based tourists and the particular aspect of nature they seek are also reported.

How the community reacts to tourism in general and eco tourism in particular is another major problem. Changes in local prices and employment generation may not be as favorable as expected. The poor local people may view tourism with resentment, and this is particularly true in developing countries. Quite often local participation will not be forthcoming as expected.

Studies also show that little of tourism money directly benefits the local population. Outsiders often dominate nature tourism with the consequence that money flows outside. The World Bank estimates that even in the best of the circumstances 55 per cent of every tourist dollar spent in developing countries leaks back to developed countries.

With the influence of foreign capital, experts and thinking, there is a trend for promoting mass eco tourism as a development package. If this is cherished, the old tourism will re-appear in green disguise and sustainable development will be the casualty. Hence the need of the hour is to put emphasis on the sustainable development of eco tourism.

References:

Edward S.N., McLaughlin W.J. and Ham S.H., "Comparative Study of eco-tourism (ET) Policy in the Americas" University of Idaho, Organization of American States (1998).
George, E. W. and Reid, D.G., The Power of Tourism: A Metamorphosis of community Culture, Journal Of Tourism and Cultural Change 3(2), 88–107. (2005).
Hufbaur, G. C. and Chilas J.G. (1974) Specialization by Industrial Centres: Extent and Consequences. H Giersch (Ed) the International Division of Labour, Problem and Perspective, Mohr Tubingen.
Source: Data from Tourism Statistics, Ministry of Tourism, Government of India, Kerala and Karnataka.
Li W. and Han N., Eco-tourism (ET) management in China's Nature Reserves. AMBIO: A Journal of the Human Environment. Vol. 30. No. 1. pp. 62-63. (2001).
Mitchell. B., Geography and Resource Analysis, Long man, New York, 1989.
Deiffie J (1981). Who Will Watch the Bird Watchers? Wild Life Review X (7).

New Trends In Commerce Education

Dr. Anil B. Adsule
Principal,
St. Vincent College of Commerce, Pune – 1.

KEY WORDS
Commerce Education
Professionalization
Multi Skilling
Developmental Approach

ABSTRACT
Commerce education is taking slowly a professional approach. Policy makers as well as users are adopting a more pragmatic and positive approach while looking at commerce education. New specializations curriculum and approaches are being brought in the commerce education. The reasons for this change can be rightly understood if one looks at changing business and economic environment in the country. The industries are no longer in need of mono skilled or single skilled person. They expect a trained, qualified and multi skilled specialists who can meet the industry requirement properly. They also expect competent youth who are able to meet the challenging situations by demonstrating leadership and managerial abilities.

The new commerce education is designed on these lines. The salient features of these change can be stated as follows –

1. Offering specialized courses in computation and Information Technology Applications in commerce.
2. Offering new courses in e-commerce, m- commerce and web based commercial activities.
3. Specialized courses in Tourism, Hospitality and Entertainment.
4. Specialized courses in Banking, Finance and Insurance.

Present paper deals with what are the new initiatives in commerce.

INTRODUCTION
Though present day world is rightly known as age of discontinuity and challenges. There are many areas where the link between the past and present is slowly vanished due to rapidly changing environment and influence of technology and competitive factors. Commerce and Business education is no exception to this.

Though commerce education started in India almost a century ago. It has witnessed many changes due to change in industrial and economic situation. Many times education has travelled on the waives of changes of economy and industrial advancement. A stabilized form of commerce and business education came into late forties. Universities have encouraged business education during nineteen fifties. This paper intends to through light on what are the new facets of business education.

OBJECTIVES
The present paper has following objectives –

1. To understand the problems of contemporary business education.
2. To examine new aspects and trends in relation to business
3. To propose a new approach to business education.

REVIEW OF LITERATURE

1. Sinha Indira has discussed the importance of business education in India in the light of changing focus of business education. The author is of the opinion that unless and until business education is made more industrial friendly, business education will lose its relevance in due course of time.
2. Mujumdar Shubhendu has discussed how corporates are evaluating business education as an essential input to train and develop young recruits. They fill that the education has to have more focus on professional approach and skill development activities.
3. Goyal Aruna has discussed the industry – institute linkages and identified following areas for poor employment from commerce colleges.
   a) Lack of communication skills.
   b) Want of ability to express views effectively.
   c) Poor skills development programmes and lack of understanding in industries expectations from commerce education.

DISCUSSION

1. **Problems of contemporary and present day business education**
   The present day business education is characterized with following special features –
   a. **Multiple core level subjects** – Present business education is a sum total of variety of courses combined together. It is not having a focus on one particular discipline or area of specialization. It is basically heterogeneous in nature. It is basically covers multiple subjects but with out giving thorough and specialized knowledge of a particular area.
   b. **Limited exposure to any particular subject** – The concept of specialization is not yet adopted in business education to its fullest extent. Though at post graduate level there are certain specializations, however the course content and proportion of specialization doesn't match with the overall syllabus and total course structure. In spite of having specialization the approach is not providing export knowledge but to offer reasonable working knowledge in a specific discipline.
   c. **Lack of training and hands on exposure -** The present day business education emphasizes more on conceptual knowledge without offering insights as to how phenomena or activity actually functions. It tries to garner the conceptual knowledge without developing life skills required to implement these concepts in practice. This becomes hurdle in developing a required popularity and acceptance of commerce education**.**
   d. **Lack of practical pedagogical methods –** The pedagogy and teaching methods presently used emphasis more on lectures and one to many dialogue. There is absence of practical base and creative teaching methods. This affects relevance and utility of the knowledge offered to the students.
   e. **The present commerce education is not covered in the professional educational domain -**
   The paradox in the university education system is emergence of management education on one hand and decline of commerce education on the other hand. Management education as a new branch of learning is highly appreciated and acknowledged as professional education with higher industrial and business relevance. It has higher acceptability in every sector of employment. At the same time though the commerce education is a mother science, its utility is challenged and denied. This definitely needs to be reconsidered in a proper manner. Unless and until commerce education is brought in professional educational domain, it can not have a right positioning and acceptance in industrial and business sector.

WHAT NEEDS TO BE DONE?

The commerce education is education in applying professional skills in practice. It can never become obsolete and irrelevant in growing economic scenario. On the contrary its utility and applicability should always grow. How ever to the great surprise it is on decline due to its improper present day structure and lack of right position.
Following measures are suggested here to enhance the quality of commerce education

1. Offering specialized courses in computation and Information Technology Applications in

commerce.

2. Offering new courses in e-commerce, m- commerce and web based commercial activities.
3. Specialized courses in Tourism, Hospitality and Entertainment.
4. Specialized courses in Banking, Finance and Insurance.

The author has presented here a case for revival and development of commerce education is new and changing scenario. The twenty-first century is marked with professional approach, technology driven system and user friendly applications. Hence unless and until commerce education is redesigned in a professional manner it can not sustain its popularity and relevance.

REFERENCES:

Management educations – environmental dimensions
Edited by – Pramod Pathak, J. K. Pattanayak,
Chandan Bhar, Niladri Das.

From 'Swot' To Sweat' A Paradigm Shift

Prof. J.A. Kulkarni.
Senior faculty
ASMs' Institute of Business Management & Research. Pune- 411018, India.
&
Dr Sandeep Pachpande.Chairman,
Senior faculty
ASM Group of Institutes,

ABSTRACT:

Globalization and liberalization of world economies have exposed traditional approaches to 'Individual and 'Organizational Appraisals' as inadequate and irrelevant in the fast changing business scenario. ,The approaches for the assessment of organizational capabilities to a great extent are, sofar, based on 'SWOT' and 'Portfolio' analysis techniques& methodologies. .

The authors in an attempt to better understanding of the business 'variables& their sensitivity' influences, on the organizational competitive capabilities observed that the points of reference for organizational capability appraisals have undergone a paradigm shift, No more the traditional methodology of SWOT Analysis and Portfolio Analysis are capable of providing actionable and purposeful insights to save organizations from the onslaught of market forces under severe hostile competitive environment.The 'Strengths' of an organization are perennially at conflicts with the realities at the market place and render themselves on the contrary as highly vulnerable 'Weaknesses' to competitive attack. And the organization which valued their Core Competencies as 'unbeatable strengths' are stuck in to sticky mud of committed NVA resources.

Now the 'weakness' of an organization in real terms could work as a strength at times and now a days more often. The lack of resilience in bigger organizations due to size/strength constraints, the not so big organizations stand to gain market share due to the "strengths in their weakness" that they were eagerly waiting for market opportunities to explore and grow.

Similarly today one cannot differentiate between an opportunity or a threat perception because we are chasing an illusionary scene at the market place and we definitely do not know anything beyond.The fate of 'Portfolio' analysis is none too different from the 'SWOT 'analysis. Since we use the principles of 'SWOT' analysis as a basis for 'Portfolio' analysis. we are not very sure that our findings based on which, we take major and important decisions are 'Real' and **'**Dependable'.

.An attempt is made in this paper to cautiously rewrite the prescription for the organizational appraisal as "SWEAT' analysis in place of the SWOT and conventional Portfolio analysis techniques and tools.

Key Words

S Strategic thinking and approach
W Work ethics
E Energy levels & Endurance capabilities
A Administrative Capabilities (Value chain management)

T Tacit knowledge of market forces including . The real 'Gut feel' of the top management

INTRODUTION

THE "SWEAT" METHODOLOGY

ELEMENTS OF "SWEAT" METHODOLOGY FOR ORGANIZATIONAL APPRAISAL

S—' STRATEGY'

The approaches of logical thinking, rational approach and professional management ('Ivory tower' styles) have been rendered incompetent to address the present day challenges of global competition What is needed is something' unique' some "sixth sense" some "introspective" feedback/ feed forward mechanisms which could alert the snoozers from complacency and draw their attention towards the critical changes in the management processes & practices to ensure survival.

The organisational capability to manage such situations is assessed based on the presense of 'strategic thinking & Strategic management'as an essential elements of its DNA. Strategic thinking emphasizes on consistent, unstructured, flexible at the point of action result orientation and strategic management is to focus on the effective implementation of the 'Strategy' coupled with perpetual evaluation and control mechanisms in place.

W - WORK ETHICS

Today's assessment of essential aspects to survive and succeed is basically through the sheer strength of the resilience built over periods of 'in-learning' or facing challenges in business and backed up with ethical values & practices.The ethical value package for successful organizations consists mainly of transparency, consistency, constancy, sincerity, conviction, commitment to excell in the business world.

'Work Ethics' ensure 'balance' and 'centered approach' even under extremely stressful and volatile scenario in the present day business management. We do experience very often onslaughts from various corners of temptations& greed leading to disastrous business & social consequences. But what takes us home of normality is the strength of one's convictions on ethically correct and morally righteous action plans and appropriate responses to such situations. The aspects of national and international Standards on Corporate governance confirm this as a very essential element while assessing individual and corporate capabilities.Work ethics based on organizational ethos and an organizational culture adequately communicated to all its stakeholders and effectively implimented at all levels alone can ensure long-term sustenance.

E - ENERGY&ENDURANCE.

Organisational Energy is seen as the 'resilience' capability of an organization to sustain highly disturbing and turbulent business environment situations both external and internal to a business unit.

Endurance is that characteristic of a corporation which can differentiate with the organizational 'Wisdom' between the real and unreal aspects of business environment and be prepared to act on the real ones and endure those which are passing phases.The macro environment of any corporation is ever dynamic and consistently changing, to identify the real threats and real opportunities amongst changing environmental conditions and taking strategically appropriate steps for the business to achieve its objectives, it is necessary to have the accumen to take appropriate decisions and stand by ones convictions in ones capabilities.

A - ADMINISTRATIVE CAPABILITIES (VALUE CHAIN MANAGEMENT)

Strategic planning of support functions and implementation of strategic decisions at all levels maintaining performance as per targets, including quality cost & time is a measure of the adminstrative capabilities of an organisation. No strategy or project however serious & critical, cannot succeed in its effective implementation in case the support functions are not strategically alert, aligned and capable to strenthen the value chain for business success

T-TACIT KNOWLEDGE

This is the ultimate or the pinnacle status an organization has to achieve through consistent efforts in the acquisition and internalizing of all knowledge and competencies of relevant business environment and its critical success factors and the drivers of business. 'TACIT KNOWLEDGE' includes conceptual, comprehensive, proficient and effective understanding of all important and essential aspects of the business one is in, along with all aspects of external and internal environmental factors which influence the business and its prospects in future. Tacit Knowledge is inclusive both of "know –how" and "Show –How" of strategic management. It supports the basic aspect of organizational capabilities of intellectual capital being one of the critical success factors. This is the GUT FEEL of the business leaders.

Competitive Capabilty & Strategic Advantage Profile: The SWEAT INDEX

		Strategic Vision (X1)	**Strategic Mission (X2)**	**Strategic Objectives (X3)**	**Domestic Operations (X4)**	**Global Operations (X5)**	**Total (X) = weightage**
S	Strategic Approach	A1	A2	A3	A4	A5	A
W	Work Ethics	B1	B2	B3	B4	B5	B
E	Energy / Endurance	C1	C2	C3	C4	C5	C
A	Adminstrative Capability (Value Chain Management)	D1	D2	D3	D4	D5	D
T	Tacit Knowledge	E1	E2	E3	E4	E5	E

$$\text{SWEAT INDEX} = \frac{\sum \pm A \pm B \pm C \pm D \pm E}{\sum X}$$

CONCLUSION

The SWEAT methodology is amenable to all business situations be it manufacturing, service, IT and ITES organizations.While using the SWEAT methodology one can use any appropriate weightage for each of the SWEAT parameters for comprehensive evaluation.of organisational capabilities . We can assess individual characteristic potential for any given situation or could develop a SWEAT Index through detailed assessment of all the characteristics. We can build a portfolio analysis of the SBU's and products more in terms of SWEAT capabilities inlieu of SWOT analysis and other techniques

REFERENCES :

1. Crafting & Executing Strategy, A quest for competitive advantage-14th edition.A.A Thompson Jr, A.J.Strikland III, John Gamble.Arun Jain
2. Strategic Management, strategy formulation,implimentation & control- 9th edition, TataMc GrawHill.John.A.PearceII,Richard.B.Robinson Jr
3. Business Ethics, The moral responsibilty of business-4th edition, Thomson learning Inc.ISBN 981-240-3582

Management of Change

Prof. Dr. Shiragave Sadashiv Laxman

Management of Change

I. Meaning:

Change is the law of nature and no organization is exception to this changes culture. When a business organization operates and functions for a long time, an equilibrium is established between its technical, human and structural set-up. But the changes in human behavior, their mentalities, their shifting values, evolution of new technologies, global competition, organizational restructuring, etc. impose the organizational change.

Management of change is the adaptability of management to theses changes for the survival and growth of the organization in the long run.

It requires a lot of flexibility, foresight, development and adoption of new techniques by the management.

II. Reasons for Organizational Changes:

1) **Changes in Production Method:**

   Timely changes in production methods and systems, changes in kinds of goods produced, changes in marketing strategies, tax policies, industrial policies bring about change in the organizational set-up.

2) **Changes in Techniques:**

   The changes in techniques and machinery demands appointment of new and skilled workers.

3) **Retirement of Old Employees:**

   Retirement of old managers, director's board of director's gives place to new appointment of managers and directors. With the entry of new managers, there is evolution of new managers, there is evolution of new policies, schemes and intentions. This gives rise to organizational change.

4) **Technology:**

   Technology brings about changes in an organization. Existing workforce has to be trained with respect to computer knowledge, updating of new techniques. etc. Many jobs have to be reshaped. Employes doing narrow specialized and routine jobs have to perform multiple tasks

5) **Economic Changes :**

   Economic shocks like substantial changes in ooil prices, interest rates on loans etc. impose organizational changes.

6) **Globalisation:**

   Due to entry ofr globalization, organization has to deal with lacal competitors as well as global competitors that come from across the oceans. In order to differently with different competitors

7) **Political situation**

   Changes in world politics such as iraq's invasion of Kuwait, reunification of germany, break- up of Soviet union, recent india – Pakistan Kargil war, etc. impose organizational changes in response to such events

III) Reasons of Resistance to changes by people:

People generally resist to any kind of change because change demands readjustment which is not simple, possible and always favourable.readjustment which is not simple, possible and always favorable.

1) **Insecurity of Job:**
Due to introduction of new technologies, automatic machines, employees have a fear of losting their jobs. This insecurity of jobs tends them to resist the change.

2) **Fear of Workload:**
Sometimes with the proposed change in technology and new methods employees fear that their workload will be increased and correspondibgly, there will be no increase in their remuneration. This feeling result in resistances to change.

3) **Monotony in Work:**
Sometimes a proposed change leads to more specialization and monotonous work. Such changes are also resisted.

4) **Participation fo subordinates :**
Some changes totally deny or rule out the participation of subordinates in decision – making. Such changes are resisted because they imply criticism of the employees.

5) **Not Ready for Training:**
Some changes in technology and work demand training of the employees some employees dislike to undergo refreshers or traning courses and hence, they resist the change

6) **Heavy Burden of Responsibilities :**
Some changes in methods of working, changes in production processes impose heavy burden of responsibilities on managers. Such over – burdened managers tend to resist the change.

7) **Unfavorable Changes :**
Some changes suggested by labour unions or Government are not favorable for an organization. Such changes are opposed by the management

(IV) Managerial Remedies to Overcome Resistance to Change

1) **Consultation with Employees:**
Before introducing any change, the intention behind the change must be fully communicated to those who will be affected by it . Suggestions must be taked spent in consultation with the employees and their suggestions must be taken into consideration

2) **Proper Planning:**
Changes should not be forced suddenly. A sufficient time should be spend in proper planning and installing it . Employees should be allowed to prepare themselves to accept it without any fear.

3) **Assurance About Economic Gains :**
Management should ensure that the installed change would not cause any economic losses, loss in status and personal dignity at employee's end

4) **Group Dynamics:**
Group dynamics refer to interactions among the group, adjustments in mutual perceptions and relationships maong the members of the group. It facilitates adaptation of change. Management should introduce it so that introduction of change is easily adopted

5) **Slowly Introduction of Change:**
Management should introduce the change slowly and in parts. The results of the change should be reviewed and necessary modifications must be made as per requirements. This will make the change easily acceptable.

6) **Suitable Training for Change:**
If a change demands training, the management should create a feeling in concerned employees that they are going to learn new techniques which will add to their knowledge. This will increase their enthusiasm and the change will be easily accepted.

V) Significance of organizational changes.

Change in organizations is inevitable. All organizations must adapt to the demands of their environments and their own stages of growth. The concept of change runs throughout all aspects of the study of organizational behavior. Significance of change can be gauged from the following aspects.

1) **Adapting to the Pace of Change:**
Advances in technology, internationalization of business, changes in the composition of the labour force, increased government intervention and many other factors provide a dynamic environment for modern organizations. The ever acceleration pace of change is one of the greatest challenges for contemporary managers and organizations. For a manager, change is a significant factor which must be understood with its full meaning and consequence.

2) **Resistance Must be Dealt With:**
Another significant matter arising form changes is resistance to change. Changes are resisted because of uncertainty, threats or vested interests, lack of trust, misunderstanding etc. but the significant factor is that the burden lies with the agent of change.

3) **Mutual Confidence:**
Most important is the human atmosphere that exists between the change agent and the change target if mutual confidence is not present, the strength of the resistance will greatly increased. It is here that the role of the change agent becomes more significant.

4) **Necessity of New Methods:**
It is essential that manager must change themselves. If necessary, they should give up traditional management practices and adopt new methods of management. From this point, change becomes an important factor.

5) **Change and Overuse of Authority:**
In spite of good intentions and positive efforts, resistance often persists. The manager must use positional power to enforce change. He must recognize though that authority can be used only sparingly. If authority is overused, it eventually becomes worthless or counter productive. This aspect of change in management is quite significant.

6) **Refreezing of Change:**
Manager must realize that making changes permanent (refreezing) is more difficult than bringing about the change. Steps such as altering the reward system, socialization of new staff, developing employee commitment may be necessary to bring permanent change. In addition a change intervention should be evaluated systematically to ensure that goals and objectives are being realized. This factor of change management is quite important in organizational development.

7) **Important feature and dimensions of managing changes:**
Change management is the process of systematically planning, organizing and implementing

change from the current state of disassembly to a fully functional state within an organization. Change management ensures that business continues while the change is occurring and thus it must begin before any change occurs. Main features of Change Management can be stated as follows.

A. Important Fearues of Successful Management of Change:

1) **Unfreezing:**
This involves casting aside attitudes and value system, managerial behavior or organizational structure so that new ones can be learnt.

For unfreezing the manager must understand the causes for resistance to change. It is common knowledge that there are people who desire status quo and there are individuals who push for change. The two groups may be equal in their force.

2) **Changing :**
Actual change occurs at this stage. New value systems, behaviours or structures replace old ones. This is the action oriented stage. This could be a period of confusion, dis-orientation and despair mixed with hope and discoveries.

3) **Refreezing:**
Here the change becomes permanent. The newly acquired values, beliefs and structures get refrozen. A new status quo is established at this stage. Refreezing is important becom without it there is a vacuum.

B. Dimensions of Managing Change :

Once change in an organization begins, the organisation is in a fluid state where business must continue. This transition stage has several dimensions as follows.

1) **Continuation of Business :**
Change management ensures that business continues while change is occurring.

2) **Role of Management Staff :**
Members of the regular management team must take on the role of transition managers and co-ordinate organizational activities with the change agent.

3) **Creation of Interim Strucure :**
An interim management structure or interim positions may be created to ensure continuity and control of business during the change.

4) **Communication :**
Communication of all the changes to all involved from employees to customers and suppliers play a key role in transition management. Communication is an important dimension of change management.

C. Examples of successful Change Management :

1) **State Bank of India :**
In 1971, State Bank of India embarked on an organization wide restructuring exercise. Taking the help of external consultants, the top management implemented major changes in the organization a shift from functional structure to a market segment based structure, introduction of budgeting and performance review system, differentiation and strengthening of planning and staffing functions and creation of more unified channels of command of branches from the head office.

2) **Richardson and Crudas Ltd :**

In 1981, Richardson and Crudas Ltd. Was in a bad shape. Profitability was low, return on equity went down by 25% in 4 years, industrial relations were poor and there was considerable politics among departments. When Mr. Gurucharandas took over the management, he went ahead creating "a people oriented culture" where "new ideas could thrive and people could develop their full potential". What followed was a major organizational development exercise for changing the values and attitudes of people at all levels. By 1984, the company hed a committed management team, union-management relations had improved, profits had more than doubled and sales went up by 30%.

3) **Steel Authority of India Ltd. :**

During 1980-84, Steel Authority of India Ltd. (SAIL) had suffered losses of Rs. 276 crores. In 1984, Mr. V. Krishnamurthy became the CEO. He had group discussions and individual discussions involving 25000 employees and he prepared a list of priorities for action, based on these discussions. This list was mailed to its 25 lakh employees. A great deal of decentralization was done as a result with great cost savings on fuel consumption and overtime. A flatter organization structure was evolved, human resource development programmes were strengthened.Whthin a span of 4 years, the company recorded a profit of Rs.360 crores.

VII) Methods for dealing with Resistance to Change:

Katter and Schlesinger have suggested six different approaches for introducing change as follows:

1) **Education and Communication :**

This approach entails education of concerned employees when there is a lack of information and erroneous analysis of information. The advantage of this approach is, once persuaded will often help will often help with the implementation of this change. The drawback of this approach is that if lots of people are involved it can be very time consuming.

2) **Participation and Involvement :**

Such an approach is used where the initiators do not have all the infrmation. They need to design the change and where others have considerable power to resist.

This approach is beneficial because pepole who participate become committed to implementing change and any relevant information they have will be integrated into the change plan. The disadvantage is that such a change can be very time consuming if the design change is not suitable.

3) **Facilitation and Support :**

This approach is used whan people resist because there are adjustment difficulties. This method has a specific advantage where no other approach works towards adjustment. This approach is expensive, time consuming and has more than average chances of failure.

4) **Negotiations and Agreements:**

Where someone from the group loses out in the process of change despite strong resistance from the group, this approach is used. The advantage of the method is that it is relatively an easier way to avoid major resistasnce, while the limitations is that it can be expensive and it can motivate rivals to negotiate for compliance.

5) **Manipulation and Co-Opting:**

When other tactics do not work, or they are very expensive, this approach is taken, the advantage being that it can be a relatively quick and cheaper solution to resistance problem. At the same time, it can lead to future problems if people feel manipulated.

6) **Explicit and Implicit Coercion:**
This approach is necessary when speed is essential and initiators of change are quite powerful. The drawback is that if people get angry with the initiators, it can be very risky, though this approach is speedy and can overcome any kind of resistance.

VIII) Methods of Making Change Permanent:

The above approaches enable managers to introduce changes successfully. The next step is to make the change stay for a long time so that people do not revert back to the earlier position. Various methods suggested for this purpose are given below.

1) **Use of Group Force:**
The group generally has great influence on the behavior of member. The individual aggressiveness, Co-Cooperativeness, self-respect, confidence, energy and productivity, hopes and aspirations, likings, beliets and prejudices are all conditioned by the group in which an individual works. Therefore members, acceptance or rejection of the change depends on the group to a large extent. The manager must make use of group forces to effect the change.

2) **Changing the Perpetrator of Change:**
The change agent himself must undergo a change, then only he can reinforce a psychological climate of support for change. Unwillingness of managers to give up traditional managerial practices and their unwillingness to accept new methods are the most serius barriers to the introduction of change.

3) **Shared Rewards:**
Another way to build support for change is to ensure that the people affected derive benefit out of the change. Benefits can include traditional salary, promotions, training, recognition etc.

4) **Co-operation of Unions:**
Generally, unions are against changes but taken into confidence, they can act as change agents. As unions recognize benefits to change, they will agree to change slowly and once they are involved in decisions about the change, they will support the change.

5) **Concern for Employees:**
Changes should not be introduced just for the sake of change. Only when necessary changes should evolve themselves and ultimately benefit the employees. Need and requirements of employees should not be affected in the short term. Any problem that has taken place because of change needs to be looked into and corrected immediately.

IX) Conclusion:

Now days no enterprise can survive without habituation the cange management. Every element in the organization must adjust with the management of change. In compitative world Management of change must be practiced by each organization to survive in coming days.

X) Selected Bibliography:

1) Herald Koontz and Cyril O'Donnel 'Principles of Management' Me Graw Hill Company.
2) Prasad L.M. 'Principles & Practive of Management'
3) Dr. P.C.Pardeshi 'Principles of Management & Management Information System' Nirali Prakashan Pune.
4) R.P. Goyal 'Managing Organizational Change'

Intellectual Property Rights and Commercial Issues in the Indian Context

Dr. T. G. Gite
HOD, Business Economics,
HRM College, Rajgurunagar, Dist. Pune
Ex. – Academic Council Member, Pune University

ABSTRACT

There is increasing awareness of intellectual property rights, both commercially and legally. Owners and creators of intellectual property rights will usually seek to exploit those rights for their economic benefit.

India has moved from being an agricultural economy to a knowledge economy in past decade and a half. The Indian doctors, scientists and engineers have created their mark across the globe and India. This is one of the main reasons why India is at the forefront of IT Outsourcing and off-shoring revolution too. This shows that Indians are not bad when it comes to knowledge, talent and skills. Intellectual property rights are provided as a protection and incentive to the creators, whose creativity could otherwise be freely used by others. The society expects the creators to make their work available in the market where this work can be bought and sold.

And for this reason, certain limits are built in the rights granted to the creator, in terms of time and space, by the state. Rights are granted for fixed period of time and protect only the fixation of creativity in material form.

A knowledge-based product requires protection so that the investments made by companies in Research and Development may be justified. It has been seen that developing countries, including India, provide a very weak intellectual property protection.

It is less known by the people due to lack of awareness on different aspects of IPR. It is essential to know about the laws, rules and regulations under IPR. Governments of different countries have taken up various strategies to make their citizens aware of it.

Key words:

Intellectual Property Rights, copyright and related rights, trademarks, geographical indications, industrial designs, patents, integrated circuit layout-designs and protection of undisclosed information.

1. INTRODUCTION:

Intellectual property plays an important role in an increasingly broad range of areas, ranging from the Internet to health care to nearly all aspects of science and technology and literature and the arts. Understanding the role of intellectual property in these areas many of them still emerging often requires significant new research and study. To promote informed discussion of the intellectual property, education and awareness in this field is important.

Today, possession of land, labour and capital are just not enough for a country to succeed. Creativity and innovation are the new drivers of the world economy. The policies adopted by a country shall determine the nations well being and further as to how it is developing the trapped intellectual capital. An effective intellectual

property system is the foundation of such a strategy. Within knowledge-based, innovation-driven economies, the intellectual property system is a dynamic tool for wealth creation providing an incentive for enterprises and individuals to create and innovate; a fertile setting for the development of, and trade in, intellectual assets; and a stable environment for domestic and foreign investment.

2. IMPORTANCE OF INTELLECTUAL PROPERTY RIGHTS (IPR)

Intellectual property protection is the key factor for economic growth and advancement in the high technology sector. They are good for business, benefit the public at large and act as catalysts for technical progress. Whether IPRs are a good or bad thing, the developed world has come to an accommodation with them over a long period. Even if their disadvantages sometimes outweigh their advantages, by and large the developed world has the national economic strength and established legal mechanisms to overcome the problems so caused. Insofar as their benefits outweigh their disadvantages, the developed world has the wealth and infrastructure to take advantage of the opportunities provided. It is likely that neither of these holds true for developing and least developed countries. (Extracts from Report on Commission on IPR London September 2002).

There is increasing awareness of intellectual property rights, both commercially (e.g. through the recognition that innovation and design can create specific demand, influence consumer preference and generate ongoing product/brand loyalty) and legally (including the ability to secure monopoly use rights for inventions or unique works, and through registration and enforcement of statutory rights).

Owners and creators of intellectual property rights will usually seek to exploit those rights for their economic benefit. This can include immediate and ongoing benefits, such as trading or license revenues, as well as ultimate benefits (trade sale, IPO or otherwise) on exit.

Steps taken in the formation and structuring of the business will often be essential to realizing both immediate and ultimate benefits: the terms of intellectual property licenses granted, for example.

This paper discusses some important considerations when commercializing intellectual property.

Identify and secure the intellectual property

The first step - and it is a critical one - is to identify the IP that will (or might) arise in the course of the venture, and to assess how that IP is to be defined and protected, used for commercial gain, and then (in most cases) transferred - whether by sale or license - for gain on exit.

Most ventures will own copyright and trade marks, ventures giving rise to inventive business solutions might well have patentable rights and specific protection is available for innovative functional designs under the Registered Designs Act.

The IP to be 'captured' will often include valuable know-how accumulated within the venture, and proprietary information (ie. information that the venture is entitled to regard as its property, generally being secret and the product of the venture's work effort) which can include customer lists, operating manuals and the like.

Future improvements to the IP can arise from a variety of sources, including licensees/franchisees, manufacturers, contractors and employees. Business contracts should, where appropriate, secure rights to own/use these improvements.

Businesses choosing not to secure their IP at the outset risk losing any possible monopoly rights through public disclosure, and have greatly diminished ability to protect the IP in the event of challenge or misappropriation. Whilst this may not greatly alter the operating profits in the venture (at least initially), the lost of proprietary control over the IP will be felt when attempting to exit the venture, to form collaborative arrangements (including raising capital), or even in the defection of key employees or contractors.

Ownership structure

It is similarly important to get ownership and trading structures 'right' from day one. For example, the costs incurred in seeking to recover/preserve key IP when post-trading disputes arise with business partners (including opportunistic profiteering) will greatly exceed the set-up costs foregone. Indeed, proper structures can prevent the motivation for such disputes arising at all.

The separation of IP ownership from trading risks is highly desirable, where possible. Tax efficiency is also an

important objective, particularly in the case of registered IP rights.

Commercial Strategy

The strategy for making commercial gain from IP will vary depending on the specific circumstances, including:

- The product/industry type;
- Market dynamics and entry/exit barriers;
- Capital requirements and sources;
- Risk appetite;
- Immediate/long term objectives, notably exit strategy;
- Revenue streams and costs;
- Tax implications (including transfer pricing for cross-border ventures);

Depending on the particular venture, a strategic evaluation may lead to differing structures (e.g. licensing, franchising, joint venture, partnership).

In most commercial IP structures, key issues between business partners (apart from monetary commitments) will include:

(a) Exclusivity;
(b) Territory;
(c) Marketing (e.g. the duty to generate demand/turnover in the territory);
(d) Financial reporting and data availability (including audit rights);
(e) Duration and termination;
(f) IP registration/filing/protection obligations and costs;
(g) Performance obligations;
(h) IP warranties and indemnities (if any);
(i) Quality standards;
(j) Representations to consumers;
(k) Relative contributions to the business model;

Careful consideration should be given the support provided to licensees, to ensure that there are real incentives to achieve objectives set. Having the business structure and documentation well prepared is essential, but it is also vital to ensure that licensees are motivated and do not become disenfranchised or disinterested in the venture.

The various tools of IPR that are used to protect innovations are:

- **Copyright:** is concerned with protection of creative works that are musical, literary, artistic, lectures, plays, art reproductions, models, photographs, computer software, etc.
- **Patent:** pertains to pragmatic innovations and aims to protect inventions that are novel, non-obvious and useful.
- **Trademark:** is related to commercial symbols and concern to protect distinctive marks such as words/signs including personal names, letters, numerals, figurative elements (logos); devices; visually perceptible two or three dimensional signs/shapes or their combinations; audible signs (sound marks) e.g. the cry of an animal or laughing sound of a baby; olfactory marks (smell marks), use of certain fragrance.
- **Industrial Designs:** protects novel nonfunctional features of shape, configuration, pattern, ornamentation or composition of lines or colours, applied to any article either two or three dimensional or in both forms by any industrial process or means whether manual, mechanical or chemical, separate or combined which in the finished article appeal to and are judged solely by the eye.
- **Geographical Indications (GI):** are defined as that aspect of industrial property, which refers to the country or to a place of origin of that product. Typically, such a name conveys an assurance of quality and distinctiveness of the product, which is essentially attributable to the fact of its origin in that defined geographical locality, region or country.
- IPR has to be renewed from time to time to ensure the protection of the rights from any infringement.

- Intellectual Property Rights are always territorial. Globalization and rapid proliferation of technology has elevated the importance of intellectual property rights. The intangible nature of intellectual property and the world wide consistency of standard practices create a challenging environment for businesses wishing to protect their innovations, brands and design etc.

Indian Patent (3rd Amendment) Act, 2005 and Its Impact

Several changes have been made in the Indian Patent Act through third amendment and there are comprehensive provisions in the amended Act to deal with the various issues especially concerning price and availability of medicines. The most significant feature of this amendment is the introduction of a product patent regime covering the area of pharmaceuticals replacing the hitherto existing process patent regime. It simply means product patent applications have to be examined and accepted in India from January 1, 2005. Broadly, the new patent regime provides for: Extension of product patent protection to all fields of technology (i.e., drugs, food and chemicals).

Deletion of the provisions relating to Exclusive Marketing Rights (EMRs), which would now become redundant, and introduction of a transitional provision for safeguarding EMRs already granted.

Introduction of a provision for enabling grant of compulsory license for export of medicines to the countries, which have insufficient, or no manufacturing capacity, to meet emergent public health situations (in accordance with the Doha Declaration on TRIPs and Public Health (Kotti, 2005).

- Addition of a new proviso to circumscribe rights in respect of mailbox applications so that patent rights in respect of the mailbox shall be available only from the date of grant of patent, and not retrospectively from the date of publication.
- Modification in the provisions relating to opposition procedures with a view to streamlining the system by having both pre-grant and post-grant opposition in the patent office.
- Strengthening the provisions relating to national security to guard against patenting abroad of dual use of technologies (Baker, 2005).
- Clarification of the provisions relating to patenting of software related inventions, when they have technical application to industry or are in combination with hardware.
- Rationalization of provisions relating to time lines with a view to introducing flexibilities and reducing the processing time for patent applications, and simplifying and rationalizing procedures.

Indian Drug Industry:

The US government has urged India to take effective action to ensure stronger protection intellectual property rights including unfair commercial use of data submitted by drug makers to obtain marketing approval for drug products in India.

The US continues to "urge India to improve its IPR regime by providing stronger protection for copyrights and patents, as well as effective protection against unfair commercial use of undisclosed test and other data generated to obtain marketing approval for pharmaceutical and agrochemical products," stated an annual report on IPR protection by US trading partners placing India among the 10 countries in Priority Watch List.

A new Drugs & Cosmetics Amendment Bill with stringent provisions such as a maximum penalty of life imprisonment and a fine of not less than Rs 10 lakh for those engaged in manufacturing spurious and fake drugs was passed by the Parliament in November 2008. The new law also prescribe punishments for the trade. The law has provision of making the offences cognizable and non-bailable.

Similarly, India is also proposing to implement laws to punish clinical research firms, if they are found breaching the standard practices and rules for testing new drugs in humans, with severe penalties including 10 years of imprisonment and cancellation of licence.

Early resolution of IPR infringement in India

Although, the legislation provides ample protection to the IP holder, its practical implementation is not easy. The disputes regarding infringement of IP become a subject matter for adjudication by the various authorities that are appointed for this purpose which eventually ends up in a very time consuming and expensive affair.

The provisions of the IP Acts itself or through relevant provisions of CPC provide that a suit may be instituted for granting injunction against any person who infringes the IPR of any other person.

The suits for infringement of IPR in India are invariable initiated for seeking injunction or restraining orders against the infringer, which usually takes a long time to be adjudicated. Therefore, it is evident that the establishment of a right, granted by a statute through the registration is not an easy task before the civil courts in India.

However, recently the Hon'ble Supreme Court of India has realized the problem that is faced by the IP holders owning bonafide registration under the said Act or otherwise being the lawful claimant of the IP right, for violation of the IP rights due to the delay caused by the courts in granting appropriate relief which the IP right holder is entitled to, under the provisions of the Act.

In a recent judgment, of Shree Vardaman Rice and General Mills Vs Amar Singh Chawala the Hon'ble Supreme Court of India has observed that the matters before the court such as that of IPR matters including Trade Marks, Patents, Copyrights and Design, if any dispute has come up before the courts through suits filed by the Plaintiff, the courts in India should decide the IPR dispute on day to day hearing basis.

Software Patent Laws in India

Software creates unique problems, because it is so easy to duplicate and the copy is usually as good as the original (although many a times plagued with computer virus). This fact, that the copy is as good as original, however, does not legitimacy piracy. Till now, if software, per se, needed to be protected, the inventors would have to get a copyright on its code.

CONCLUSION:

Today possession of land, labor and capital are just not enough for a country to succeed. Creativity and innovation are the new drivers of the world economy. The policies adopted by a country shall determine the nations well being. Development of a country's intellectual Capital is the most important task in these regards. An effective intellectual property rights system lies at the core of the countries development strategies. Within knowledge based, innovation driven economies, the intellectual property system is a dynamic tool for wealth creation, providing an incentive for enterprises and individuals to create and innovate a fertile setting for the development of , and trade in, intellectual assets, and a stable environment for domestic and foreign investments. Although India has compiled with the obligations of TRIPS by amending the IP laws, certain issues are still needed to be taken care of. And there is a need for a constant thinking over the core issue of IP protection, in order to respond to situations arising out of global competition.

There is strong need to make Indian industry more aware of Patents and the impact of new regulation. In fact, awareness is needed among the various stakeholders. It will not be in order if the knowledge of IPR is restricted to the Law faculty. Instead there should be a greater awareness amongst the commerce, science and humanities students for which the subject be appropriately introduced through well designed syllabus at graduate level. IPR can be made a compulsory subject in college law courses and in universities. In short, India will have to invest liberally to enhance skills and knowledge base of scientists through structured in-house and external professional training programme.

References

1. Aashit, S. Regulating Intellectual Property Rights on the Internet. Government Law College
2. Review, 1999-2000.
3. Chartrand, H. H. Intellectual Property in Global Village. Government Information in Canada / Information Gouvernementale Au Canada, 4.1 (1).
4. Mr. Chirayu R. A. (August 29 – 31, 2001). Pacific Regional Forum on Policy Development,
5. Institution Building and Demystification of IP. Address of Presid
6. Dr. Mashelkar, R.A. (2003, April 21). CSIR, Raising Awareness of Intellectual Property – The Indian Experience.
7. Department of Industrial Development. Ministry of Commerce and Industry, Government of India. Available at http://did.nic.in/ipr/iprnarr.htm.
8. Dr. Sharma, S. Intellectual Property Rights and Social Disclosure: Frameworks of Analysis to Protect Traditional Knowledge and Folklore Wisdom. Southern Economist, 1 (43) 17.
9. Mathur, A. (2003, October 18-24). Who Owns Traditional Knowledge? Economic and Political Weekly, 42 (XXXVIII) 4479.
10. Vaidya, V. Intellectual Property Rights: Boon for Indian Companies. Available at www.legalserviceindia.com.
11. Ravichandaran, M., Thyagrajan, V. and Munikrishnan, M. (2004, January – March). Intellectual
12. Capital: Components and Measurement. The Indian Journal of Commerce, 1 (57), 93.
13. Dzinkowski, R. (1999). Intellectual Capital: What You Always Wanted to Know but Were Afraid to Ask. Available at www.acca.co.uk/resources/publications/accountingandbusiness/1999/199911_1.html.
14. http://www.dancewithshadows.com/pillscribe/indias-ipr-protection-weak-us/
15. http://www.hg.org/article.asp?id=18401

Awareness About E-Procurement System In Colleges

Prof B. D. Karhad
Professor and Head, B. M. College Of Commerce, Pune 411004

ABSTRACT
Research has been done till date on different procurement systems in industries but no such research is done on the e-procurement system of the colleges. The objective of this paper is 1) to take review of the progress made in understanding e-procurement systems by the colleges; 2) to check the extent of awareness about the e-procurement system in the colleges affiliated to university; 3) to check how colleges perceive the benefits and limitations of e-procurement system; and 4) to make conclusions about the present progress and suggest measures to increase use of e-procurement systems in colleges. A questionnaire will be sent to 368 colleges affiliated to university of Pune. 60% of them responded the survey. The respondents included were principals and purchase committee members of the colleges. The data collected was analyzed and conclusions are drawn. The data analysis revealed that merely 25.67 % of colleges have awareness about the e-procurement system. They have started using computer for procurement related activities i.e. for listing the vendors, printing procurement order, printing cheques etc. Little awareness is also found in other colleges about the benefits and limitations of the e-procurement system. But, no college is found taking lead in this regard. However in some colleges, administrative staff has started dialogue with their management about the use of e-procurement system in their colleges. The research concluded with the conviction that colleges are less aware about the benefits of e-procurement system.

Keywords:
e-procurement systems, college, university, Principal, internet, computer, cost effectiveness, online

INTRODUCTION:
The main objective of any procurement system is to secure the 'five rights' i.e. the right quality - the right quantity - the right place - the right time - the right price. To achieve these objectives, alternative forms of procurement have been used worldwide in lieu of the traditional procurement model. It is well-known that some suppliers offer goods and services at competitive terms than others. It is therefore imperative that the procurement system that is best suited for the particular college after analyzing the cost and other terms and conditions involved are selected. One such procurement system which is cost effective and in use all over the world particularly in industrial sector is e-procurement system. E-procurement system if used in the colleges would prove more beneficial than the traditional procurement system. However, even though the potential of the internet and e-procurement is well known, in large number of colleges there is little awareness about e-procurement and colleges are not using e-procurement system to buy their requirements. The principal aim of this paper is to check the extent of awareness about the e-procurement system in the colleges affiliated to university. Research has been done till date on different procurement systems in industries but no such research is done on the e-procurement system of the colleges.

Today, in colleges, it is very difficult to check, what is happening where, how much procurement is happening in each of the department and how they are procuring it? One of the benefits of e-procurement system is that-procurement reports are available to college online 24 hours a day, across all departments. The reports available

can be seen department wise, supplier wise or in any other manner that is desired. E-Procurement is making procurements online. It connects college and their departments directly with suppliers and manages all interactions between them. It also includes management of correspondence, bids, quotations, questions and answers, price checking, and multiple emails to multiple participants. A good e-procurement system ensures – aggregating demand to leverage bargaining power; improved inventory management to lower levels of inventory ; ensuring consistency in goods and services costs across all departments; Eliminating non-value adding steps from the procurement system to enable efficient and effective processes; Making effective use of tender to get better deals; providing "fair" competitive platform to the suppliers; accessing a wider customer base ; 24 x 7 online procurement reports; increased transparency, monitoring and control of procurement process, etc.

OBJECTIVES OF STUDY:

Major objectives of the study are-

- To take review of the progress made in understanding e-procurement systems by the colleges.
- To check how colleges perceive the benefits and limitations of e-procurement systems.
- To make conclusions about the present progress and suggest measures to increase use of e-procurement systems in colleges.

IMPORTANCE OF STUDY:

This study is unique as the researcher had not found any parallel work done by earlier researcher. Reasonable time has passed which demands a meaningful evaluation of performance of university and colleges, relating to procurement system, in the changed environment. It is important to know- Has the performance of the procurement system of the colleges improved since the setting of said systems, and how much progress they have made in e-procurement system? Though a large number of studies, evaluating the performance of business systems in the last decade have come up, certain important aspects of performance like e-procurement in colleges have remained untouched.

HYPOTHESIS:

Null hypothesis (Ho): Colleges are not aware about benefits of the e-procurement system.
Alternative hypothesis (H1): Colleges are aware about benefits of the e-procurement system.

RESEARCH METHODOLOGY:

a) Method: This research is conducted by using survey method.
b) Population: Colleges affiliated to Pune University.
c) Data collection procedure
d) Primary data: Selection of the University - Pune University, Selection of the Districts -The Pune University covers three districts Pune, Ahmednagar and Nasik.
e) Selection of the sample / colleges: Total number of aided colleges, fully or partially, in Pune University as on 1st January, 2005 is 368. The researcher has selected 60% sample and selected 221 colleges out of 368 for the purpose of the study as shown in table 1

Table 1: No. of Colleges / Sample Selected for study

Particulars	Pune	A'Nagar	Nashik	Total
No of colleges affiliated to Pune University as on 1-01-2005	200	83	85	368
60% of the colleges affiliated to Pune University are selected at random (which included aided, un-aided, single faculty, multi-faculty, Night, Co-ed, girls colleges)	120	50	51	221
Total No. of Respondents / Colleges				221
Percentage of the sample size	60	60	60	60

Source: Pune University Records

f) Selection of Respondents:
The researcher has selected 51 colleges from Nasik, 50 colleges from Ahmednagar and 120 colleges from Pune district. The colleges selected include aided, partially aided, single faculty and multi-faculty. This research is related to cost effectiveness of the procurement system. Hence the research has concentrated on procurement committee which comprises Principal, Member of the general body and member of Local Management Committee, Head of the Department and Registrar or Accountant of the college. The members so selected have two or more years experience as procurement committee member.
Method of Sampling- Convenience and Quota sampling method is used for selecting colleges for the study.

g) Questionnaire
The study is based upon primary information and all the relevant information is collected from the colleges with the help of detailed questionnaire, which included 10 questions on the college administration and 9 questions on computerized procurement procedure.

h) Secondary Data:
The secondary data is collected from different libraries of the colleges and universities.

i) Statistical tools used:
Researcher has used arithmetic mean, percentages, and the data has been presented through pie-diagrams, bar diagrams and graphs.

j) Limitations of the Study
Taking into consideration the objectives of the study and its coverage, this study has its own limitations. Some of the important limitations of the study are -
1. The study concentrates on the analysis of descriptive data. The quantitative aspects of college's procurement systems have not been abundantly emphasized for want of detailed information from the colleges.
2. The study of awareness about e- procurement systems is based on the certain parameters.
3. Colleges affiliated up to 1-4-2005 are covered in his research.
4. The colleges not approached / not responded during survey may have better or less e- procurement systems than the colleges studied.
5. In spite of the above-mentioned limitations, the study would show valuable information/ insight of the above-mentioned topic.

6) ANALYSIS OF DATA:
The most existing part of the internet in procurement is the fact that the colleges can have an opportunity to open a new virtual world of suppliers, which can be accessed anywhere, anytime. Procurement on the internet for an organization is the process of using internet as a medium to buy products, and services online.

a) Awareness about e-procurement system in college:
At present e-procurement is not in practice in any college. However, the respondents were asked about e-procurement. The observations are presented in table 2

Table 2 : Awareness about e-procurement system:

Sr. No.	Awareness	No. of colleges	Percentage
1	Aware about e- procurement system	168	76%
2	Not aware of e-procurement system	53	24%
	Total	**221**	100%

(Source: Fieldwork)

It is observed from table 2 that 168, 76% colleges out of 221 colleges are aware about e-procurement system. The

graphical presentation of the responses is given in graph 1.

Graph 1: Awareness about e-procurement system

(Source: Fieldwork)

b) Accounting / or e- procurements:

At present computers are used for recording procurements in many colleges. However, some of them are using internet for collecting information about the suppliers. The respondents were, asked in this context. The responses are presented in table 3

Table 3: Use of computer for Accounting or e-procurement

Sr. No.	Use of computer for accounting or procurement	Awareness about e-procurement system	Percentage
1	For Accounting	198	90%
2	For procurement	23	10%
	Total	**221**	100%

(Source: Fieldwork)

It is observed from table 3 that 198 (90 %) colleges use computer for accounting purpose.
Only few of them i.e. 23 (10%) are using it for procurement related activities. However it is observed that use of computer is increasing in procurement activities i.e. for listing the vendors, printing procurement order, printing cheques etc. The graphical presentation of the responses is given in graph 2.

(Source: Fieldwork)

c) Software used:

The respondents were asked as to which software the college is using. It is observed that the colleges are not

found using e-procurement software for procurement of their requirements.

d) Extent of Computerization of the college:

Recently all the colleges have their own computers. The department wise use of the computer is ascertained in Fieldwork. Their responses are noted in table 4

Table 4 Use of computer in various departments of the College:

Computerization of departments	Yes	Percentage	No	Percentage	Total
Principal's office	125	57%	96	43%	221
Accounts Department	183	83%	39	18%	222
Library	122	55%	99	45%	221
All Departments	15	7%	206	93%	221

(Source: Fieldwork)

From the table 4 it is observed that Accounts Department of 183 (83%) colleges, Principal's office of 125 (57%) colleges, library of 122 (55%) colleges and all departments of 12 (7%) colleges are computerized. It shows that department wise use of the computer is increased.

The graphical presentation of the responses is given in graph 3

Graph 3: Showing Extent of Computerization in selected Colleges

(Sample size = 221)

(Source: Primary Data)

e) Problems of using software:

At present e-procurement software's are not used in any college. However to check, whether they perceive any problems of e-procurement or computerization of the procurement procedure, the above question was asked. It is observed that all of them are found to be aware about one or more problems of e-procurement system. The responses of the respondents to the question about kind of problems emerge / they perceive, while using software are recorded in table 5

Table 5 Expected problem of using software

Sr. No.	Nature of problem	No. of respondents	Percentage
1	Training to employees	81	37%
2	Electricity problem	8	4%

3	Maintenance problem	5	2%
4	Lack of Infrastructure	7	3%
5	Cost of software	66	30%
6	Any other	13	6%
7	Multiple problems	41	19%
	Total	221	100%

(Source: Fieldwork)

The table 5 shows that 37% of the colleges under study found training to employees as the major problem that would emerge if software used. 30% colleges found cost of software as a major problem. Along with other problems 19% colleges found unknown problems as along with one or more of the above problems will emerge if they start using software. This shows that colleges perceive computer and e-procurement system related problems in the right direction.

The graphical presentation of the responses is given in graph 4

Graph 4: Expected Problems of using software

(Source: Field work)

f) Advantages of using software:

The use of software is most advantageous to the college unit. This question is asked to understand the viewpoints of the colleges about the advantages to the colleges. The responses of the respondents are recorded in table 6

Table 6 Advantages of software

Sr. No.	Software advantages	No. of Colleges	Percentage
1	Saves administrative time	62	28%
2	Increases management control	47	21%
3	Reduces ordering and follow up cost	38	17%
4	Provides online information	34	15%
5	Increases ability to function more efficiently	40	18%
6	Any other advantage	0	0%
		221	100%

(Source: Fieldwork)

It is observed from table 6 that

1. The 28% of the colleges have said that use of computer will save administrative time.
2. 21% of the colleges have said that use of computer will Increase management control
3. 17% of the colleges have said that use of computer will reduce ordering and follow up cost
4. 15% of the colleges have said that use of computerized systems including internet will provide online information about the procurement
5. 18% of the colleges have said that use of computer will Increase ability to function more efficiently and in a profitable manner.
6. Most of the colleges have listed out more than one software advantages.

It leads us to conclude that the colleges are aware of the advantages of computers. The graphical presentation of the responses is given in graph 5.

Graph 5: Advantages of using software

(Source: Fieldwork)

FINDINGS AND CONCLUSIONS:

- The colleges are little aware about e-procurement system.
- Use of computer is increased in procurement activities i.e. for listing the vendors, printing procurement order, printing cheques etc. However, at present e-procurement system is not in practice in any college.
- The colleges are not found using procurement related software for procurement of their requirements.
- Most of the i.e. 195 (88 %) of the colleges recommend the computerization of procurement procedure.
- Prompt after sale service is the need of any computerized system. 195 (88%) of the colleges out of 221 colleges have insisted on after sale service agreement, if such e-procurement software is installed.
- Accounts Department of 183 (83%) colleges, Principal's office of 125 (57%) colleges, library of 122 (55%) colleges and all departments of 12 (7%) colleges are computerized. It shows that department wise use of the computer is increased.
- Out of the total 221 colleges under study, 38% of the colleges perceive training to employees and 30% colleges feel cost of software would be the major problems. 19% of the colleges perceive multiple problems and remaining colleges fear about some other unknown problems like virus etc.

- Most of the colleges have listed out more than one software advantages. It leads us to conclude that the colleges are aware of the advantages of computers. However, they have also perceived some problems of using computers or e-procurement system. This shows that colleges are well aware about the use of computer and e-procurement system advantages and related problems.

TESTING OF HYPOTHESES:

Summery Table

Sr. No.	Parameters	Aware	Not knowing	Total
1	Aware about e-procurement system	168	53	221
2	For procurement or amounting	23	198	221
3	Computerization of principal's office	125	96	221
4	Computerization of accounts department	183	38	221
5	Computerization of library	122	99	221
6	Computerization of all departments	15	206	221
	Problems relating to e-procurement:	0	0	0
7	Training to employees	81	140	221
8	Electricity problem	8	213	221
9	Maintenance problem	5	216	221
10	Lack of infrastructure	7	214	221
11	Cost of software	66	155	221
12	Any other	13	208	221
13	Multiple problems	41	180	221
	Benefits relating to e-procurement:	0	0	0
14	Saves administrative time	62	159	221
15	Increases management control	47	174	221
16	Reduce ordering and follow up cost	38	183	221
17	Provides online information	34	187	221
18	Increases ability to function more efficiently	40	181	221
19	Any other advantage	0	221	221
Total		1078	3121	4199
Percentage		25.67%	74.33%	100.00%

(Source: Fieldwork)

Interpretation:

a) **Null hypothesis:** Colleges are not aware about benefits of the e-procurement system.
b) **Alternative hypothesis:** Colleges are aware about benefits of the e-procurement system.

No. of responses in favour of null hypothesis

3121 / 4199 = 74.33 %

i.e. 74.33 % responses are in favor of null hypothesis

No. of responses in favour of alternative hypothesis

1078 / 4199 = 25.67 %

i.e. 25.67 % responses are in favor of alternative hypothesis

Measures of Scale:

0-20%	Not aware
21 To 40%	Less aware
41 To 60%	Quite aware
61 To 80%	More aware
81 To 100%	Highly aware

From the above it is clear that 74.33 % responses are in favor of null hypothesis and 25.67 % responses are in favor of alternative hypothesis. Therefore, Null Hypothesis is accepted and Alternative Hypothesis is rejected. This leads to a conclusion that Colleges are not aware about benefits of the e-procurement system. However by using scaling system (as explained above) we can conclude that colleges are less aware about the benefits of e-procurement system.

SUGGESTIONS AND RECOMMENDATIONS:

Based on the findings and conclusions the researcher has made following suggestions and recommendations.

- The colleges may go for the customized software, designed for the colleges for e-procurement of their necessities.
- Computerization make management control easy, therefore there should be computerization of all departments of the colleges. Computerization and internet facility will help in providing online information about the procurement to the authorities.

CONCLUSION:

Even though the potential of the internet is well known, the research revealed that in large numbers of colleges there is little awareness about e-procurement and colleges are not using e-procurement system to buy their requirements.

BIBLIOGRAPHY

Reference Books

1. Babbage, C., On the Economy of Machinery and Manufactures, London, Charles Knight, Second edition, 1832, p. 202.
2. Dinsmore, JC, 1922, 'Procuring: Principles and Practices,' Englewood Cliffs, New Jersey, Prentice-Hall, Inc., 295 pages.
3. Gulati, S., The Chartered Accountant, New Delhi, January 2003.
4. Harold, AW, 1905, 'The Fine Art of Buying,' The World's Work, Vol. X July, p. 6439.
5. Jandhyala, B. G., Analysis of Costs of Education in India. Occasional Paper, National Institute of Educational Planning and Administration, New Delhi. 1985
6. Jhamb, LC., 2005, 'Materials and Logistics Management', EPH, fifth edition 2003
7. Krishnaswami, O.R., Ranganathan, M. Methodology of Research in Social Sciences, Himalaya Publishing House
8. Mathew, E. T., Higher Education in North-East India, Unit Cost Analysis, New Delhi, Mittal Publications., 2006
9. Mathew, E.T., Financing Higher Education- Sources and Uses of Funds of Private Colleges In Kerala.
10. Mitchell, WN, 1927, 'Procuring' New York, Ronald Press Company, 385 pages.
11. Murphy, DJ, 1996., 'Evaluating performance of the procuring department using data envelopment analysis', Council of Logistics Management.
12. Murphy, HD, 1924, 'The Fundamental Principles of Procuring', New York, Procuring Agent Company, Inc., 83 pages.
13. Newman, D, 2005, 'How is procurement strategically important to an organization?' Summit Group, Provided by ProQuest Information and Learning Company.
14. Shukla, C., Reforms in Higher Education, Sumit Enterprises
15. Twyford, H.B., 1925, 'Procuring and Storing,' Factory Management Course, Vol. IV, New York: Industrial Extension Institute, 435 pages.

Journal Articles

1. Government of India: MHRD, National Policy on Education, 1986
2. 'Procuring and Care of Supplies,' The Railroad Gazette, Vol. XII February 14, February 21, and March 14, 1890, pp.105-06, 126-27, 172-73.
3. The ICFAI university journal of higher education, august, 2008, the ICFAI university press.
4. Das S, cover story of Dataquest, stutidas@cybermedia.co.in

Web Sites:

1. http:/www.univpune.ernet.in.indexout.htm

Strategies For Management Of Intellectual Property Rights In India In The Changing Business Environment

Prakash N. Chaudhary
Associate Professor, Head, Dept. of Business Law and
Vice-Principal, Ness Wadia College of Commerce, PUNE (INDIA)

Introduction :

Intellectual property plays vital role in the economic development of a nation. Intellectual Property Rights (IPRs) are the rights given to persons over the creation of their minds. All these rights exist in various forms viz. copyrights, patents, trademarks, designs, trade secrets, geographical indications etc. The intellectual property has become the driving force for augmenting growth of economy of any nation. Inventions in technology are becoming, increasingly, the dominant factor in determining international competitiveness. In order to create strong base and making Indian economy competitive in the global scenario, we have to capitalize and explore our potential of Intellectual Property Rights. Laws relating to intellectual property are important aspect of regulation of investments, products development, market incentives, trade policies and other regulations. Protection of IPRs would help to foster economic growth, provide incentives for technological innovations and attract investment, which in turn, will also generate new job opportunities. It is pertinent to note that the total patent applications filed in India are very less as compare to other nations, 80 per cent are from non-residents or foreigners and only about 20 per cent are resident applications.

Considering the above facts, the present research paper highlights the importance of IPRs in WTO regime, discusses certain issues relating to patents and tries to appreciate the initiatives taken by India to protect IPRs. The paper further emphasizes that Indian industry must realize the hidden potential of intellectual property and frame their IPR strategies. It also focuses on the need to protect its tradition knowledge and geographical indications. The efforts have also been taken to suggest certain strategies for management of IPRs so as to enhance competitiveness of Indian industries in the global scenario.

Concept of property has gained new dimension after industrialization. Broadly the term 'Property' is classified in to two, tangible and intangible. Tangible property includes land, buildings, chattels etc. And intangible property cannot be seen through eyes such as mortgages, lease, and intellectual property rights. Intellectual property is the property which results out of intellectual efforts in the practical application of innovative ideas resulting from human intellect. Traditionally, a number of intellectual property rights (IPRs) such as patents, trademarks, indications of sources and industrial design were collectively known as industrial property. The name intellectual property was evolved when copy rights were brought alongside patents, trademarks and designs under one umbrella. It is now crystal clear that intellectual property rights are offered protection only when they are capable of industrial application or useful in Commercialization. In this context, it is necessary to determine the potential of intellectual property rights as a tool to achieve success in the entrepreneurial ventures in the business world.

Intellectual Property Rights in WTO Regime:

Intellectual Property Rights are the rights given to persons over the creations of their minds. By such rights creator gets an exclusive right to use his/ her creation for a certain period of time. Hence, 'inventions' can be protected by 'Patents'. Law of Patents concentrates on the concept of 'novelty' and 'inventive step'. Design Law

talks on novelty or originality of the design not previously published in India or any other country. The Trade Marks Law is based on the concept of distinctiveness and similarity of marks and similarity of goods. The Copy rights Law provides for protection of original, dramatic, musical and artistic works. The issue of IPR has become very crucial in World Trade Organization (WTO) regime. India is a member of the World Trade Organization (WTO) and is a party to Trade Related Aspects of Intellectual Property Rights (TRIPs) Agreements, which came in to force on **1.1.1995** and as a result various amendments were required to be made in laws relating to IPR in India. The lead taken by the World Trade Organization (WTO) to liberalize the global economy has abridged the distance between the local and global markets and facilitated easy flow of technologies, technical know-how and investments into the international trade. The strong protection of IPR motivates the inventions of new products as the inventor is able to commercialize his inventions.

Foreign investors are ready to invest funds in underdeveloped countries. Laws relating Intellectual Property are important aspect of regulation of investments, product developments, market incentives, trade policies and other regulations. The formation of the WTO mainly aimed at free trade practices across the globe to overcome the stiff resistance over non tariff barriers in various rounds of GATT negotiations. The TRIPS agreement has completely uniformed the law on intellectual property rights in all the member states. The agreement has actually reformed, restructured, rationalized and uniformed the intellectual property laws across the world. Taking in to consideration, the monetary value of IPR, the business organizations have started investing huge funds in research and development (R&D) to acquire intellectual property. Hence, IPRs have gained importance in overall functioning of business activities in WTO regime and in the process of globalization around the world.

Issues relating to Patents:

A patent is an exclusive right granted to a person who has invented a new and useful article or an improvement of an existing article or a new process of making an article. It is granted to the person who first invents a process or a product involving inventive steps and is capable of industrial use. Patent grants an exclusive right to the inventor for limited period over his invention in exclusion of others, for making, using, selling, and importing the patented products or process producing that product for those purposes[1].

Products were not patentable in India earlier to the amendment made to the Patent Act in 2005. This new amendment allows product patenting. The term of patent is for 20 years from the date of filing. The Patent Co-Operation Treaty (PCT) provides for international patents, and hence filing of international application can be done through local patent office with designation of states where protection for invention and patent is sought. It is pertinent to note that the developed countries got highest number of patents in the world. Japan is having highest number of patents in the world followed by USA and South Korea. Among developing countries, China possesses highest number of Patents. China emerges as the front runner in protecting intellectual properties as data show that China has already set-up 5000 patent training institutes all over the country with 3 state-of-the art 20 storied central patent offices in the country with lot more offices in different states[2].

Due to its positive attitude towards protecting intellectual properties, it took 95 years to grant first 1 million patents, which took only 15 years to grant next 1 million patents. Its patent revenue increased from $ 3 billion in 1980 to more than $ 100 billion in 2006. Multinationals, which are spending more money in to R & D, getting more patents over the years. IBM registered 2658 patents in 1998 in USA as against 1794 in 1997. It also realized over $ 1 billion in 1998 and $ 1.7 billion in 2000 by patent licensing of its patented technologies[3].

All these examples show how patenting has encouraged industrial production as well as revenue of the developed countries. Hence, developing country like India has to utilize its technological excellence by capitalizing its intellectual properties. CSIR has taken Positive Steps in this regard and it has maintained 30 per cent to 40 per cent share of US patents granted to Indians in India. India has to take strategic steps to take advantage of a product patent-regime, which came in to force from 1st Jan 2005. India ranks third in patent application through PCT in Asia Pacific region next to South Korea and China[4].

For India, protection of IPR is possible with dedication of experts, extensive sound research and proper docu-

mentation. The internet related patent is going to become invaluable assets in the coming years. India will be a 40 trillion dollar economy by 2030. The size of India's biotech industry is 5 billion dollars, second only to America. India's scientists have created a solar-powered touch screen computer technology cheaper than the iPad. 90 per cent of the world's computers run on a chip designed by an Indian[5]. Hence, such talents and potential of India are required to be encouraged.

Compulsory Licensing:

Provisions of the Patent Act relating compulsory licensing are very important for pharmaceutical products. These provisions have limited the scope for countries like India to produce or manufacture pharmaceutical products, especially life saving drugs. For India, compulsory licensing is a tool to counter the public health related calamities. One of the observations regarding product patent regime is that the Multi-national Companies (MNCs) will benefit significantly by way of introducing new pharma products in Indian domestic market, and prices of life-saving drugs would shoot upwards beyond the reach of people below poverty line. Of course, under health emergency, the central government has all powers to scrap patents or, at least, ask multinational pharma companies to sell their products at reasonable prices. India with a low production cost of generic drugs has an edge over its competitors in foreign markets. India, already produces 22 per cent of the world's generic drugs, can definitely do better by taking suitable steps of utilizing its intellectual property resources through effective administration and encouragement in the field of research and developments. It is necessary to establish as close liaison between public and private investment in pharma sector in R&D, which is not significant today.

Initiatives to protect IPR in India:

Plant varieties and farmers Rights:

Indian parliament has enacted The Protection of Plant Varieties and Farmers Rights Act, 2001, which tried to seek balance between the rights of breeders and farmers. It acknowledges the role of rural communities as contributories of landraces and farmers varieties in the breeding of new plant varieties. Hence share of profit made from the new variety would go to the farmers and local communities.

Copy rights:

The Copy Right Act, 1957 with amendments in the year, 1983, 1984, 1992, 1994 and 1999 tries to cover the field of writing, music, communication, entertainment and computer industries. In the case of literary, dramatic, musical, artistic work the term of copy right, in case of natural person, is life time of the author plus sixty years. In another cases the term of copy right is sixty years from the year of publication. Government of India has taken positive steps for effective implantation of this Act which include-the constitution of a Copyright Enforcement Advisory Council (CEAC), setting up number of copy right societies such as-the Society for Copyright Regulations of India Producers of Film and Television (SCRIPT) for Cinematography Films, India Performing Rights Society Ltd. (IPRS) for musical works and Phonographic Performance Ltd. (PPC) for sound recordings.[6] Special cells for copy right enforcement have so far been set-up in 23 States and Union Territories[7].

Patents:

Patents filings at the Indian Patent Office (IPO) have been increasing at a rate of about 25 per cent for the past 8 years. Patent filings by the Indian applicants in every year are growing only with a rate of about 11.6 per cent, whereas, foreign applicant filing growing at a rate about 31.7 per cent.[8] This kind of situation is not encouraging for India.

Trademarks:

Due to its extensive use and advertisement, trademark has begun to acquire goodwill and reputation among the customers of the goods. Well-known trademarks are likely to be copied by the competitors and they could earn profits by trading on the reputation and goodwill of another trade mark. For the purpose of protecting trademark, and to fulfill the expectations of TRIPS, in India, new statute namely the Trademarks Act, 1999, was enacted. Under this Act, falsifying i.e. using identical or deceptively similar mark has been made as cognizable offence. The police have been given the power to search and seize without warrants and if found quality to impose a

punishment from 6 months to 3 years and a fine of Rs. 50,000 to Rs. 2, 00,000. The Act has provided equal protection to service marks.

Designs:
The Designs Act, 2000 provides that no person shall imitate any design of an article without the license or without the consent of the registered proprietor (Sec. 22). It provides for protection for a period of 10 years, renewable for further five years. This Act permits colour patterns for design protection. In the competitive business world, the new, novel, ever-changing shape, aesthetics, cosmetics and such attributes of product has gained importance and hence industrial designs are, influencing and are, in turn, re-influenced by world economy mainly in the engineering field. The filing applications for Designs have increased from 2874 in 1999-2000 to 5372 in 2006-07. The number of Designs registered has also increased from 1382 in 1999-2000 to 4431 in 2006-07[9].

Traditional Knowledge:
Traditional knowledge (TK) is one of such community-owned and managed intellectual property. It is known fact that TK has been used for profiteering by big business houses, hoteliers, film industries and music ty-coons by using cultural expression of nomadic, tribal and village community. TK is also used in allopath and *ayurvedic* medicines. Most of the TK is in unwritten form. It includes knowledge of harvesting practices, spirituality etc. In India, the TK includes the usage of *neem*, turmeric and tamarind etc. with the initiative of CSIR, India, and TK is being protected at various levels. The Government of India has prepared Traditional Knowledge Digital Library on traditional medicines, plants and systems. Accordingly, nearly 35,000 *Auruvedic* medicinal formulations based on TK have been recorded.

Sanskrit texts having such traditional knowledge have been translated in to English to prevent such bio-piracy. In India, there is no special law to protect traditional knowledge. However, better protection is extended to traditional knowledge under the Geographical Indications of Goods (Registrations and Protection) Act, 1999. The Bo- Diversity Act, 2002, is enacted to provide for conservation of biological diversity and sustainable use of its components, and for fair and equitable sharing of profits. The protection of Plant Varieties and Farmers Rights Act, 2001, is enacted to protect the farmer's traditional knowledge including the right to save, use, share or sell his farm produce of a variety protected under this Act[10].

Geographical Indications:
More than 39 geographical indications products have been registered since, 2003. These include Darjeeling Tea, Chanderi Saree, Solapur Chaddar, Mysore Silk, Kullu Shwall, Mahabaleshwar Strawberry, Puneri-Pagadi etc.

Establishment of NIPM: The Government of India has already approved the proposal for establishment of a National Institute for Intellectual Property Management (NIPM) at Nagpur. The Institute will perform training, education and research in this field[11].

Strategies to utilize IPR as a tool for economic growth of India:

1. IPRs are gaining importance as one of the valuable assets of the business organizations. Business should take systematic steps to formulate policy to create and protect intellectual property.

2. Business houses should review and make detailed analysis of its copyright, trade secrets, patents and trademarks portfolio. In other words intellectual property audit should become regular feature of companies. It may include valuation of various properties and information regarding any potential claim of infringement.

3. Companies should improve the quality of goods and services, cut down costs and wastages and improve patient management system by concentrating on R&D departments. The planners and policy makers of developing countries can use the power of the patent system for economic developments by implementing pro- active patent policies.

4. Appropriate legal and organizational steps should be taken to reserve the rights of the indigenous communities of their traditional knowledge about their biological resources and traditional remedies.
5. It is necessary to design and structure IPR system in agriculture so that issues relating to farmer's rights and food securities can be tackled in a better way.
6. For the purpose of building a strong Indian economy, India has to invest in Research and Development, technology, infrastructure and human resource development. Private investment in R&D is required to be increased.
7. Non Government Organizations can play vital role in education and increasing awareness amongst public about IPR and help them to protect their IPR by availing legal and technological support.
8. According to Dr. R. A. Mashelkar (Former Director General, CSIR, India), "……instead of 'publish or perish', our new slogan is 'patent, publish, and prosper'…….we must patent every new innovation before publishing……..…we lost out because we did not patent"[12]. Such opinions are required to be taken seriously by every Indian so as to make India as a Super Power.
9. It is the need of day for India to strengthen its R&D sector so as to equip it to meet stringent international quality standard right from raw material sourcing to packaging of a product, by this way TK can be effectively used for the betterment of the country.
10. Companies, for protecting their intellectual property, can manufacture leading products, enhance their market share. One invention which leads to one patent is capable of starting one industry. Hence it would be beneficial for companies to focus on protecting the proprietary technologies which give their products and services an advantage over those of competitors.
11. For promotion of IPR management, IP offices in India are required to be modernized. Appointing additional staff, establishing a higher level of computer network support on-line processing, providing an access to international treaties/conventions, easily would help enhance efficiency of IP offices and which would ultimately help to protect patents in a better way.
12. Proper management of IPRs can attract new capital to the companies. Companies can communicate their IPRs assets picture and attract the investors. It has been observed that companies, whose patents were more frequently cited in assets of the companies, saw their stock prices rise for more rapidly than those of companies in the less frequently cited patents.
13. India can top its potential of patent outsourcing. Patent outsourcing is possible with skilled labour. Presently 60 per cent of the total work is done by U. S. Law firms. Indian legal industry is expected to grow on that account creating about 6950 jobs by 2012[13]. Hence, legal process outsourcing (LPO) industry in India has more opportunities, and hence trained man power of legal expertise is required to be created for protecting better interests of India.

Therefore, the new IPR regime is required to be viewed as an opportunity rather than threat; however, it is not possible without proper and effective management of IPRS in India.

References:

1. Sreenivasulu N.S., (2nd Edition-2011), "Intellectual Property Right", Regal Publications, New Delhi.
2. Pal Prankrishna (Dr.), (2007), "Intellectual Property Rights in India: General Issues and Implications", Regal Publications, New Delhi, Page No. 119.
3. ibid, p. 120.
4. ibid, p. 121.
5. DNA (News Paper), Dated 26/01/2011, Page No. 1.
6. See Foot note 2, p. 137.
7. Singh Shiv Sahai, (2005), "Intellectual Property Rights", Deep and Deep Publications Pvt. Ltd., New Delhi.
8. http://www.ipindia.nic.in.
9. ibid.
10. Chaudhary P. N., (1st Edition-2010), "Business Regulatory Framework", Nirali Prakashan, Pune, Page No. 6.59.
11. See foot note 8.
12. See foot note 2, Page No. 150.
13. Hingmire Ganesh, (April, 2010), "Students Guide to Intellectual Property Rights", Pune, Page No. 6.

Role Of Creativity In Development Of Business Education

Dr. S.S. Kaptan
Head – D.C.R.S
University of Pune
Pune : 411 007

KEY WORDS
Business Education
Innovative approach
New trends in business education
Satisfying stakeholders interest.

ABSTRACT :
Business education in India is changing its forms in many ways. New activities, new concepts and new pedagogies are replacing the old, similarly new forms and systems are also been introduced. This has influenced business education in many ways. The planners and policy makers of business education are trying to improve the quality by using new creative means of offering business education. How far business education has changed its approach and form, in order to improve its quality. What are the new and creative elements introduced in the development of business education is a matter of study. The present research tries to evaluate what are the creative elements introduced in the business education.
It also tries to throw light on new trends in learning of business and delivery systems of business education.

INTRODUCTION :
Business education has a long history in India. It has acquired a respectable status and position in industry and educational field. Business edication is an essential aspect of life education. Good managers, administrators, educators, officers, entrepreneurs are produced through appropriate business education and knowledge of commercial input. Administrative skills cannot be acquired without proper education and training. This is where business education plays a dominant role. However it is noticed that due status is not being given due to variety of reasons. On one side there is monotony, stereo typing and lack of creativity in the pedagogical approach, on the other hand the users and beneficiaries have not understood the right utility of this basic and useful educational input in its truist sense. There are many reservations, presumptions, pre-conceptions that dominate the thinking about business education. It is necessary that business education should be considered in the new light giving due consideration and importance.

THE PRESENT STATUS OF BUSINESS EDUCATION
The present status of business education is darkened because of many orthodox ideas, the learning systems and pedagogies have many limitations. The teachers, academicians and planners also view at business education on the same presumptive approach because of which the development of business education suffers in many ways. The present approach cripples its development in the new perspective. Dominance of the old ideas, lack of creative approach and failure to adopt a new system can be attributed as a major flaw in the system. The present education Is devoid of a spirit of change and attitude to adopt new thinking.

CREATIVITY AS AN ESSENTIAL INPUT FOR DEVELOPMENT OF BUSINESS EDUCATION :

The business education needs new approach and thinking so as to improve its quality and acceptability. Creativity is the basic input that can be introduced to enhance the quality and acceptability of business education. The term creativity here doesn't mean putting old wine in the new bottle. It is just not mere ornamental change in structure and system or modification of some old concepts but it means introducing innovative and new ideas.

The term creativity in educational means adopting innovative approach to teaching – learning process. It is injecting new thinking to accept new ideas. It also refers to promoting a sound culture of pragmatic thinking for adopting diversified multipronged strategy for experimentation, evaluation and enrichment of educational input.

Business education requires following creative inputs.

1. **Experimentation –** Experimentation here refers to trying and adopting new methods of teaching and learning. Different subjects require different treatments for explanation. A variety of concepts can be treated in different ways which can create independent thinking amongst the students. It can also help in testing applicability and experimentation of ideas in different fields.
2. **Evaluation –** Evaluation here means trying to justify usage of new concepts in new fields. New ideas and new approaches for learning practical applications and appropriate applications in different fields. Many subjects in business education requires real life exposure and insights which cannot be offered without hands on experience, practical experience and experiencing actual application. This again needs a new approach towards business education.
3. **Enrichment –** Enrichment is a concept related with improving, developing and promoting high quality learning system. Enrichment of education is just not quality of learning inputs but at the same time it is improving the quality of learner and teacher. A good teacher is not only good in explaining existing ideas but it is efficient in digesting and adopting new ideas. A good teacher believes in maxim when you teach you learn twice. Hence enrichment is enrichment of quality and ability of the teacher.

   Enrichment of learner is vey vital and essential. A learner should be willing, desirous and capable of adopting new ideas, new methods and concepts. He should be proactive, positive and have a sense of perception.

Experiments to promote creativity in business education.

Following experiments can be undertaken to promote creativity in business education.

1. Applying new thoughts to develop new approaches to learning
2. Trying different models of teaching methods.
3. Encouraging students to apply diversion thinking to solve the same problem.
4. Introducing new concepts for open discussion and thinking
5. Providing opportunities of practical exposure and hands on experience of learning.
6. Developing interactions amongst industries and learners
7. Encouraging more field work and practical activities to understand functional aspects of a concept.

CONCLUSION

Thus it can be rightly said that development of creative thinking can definitely enhance quality of business education in a competitive world where the quality is the prime word. There is no substitute to creativity and innovation. Business educators cannot keep themselves away from this vital concept of quality.

Human Resource Management

Employee Engagement and empowerment - a popular global buzzword

Dr.Sateeshchandra Joshi,
Asst.Professor
Neville Wadia Institute of Management Studies & Research,

Employee empowerment is a term used to express the ways in which staff can make their own decisions without consulting superiors. These decisions may vary in effect depending on the level of empowerment your organization wishes its employees to have. Employee empowerment usually begins with training, which can transition an entire company toward an empowerment model where employees are trusted to make responsible decisions that benefit the company as a whole. Employee engagement is the concept that when employees have choices, they will act in a way that benefits their company's interest.

Keywords-

Decision, Parameters, Work-force Commitment, Quality, Productivity, Communication

Main Text:

Employee engagement and empowerment have become popular buzzwords throughout the business world, but what do they mean and how can they affect business of an organization? This article tries to clarify the confusion and maybe show why those two terms can be very important to any business organization.

Meaning of the terms:

Employee empowerment

Employee empowerment is a term used to express the ways in which staff can make their own decisions without consulting superiors. Even the subordinates would be delegated with power to decide to achieve higher customer delight for both internal and external customers.
It is an initiative by top management as part of process of inclusion.

Why employee empowerment?

- Work through the process of inclusion
- Encouragement for being innovative
- Control- exercise conscious effort to minimize waster and reduction of cost
- More autonomy in decision-making capabilities
- Delegation of decision making responsibilities to those close to internal and external customers

- Adding the Customer Delight and Satisfaction

These decisions may vary in effect depending on the level of empowerment your organization wishes its employees to have. Employee empowerment usually begins with training, which can transition an entire company toward an empowerment model where employees are trusted to make responsible decisions that benefit the company as a whole. Or, it could merely mean giving employees the ability to make some decisions on their own, but still putting parameters in place to govern those decisions. With greater responsibility, employees feel appreciated and will work for the greater good of your organization. By offering employees choice and participation on a level that actually affects daily production, your employees are more a part of the company, and view themselves as ambassadors and will work to justify your trust with enhanced performance.

Employee engagement

Employee engagement is the concept that when employees have choices, they will act in a way that benefits their company's interests.
An engaged employee is a person who is fully involved in, and enthusiastic about, his or her work. Less than 30 percent of all employees actually feel engaged in their jobs, according to a 2008 Employee Engagement Report. Highly engaged employees believe they can positively affect the quality of their organization's products or services. Those engaged employees work with passion and feel a strong connection to their company.

Why employee engagement?

- Employee knowledge of affected areas
- Special skills and abilities of employees
- Technical changes
- Customer requirements

How does it work?

Installing engagement and empowerment

There are several steps that will help to empower and engage the employees. The top five are covered here.

1. **Perception of job importance** – It is imperative that the employees feel that their jobs are important so that they will feel valued. The organization will have employee loyalty.

2. Clear expectations – It is vital and necessary that there are clear expectations, basic materials, and equipment provided or otherwise it may result in negative emotions such as boredom. Employees will become more focused on getting through the day than about how to help the organization succeed.

3. Regular feedback from superiors - Feedback is the key to giving employees a sense of where they're going. Many organizations are lacking in this context. This feedback has to be positive as well as constructively critical.

5. Use a suggestion box - Allowing your employees a say in what is being done in the work place will strengthen their pride in their job and let them feel as if they have an effect on the organization's

operations.

6. Open House Sessions- All employees' Meet is an effective solution. Every heads of departments would offer themselves to Questions put by anyone from any sections/departments would eliminate apprehensions and boost employee engagement as well as empowerment.

7. Effective communications - Employees want to know what is happening in the workplace. Accepting that employees wish to feel involved in what they are doing is the first step in creating a more productive work environment.

What is required for Employee Empowerment?

- ✓ Participation
- ✓ Innovation
- ✓ Access to Information
- ✓ Accountability

What is required for Employee Engagement- also called Employee Involvement?

- ➢ Employee groups brainstorm ideas for organizational improvement- it could be for product/service improvements, safety concerns, cost reductions.
- ➢ They prepare solutions and recommendations for improvements.
- ➢ Managers evaluate such recommendations and make decisions.
- ➢ These recommendations are implemented and employees/groups concerned are rewarded for their valuable contributions.

Employee engagement and empowerment represent powerful ways to enhance productivity and profitability. Valued employees are happy employees; and happy employees are what drive business success.

Employee engagement, also called **work engagement** or **worker engagement or employee involvement**, is a business management concept. An "engaged employee" is one who is fully involved in, and enthusiastic about, his or her work and thus will act in a way that furthers their organization's interests. According to Scarlett Surveys, "Employee Engagement is a measureable degree of an employee's positive or negative emotional attachment to their job, colleagues and organization which profoundly influences their willingness to learn & perform at work". Thus engagement is distinctively different from satisfaction, motivation, culture, climate and opinion and very difficult to measure.

Employee Engagement is the extent to which workforce commitment, both emotional and intellectual, exists relative to accomplishing the work, mission, and vision of the organization. Engagement can be seen as a heightened level of ownership where each employee wants to do whatever they can for the benefit of their internal and external customers, and for the success of the organization as a whole.

Brief history:

Employee engagement was described in the academic literature. It's a modernized version of job satisfaction. It was defined to be "an employee's involvement with, commitment to, and satisfaction with work." This integrates the classic constructs of job satisfaction and organizational commitment.

A recent research received significant attention in the business community because of correlations between employee engagement and desirable business outcomes such as retention of talent, customer service, individual performance, team performance, business unit productivity, and even enterprise-level financial performance.

Employee engagement is derived from studies of morale or a group's willingness to accomplish organizational objectives which began in the 1920s. The value of morale to organizations was matured by US Army researchers during WWII to predict unity of effort and attitudinal battle-readiness before combat. In the postwar mass production society that required unity of effort in execution, (group) morale scores were used as predictors of speed, quality and militancy. With the advent of the knowledge worker and emphasis on individual talent management (stars), a term was needed to describe an individual's emotional attachment to the organization, fellow associates and the job.

Thus the birth of the term "employee engagement" which is an individual emotional phenomenon whereas morale is a group emotional phenomenon of similar characteristics. In other words, employee engagement is the raw material of morale composed of 15 attitudinal drivers.

Studies by Consultants

Engaged employees care about the future of the organization and are willing to invest the discretionary effort. Engaged employees feel a strong emotional bond to the organization that employs them. (Robinson)

Emotional attachment

Only 31% of employees are actively engaged in their jobs. These employees work with passion and feel a profound connection to their company. People that are actively engaged help move the organization forward. 88% of highly engaged employees believe they can positively impact quality of their organization's products, compared with only 38% of the disengaged. 72% of highly engaged employees believe they can positively affect customer service, versus 27% of the disengaged. 68% of highly engaged employees believe they can positively impact costs in their job or unit, compared with just 19% of the disengaged. Engaged employees feel a strong emotional bond to the organization that employs them. This is associated with people demonstrating willingness to recommend the organization to others and commit time and effort to help the organization succeed. It suggests that people are motivated by intrinsic factors (e.g. personal growth, working to a common purpose, being part of a larger process) rather than simply focusing on extrinsic factors (e.g., pay / reward).

Involvement

A recent study indulged in 15 steel mills, 17 ready made garments manufacturers, and 10 electronic instrument and imaging equipment producers. Their purpose was to compare traditional production systems with flexible high-performance production systems involving teams, training, and incentive pay systems. In all three industries, the plants utilizing high-involvement practices showed superior performance. In addition, workers in the high-involvement plants showed more positive attitudes, including trust, organizational commitment and intrinsic enjoyment of the work. The concept has gained popularity as various studies have demonstrated links with productivity. It is often linked to the notion of employee voice and empowerment.

Commitment

It has been routinely found that employee engagement scores account for as much as half of the variance in customer satisfaction scores. This translates into millions of dollars for companies if they can improve their scores. Studies have statistically demonstrated that engaged employees are more productive, more profitable, more customer-focused, safer, and less likely to leave their employer.

Life insurance industry

Two studies of employees in the life insurance industry examined the impact of employee perceptions that they had the power to make decisions, sufficient knowledge and information to do the job effectively, and rewards

for high performance. Both studies included large samples of employees. In both studies, high-involvement management practices were positively associated with employee morale, employee retention, and firm financial performance. It was found that high-commitment organizations (one with loyal and dedicated employees) out-performed those with low commitment.

Productivity

In a study of professional service firms offices with engaged employees were up to 43% more productive.
The most striking finding[] is the almost 52% gaps in operating incomes between companies with highly engaged employees and companies whose employees have low-engagement scores. High-engagement companies improved 19.2% while low-engagement companies declined 32.7% in operating income during the study period. Engaged employees also outperformed the not engaged and actively disengaged employees in other divisions. It comes as no surprise, then, that engaged employees have been statistically linked with innovation events and better problem solving.

Generating engagement

Recent research has focused on developing a better understanding of how variables such as quality of work relationships and values of the organization interact and their link to important work outcomes. 84% of highly engaged employees believe they can positively impact the quality of their organization's products, compared with only 31 percent of the disengaged. From the perspective of the employee, "outcomes" range from strong commitment to the isolation of oneself from the organization. Those "engaged" employees work with passion and feel a strong connection to their company. Moreover, 54% of employees are not engaged meaning that they go through each workday putting time but no passion into their work. Only about ⅓ of companies below the median on employee engagement scored above the median on performance.

Access to a reliable model enables organizations to conduct validation studies to establish the relationship of employee engagement to productivity/performance and other measures linked to effectiveness.
It is an important principle of industrial and organizational psychology (i.e. the application of psychological theories, research methods, and intervention strategies involving workplace issues) that validation studies should be anchored in reliable scales (i.e. organized and related groups of items) and not simply focus on individual elements in isolation. To understand how high levels of employee engagement affect organizational performance/ productivity it is important to have an a priori model that demonstrates how the scales interact.
There is also overlap between this concept and those relating to well-being at work and the psychological contract.

As employee productivity is clearly connected with employee engagement, creating an environment that encourages employee engagement is considered to be essential in the effective management of human capital.

Influences

* **Employer engagement** - A company's "commitment to improving the partnership between Employees and...Employer." Employers can stay engaged with their employees by actively seeking to understand and act on behalf of the expectations and preferences of their employees.

* **Employee perceptions of job importance** - An employee's attitude toward the job's importance and the company had the greatest impact on loyalty and customer service then all other employee factors combined."

* **Employee clarity of job expectations** - "If expectations are not clear and basic materials and equipment not provided, negative emotions such as boredom or resentment may result, and the employee may then become focused on surviving more than thinking about how he can help the organization succeed."

* **Career advancement/improvement opportunities -** "Plant supervisors and managers indicated that many plant improvements were being made outside the suggestion system, where employees initiated changes in order to reap the bonuses generated by the subsequent cost savings."

* **Regular feedback and dialogue with superiors** - "Feedback is the key to giving employees a sense of where they're going, but many organizations are remarkably bad at giving it." "'What I really wanted to hear was 'Thanks. You did a good job.' But all my boss did was hand me a check.'"

* **Quality of working relationships with peers, superiors, and subordinates -** "...if employees' relationship with their managers is fractured, then no amount of perks will persuade the employees to perform at top levels. Employee engagement is a direct reflection of how employees feel about their relationship with the boss."

* **Perceptions of the ethos and values of the organization** - "'Inspiration and values' is the most important of the six drivers in our Engaged Performance model. Inspirational leadership is the ultimate perk. In its absence, [it] is unlikely to engage employees."

* **Effective Internal Employee Communications -** which convey a clear description of "what's going on". "'If you accept that employees want to be involved in what they are doing then this trend is clear (from small businesses to large global organizations). The effect of poor internal communications is seen as its most destructive in global organizations which suffer from employee annexation - where the head office in one country is buoyant (since they are closest to the action, know what is going on, and are heavily engaged) but its annexes (who are furthest away from the action and know little about what is happening) are dis-engaged. In the worst case, employee annexation can be very destructive when the head office attributes the annex's low engagement to its poor performance… when its poor performance is really due to its poor communications.

* **Reward to engage -** Look at employee benefits and acknowledge the role of incentives. "An incentive to reward good work is a tried and test way of boosting staff morale and enhancing engagement." There are a range of tactics you can employ to ensure your incentive scheme hits the mark with your workforce such as: Setting realistic targets, selecting the right rewards for your incentive programme, communicating the scheme effectively and frequently, have lots of winners and reward all achievers, encouraging sustained effort, present awards publicly and evaluate the incentive scheme regularly.

The Advantages of Employee Empowerment

Empowerment is about putting employees in the driver's seat.
Employee empowerment went from being a buzzword among managers during the 1990s to a sought-after part of quality management among service industries by the early 21st century. Such professional organizations as the Society for Human Resource Management (SHRM) cite employee empowerment as one of the "critical drivers of business success in the global marketplace." Commonly defined as giving employees the power and authority to take control of workplace situations that would normally be handled by line managers. In SHRM, several advantages for implementing employee empowerment as a practice in human resources management could well be evaluated.

- ✓ **Gain Competitive Advantage**
- ✓ **Respond Quickly to Business Problems**
- ✓ **Better Job Satisfaction, Retention and Motivation**
- ✓ **Increased Productivity, Efficiency and Effectiveness**
- ✓ **Reduce Costs**

In order to increase employee retention, the organization should know how engaged their employee are. Here

are a few questions which can be asked to the employees to measure employee engagement levels in the organization.

How to measure Employee Engagement?

Questions to measure employee engagement

1. Does the employee know the organization's expectations from him?
2. Does the employee have all the resources (material, tools, information) to do his work right?
3. Does the employee find opportunities at work to do what he is best to do?
4. Does the employee get any recognition, praise or acknowledgement for his work in the last seven days?
5. Does the supervisors or colleagues care about the employee as a person?
6. Is the employee encouraged for his development at work?
7. Does employee's opinion matters or counted?
8. Does the employee feel that his work is important for the organization?
9. Are your fellow employees doing quality work or are committed to do so?
10. Does the employee have a best friend at work?

Conclusion:

An organization's culture has a life of it own. No leader or group of leaders can control it entirely. However, leaders can influence a culture in ways that will drive engagement. At least one approach senior leaders can take has already been broached: show that they value employees. Other approaches could include making corporate social responsibility a strategic imperative; reviewing work processes and lines of communication to support employee empowerment and a healthy work-life balance; reviewing compensation policies to ensure fairness; and focusing on measures to increase customer satisfaction. None of these measures address engagement directly, but all would contribute to a culture of engagement.

Bibliography:

1. Various web-sites dedicated to Strategic HR
2. HRM- a South Asian Perspective- By Snell, Bohlander,Vohra
3. Book on High Performance Work Place- Keith Newton

Work life balance of Indian working women

Prof. karuna Jadhav,
Lecturer,
Neville Wadia Institute of Management Studies & Research

She is a Mother, Sister, Spouse, Daughter & also the Manager, Organizer, Developer etc. Since independence 1947, the percentage of woman in the Indian workforce has been on steady increase. The liberalized Indian economy has created a large no of employment opportunities for woman. To grab such opportunities many women have started working. Most of them have occupied good positions in many sectors such as Medical, IT, Banking, Education also they entered in to male domain area such as Police, Army, Navy, Air-force, Politics.

To work at the workplace they have to come from their homes hence can't spend sufficient time with their families. While working at a workplace their strength gets utilized at optimum level and they have some weaknesses that gets' identified.

Today's career oriented woman is continually challenged by the demands of full time work and when the day is done at the office they carry more of the responsibilities and commitments to home. A better balance between work and life is an issue for everyone, not just for those with caring responsibilities. Stress levels have increased as the work environment has changed in the last decade.

Work-life balance is an often-used term in the IT / BPO sector and also in the hospitality sector. The question is 'What is the theoretical framework when we are looking at work-life balance?' When this is understood, it is easier to crack the problem. Work-life balance is the amount of time you spend at work with the amount of time you spend doing non-work. That is just one dimension of balance. The other dimension is satisfaction balance, which is about the quality of time.

Facts related to Indian working women

1) Percentage of women in the Indian workforce has been on steady increase because most of the women have started working.
2) She has to utilize her strength & identified her weaknesses.
3) She has to face the greatest obstacles and challenges at workplace.
4) She has to toll between office-front as well as the home-front.

Objective:

The objective of this study is to descriptively analyze and highlight the important issues relating to work- life

balance of Indian working women.

What is Work-Life Balance?

"Work-life balance was coined in 1986 in reaction to the unhealthy choice many were making in favor of the workplace, as they opted to neglect family, friends and leisure activities in pursuit of corporate goals," according to the Work-Life Balance Centre, a Newton Burgoland, Leicestershire, U.K.-based think tank and council dedicated to helping workers gain control of their workloads.

Since the late 1980s, achieving work-life balance has become a concern and goal for businesses, industry and governments worldwide. When one stops to consider the different areas of life, there are several that require thoughtful attention. If one thinks about it in terms of a pie-chart, each of these areas makes up one piece of that pie, such as Career, Relationships (spouse, family and friends community, colleagues / networking), Spirit (religion / spiritual development), Body (health and fitness), Mind (personal development and lifelong learning), Physical environment (home, office, or car), Finances & Fun and Leisure.

The concept of work-life balance is based on the notion that paid work and personal life should be seen less as competing priorities than as complementary elements of a full life. The way to achieve this is to adopt an approach that is "conceptualized as a two way process involving a consideration of the needs of employees as well as those of employers" (Lewis, 2000: p.105). In order to engage employers in this process it is important to demonstrate the benefits that can be derived from employment policies and practices that support work-life balance, and the scope that exists for mitigating their negative effects on the management of the business.

Working women face conflict between family life and professional life. They cannot give much time to their family because of the demands of the job. Sometimes also their work at the office gets affected because of the family problems. Women also fall into the trap of being over emotional and rigid. Women professionals did not face much difficulty in the first few years of their job experience. This is perhaps the period when they were relatively youthful and energetic and were either unmarried or recently married. Job performance difficulty was at its peak in the age range of 25-35 yrs when they had to look after their children and learn to adjust to newer and more challenging obligations.

Work life balance is about helping employees to better manage their work and non-work time. Work life balance also referred to as family friendly work arrangements and, in international literature, as alternative work arrangements. Three components should be in balance to achieve a healthy lifestyle- paid work, unpaid work, and personal time. Work life balance issues have been grouped under those pertaining to the workplace and those relating to particular life circumstances.

Categories within these two groupings are as follows-

1. Work-life balance issues generated by aspects of the workplace:

- Nature of work
- Types of workplace
- Issues in the workplace

2. work-life balance issues generated by different life needs –

- Need for time for families and community
- Need for personal time as a member of a specific group

Having broken the traditional stereotypes

"The composition of today's workforce is much more complex. Dual income families and single parents with

dependents are the norm. "Our lives are becoming increasingly complex with every passing year. We have more choices, more opportunities and more demands placed on us.

In order to better recognize personal and family life, organizations might want to consider implementing such practices as:

- Flexible work-schedules;
- Personal time-off programs;
- Job-Share arrangements;
- Reduced work weeks;
- Work-from-home arrangements;

and training programs that offer practical suggestions on how to better affect the balance between personal life and work life. Generally, programs to support work-life balance fall into the categories of alternative work arrangements, benefits, support programs and health programs.

Conclusion

Many employers now recognize that work-life balance is a key issue and offer women employees a range of flexible working option. The perceived impact on career prospects, as well as a number of other factors, can be off putting for women employees. Individuals and their managers, therefore, need to be supported to get over some of the difficulties and barriers they experience to ensure work-life balance policies and practices work effectively.

Originations that negotiate innovative work practices which also benefit staff are forward looking, competitive and profitable. Women employees want to be a great place to live and work. This means that employee can effectively use their optimum energy and skills to participate in paid work and all the other things that are important to them, society and the economy.

References –

1. Allen, T. (2007). 'Family-supportive work environment: The role of organizational perceptions', Journal of Vocational Behavior, Vol.58, pp 414-435.
2. Bardoel, E., Tharenau, p., & Moss, S (2006), Organizational predictors of work-family practices, Asia Pacific Journal of Human Resources, 36, 31-49.
3. Adams, G., King, L., & King, D. (2008), Relationship of job and family involvement, family social support and work-family conflict with job and life satisfaction, Journal of Applied Psychology, 81(4), 411-20.
4. Sanghamitra Buddhapriya (1999), women in management, New Delhi, A.P.H. Publishing Corporation.
5. Vidya Rani, G. (1990), Women in public Employment, Mittal, Delhi.
6. Towards Equality (1974), "Committee on Status of women", Government of India, p.150.
7. Rathore, A.T.(1991), " Working women: Tough Options', WIPS News, Vol.(2),5

Human Resource Management: Work life Balance-A myth

Prof. Lalit Prasad,
Lecturer, Dr. D. Y. Patil Institute of Mgt Studies, Pune.
&
Prof. Pooja Kohli ,
Lecturer, Dr. D. Y. Patil Institute of Mgt Studies, Pune.

An investigation of work life balance in IT Industry: an Empirical Study

Nowadays Organizations are interested to augment job satisfaction in the employees to lower down the turnover and to get higher involvement in the job and greater productivity. This has been influenced by the growing perception that the quality of an employee's personal life and family life impacts work quality and that it makes business sense to promote work and family integration .Flexible working hours, home based working, part time work, working in shifts are HR tools which are used to facilitate the employees for their work and family life. However there is a question mark that really these arrangements enhance the work life balance. The data of the research work will be collected through questionnaire and personal interview. The present study will examine the work life balance of the employees of Hinjewadi IT Park in Pune. The paper will also investigate the work family conflicts, gender differences and the job satisfaction of the employees.
The paper will conclude with how the work life balance and job satisfaction are correlated and what are its impact on the productivity. So this paper will contribute to the IT industry in managing the work life balance of their employees and also in the growth of the nation in IT sector.

Key words:

Work life balance, Job satisfaction, IT Industry, Gender Differences

INTRODUCTION

Work life and personal life are the two facets of the same coin. Traditionally creating and managing a balance between the work-life was considered to be a woman's issue. But increasing work pressures, globalization and technological advancement have made it an issue with both the sexes, all professionals working across all levels and all industries throughout the world. Achieving "work-life balance" is not as simple as it sounds. Work life and personal life are inter-connected and interdependent. Spending more time in office, dealing with clients and the pressures of job can interfere and affect the personal life, sometimes making it impossible to even complete the household chores. On the other hand, personal life can also be demanding if you have a kid or aging parents, financial problems, problems in the life of a dear relative or even both husband and wife are working. Job satisfaction, attrition, absenteeism etc are the most critical issues of any of the organization because these variables highly affect the individual performance of an employee and finally the overall performance of the organization. A healthy balance between family and job leads to higher job satisfaction, thereby reducing the cost

to organization and enhancing employee performance.
Organizational sensitivity to gender issue can have the desired impact on the satisfactions of employees, absenteeism, attrition etc. This paper examines about the arrangements of work life balance, motivation level, the impact of work-life balance on the job satisfaction, work family conflicts among the employees of IT industry in Hinjewadi IT Park Pune.

THE INDIAN IT INDUSTRIES

The Indian Information Technology industry accounts for a 5.19% of the country's GDP and export earnings as of 2009, while providing employment to a significant number of its tertiary sector workforce. More than 2.3 million people are employed in the sector either directly or indirectly, making it one of the biggest job creators in India and a mainstay of the national economy. In 2010, annual revenues from outsourcing operations in India amounted to US$54.33 billion compared to China with $35.76 billion and Philippines with $8.85 billion. India's outsourcing industry is expected to increase to US$225 billion by 2020.

The emergence of Indian information technology sector has brought about sea changes in the Indian job market. The IT sector of India offers a host of opportunities of employment. With IT biggies like Infosys, Cognizant, Wipro, Tata Consultancy Services, Accenture and several other IT firms operating in some of the major Indian cities, there is no dearth of job opportunities for the Indian software professionals. The IT enabled sector of India absorbs a large number of graduates from general stream in the BPO and KPO firms. All these have solved the unemployment problem of India to a great extent. The average purchasing power of the common people of India has improved substantially. The consumption spending has recorded an all-time high. The aggregate demand has increased as a result. All these have improved the gross production of goods and services in the Indian economy. So in conclusion it can be said that the growth of India's IT industry has been instrumental in facilitating the economic progress of India.

WORK LIFE BALANCE

All the organizations cannot work without conflicting commitments and responsibilities. . Hence, work-life balance has become an most important issue at the workplace of the organizations.. This is further fuelled by the renewed interest in the personal life and family values, and the ageing workforce (Lockwood, 2003). Work-life balance is a state of equilibrium in which the demands of both a person's job and personal life are equal. Rosabeth Moss Kanter's seminal book (1977), *Work and Family in the United States: A Critical Review and Agenda for Research and Policy* .A number of working definitions of the terms used regarding work-life balance, some overlapping and some are continuing to evolve have been proposed by Lockwood (2003). They include work/family, work/family conflict, work/life balance from employer viewpoint, work/life balance from employee viewpoint, family-friendly benefits, work life programmes, work/ life initiatives, and work/family culture. Friedman and Greenhaus (2000) emphasized that the working adults learn to build networks of support at home, at work, and in the community. Family-friendly firms have a significant impact on the lives and careers of business professionals who work in them (Friedman and Greenhaus, 2000). A conflict between work and family has real consequences and negatively affects the quality of family and career attainment of both men and women.

JOB SATISFACTION

Job satisfaction is the most widely studied variable in organizational research because of its well-established impact on a vast array of outcomes, including performance, commitment, and turnover (Spector 1997). Moreover, a review of the role conflict literature indicates that studies proposing links between work–family conflict and job satisfaction have also witnessed a dramatic increase. For instance, the majority of studies have shown that work–family conflict is associated with decreased levels of job satisfaction (Adams, King, and King 1996; Near, Rice, and Hunt 1980; Yogev and Brett 1985). The negative effect of work–family conflict on job satisfaction may be attributed to multiple factors, including role stress, role conflict, and decreased physical or mental health.

WORK LIFE BALANCE, BURNOUT (Stress, Emotion, De-motivation), JOB SATISACTION

Tsigilis and Koustelios (1994) stated that job satisfaction and burnout both affective work responses and their relationship is negative, implying that higher job satisfaction tends to accompanied by lower level of burnout. Prior studies examined the relationship between these two variables and showed a moderate high negative association (Bhana and Haffejee, 1996; Dolan, 1987; Koeske and Kirk, 1994; Pines *et al*., 1980).

METHOD

SAMPLE

The ten IT companies were selected by using non-probability, purposive sampling for this research work situated at Hinjewadi IT park Pune.

Following are the list of prominent IT companies at Hinjewadi IT park Pune, selected through non-probability, purposive sampling.

Sr. No.	Name of the Companies
1.	Infosys Technologies Ltd.
2.	Wipro Ltd.
3.	Tata Technologies
4.	Cognizant Technology Solutions India Ltd
5.	Geometric Software Solutions Pvt. Ltd.
6.	InfoTech Software & Systems (P) Ltd.
7.	Satyam Computer Services Ltd.
8.	3DPLM Software Solutions Limited
9.	Software Technology Park of India (STPI)
10.	Digital Group InfoTech Pvt. Ltd.

The respondents were selected by using the formula

$$N = (Zs/e)^2$$

Where,

Z= Value represents the Z score from the standard normal distribution for the confidence level. In this study estimate will be 95% level of confidence. The table value for two sided probability of 0.95 is 1.96.

s = Standard deviation of the population on the variable Work life balance is 1.5. This is calculated by the pilot survey by taking a sample of 10 IT executives.

e = Tolerance limit, in this study we assuming the tolerance limit is ±0.25.

$$N = (1.96 \times 1.5/0.25)^2 = 138 \text{ (approximately)}$$

The total number of respondents taken for the research work is 138 in which 70 male and 68 female employees were considered. The average age of all the respondents was 30.67 years. The average work experience was 4 years and their qualifications were generally IT Graduate/Post Graduate/ MBA.

OBJECTIVE OF THE STUDY

The primary objective of the present study is to investigate the work life balance in the IT companies and the

impact of work life balance and burnout dimension ie Stress, De-motivation and Emotion on job satisfaction of the employees. The secondary objectives are as follows:

- To find out the reasons for work life balance in IT companies.
- To find out the effects of work life balance in IT companies.
- To find out the way to improve work life balance in IT companies.
- To gain an insight to working in current working time policies and practices as well as work life balance issues in IT companies.

  Work is indeed important for people. However, the primary group of any person is family. He works to achieve a sense of satisfaction as well as to satisfy personal and family needs. Job satisfaction will depend on these two factors. Lack of gratification of any of the needs will result in poorer job satisfaction, high demands from the organization leading to burnout and frustration. In such situations, an employee experiences depletion, de-motivation and disappointment. Men generally have work as a central theme in their lives. They achieve a sense of satisfaction when they do well on the job and progress in their careers. They thus get over-involved with work.

HYPOTHESIS

- **Work life balance** and **job satisfaction** are positively associated.
- The **burnout dimensions and job satisfaction are negatively associated.**
- The components of burnout ie **Emotion, Stress and De-motivation** are positively correlated with each other.
- There is no significant difference of gender on work life balance and job satisfaction.

RESULTS

The data is analyzed through statistical tools to test the hypothesis. The correlation analysis and regression analysis were done separately.

1. **How often do you think or worry about work**.

Never think about work	Rarely	Sometimes	Often	Always
8	8	22	40	60
6%	6%	16%	29%	43%

2. Do you ever miss out any quality time with your family or friends because of pressure of work?

Never	Rarely	Sometimes	Often	Always
8	10	22	66	32
6%	7%	16%	48%	23%

3. Do you ever feel tired or depressed because of work?

Never	Rarely	Sometimes	Often	Always
9	14	19	62	34
7%	10%	14%	45%	25%

4. Does your company have separate policy for work life balance?

Yes	No	Not aware
19	79	40
14%	57%	29%

5. Do you personally feel any of the following will help you to balance work life?

Flexible Starting Time	Flexible ending time	Flexible hrs in general	Holidays/paid time offs	Job sharing	Career Break	Time off for family engagement

25	9	28	30	9	15	22
18%	7%	20%	22%	7%	11%	16%

6. Do any of the following hinder you in balancing your work and family commitments?

Long working hrs	Compulsory Overtime	Shift works	Meeting after office hrs	others

42	39	28	25	4
30%	28%	20%	18%	3%

7. Do you feel work life balance policy in the organization should customized to individual needs?

Strongly Agree	Agree	Indifferent	Disagree	Strongly Disagree
43	57	15	18	5
31%	41%	11%	13%	4%

From the responses received from the above questionnaire, it has been found out that the most of the IT companies employees think about their job or work assignments most of the times when they are not at work also. Many of them are not able to spend quality time with their family and friends due to the work pressure. The employees responded that most of the times they feel more tired, depressed and exhausted because of excessive workload.

Most of the IT companies do not have separate policies for work – life balance. The employees feel that there should be provision for flexible working times, paid holidays, job sharing, career breaks, and time off for meeting family engagements. Further, long working hours as well as compulsory overtime hinders the work life balance of the employees most of the times as compared to other factors such as shift works or meetings after working hours. Also it was found that the male and female group has differed in the variable job satisfaction and not on the other variable work life balance i.e. male group have higher job satisfaction then the female group. So the hypothesis 4 is rejected.

Correlation Analysis

Table1 shows that the relationship between job satisfaction and the burnout dimensions i.e. Emotion, Stress and de-motivation are negatively associated indicating that greater the burnout lower the job satisfaction. Also the table shows that the independent variable work life balance and the dependent variable job satisfaction are positively associated, it indicating higher the work life balance will give higher job satisfaction.

Table 1. Inter –variable correlation between the different variables for the sample size: 138.

Variables	Work Life Balance	Emotion	Stress	De-Motivation
Work Life Balance	----			
Emotion	-0.56**	------		
Stress	-0.46**	0.75**	------	
De-Motivation	-0.43**	0.85**	0.86**	------
Job Satisfaction	0.51**	-0.42**	-0.44**	-0.38**

p =0.05

Regression Analysis

Table 2 shows that the independent variable work life balance entered in the stepwise regression and explained a variance of 32.31% in the job satisfaction.

Table 2. Work Life balance as a predictor of Job satisfaction.

Model	Variables	Adjusted R square	Beta Values Standardized	t-value	F-value.
1.	Work Life Balance	0.32	0.57	7.31**	54.55

p=0.05

DICUSSION:

This study shows that work life balance and job satisfaction are positively associated in IT industry. It implies that when the employees give equal attention to the both the personal life and professional life, they like their job and feel satisfied. The burnout components Emotion, stress, De-motivation are negatively associated with job satisfaction.

In the regression analysis the work life balance is the predictor of the job satisfaction in the IT in the group of the employees. The work life balance is negatively associated with the burnout dimensions emotion, stress, de-motivation. In other words we can say that if the employees cannot balance their personal life and the professional life then there will be a case of burnout.

CONCLUSION

The present study was conducted in the IT companies only .However the research can be extended in the other

type of organizations like sales related (FMCG, Insurance etc.) and manufacturing organizations. One of the limitations of the research is that the data is collected from the IT companies situated at Hinjewadi IT Park Pune only.

With the reference of this study we can conclude that the proper work life balance increases job satisfaction where as burnout dimensions like stress, emotion and de-motivation decreases job satisfaction. So work life balance becomes an inevitable element for the growth of the individual employee as well as the organization. So the organization has to take due care of the work life balance of the employees.

REFERENCES:

1. Y.P.S.Kanwar, A.K.Singh and A.D.Kodwani; The Journal of Business Perspective .Vol.13. No.2. April –June 2009.
2. Arvey, R.D., Bouchard, T.J., Segal, N.L., and Abraham, L.M. (1989), "Job Satisfaction: Environmental and Genetic Components," Journal of Applied Psychology, 74, pp. 187-192.
3. Babakus, E., Cravens, D.W., Johnston, M. and Moncrief, W.C. (1999), "The Role of Emotional Exhaustion in Sales Force Attitude and Behaviour Relationships," Journal of the
4. Academy of Marketing Science, 27.1, pp. 58-70.
5. Bakker, A.B., Demerouti, E. and Schaufeli, W.B. (2002), "The validity of the Maslach Burnout Inventory-General Survey: An Internet Study," Anxiety, Stress and Coping, 15.3,
6. pp. 245-60.
7. Bhana, A. and Haffejee, N. (1996), Relation among Measures of Burnout, Job Satisfaction, and Role Dynamics for a Sample of South African Childcare Social Workers," Psychological
8. Reports, 79.2, pp. 431-434.
9. Bilgic, R. (1998), "The Relationship between Job Satisfaction and Personal Characteristic of Turkish Workers," The Journal of Psychology, 132.59, pp. 549-57. Boles, J.S. and Babin, B.J. (1996), "On the Frontlines: Stress, Conflict, and the Customer Service Provider," Journal of Business Research, 37.1, pp. 41-50.
10. Boles, J.S., Johnston, M.W. and Hair, J.F. Jr (1997), "Role Stress, Work-family Conflict and Emotional Exhaustion: Inter-relationships and Effects on Some Work-related Consequences," Journal of Personal Selling and Sales Management, 17.1, pp. 17-28.
11. Brayfield, A.H. and Rothe, H.F. (1951), "An Index of Job Satisfaction," Journal of Applied Psychology, 35, pp. 307-311.
12. Locke, E.A. (1976), "The Nature and Causes of Job Satisfaction," in M.D. Dunnette (Ed.), Handbook of Industrial and Organisational Psychology, John Wiley and Sons, New York, pp. 1297-1349.
13. Locke, E.A. and Lathan, G.P. (1990), Theory of Goal Setting and Task Performance, Englewood, Cliffs, N.J.: Prentice-Hall., New York, pp. 248-250.
14. Lockwood, Nancy R. (2003), Work/life Balance: Challenges and Solutions," SHRM Journal, 48.6, pp. 81-90. Loher, B.T., Noe, R. A., Moeller, N.L., and Fitzgerald, M.P. (1985),
15. "A Meta-analysis of the Relation of Job Characteristics to Job Satisfaction," Journal of Applied Psychology, 70. pp. 280-289. Low, G.S., Cravens, D.W., Grant, K. and Moncrief, W.C. (2001), "Antecedents and Consequences of Salesperson Burnout,"
16. European Journal of Marketing, 35.5/6, pp. 587-611. Luthans, F. (1998), Organisational Behaviour, (8th Ed.), Irwin McGraw-Hill, Boston.
17. Mahesh, V.S. and Kasturi, A. (2006), "Improving Call Centre Agent Performance," International Journal of Service Industry Management, 17.2, pp. 136-57.
18. Malhotra, N. and Mukherjee, A. (2004), The Relative Influence of Organisational Commitment and Job Satisfaction on Service Quality of Customer-contact Employees in Banking Call Centres, Journal of Services Marketing, 18.3, pp. 162-74.

Websites:

www.google.com

www.citehr.com

Employee Engagement

Rathi Mamata J.
Assistant Professor,
Swami Ramanand Teerth College,Ambajogai.

Abstract

Employee engagement is the level of commitment and involvement an employee has towards their organization and its values. An engaged employee is aware of business context, and works with colleagues to improve performance within the job for the benefit of the organization. It is a positive attitude held by the employees towards the organization and its values. The paper focuses on how employee engagement is an antecedent of job involvement and what should company do to make the employees engaged. The paper also looks at the Gallup 12 point questionnaire, twelve-question survey that identifies strong feelings of employee engagement and the steps which shows how to drive an engaged employee.

Introduction

Engagement at work was conceptualized by Kahn, (1990) as the 'harnessing of organizational members' selves to their work roles. In engagement, people employ and express themselves physically, cognitively, and emotionally during role performances. The second related construct to engagement in organizational behavior is the notion of flow advanced by Csikszentmihalyi (1975, 1990). Csikzentmihalyi (1975) defines flow as the 'holistic sensation' that, people feel when they act with total involvement. Flow is the state in which there is little distinction between the self and environment. When individuals are in Flow State little conscious control is necessary for their actions. Employee engagement is the thus the level of commitment and involvement an employee has towards their organization and its values. An engaged employee is aware of business context, and works with colleagues to improve performance within the job for the benefit of the organization. The organization must work to develop and nurture engagement, which requires a two-way relationship between employer and employee.' Thus Employee engagement is a barometer that determines the association of a person with the organization

Engagement is most closely associated with the existing construction of job involvement (Brown 1996) and flow (Csikszentmihalyi, 1990). Job involvement is defined as 'the degree to which the job situation is central to the person and his or her identity (Lawler & Hall, 1970). Kanungo (1982) maintained that job involvement is a 'Cognitive or belief state of Psychological identification. Job involvement is thought to depend on both need saliency and the potential of a job to satisfy these needs. Thus job involvement results form a cognitive judgment about the needs satisfying abilities of the job. Jobs in this view are tied to one's self image. Engagement differs from job in as it is concerned more with how the individual employees his/her self during the performance of his / her job. Furthermore engagement entails the active use of emotions. Finally engagement may be thought of as an antecedent to job involvement in that individuals who experience deep engagement in their roles should come to identify with their jobs.

When Kahn talked about employee engagement he has given important to all three aspects physically, cognitively and emotionally. Whereas in job satisfaction importance has been more given to cognitive side. HR practitioners believe that the engagement challenge has a lot to do with how employee feels about the about work experience and how he or she is treated in the organization. It has a lot to do with emotions which are fundamentally related to drive bottom line success in a company. There will always be people who never give their best efforts no matter how hard HR and line managers try to engage them. "But for the most part employees want to commit to companies because doing so satisfies a powerful and a basic need in connect with and contribute to something significant".

Aspects of Employee Engagement

Three basic aspects of employee engagement according to the global studies are:-

· The employees and their own unique psychological make up and experience

· The employers and their ability to create the conditions that promote employee engagement

· Interaction between employees at all levels.

Thus it is largely the organization's responsibility to create an enviro nment and culture conducive to this partnership, and a win-win equation.

Categories of Employee Engagement

According to the Gallup the Consulting organization there are there are different types of people:-

Engaged--"Engaged" employees are builders. They want to know the desired expectations for their role so they can meet and exceed them. They're naturally curious about their company and their place in it. They perform at consistently high levels. They want to use their talents and strengths at work every day. They work with passion and they drive innovation and move their organization forward

Not Engaged---Not-engaged employees tend to concentrate on tasks rather than the goals and outcomes they are expected to accomplish. They want to be told what to do just so they can do it and say they have finished. They focus on accomplishing tasks vs. achieving an outcome. Employees who are not-engaged tend to feel their contributions are being overlooked, and their potential is not being tapped. They often feel this way because they don't have productive relationships with their managers or with their coworkers.

Actively Disengaged--The "actively disengaged" employees are the "cave dwellers." They're "Consistently against Virtually Everything." They're not just unhappy at work; they're busy acting out their unhappiness .They sow seeds of negativity at every opportunity. Every day, actively disengaged workers undermine what their engaged coworkers accomplish. As workers increasingly rely on each other to generate products and services, the problems and tensions that are fostered by actively disengaged workers can cause great damage to an organization's functioning .

Importance of Engagement

Engagement is important for managers to cultivate given that disengagement or alienation is central to the problem of workers' lack of commitment and motivation (Aktouf). Meaningless work is often associated with apathy and detachment from ones works (Thomas and Velthouse). In such conditions, individuals are thought to be estranged from their selves (Seeman, 1972) .Other Research using a different resource of engagement (involvement and enthusiasm) has linked it to such variables as employee turnover, customer satisfaction – loyalty, safety and to a lesser degree, productivity and profitability criteria (Harter, Schnidt & Hayes, 2002).

An organization's capacity to manage employee engagement is closely related to its ability to achieve high performance levels and superior business results. Some of the advantages of Engaged employees are

- Engaged employees will stay with the company, be an advocate of the company and its products and services, and contribute to bottom line business success.
- They will normally perform better and are more motivated.
- There is a significant link between employee engagement and profitability.
- They form an emotional connection with the company. This impacts their attitude towards the company's clients, and thereby improves customer satisfaction and service levels
- It builds passion, commitment and alignment with the organization's strategies and goals
- Increases employees' trust in the organization
- Creates a sense of loyalty in a competitive environment
- Provides a high-energy working environment
- Boosts business growth
- Makes the employees effective brand ambassadors for the company

A highly engaged employee will consistently deliver beyond expectations. In the workplace research on employee engagement (Harter, Schmidt & Hayes, 2002) have repeatedly asked employees 'whether they have the opportunity to do what they do best everyday'. While one in five employees strongly agree with this statement. Those work units scoring higher on this perception have substantially higher performance. Thus employee engagement is critical to any organization that seeks to retain valued employees. The Watson Wyatt consulting companies has been proved that there is an intrinsic link between employee engagement, customer loyalty, and profitability. As organizations globalize and become more dependent on technology in a virtual working environment, there is a greater need to connect and engage with employees to provide them with an organizational 'identity.'

Factors Leading to Employee Engagement-

Studies have shown that there are some critical factors which lead to Employee engagement. Some of them identified are -

Career Development- Opportunities for personal development

Organizations with high levels of engagement provide employees with opportunities to develop their abilities, learn new skills, acquire new knowledge and realise their potential. When companies plan for the career paths of their employees and invest in them in this way their people invest in them.

Career Development – Effective Management of Talent

Career development influences engagement for employees and retaining the most talented employees and providing opportunities for personal development.

Leadership- Clarity of Company Values

Employees need to feel that the core values for which their companies stand are unambiguous and clear.

Leadership – Respectful Treatment of Employees

Successful organizations show respect for each employee's qualities and contribution – regardless of their job level.

Leadership – Company's Standards of Ethical Behaviour

A company's ethical stand ards also lead to engagement of an individual

Empowerment

Employees want to be involved in decisions that affect their work. The leaders of highengagement workplaces create a trustful and challenging environment, in which employees are encouraged to dissent from the prevailing orthodoxy and to input and innovate to move the organization forward.

Image

How much employees are prepared to endorse the products and services which their company provides its customers depends largely on their perceptions of the quality of those goods and services. High levels of employee engagement are inextricably linked with high levels of customer engagement.

Other factors

Equal Opportunities and Fair Treatment

The employee engagement levels would be high if their bosses (superiors) provide equal opportunities for growth and advancement to all the employees

Performance appraisal

Fair evaluation of an employee's performance is an important criterion for determining the level of employee engagement. The company which follows an appropriate performance appraisal technique (which is transparent and not biased) will have high levels of employee engagement.

Pay and Benefits

The company should have a proper pay system so that the employees are motivated to work in the organization. In order to boost his engagement levels the employees should also be provided with certain benefits and compensations.

Health and Safety

Research indicates that the engagement levels are low if the employee does not feel secure while working. Therefore every organization should adopt appropriate methods and systems for the health and safety of their employees.

Job Satisfaction

Only a satisfied employee can become an engaged employee. Therefore it is very essential for an organization to see to it that the job given to the employee matches his career goals which will make him enjoy his work and he would ultimately be satisfied with his job.

Communication

The company should follow the open door policy. There should be both upward and downward communication with the use of appropriate communication channels in the organization. If the employee is given a say in the decision making and has the right to be heard by his boss than the engagement levels are likely to be high.

Family Friendliness

A person's family life influences his wok life. When an employee realizes that the organization is considering his family's benefits also, he will have an emotional attachment with the organization which leads to engagement

Co-operation

If the entire organization works together by helping each other i.e. all the employees as well as the supervisors co-ordinate well than the employees will be engaged.

How to measure Employee Engagement?

Gallup research consistently confirms that engaged work places compared with least engaged are much more likely to have lower employee turnover, higher than average customer loyalty, above average productivity and earnings. These are all good things that prove that engaging and involving employees make good business sense and building shareholder value. Negative workplace relationships may be a big part of why so many employees are not engaged with their jobs.

Step I: Listen

The employer must listen to his employees and remember that this is a continuous process. The information employee's supply will provide direction . This is the only way to identify their specific concerns. When leaders listen, employees respond by becoming more engaged. This results in increased productivity and employee retention. Engaged employees are much more likely to be satisfied in their positions, remain with the company, be promoted, and strive for higher levels of performance.

Step II: Measure current level of employee engagement

Employee engagement needs to be measured at regular intervals in order to track its contribution to the success of the organisation. But measuring the engagement (feedback through surveys) without planning how to handle the result can lead employees to disengage. It is therefore not enough to feel the pulse—the action plan is just as essential.

Knowing the Degree in which Employees Are Engaged?

Employee engagement satisfaction surveys determine the current level of employee engagement. A well-administered satisfaction survey will let us know at what level of engagement the employees are operating. Customizable employee surveys will provide with a starting point towards the efforts to optimize employee engagement. The key to successful employee satisfaction surveys is to pay close attention to the feedback from the staff. It is important that employee engagement is not viewed as a one11 time action. Employee engagement should be a continuous process of measuring, analyzing, defining and implementing. The employee survey is a diagnostic tool of choice in the battle for the hearts of employees. Studies of Gallup, Mercer, Hewitt and Watson Wyatt (consulting companies) asked workers number of questions relating to their job satisfaction. Gallup being one of oldest the consulting organisation {in conducting engagement survey} creates a feedback system for employers that would identify and measure elements of worker engagement most tide to the bottom line. Things such as sales, growth, productivity and customer loyalty are all accessed. After Hundreds of focus group and thousands of interviews with employees in a variety of industries, Gallup came up with Q. 12, a twelve-question

survey that identifies strong feelings of employee engagement. They have identified 12 questions that most effectively measure the links .

1. Do you know what is expected of you at work?
2. Do you have the materials and equipment you need to do your work right?
3. At work, do you have the opportunity to do what you do best every day?
4. In the last seven days, have you received recognition or praise for doing good work?
5. Does your supervisor, or someone at work, seems to care about you as a person?
6. Is there someone at work who encourages your development?
7. At work, do your opinions seem to count?
8. Does the mission/purpose of your company make you feel your job is important?
9. Are your associates (fellow employees) committed to doing quality work?
10. Do you have a best friend at work?
11. In the last six months, has someone at work talked to you about your progress?
12. In the last year, have you had opportunities at work to learn and grow?

The interpretation of the questionnaire and one of the companys engagement level is summarized in the table below.

	Retention	Customer	Safety	Productivity	Profitablity
Opportunites to learn and grow	X	X	X	X	X
Progress in last six months		x	X	x	
Best friend		X	x	x	X
Coworkers committed to quality	X	x	x	X	X
Mission/Purpose of company	x	x	x	X	X
My opinions count	x	X	X	X	X
Encourages development	x	X	X	x	X
Supervisor/Someone at work cares	X	X	X	X	x
Recognition last seven days	x	x	x	x	X
Do what I do best every day	X	X	X	X	X
Materials and equipment	X	X	X		
Know what is expected of me at work	X	X	X	X	

X - strongest generalizable relationships across companies
x - positive generalizable relationships across companies

Some of the discussions which come from Gallup's questions are: -

Know what is expected of me at work-

employees should know exactly what is expected of them. If expectations are unclear, employees will inevitably face frustration, and will be open for other opportunities where they do know what's expected of them, and whe re their contributions are measured and recognized.

Materials and equipment-

Employees need the right tools and equipment to support their skills, experience and talents & perform their jobs at an optimum level. Do what I do best every day - Are your employees cast in the right roles? Knowing the critical demands for every role is a key to ensuring that talents fit those demands.

Supervisor/Someone at work cares -

Managers must spend most of their time with their most productive talent. Many managers give their greatest degree of attention to employees who are falling behind. Talented, productive people crave time and attention from their managers, and will leave your company if they have a weak relationship (or no relationship) with their manager or supervisor.

Co-workers committed to quality.-

Many companies arbitrarily put teams together without considering that employees only psychologically commit to teams if they perceive their team members will support their high level of commitment and performance. Talented employees set high standards and depend upon those around them to support their growth toward excellence. Opportunities to learn and grow- The Company should create an environment that encourages employees to drive towards innovation or to create better systems for more productive results. Great managers always ask what skills and knowledge need to accompany talent to result in the greatest outcome for each.

As discussed the Gallup study is based on positive Psychology and emotions. Having a best friend at work or receiving recognition every week makes you feel cared for and proud respectively. If you want to keep recreating those positive emotions, then you keep coming back to work.

So the measures engagement, and engagement is a positive emotional connection to the work. Thus the mechanism of the broaden- and – build theories and the action tendencies of positive emotions help in understanding why the has been so powerful for Gallup in terms of predicting outcomes. Borden – and Build theory is about evolutionary significance of positive emotions. Positive emotions are better observed over the long haul. Their effects accumulate and compound overtime and the adaptive benefits are evident from later, when people face new challenges. The Gallup research has thus made a contribution in adding an additional 'P' to the 4 P's of marketing i.e. product, price, and promotion place and now people to the mix. In the combination of engaged employees, Gallup brings engaged customers to form the concept of human sigma. These include customer engagement, loyalty and emotional attachment. Customer engagement hierarchy, customer engagement scores and developing the culture of engagement and customer focus. The Gallup Organization decided to initiate a multi-year research project to try and define a great workplace - a great workplace was one where employees were satisfied with their jobs and this thus helps to produce positive business outcomes.

According to the study of Watson Wyatt, the service – profit chain establishes relationship between profitability, customer loyalty and employee satisfaction, loyalty and productivity. The links in the chain (which should be regarded as propositions) are as follows: profit and growth are stimulated primarily by customer loyalty. Loyalty is a direct result of customer's satisfaction. Satisfaction is largely influenced by the services provided to customers. Satisfied, loyal and productive employees create value. Employee's satisfaction inturn results primari ly from high quality support services and policies that enable employees to deliver results to customers. While many organizations are beginning to measure relationship between individual links in the service only a few have related the links in the meaningful ways that can lead to comprehensive strategies for achieving lasting competitive advantage of building employee engagement. In a study of its seven telephone customer service centers (MCI found that there is a clear relationship between employee's perceptions of the quality of services and employee engagement.

Step III: - Identify the problem areas

Identify the problem areas to see which are the exact areas, which lead to disengaged employees

Step IV: Taking action to improve employee engagement by acting upon the problem areas

Nothing is more discouraging to employees than to be asked for their feedback and see no movement toward resolution of their issues. Even the smallest actions taken to address concerns will let the staff know how their input is valued. Feeling valued will boost morale, motivate and encourage future input. Taking action starts with

listening to employee feedback and a definitive action plan will need to be put in place finally.

Conclusion

Employee Engagement is the buzz word term for employee communication. It is a positive attitude held by the employees towards the organization and its values. It is rapidly gaining popularity, use and importance in the workplace and impacts organizations in many ways. Employee engagement emphasizes the importance of employee communication on the success of a business. An organization should thus recognize employees, more than any other variable, as powerful contributors to a company's competitive position.Therefore employee engagement should be a continuous process of learning, improvement, measurement and action. We would hence conclude that raising and maintaining employee engagement lies in the hands of an organization and requires a perfect blend of time, effort, commitment and investment to craft a successful endeavor.

References

1. Archie Thomas, CMA, and Ann MacDi anmid – Encouraging Employee Engagement -CMA Management, Jun/Jul 2004.
2. Ashok Mukherjee – Engagement for the mind body, and soul – Human Capital, Aug.2005.
3. Barbara Palframan Smith – Employee connection – Technology to built culture and community – Communication World – Mar / Apr 2004.
4. Beverly Kaye and Sharon Jordan Evans – From Assets to Investors – Training and Development – Apr 2003.
5. Charles Woodruffe – Employee Engagement – The Real Secret of Winning a Crucial Edge over your rivals – Manager Motivation – Dec. / Jan. 2006.
6. Christoffer Ellehuus,Piers Hudson-Driving Performance and Retention Through Employee Engagement –Corporate leadership Council 2004,Employee
7. Enagegement Survey Charlotte Garvey – Connecting the organizational pulse into the bottom line – HR
8. Magazine society for Human Resource Management, June 2004.
9. Cifton, D.O. & Hartor, J.K. (2003) – Investing in strength – positive organizational scholarship. Foundation of a new discipline (pp 111-121)
10. Douglas R. May, Richard L Gilson – The Psychological conditions of meaningfulness safety and availability and the engagement of the human spirit at work – Journal of Occupational and Organisational Psychology (2004) 7, 11-37.
11. Ellen Lanser May – Are people your priority? How to engage your work force – Healthcare Executive, July/Aug. 2004.
12. Fox, S, & Spector, P.E.. – Emotions in the work place – the neglected side of
13. organizational life introduction. Human Resource Management Review, 12, 167 – 171.
14. Gretcher Hoover – Maintaining employee engagement when communicating difficult issues – Communication World, Nov / Dec 2005.
15. Heskett, Jame L – Putting the service profit chain to work – Harvard Business Review, Mar / Apr 94 Vol. 72 Issue 2.
16. Jerry Krueger and Emily Killham-At work,feeling good matters-Gallup Management Jpurnal,Dec2005
17. Jteresko – Driving employee engagement – www.industryweek.com, Sept. 2004.
18. Michael Treacy – Employee Engagement higher at DDG company – Hewitt Research Brief. 2005
19. Remus, Ilies – An experienced sampling measure of job satisfaction and its relationships with affectivity, mood at work, job beliefs and general job satisfaction – European
20. Journal of work and organizational psychology, 2004, 13 (3), 367 – 389.
21. Shamir, B. – Meaning – self and motivation in organization. Organisation studies, 12 (3) 405 – 424.
22. Steve Batts – Getting engaged – HR Magazine society for Human Resource Management, Feb. 2004.
23. Steve Crabtree – (2004) Getting personnel in the work place – Are negative relationships squelching productivity in your company? – Gallup Management Journal, June 10, 2004.

Relationships Between Human Resources Management Practices, And Job Satisfaction, And Organizational Commitment Among Employees In Kazakhstani Organizations

Senimgul Dossova
Senior lecturer, Kazakh National University
PhD student,
Kazakh-British Technical University

Abstract

The purpose of the study is to examine how HRM practices influence employees' job satisfaction and organizational commitment in Kazakhstani Universities; whether perceived organizational support and company's HRM policies and practices have relationship with organizational commitment.

Data were collected by the distribution of two questionnaires the Minnesota Satisfaction Questionnaire (MSQ) short form and the Organizational Commitment Questionnaire (OCQ) through a stratified random sampling method.

The Analysis of Moment Structures was used for an empirical testing of the model, and Maximum Likelihood Estimation (MLE) was applied to estimate numerical values for the components in the model. Confirmatory factor analysis was employed to test the validity of the scales in measuring specific constructs of the measurement model and Fornell and Larker's guidelines were applied.

Almaty 2011

The Role Of Human Resources Management Practices In Creating Employees' Job Satisfaction And Organizational Commitment. Case Of Kazakhstan.

Introduction

Kazakhstan, an emerging economy moving from a centralized command approach to global market participation, shares issues with other republics in the Commonwealth of Independent States. Competitive advantages that bode well for its successful transition include abundant oil reserves, a developing legal system, and a government that appears to have learned from the mistakes of other CIS nations. However, the Republic has serious problems of population decline, poor infrastructure, and workforce habits incompatible with a market economy(Prochaska, Nancy A, 2004). Economic stabilization, development of market institutions such as legal infrastructures, and

overcoming shortages of skilled labor are key problems shared by the CIS countries (Hoskisson, Eden, Lau & Wright, 2000). Although these republics had a common starting point for development of market economies, they have followed different paths and made different degrees of progress (EBRD, 1998).

Dana B. Minbaeva, Kate Hutchings, S. Bruce Thomson(2007) explored Human Resource Management (HRM) practices in foreign-owned subsidiaries in Kazakhstan and examined the development of HRM and the extent to which practices and policies are reflective of their countries of origin, older-style Soviet and post-Soviet practices, or an emerging Kazakhstan. The discussion was based on findings which utilized a questionnaire-based survey, secondary data and interviews with HR managers. The paper concludes that HRM and employee relations practices utilized are a hybrid of old-style Soviet and Western-based approaches (US and European), and also provided some implications for theory and managerial practice. The primary limitation of this study is that it explored HRM practices only in foreign-owned subsidiaries. It does not give us a clear understanding of HRM practices in the national companies.

The importance of this study is vital. Kazakhstan faces many challenges, but it has abundant natural resources, an educated population, and preliminary evidence indicates that new generations of citizens are quickly adapting to a new market psychology. Job satisfaction and commitment are critical to retaining and attracting well-qualified personnel. Employees who experience job satisfaction are more likely to be productive and stay on the job. Job dissatisfaction has been found to be a strong and consistent predictor of intention to leave as well as turnover. Employees' commitment is a valuable asset in an organization. Research has shown that increased commitment improves employees' job satisfaction, motivation, performance and creativeness, and reduces absenteeism and turnover(Morana C. 1987Tett RP, Meyer JP 1993).

With the increasing importance of the 'human factor' in modern organizations, HR-issues have become more salient to organizations that believe that people are their most important asset in achieving organizational goals. Developing human resources is essential to achieve sustainable competitive advantage (Hoskisson et al., 2000; Soulsby & Clark 1996), so in this research we will make an attempt to investigate existing HRM practices in different organization of Kazakhstan, and how these practice influence employee's job satisfaction and organizational commitment.

Theoretical Background

The transformation of Kazakhstan to a market economy still faces many problems. Two of the most pressing problems are the creation of a more reliable labor market and developing a new standard of human resource management. Models for managing people have a long tradition in the West, and the majority of the models used in management research have U.S. ties or origins. However, Hofstede (1993) and Ardichvili (2001) are among those cautioning against the adoption of ethnocentric management models into other cultures. Ardichvili's study is one of the few attempts to assess Western leadership models and their fit with cultures of selected countries in the CIS, and he found differences in applicability of some of the Western leadership models he tested. Nevertheless, Western models of economic development and human resource management can be starting points for understanding what is happening in Kazakhstan. Based on the human resource management experience of the United States and other Western countries, we can appreciate the complexity of creating an HRM system that meets the needs of the new economy and the changing workforce in Kazakhstan. A management system is dependent not only on economic reform but also on the psychological transformation of employers and employees in the country. The difficulty of breaking the psychological contract created under communism has been widely noted. The true difficulty of changing an economic system or a way of managing is the difficulty of changing the mental models people hold about the roles of the worker, the enterprise, and the government.

Organizational commitment has been considered as one of the most important predictors of turnover and intention to leave. It was found that employees who were more committed to their organizations had lower intention to leave than those with lower organizational commitment (Griffeth & Hom, 1995; Igharia & Greenhaus, 1992). Wong, et al., (1995) studied about a relationship between three attitudinal antecedents to turnover, OC, job satisfaction and turnover intention. Upon examination of their full model to determine the relationship between

the attitudinal antecedents, they found that OC significantly predicted turnover intention whereas job satisfaction had no effect on turnover intention. The finding suggests that employees who are committed to an organization are less intended to leave their employers. In a study to determine a relationship of organizational commitment and job satisfaction with intention to leave among government doctors, Samad (2006) found that OC contributed the highest variance in intention to leave.

Human resource management (HRM) practices have been considered as one of the critical factors affecting OC (Guzzo & Noonan, 1994; Rousseau & Greller, 1994; Rousseau & Wade-Benzoni, 1994; Sims, 1994) and POS (Chang, 2005; Kinicki, et al., 1992; Wayne, et al., 1997). Kinicki, et al. (1992) proposed that an organization's actual HRM programs affect employee perceptions of an organization's commitment to human resource efforts, which in turn affect employees' work attitude. In Wright and Nishii's (2007) model, the effects of HR practices on employee attitudes and behaviors occur via employee perceptions of HR practices. Not the HR practices as intended, but rather how employees experience HR practices is supposed to have a strong effect on employee outcomes. These perceptions might also affect employee performance (Den Hartog et al., 2004). Although perceived HR practices are proposed to have a strong association with employee outcomes, not many researchers have actually tested this relationship. Instead, research has focused on the effects of actual HR practices or systems on attitudes and behaviors or on the role of perceptions of a single specific practice rather than a combination of practices. To take into account these differences in interpretations of HR practices, this study will focus on employee perceptions of a set of HR practices.

Many HRM scholars propose that HR practices will affect employee and firm performance through their impact on employee attitudes (e.g. Becker et al., 1997; Wright & Nishii, 2007). As mentioned before, 'high commitment' and 'high performance' work practices have been widely used in research in this area. As the role of HR practices is to influence employee attitudes and behaviors required by the organization (Truss, 2001), positive effects on attitudinal and behavioral outcomes are expected.

Many authors already outline the idea that sets of consistent HRM practices can reinforce employee attitudes and behaviour (e.g. Wright & McMahan, 1992;Ichniowski et al., 1996; Guest, 1997, Baron & Kreps, 1999; Ostroff & Bowen, 2000, Boselie, 2002) By HRM practices being internally consistent, employees know what is expected of them and what they can expect in turn. Academic research on the effects of multiple HRM practices often proclaims to study internal consistency by defining sets of congruent HRM practices as a system. More specifically, it is suggested that systems of 'high commitment practices' increase organizational effectiveness by creating conditions where employees become highly involved in the organization and work hard to accomplish the organization's goals (Arthur, 1994; MacDuffie, 1995; Whitener, 2000). However, with the exception of Whitener (2000), researchers study the effects of high commitment HR systems on measures of organizational effectiveness without investigating the relationship between high commitment HRM practices and aspects of employee commitment.

Stated is that very little is known about how and through which processes HRM practices influences organizational performance (Guest, 1997; Becker, Huselid, Pickus & Spratt, 1997; Ostroff & Bowen, 2000). Intermediate processes that ultimately affect performance outcomes are referred to as the 'black box' of the HRM-outcome link (e.g. Wright & Gardner, 2003).

Unlocking the 'black box' means identifying HR-objects that are relevant to employee performance. Ostroff & Bowen (2000) state that an HR system is believed to be a complex set of practices that is designed to influence employees' attributes that are purported to be the mediating mechanism that links HRM practices and performance outcomes.

This study identifies the employee's job satisfaction to be one of the general goals of HRM activities in creating employee commitment to the organization.

Wright & Gardner (2003) argue that regarding the level of analysis of HRM practices, most research has concentrated on identifying sets of HRM practices at the organizational level by using single respondent measures

of sets of HRM practices. But the assumption that HRM practices are invariable across large groups of jobs within organizations is not feasible, as Lepak & Snell (2002) pointed out. This suggests that lowering the level of analysis could give a more accurate insight in the variation of sets of HRM practices within organizations and across job groups or (business) units. Additionally, gathering data by using single-responses of HR-managers on which HRM practices are in place, probably gives no accurate reflection of reality. Such single-respondent measures of sets of HRM practices are subject to, for instance, the respondent's degree of accurate information. Therefore, Guest (1999) and Wright and Gardner (2003) have proposed to measure HRM practices through individual employee perceptions, since employees are the focal unit HRM practices aim at. As such, the research project will focus on the perception op employees on HRM practices.

It is in the interest of an organization to retain employees and minimize turnover. However, many managers have little understanding of how to satisfy their employees and how these employees' satisfaction levels influence their intent to leave their positions. In fact, because of this limited understanding, managers' efforts towards employee satisfaction can sometimes create more dissonance than cohesion between employees and management, leading to excessive employee turnover.

One significant reason that the cost of turnover is high is due to the high cost of training new employees. One way to address the issue of turnover is to understand the commitment employees have to their operation and to determine what affects these levels of commitment. To do this, we must have a clear definition of organizational commitment and identify variables that might influence it.

Organizational commitment has been described as consisting of two constructs –affective and continuance (Allen & Meyer, 1990). As defined by Mowday, Porter, and Steers(1982, p.27), affective organizational commitment is "a strong belief in and acceptance of the organization's goals and values; a willingness to exert considerable effort on behalf of the organization; and a strong desire to maintain membership in the organization." The counterpart to affective organizational commitment is continuance organizational commitment, which considers the idea that individuals do not leave a company for fear of losing their benefits, taking a pay cut, and not being able to find another job (Murray, Gregoire, & Downey, 1991).

Job satisfaction has been recognized as a component of organizational commitment (Kovach, 1977). It is suggested that job satisfaction is a state of pleasure gained from applying one's values to a job (Locke, 1969). Spector (1997, p.2) believes that job satisfaction "can be considered as a global feeling about the job or as a related constellation of attitudes about various aspects or facets of the job." Researchers have found that job satisfaction is correlated with turnover but not to the extent that a predictive model can be created. (Kraut, 1975; Mobley,

1982; Mobley Griffeth, Hand, & Meglino, 1979). The negative consequences of turnover include: an increase in recruiting, hiring,adaptation, and training; and the disruption of communication, productivity, and satisfaction among employees who stay (Dalton & Todor, 1982; Mobley, 1982).

The scope of this research focuses upon job satisfaction and its relationship with organizational commitment. Similar studies were sought in reviewing the literature with few found by the researchers. However, one significant article was identified. LaLopa (1997) effectively used the Organizational Commitment Questionnaire to evaluate 300 non-supervisory resort employees' levels of commitment. Further, LaLopa developed a "Resort Job Satisfaction" scale by adopting items from previous studies. Findings provide further evidence that job satisfaction is a significant predictor of organizational commitment.

Research Questions

The purpose of the study is to examine how HRM practices influence Kazakh National University employees' job satisfaction and organizational commitment; whether perceived organizational support and company's HRM policies and practices have relationship with organizational commitment; and whether organizational commitment influence to lower intention to leave.

Research questions were created to analyze relationship between company's HRM practices with job satisfaction and organizational commitment among employees.

These questions are:

1. Is there any link between HRM practices and employee's job satisfaction?
2. Do employees' levels of job satisfaction significantly affect their organizational commitment?

HR practices are major mechanisms through which employees come to understand the terms of their employment (Rousseau & Greller, 1994). HR practices shape a person's experience in an organization, based on personal interpretations and social constructions (Rousseau & Greller, 1994). In other words, employees who have positive experiences with HR practices are more likely to have a positive perception about their fit with the organization and their jobs.

Multiple HR practices, including selection, development and training, as well as appraisal and reward systems, may affect employee's job satisfaction.

Hypotheses 1: there is positive relationship between perceived HR practices and employee's job satisfaction.

Hypotheses 2: there is positive relationship between perceived HR practices and employee's organizational commitment.

Hypotheses 3: there is positive relationship between employee's job satisfaction. and employee's organizational commitment.

To evaluate the relationship between job satisfaction and organizational commitment, two widely-used and validated instruments that assess these phenomena were identified – the Minnesota Satisfaction Questionnaire (MSQ) short form (Weiss, Dawis, England, & Lofquist, 1967; Dawis & Lofquist, 1984) and the Organizational Commitment Questionnaire (OCQ) (Mowday, Steers, & Porter, 1979; Mowday,Porter, & Steers, 1982; Rose, 1991)

The target population for this study consist of employees of Kazakh National University, largest University of Kazakhstan. The participants of this study were employees from different departments and represented academic and non-academic staff.

Methodology

Survey and sample characteristics

A questionnaires were distributed for collecting data of variables that can empirically lead to employees' satisfaction and organizational commitment. A survey was conducted among employees of Kazakh national University during October-November 2010 in total 248 respondents completed the questionnaires. 87 percent of respondents were female and 13 percent male. Of these respondents 15 percent aged 20-29, 38 Percent aged 30-39, 22 percent aged 40 -49, and 25 percent above 50 years old. About 8 percent of these respondents have diploma degree, 45 percent have master degree, 35 percent candidate of science, and 12 percent have PhD. 27 percent of respondent work at their present job more than15 years, another 29 percent work in KazNU 10 years, 11 percent work 5 years and 33 percent work less than 5 years.

To conduct this study we've used Minnesota Satisfaction Questionnaire (MSQ) short version. MSQ short version consists of 20 items. Each item refers to a reinforcer in the work environment. The respondent indicates how satisfied he or she is with the reinforcer on his her present job. Five response alternatives are presented for each item: "Very satisfied; Satisfied; Neither; Dissatisfied; Very Dissatisfied". This questionnaire employs questions with all of their responses measured at the interval scaled. A scaled-response form used in this study is the semantic differential scale, which is a modified Likert scale.

Measurement scales.

According to the Herzberg's theory of motivation there are two groups of factors, motivation and hygiene, that affect employees' satisfaction. To measure employees' satisfaction this study uses three items: employees' overall

satisfaction with their job that range from "very dissatisfy" – 1, to "very satisfy"- 5; extrinsic and intrinsic factors that affect job satisfaction with their range from "very dissatisfy" – 1, to "very satisfy" – 5.

The list of perceived HRM items was checked for coverage of the mostly used high commitment/high performance work practices using a review of HRM and performance studies by Boselie et al (2005). Participants were asked to indicate for each item the extent to which they perceive that the organization offers them the HR practice ("The organization offers me…") on a 5-point Likert scale ranging from 1 (not at all) to 5 (very great extent) and included a wide range of practices, such as selection, training, participation, performance appraisal, and rewards. Sample items are "Work that gives me the opportunity to express myself", and "The possibility for my team to take the responsibility for our results".

Factor Analysis and reliability test

A conceptual model was developed to visualize the interrelationships of the variables. The model contains motivators (intrinsic): recognition, work itself, opportunity for advancement, professional growth opportunity, responsibility, good feelings about organization; hygiene factors(extrinsic): effective senior management, effective supervisor, good relationship with co-workers, salary, job security, status, and job satisfaction. The model visualizes the influence of perceived HRM practices on Job Satisfaction and Organizational Commitment.

Figure 1 . Hypothesized relationship between job satisfaction, organizational commitment and HRM.

The dependent variable in the model is job satisfaction.

Factor analysis with varimax rotation procedure was employed to identify underlying dimensions of motivation, job satisfaction factors. Then , the reliability test was used to test the internal consistency for extracted constructs. Scale refinement was done by examining item-to-total correlation to improve the reliability. This led to the retention of four items (alpha = 0.817, standardized item alpha = 0.819) for "HRM practices factor, 3 items (alpha = 0.7414, standardized item alpha = 0.7385) for "Internal Motivation" factor and 2 items for "External Motivation" factor (alpha = 0.5724, standardized item alpha = 0.5753).

Measurement and structural model.

The Analysis of Moment Structures (AMOS: Arbucle, 1994) was used for an empirical testing of the model, and Maximum Likelihood Estimation (MLE) was applied to estimate numerical values for the components in the model. Confirmatory factor analysis was employed to test the validity of the scalesin measuring specific constructs of the measurement model and Fornell and Larker's (1981) guidelines were applied.

To diagnose possible identification problems, the degree of freedom with large standard error variance (Bollen & Joreskog, 1985) was used and an identification problem was remedied according to Hayduk's (1987) study. To evaluate the overall goodness of fit of proposed model, the criteria suggested by Bollen (1989) were used and measres were selectively assessed as of the following: Chi-square statistics (CMIN), degree of freedom (DF), CMIN divided by DF (CMIN/DF), goodness of fit index (GFI), adjusted goodness of fit index (AGFI), root mean square residual (RMR), normed fit index (NFI). Parsimony ratio (PRATIO), and root mean square of approximation (RMSEA).

Results of Data Analysis and Hypothesis Test.

The results of the data analysis generally did not achieved acceptable goodness-of-fit, in particular, the indices of GFI (0.660), AGFI (0.521,) and NFI (0,592). The GFI of 0.660 describes that the goodness of fit of the model indicates about 66 percent fit. The NFI of 0.592 describes that the fit of the proposed model is about 60 percent closer to the fit of the saturated model. The values of the GFI and AGFI can vary from 0 to 1, with values above 0.90 considered as good and values from 0.80 to 0.90 considerate as moderate. For NFI, the closer its values to

1, the better are the fitness of the hypothesized model over the null model.

Table 1

Outputs of structural equation model (SEM) estimates

Path diagram	**proposed model**
	Standardized estimates (S.E.)
H1 Perceived HR practices and employee's job satisfaction.	0.071 (0.033) ***
H 2: Perceived HR practices and employee's organizational commitment.	0.015 (0.050) ***
H3:Employee's job satisfaction and employee's organizational commitment.	0.018(0.054)***

***p<0.001 statistically significant at a=0.05 with 95 % confidence interval

Fitness measure: Chi-square= 435,921, df= 41, RMR= 0,150, RMSEA=0.268,

GFI=0.690, AGFI=0,501, NFI=0.595.

Discussion

This study investigated the impact of human resource management (HRM) practices on employees' organizational commitment , and employees' job satisfaction. The fundamental objective of this research was to study the impact of HRM practices as a critical tool to make employees of an organization more committed to the organization. The contribution of this study was to examine the mediating effects ofjob satisfaction on the relationship between HRM practices and OC.

There were two main goals in this study. The first goal was to examine the influence of HRM practices on employees' job satisfaction. Second was to examine how job satisfaction affects employees' organizational commitment.

Null Hypotheses 1: " There is no relationship between Perceived HR practices and employee's job satisfaction" was empirically tested. The results show that causality relationship between Job Satisfaction and Company HR practices is statistically significant (p, 0.001). This suggests that the Job Satisfaction factors cause certain impact on the perception of Company's HR practices.

Null Hypotheses 2: "There is no relationships between Perceived HR practices and employee's organizational commitment." was empirically tested. The results of data analysis show that certain causal relationship between Company's HR practices and Organizational Commitment is statistically significant (p,0.001). This suggests that the Company's HR practices factors cause certain impact on the Organizational Commitment.

Null Hypotheses 3: "There is no relationship between Employee's job satisfaction and employee's organizational commitment." was empirically tested. The results of data analysis show that certain causal relationship between Organizational Commitment and Job satisfaction is statistically significant (p,0.001). This suggests that the Job Satisfaction factors cause certain impact on the Organizational Commitment.

The hypothesis was supported by the current data. A significant link was found between HRM practices and organizational commitment. The findings suggest that greater use of HRM practices would make the employees more committed to the organization. The finding is consistent with a study by Edgar and Geare (2005) which found significant effect of four HRM practices on OC. The effect of HRM practices in a bundle is important because an organization uses several HRM practices and not a single HRM practice. These findings suggest that HRM practices are important determinants of OC. The findings are consistent with a study by Edgar and Geare (2005) which suggests that it is the quality of practice that counts and not the quantity. As suggested by Edgar and Geare (2005) HR managers need to conduct regular attitudinal surveys to assess employee reactions to current HRM practices and try to find out what is working and what is not.

Summary.

The main purpose of the study was to develop a model, illustrating relationships between HRM practices, OC and Job Satisfaction. The second purpose was to examine the mediating effect of Job Satisfaction on the relationship between HRM practices and OC. There have been numerous researches studying the relationship between (1) OC and intention to leave, (2)JS and OC. However, none of these studies has investigated Kazakhstani organizations. The uniqueness of this research was to (1) examine the influence of a bundle of HRM practices on OC, and JS, and (2) the mediating effect of JS on the relationship between HRM practices and OC in Kazakhstani organizations. The findings indicate that HRM practices would have an influence on OC, but this effect is not direct, it is mediated by JS. Thus, the finding indicates that employer provided HRM practices do not directly result in high employee commitment, employer provide HRM practices make employees think about the motive of the organization. When employees believe that the organization is displaying its commitment to them and is using the HRM practices for employees' benefits, then the employees perceive the HRM practices as support from the organization, and these employee perceptions make them more committed to their organization, which in turn will lower their intention to leave the organization.

Limitations of the Study

Although this study made several contributions to HRM research and the hospitality industry, it has several limitations. In this study, employees' participation was voluntary and was conducted at one university. So, the findings should be interpreted with caution. Although, the sample size in this study meets the minimum requirement for regression analysis, the sample size may not be representative of the population. Therefore, a small sample size is one of the major limitations of this study. Second, data was collected only from one organization in Kazakhstan. A convenience sampling was adopted. Therefore, the findings of this study were not generalizable to the population. The findings were limited to the sample studied. This gives scope for future studies to conduct random sampling and conduct the tests with a larger sample size, so that the findings could be generalized to the population.

References

1. Ary, D., Jacobs, L. C., & Razavieh, A. (2002). Introduction to research in education. Belmont, CA: Wadsworth.
2. Balkin, D. B., & Gomez-Mejia, L. R. (1990). Matching compensation and organizational strategies. Strategic Management Journal, 11(2), 153-169.
3. Baron, R. M., & Kenny, D. A. (1986). The moderator-mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. Journal of Personality and Social Psychology, 51, 1173-1182.
4. Barrett, A., & O'Connell, P. J. (2001). Does training generally work? The returns to in-company training. Industrial and Labor Relations Review, 54, 647-662.
5. Bartlett, K. R. (2001). The relationship between training and organizational commitment: A study in the health care field. Human Resource Development Quarterly, 12(4), 335-352.
6. Batt, R. (2002). Managing customer services: Human resource practices, quit rates, and sales growth. Academy of Management Journal, 45, 587-597.
7. Becker, B., & Gerhart, B. (1996). The impact of human resource management on organizational performance: Progress and prospects. Academy of Management Journal, 39, 779-801.
8. Becker, H. S. (1960). Notes on the concept of commitment. American Journal of Sociology, 66, 32-42.
9. Blau, P. M. (1964). Exchange and Power in Social Life. New York, NY: Wiley.
10. Chang, E. (2005). Employee's overall perception of HRM effectiveness. Human Relations, 58(4), 523-544.
11. Edgar, F., & Geare, A. (2005). HRM practice and employee attitudes: Different measures different results. Personnel Review, 34(5), 534-549.
12. Eisenberger, R., Fasolo, P. & LaMastro, V. D. (1990). Perceived organizational support and employee diligence, commitment, and innovation. Journal of Applied Psychology, 75, 51-59.
13. Hui, C., Lee, C. & Rousseau, D.M. (2004). Psychological contract and organizational citizenship behavior in China: Investigating generalizability and instrumentality. Journal of Applied Psychology, 89, 311-321.
14. Huselid, M. A. (1995). The impact of human resource management practices on turnover, productivity, and corporate financial performance. Academy of Management Journal, 38, 635-672.
15. Igharia, M. & Greenhaus, J. H. (1992). Determinants of MIS employees' turnover intentions: A structural equation model. Association for Computing Machinery. Communications of the ACM, 35(2), 34-49.
16. Kanter, R. M. (1968). Commitment and social organization: A study of commitment mechanisms in Utopian communities. American Sociological Review, 33, 499-517.
17. Kanter, R. M. (1977). Men and Women of the Corporation. New York: Basic Books.

18. Kickul, J., Lester, S. W., & Belgio, E. (2004). Attitudinal and behavioral outcomes of psychological contract breach: A cross cultural comparison of the United States and Hong Kong Chinese. International Journal of Cross Cultural Management, 4(2), 229-252.
19. Kinicki, A. J., Carson, K. P., & Bohlander, G. W. (1992). Relationship between an organization's actual human resource efforts and employee attitudes. Group and Organizational Management, 17, 135-152.
20. Koys, D. J. (1988). Human resource management and a culture of respect: Effects on employees' organizational commitment. Employee Responsibility and Rights Journal, 1, 57-67.
21. Landau, J., & Hammer, T. H. (1986). Clerical employees' perceptions of intraorganizational career opportunities. Academy of Management Journal, 29, 385-404.
22. Lee, S. M. (1971). An empirical analysis of organizational identification. Academy of Management Journal, 14, 213-226.
23. Lester, S. W., & Kickul, J. (2001). Psychological contract in the 21st century: What employees value most and how well organizations are responding to these expectations. Human Resource Planning, 24(1), 10-21.
24. Levinson, H. (1965). Reciprocation: The relationship between man and organization. Administrative Science Quarterly, 9, 370-390.
25. Loi, R., Hang-yue, N., & Foley, S. (2006). Linking employees' justice perceptions to organizational commitment and intention to leave: The mediating role of perceived organizational support. Journal of Occupational and Organizational Psychology, 79, 101-120.
26. Smith, R., Olah, D., Hansen, B., & Cumbo, D. (2003). The effect of questionnaire length on participant response rate: A case study in the U.S. cabinet industry. Forest Products Journal, 53(11), 33-36.
27. Tansky, J. W., & Cohen, D. J. (2001). The relationship between organizational support, employee development, and organizational commitment: An empirical study. Human Resource Development Quarterly, 12(3), 285-300.
28. Tannenbaum, S. I., Mathieu, J. E., Salas, E., & Cannon-Bowers, J. A. (1991). Meeting trainees' expectations: The influence of training fulfilment on the development of commitment, self efficacy, and motivation. Journal of Applied Psychology, 76, 759-769.

*A case study of EMPLOYEE SATISFACTION In Varroc Engineering Pvt. Ltd**

Mrs. Anjali Upadhye
(Assistant Professor)
Mrs. Savita Uppalli
(Assistant Professor)
Mr. Mahesh Vasagadekar
(Software Developer)
Mr. S.R. Patil
(Assistant Professor)
D.K.T.E. College
Sinhgad Institute of Business Management, Kamlapur

Employee satisfaction surveys provide the information needed to improve levels of productivity, job satisfaction, and loyalty. Organizations can identify the root causes of job issues and create solutions for improvements with an accurate perspective of employee views. These root causes can be identified using SSO's employee satisfaction survey. Discover what motivates people, what drives loyalty, and what genuinely makes and keeps employees happy. Satisfaction levels will increase when employees know that their issues are being addressed. There is a direct link between employee satisfaction and financial results.

An employer, manager, supervisor, or whoever is introducing the upcoming survey to the employees should be well prepared with facts. If the employee survey is designed to address specific issues, let your employees know what the survey is about, what is being measured, how they will involved through being advised of the statistics resulting from their responses, what caused the development of the survey and what is expected to result from their time taken in submitting information? Explain the process for change which will result and how it can change their employment environment. If you obviously care about their feelings and concerns, they will care about their workplace and employment, building morale and loyalty.

Above Employee satisfaction survey is analyzed by collecting primary data and using the statistical method of Factor analysis using the statistical software SPSS ,which will lead to the results of dominant factors for Employee's satisfaction.

Keywords:

Employee satisfaction, SPSS, principal component method

Introduction

Employee satisfaction is the individual employee's general attitude towards the job. It is also an employee's cognitive and affective evaluation of his or her job.

"An employee satisfaction survey is used to determine the fulfillment of employees' desires, needs, and wants in

relationship to an organization."

Employee satisfaction surveys provide the information needed to improve levels of productivity, job satisfaction, and loyalty. Organizations can identify the root causes of job issues and create solutions for improvements with an accurate perspective of employee views. These root causes can be identified using SSO's employee satisfaction survey.

Discover what motivates people, what drives loyalty, and what genuinely makes and keeps your employees happy. Satisfaction levels will increase when employees know that their issues are being addressed. There is a direct link between employee satisfaction and financial results.

An employer, manager, supervisor, or whoever is introducing the upcoming survey to the employees should be well prepared with facts. What is the purpose of the survey? What is hoped to be gained from the survey? What will be done with the results? If you are prepared with all the facts and express your personal support for the employee survey, the employees will support the idea.

It is very important that employees understand that the results of the survey will be the basis for an action plan to resolve any problem areas identified. They should also understand that they will be involved through being advised of the statistics resulting from their responses and will be involved with developing the action plans to resolve any identified problem areas. If you allow the employees to feel that filling out the survey will result in no change, they will not want to submit the information. Why should they want to take time to read and respond to a survey if the results are simply going to be pictures pasted to the wall with no resultant change?

If the employee survey is designed to address specific issues, let your employees know what the survey is about, what is being measured, what caused the development of the survey and what is expected to result from their time taken in submitting information? Explain the process for change which will result and how it can change their employment environment. If you obviously care about their feelings and concerns, they will care about their workplace and employment, building morale and loyalty.

Employee satisfaction is a measure of how happy workers are with their job and working environment. Keeping morale high among workers can be of tremendous benefit to any company, as happy workers will be more likely to produce more, take fewer days off, and stay loyal to the company. There are many factors in improving or maintaining high employee satisfaction, which wise employers would do well to implement.

To measure employee satisfaction, many companies will have mandatory surveys or face-to-face meetings with employees to gain information. Both of these tactics have pros and cons, and should be chosen carefully. Surveys are often anonymous, allowing workers more freedom to be honest without fear of repercussion. Interviews with company management can feel intimidating, but if done correctly can let the worker know that their voice has been heard and their concerns addressed by those in charge. Surveys and meetings can truly get to the center of the data surrounding employee satisfaction, and can be great tools to identify specific problems leading to lowered morale.

Objective Of Study

- Measure Job satisfaction Level of employee.
- To assess the level of commitment across process and Facilities.
- To help the management of the company to know about the actions to be taken to improve the level of Satisfaction of the employees.
- Measure employee general perceptions of the work environment.

Significance Of The Study

If we are assessing the level of engagement or job satisfaction of our employees, we are probably interested in

knowing exactly what matters most to them. This information is critical to understanding exactly what we need to fix. To simply measure what employees are most and least satisfied with is not enough. we might find that our employees are quite dissatisfied with some aspect of their jobs, but that the thing they are unhappy with is not really that important to them or has little bearing on how engaged they are. Or we might find that our employees are moderately satisfied with some other aspect of their jobs, but we also learn that this is the most important thing to them and therefore an area to focus on improving.

Some organizations are tempted to include a set of items that asks people to rate the "importance" of the things they are being asked, but the problem with doing this is that it can double the length of our survey and thereby reduce the response rate. An employee survey with a low response rate calls into question the validity of the assessment.

With some simple statistical methods, we can conduct an effective employee engagement survey that measures importance without asking employees to rate the importance of every item. Conduct a simple statistical analysis of the results in which we correlate responses to each "satisfaction" or "engagement" survey item with an overall level of satisfaction.

Suppose we have an opinion survey that measures 25 aspects of employee satisfaction and you want to know which are the most important to our employees. For the final question in the survey, ask a general question about their overall level of job satisfaction. Additionally, if our survey includes distinct areas of content, we might ask about the overall satisfaction in each of those areas.

Then, once we have gathered all the data, use our Correlation Engine to look at the correlations between each item in the survey and the overall level of satisfaction. Items with the highest correlations are the ones that are most important to our employees and items with a low correlation are relatively unimportant. With this information, we will be able to target our improvements in the areas where they will be the most effective.

Research Approaches:

Descriptive research:-

The research study is conducted through descriptive research. Descriptive research design is a scientific method which involves observing and describing the behavior of the subject without influencing it any way or to identify the of something that happening. For instance, this research could be used in order to find out the strengths and weaknesses of the organizations.

Sampling Design

Convenience sampling is used for this study. Convenience sampling is used in exploratory research where the researcher is interested in getting an inexpensive approximation of the truth. Without incurring the cost or time required to select a random sample.

For the purpose of this study the researcher selected Questionnaire method, then developed a questionnaire in which the tried to collect the data regarding the subject. The questionnaire was improved with guidance of senior HR officer.

For the survey the total population was **900** and for the project researcher took sample size 125 through which selected ideal sample size is **100**.

Primary data is collected by using questionnaire method. Here researcher used structured questionnaire. Structured questionnaire is designed with 5 point Likert Scale. Likert scale is taken as follow-

1	2	3	4	5	Total	Average	Rank

1. Completely disagree
2. Disagree
3. Neighter disagrees nor agrees
4. Agree
5. Completely agree

In questionnaire researcher segmented three clusters as

- Work place and safety.
- Nature of work and job satisfaction.
- Organizational culture and interpersonal relations.

Secondary data- for collection of secondary data researcher collect some information from schedule session with the company manager also researcher collect information from some websites like- www.varrocgroup.com, www.citehr.com, www.google.com, and also different books, journals of human resources, textbooks, and by observation study.

Tools and techniques of analysis:

Percentage analysis ,Weighted average analysis, graphical presentation with the help of pie charts, bar diagrams are the tools used in the study. The rank shows the opinion of the employee towards the particular question, hence we can find out the employee level of the satisfaction and the stress towards the questions

Limitations

1. Time limit
2. Fear about management to employee

Statistical Analysis

Table No 1.

Work Place And Safety

P articulars	1	2	3	4	5	Total	Average	Rank
Your Workplace is good spacious and enough to work.	0	10	20	60	10	370	24.667	2
There is sufficient light and air at the work place.	0	0	20	65	15	395	26.333	1
Drinking water is clean and sufficient.	0	20	20	50	10	350	23.333	4
Toilet is maintained neat and clean	10	40	35	15	0	255	17	5
The health and safety facilities in the organization are satisfactory.	0	15	45	15	25	350	23.333	4
Working Condition of the machine you operate is good.	0	10	20	65	5	365	24.333	3
First aid box and medicine are made available when needed.	10	10	25	35	20	345	23	6
Your workplace affects adversely on your work	10	50	25	15	0	245	16.333	7

ANOVA

V1					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	5937.065	4	1484.266	7.207	.000
Within Groups	7002.679	34	205.961		
Total	12939.744	38			

Interpretation-

The above table shows the rank of the questions, the highest rank shows that the most of the employees are satisfied with that statement, and lowest rank shows that most of the employees are satisfied with that statement. So from above table of ANOVA, it is clear that at 5 % of significant level we can reject the hypothesis that all attributes are equally distributed value is highly significant, but the graph shows that data is normally distributed.

Table No. 2

Organizational Culture And Interpersonal Rel

Particulars	**1**	**2**	**3**	**4**	**5**	**Total**	**Average**	**Rank**
Your supervisor and co-workers gives due respect to you.	5	10	45	25	15	335	22.333	3
Working with your company will help you learn and grow in professional and personal career too.	0	45	35	10	10	285	19	7
Innovation and suggestions are encouraged to improve performance.	0	40	30	20	10	300	20	6
Team building activities are encouraged to improve performance.	5	20	40	30	5	310	20.667	4
There is enough scope for learning and growth.	5	25	35	30	5	305	20.333	5

Your colleagues are co-operative and friendly	5	5	40	30	20	355	23.667	2
All are aware about company policies and objectives	0	30	30	40	0	310	20.667	4
You feel proud to recommend someone for job openings in the company	5	5	35	35	20	360	24	1

ANOVA

Re					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	5593.750	4	1398.438	17.136	.000
Within Groups	2856.250	35	81.607		
Total	8450.000	39			

According to above table of organizational culture and interpersonal relations employees are always proud of their organization and they are happy to recommend employment for others and they are saying that their colleagues are cooperative and their supervisors are also cooperative and gives respect. This shows that honour, respect, coexistence, morality, human relationships matters in organizational behavior.

From the ANOVA table at 5% level of significance it is observed that F value of the ANOVA table is highly significant comparing with p=0.05. This concludes that all the attributes considered for organizational culture are not equally important. Data shows the normal distribution behavior.

Table No. 3

Nature Of Work And Job Satisfaction

Particulars	1	2	3	4	5	Total	Average	Rank
You're aware of the vision and mission statements of your company	0	80	10	10	0	230	15.333	7
You are aware of the quality policy and business plan of your company.	0	65	20	15	0	250	16.667	6

The Nature, Quality and Quantity of work you are doing justifies your potential	10	15	45	15	15	310	20.667	3
Proper value/importance is given to your opinion.	5	5	45	35	10	340	22.667	2
your work is recognized with your seniors	5	35	25	25	10	300	20	5
Your seniors always supports you, when you are in problem	10	10	45	30	5	310	20.667	3
You are satisfied working with your seniors	0	5	30	60	5	365	24.333	1
Your salary is at par with market standards and your qualification and experience.	0	35	35	20	10	305	20.333	4
You feels proud to work with your company.	0	5	60	25	10	340	22.667	2

ANOVA

REPO					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	6861.963	4	1715.491	6.505	.000
Within Groups	10285.764	39	263.738		
Total	17147.727	43			

According to above table of NATURE OF WORK AND JOB SATISFACTION employees are always proud of their organization and they are satisfied with the seniors and they are concern about quality and quantity, and nature of job. Employees are concern with their salaries but they are unaware about the vision and mission of the company.

From the ANOVA table at 5% level of significance it is observed that F value(6.505) of the ANOVA table is highly significant comparing with p=0.05. This concludes that all the attributes considered for Nature of work and job satisfaction are not equally important. Data shows the normal distribution behavior.

Conclusion:

All the above study is relating to employees satisfaction in various areas in the VARROC Company about employees working conditions and their opinions about nature of work and their job satisfaction for enhancing their standardization in their job. The study also explain that organizational culture and interpersonal relation within the organization. The study also shows strength and weaknesses related to employee satisfaction, Expectation. The study will help to the VARROC Company the lacking regarding to their employee.

The Employee Survey Summary is for managers who want to implement action plans quickly and align the human resources concurrently in order to effect maximum organizational growth.The survey study reveals that most of the employee doesn't aware the company vision, policies, objectives, business plan.Many Employees don't know the vision and mission of company.Most Employees don't know the Quality policy and business plan of company.Some Employees feels that their work is not recognized by their seniors.Many employees feel that their salary is not at par with market standard and their qualification.

References

1. The Essential Guide to Employee Engagement By: Kogan Page Published by: Kogan Page
2. Employee Engagement By: Macey, William H.; Schneider, Benjamin; Barbera, Karen M. Published by: Wiley-Blackwell
3. Linking Customer and Employee Satisfaction to the Bottom Line (Hardcover) by Derek R. Allen (Author), Morris Wilburn (Author)
4. Harter, J. K., Schmidt, F. L., & Hayes, T. L. (2002). Business-unit level relationship between employee satisfaction, employee engagement, and business outcomes: A meta-analysis. Journal of Applied Psychology, 87, 268-279.
5. Schneider, B., Hanges, P. J., Smith, D. B., & Salvaggio, A. N. (2003). Which comes first:Employee attitudes or organizational financial and market performance? Journal of Applied Psychology, 88, 836-851.

URLs

6. 1) http://www.theemployeesatisfactionrevolution.com
7. 2) http:// www.lrims.com/satisfaction-survey.html

Evaluation And Effectiveness Of Training System In Industries

Satish Bendigiri
Asst Professor of Human Resources
And
Sorab Sadri
Director (Research)
Bharati Vidyapeeth University's Institute of Management and Entrepreneurship Development, Erandawane, Pune 411 038.

Introduction

HRD basically aims at improving the performance of employees through systematic training, career development and thereby organizational development. It is evident that if HRD issues are not properly handled, then organization may face decreased performance and may start a slow decaying. Productivity may suffer and cultural clashes may increase. Employees may suffer from low skills and low knowledge. Attracting and retaining talent becomes difficult task for the organization. It is also true that successful outcomes are possible only with the quality of the training provided to the employees. It is equally important to assess the need of the training, the nature of the training provided, the methods and the selection of the training programs and ultimately evaluation of the training programmes are important for the sound health of the organization.

Training and Development as an HRD intervention plays an important role in the success of the organization. The purpose of Training and development is to increase the skills of the employees, therefore it is increasingly believed that the training expenditures are not the costs but an investment.

According to Jacobs and Washington fast growing companies have dedicated substantial amount of time to the professional development of their employees. In the context of globalization, human resource development with proper training to the workforce is required to meet the challenges in future and to win the global competitive advantage. The organizations spend huge amounts of money on imparting training to its employees. So it is very important to evaluate the efficacy of the training programmes conducted so far, and to find out whether the executives are able to implement the skills that they learned in the training and development process

Limitation Of The Study

The survey which was presently conducted had its share of limitations. The limitations occurred because of scope of study and samples chosen, and the research methodology adopted. Hence it is a study specific to Greater Pune and we must not make the error of generalizing for the rest of the country there from.

1. Scope and the samples selected for the study
2. The analysis is within the frame work of the selected organizations
3. Research Methodology – The information on Training and Development activities conducted was obtained

from the discussion with HR managers of the respective organizations However, the limitations were tried not to be restricted by attempting the following.

a) HR managers were met personally and were interviewed.

b) The study was limited to the organization in Pune City only. If we consider the geographical limitations, it is most likely that the finding may be drastically different in the other parts of the country as the generalization of the result may be more or less same in any part of the country. The industries around Pune are considered well developed and are fully aware of the Training and Development concept. Hence the HRD interventions that were mooted can be understood.

c) Information Technology Sector and Chemical Sector have not been taken into consideration for this survey.

Statement of the Problem

Literature on Training and Development is very rich in the form of many books and the subject is mentioned in many journals. But after going through literature the authors were not very sure if HRD Managers had evaluated the impact of the interventions. It was also essential to note the training as process efficiency. There are number of organizations where this kind of support is not provided to the employees in spite of National Policy that training has to be provided to the employees to increase their skill sets and to gain through the training strategies. The organizations now have understood the importance of providing the training to their employees so as to get the edge in the area of competition. There is now growing recognition that training has a significant role to play in the firm gaining competitive advantage. Extensive research undertaken within the human resource area has found that majority of the organizations engaging in innovative practices include training and development as key elements to attaining best practices.

The Study

This study was conducted between 2009 and 2010 over a period of fifteen months. The region selected was Greater Pune. A pilot survey conducted in March-May 2009 showed that although HRD interventions had been generally mooted there was not systematic evaluation of training impact as a result of which HRD was playing "a blind man's buff". To confirm this initial prognosis we undertook a systematic investigation and selected 50 companies, ten from each sector as will be explained in the section on methodology. No doubt training offers many benefits to employees and to the organization as a whole. Employees become more confident, open to change and supportive of each other. Production and productivity increase and at the level of the person, the process and the product. In addition, employees are motivated to achieve improved performance as a result of training. The benefits employees' gains are personal, career oriented and job related knowledge. The availability of training to the employees make them committed for achieving performance and develop strong relations with the organization and stay longer in the organization. Therefore the purpose of this study is to analyze the Training and Development efforts within selected organizations, identifying T & D activities, its evaluation methods. To achieve this objective, the study identified what was presented by the literature and published studies as best practices in the area of training and development.

Definitional Premise:

There is a lot of ambiguity about training and development in published literature and so for purpose of this investigation we adopted the following position. By no means are the two terms synonymous and are seen as follows.

> *Training is a process of learning through a sequence of planned and programmed behavior. It tries to improve present job performance and prepare employees for*

future or intended performance. It is therefore a short term process, an activity based concept, wherein skills are learned, unlearned or relearned. The aim is to enhance individual effectiveness on the job and it involves practical application of programmed knowledge.

Development is a wider term than training that has job specific as well as culture specific improvement methods. Therefore it involves Personality development, is essentially a thought based concept, involves a long run intervention and relates individuals to the organization in terms of goals, skills, attitudes, behaviors and values. In a way, therefore training is a part of development.

Research Question

Based on a survey of literature we formulated the research question that can be succinctly stated as

What are Training and Development objectives and what are methods of evaluation of the training programs?. It was also decided to find out whether these organizations extend permission to carry out research activities about their training and development programmes.

Research Objective

Born out of the question posed was the objective of this study. This was verified through personal interaction with managers and HRD personnel in companies. The authors wanted: (i) To know and understand the role and importance given to training and development activities in the organization under survey. This was to augment our knowledge and understanding of the problem at hand. (ii) To find out factors responsible for evaluation and effectiveness of training activities. This would imply that a comprehensive review of training activities had to be undertaken. (iii) To suggest ways and methods, if any to improve the training and Development activities in the organization, if permission were to be given to carry out research into their training and development programmes. This would lead us to come up with the findings of our investigation and posit a set of recommendations.

Based on the pilot survey conducted, the following Hypotheses were formulated and they had to be tested.

1. Evaluation of training is an essential requirement to understand the effectiveness of any HRD intervention.

#.2. Evaluation is not based on a one single method but on a variety of methods.

Research Methodology

Method is the manner in which the investigation is conducted whereas methodology is the science of that method. This basic epistemological clarification was needed.

Sample Selection:

We stratified the companies and selected only those organizations that employed 100 or more workers in a permanent capacity. Further only those organizations that conducted training and development were selected for the investigation. Information was gathered through questionnaires and followed up by focused interviews.

Research Instruments:

The research instrument contained questionnaire which was developed by researcher after going through various

literatures on T & D and HRD. The questionnaire contained 3 parts A, B and C. The questionnaire was validated through consultation with experts in the field rather than using the Cronbach Alpha.

Research Method

While gathering the data, standardized open ended interviews were conducted. It was explained to the HR managers that the participation in the interview was purely voluntary and the response would be used purely for academic and research purpose. It was therefore, satisfying for the HR managers to come out with suitable answers..

Previous Studies / Literature Reviewed

Saks studied the relationship between training and outcomes for newcomers. A sample of 152 newly recruited entry level professionals completed a questionnaire after the 1st six months of socialization. Supervisor rating of job performance were obtained four months later. The result indicated that the amount of training received by newcomers was positively related to job satisfaction, commitment, ability to cope and several measures of the job performance, Newcomers perceptions of training were positively related to job satisfaction.

Huselid studied the impact of high performance work practice by using survey data on 968 firms. The survey was completed in 1992 by senior human resource executive in the firm and solicited information about the firm's 1991 human resource policies, including the average number of hours of training received by the typical employee for the last 12 months. Huselid grouped the companies HR policies in two categories, the employee skills and organizational structure with employee motivation. It was found that organizational structure and employee skills were important for the rate of return on capital. Each one standard deviation increase in high performance work practices increased cash flow and raised the company's market value tenfold.

Manpower requirement in tourism sector, for instance, indicates that the training programme needs modification to suit the requirement of operational skills. The need for infrastructure to create trained manpower requires finding out how to upgrade existing hotel management institutes and whether to set up new hotel management institutes or food craft institutes. Need for suggestions of measures to upgrade training courses that provide higher level of skills is required.

Colligan and Cohen have reported the benefits of the training showing how training objectives are met such as increased hazard awareness among the worker who are at risk of health hazards. Knowledge of safe working practices reduces the work related accidents and improves workplace safety. Lack of safety training may result into workplace hazards which may cost the company even more in terms of lost man-hours. In their reports the authors conclude how training resulted into reduced injury, reduced time for work, and reduction in the medical costs. Training outcomes were successful which were supported by management decision in supporting the safety training, whatever may be the job site. The issue is not so much whether training is worthwhile but the factors beyond the training process which can make great impact.

Jacobs and Washington has studied the effects of formal training courses. While conducting this study he has examined the work setting characteristics and the work outcomes. He used questionnaires to be completed anonymously by large sample of managerial and professional categories. All were the employees of one large single firm. Study findings indicated that training courses have tangible benefits in several important areas of perception and job satisfaction. The participation in both external and internal training programs were beneficial to the organization as well as individually. Employees who had a perception of greater value in their formal cources were more satisfied with their present jobs and felt comfortable about the firm as compared to other places where they could work. Thus these employees were less likely to leave the firm. Interestingly enough, the work setting also showed positive result as employees described the firms cultural value more positively, they rated the competence of their colleagues more highly, they indicated greater opportunities for on the job development and continuous learning, said that they participated in more training courses and found it very valuable for gaining skills and knowledge.

Perdue et al assessed the relative effectiveness of alternative training methods in private clubs across US. They used an e mail questionnaire and collected data from random sample of 123 private club mangers from across USA. The result indicated that one to one training method is considered the preferred method for all the objectives of training except for the objective of interpersonal skill development. The use of video ranked fifth best training method. Audio conferencing, paper and pencil, program instruction, audio tapes, computer conferencing, self assessments were considered least effective training methods.

Harris examined the opinions of a sample of American directors of human resource as well as of training about their training methods and the quality of these methods. The result indicated that classroom training method was most used and useful. One on one and on the job training method was mostly preferred by smaller firms. The most preferred method was videotapes regardless of company size. The main barrier for using computer technology was high cost and obsolescence of computer technology. The author concluded by suggesting that computer based technology and multi media should be used for saving time and money.

Klink and Streumer examined the effectiveness of on the job training and some possible factors that clarify effectiveness of two samples taken from two Dutch companies. The first sample was from 36 sales staff working in a telephone company. They were being trained to improve the quality of telephone sale call so as to increase the telephone sales. The 2nd sample consisted of 45 new counter clerks of post offices, who were trained on how to behave and function independently at the post office counter. The results indicated higher level of effectiveness for telephone sales staff than counter clerks. The perception of telephone sales staff about the managerial support and their own experience as sales staff added to the high level of effectiveness. In case of counter clerks the work place atmosphere and their own efficiency was the main variable to determine the effectiveness of the training.

Mann and Robertson studied trainees reaction and knowledge acquired in order to find out the effectiveness of the training programme. Sample of about 29 trainees who were part of 3 day email and internet training programme held in Switzerland. Each participant was asked to fill up a questionnaire before training, at the end of the programme and after a month of the programme. The result s showed that trainees increased their knowledge. The positive attitudes shown during training are not the indicator of actual work performance. Attitude and reaction measures were not linked to later performance. Therefore the authors advocate that such measures should be used with care for evaluating training programs.

Some Evaluation Models

Donald Kirkpatrick's 1975 book Evaluating Training Programs defined his originally published ideas of 1959, thereby further increasing awareness of them, so that his theory has now become the most widely used and popular model for the evaluation of training and learning. Kirkpatrick's four-level model is now considered an industry standard across the HR and training communities. The four levels of training evaluation model was later redefined and updated in Kirkpatrick's 1998 book, called 'Evaluating Training Programs: The Four Levels'.

The four levels of Kirkpatrick's evaluation model essentially measure:

- **reaction of trainees -** what they thought and felt about the training
- **learning -** the resulting increase in knowledge or capability
- **behaviour -** extent of behaviour and capability improvement and implementation/application
- **results -** the effects on the business or environment resulting from the trainee's performance

All these measures are recommended for full and meaningful evaluation of learning in organizations, although their application broadly increases in complexity, and usually cost, through the levels from level 1-4. In his 1994 book "Evaluating Training Programs: the Four Levels", Kirkpatrick suggests that the effort and overheads required to evaluate at successively higher levels requires a growing amount of effort and resource, so it is perhaps easier and cheaper to evaluate at Level 1 but this is unlikely to be the case at Level 4. This is the argument (made by Kirkpatrick himself) for evaluating some 95% of training at Level 1 but perhaps only 5-10% of training at Level 4.

Evaluation approach suggested by Warr, Bird and Rackham(1970) have four levels the first letter of each level forms an acronym CIRO= that is

1) Context evaluation,

2) Input evaluation,

3) Reaction evaluation,

4)Outcome evaluation.

Reaction evaluation has the same meaning in both Kirkpatrick and CIRO. Outcome evaluation is further subdivided into 3 levels, corresponding to Kirkpatricks last three levels. Context evaluation is obtaining information on the operational aspects. This will be used to decide training needs and objectives. Objectives are set at three levels i.e immediate, intermediate and ultimate. Immediate is concerned with Knowledge, Skill and Attitude (KSAs) desired at the end of training; intermediate is related to changes in job performance, and ultimate are the desired changes in the organization.

A.C.Hamblin (1974) defined evaluation of training as any attempt to obtain information on the effects of training programme and to assess the value of the training in the light of that information. He described evaluation as a training aid and identified four levels of evaluation. They are- the reaction level-the learning level-the job behaviour level and the functioninglevel[1]

Peter Bramley (1996) defines evaluation as process of establishing the worth of something. The worth which means the value, merit or excellence of the thing, is actually someone's opinion. Evaluation of training is a process of gathering information with which to make decisions about training activities. It is important that it is done carefully so that decisions can be based upon sound evidence. Good decisions to introduce, retain or discard particular training activities can make a major contribution to the well being of the organization. He suggested the following methods of evaluation. [2]

Impact analysis

At the pre-training stage the stakeholders conduct a workshop to arrive at the ultimate outcome of training intervention. Evaluation after a year showed the results such as – positive movement in the profitability, reduction in the recruitment of technical staff, introduction of new training programmes.

Ii) Aspects of organizational effectiveness. Here Peter Bramley uses following criteria- (a) Achieving organizational targets, (b)Attracting resources, (c)Satisfying interested parties (d) streamlining internal processes.

FINDINGS: The Investigators selected 10 companies from each of the five sectors mentioned below. These were companies that satisfied the condition (i) of having more than 100 employees on any particular day during the year and (ii) regular training and development activities were initiated by HRD. The 10 companies were from Construction sector, Manufacturing sector, Hospitality sector (Hotels), Banking sector and Service Sector each totaling 50 in number. Selection of the companies for this investigation, after the two requirements were met, was based on convenience.

As the data given below will demonstrate, all the companies in the investigation had mooted training and development programmes for enhancement of skill, knowledge and attitude as a part of their HRD intervention. Programmes were conducted, experts were invited and participants attended. However, there was an acute paucity of evidence to show that the training programmes that were conducted were actually and scientifically evaluated. There also existed a kind of opaqueness in respect of evaluation and all we found was a simple feedback on a

single sheet taken at the end of the programme and which had every chance of being biased as maangers were afraid to criticize HRD efforts. This fact was evident when the companies refused to permit the investigators to see the feedback report or even discuss the feedback mechanism.

Part A, which contained following 8 close ended questions, were answered as below.

	PART A	**Yes**	**No**
1	Training need identification is considered primary task before designing training programme.		
2	Performance appraisal is used as basis to identify training needs.		
3	There is a well defined mechanism for evaluation of training programmes		
4	Evaluation is based on well defined objectives of training programmes.		
5	Sufficient follow up on learning outcomes are made after the training		
6	Evaluation data is properly preserved for future use.		
7	Staff of the training department are properly trained in the evaluation methodology.		
8	Evaluation is an integral part of training process.		

Answers were as below:-

Construction Sector Companies	**Manufacturing Sector Companies**	**Hospitality Sector**	**Banking Sector**	**Service Sector Companies**
Yes to all 8 questions	Yes to all 8 questions	Yes to all 8 questions	Yes to all 8 questions	Yes to all 8 questions

Part B Consisted of the following questions.

1	Which of the following model is used in your organization for evaluation of training	(Pl.tick)	Because
	(a) Kirkpatrick Model		
	(b) CIRO model		
	(c) AC Hamblin Model		
	(d) Peter Bramley Model		
	(e) Any other.		
2	As per YOUR opinion which model could be the best for evaluation of training (Pl.tick)		
	(a) Kirkpatrick Model		
	(b) CIRO model		
	(c) AC Hamblin Model		
	(d) Peter Bramley Model		
	(e) Any other.		
3	What is the frequency of evaluation exercise? Once in a year.....nce in two years		

4	Following are some of the objectives of training evaluation. Please tick them in order of preference from number 1 to 5 (1 being the highest)		
	a) To evaluate the achievement of training objectives.		
	b) To determine the extent of acquisition of knowledge, skills and changes in attitudes because of training.		
	c) To make required improvements in training.		
	d) To determine the effectiveness of training staff.		
	e) To establish guidelines for future programmes.		

The responses were as follows:-

Q no.1	Construction	Manufacturing	Hospitality	Banking	Service
A	Kirkpatrick	Kirkpatrick	Kirkpatrick	Kirkpatrick	Kirkpatrick
b,c,d, and e	Not ticked	Not ticked	Not ticked	Not ticked	Not ticked
Q.No.2 a	Kirkpatrick	Kirkpatrick	Kirkpatrick	Kirkpatrick	Kirkpatrick
b,c,d and e	Not ticked	Not ticked	Not ticked	Not ticked	Not ticked
Q.no.3	Company no.	Company no.	Company no.	Company no.	Company no.
a,b and c	1 a	1 a	1 a	1 b	1 a
	2 a	2 a	2 a	2 a	2 a
	3 a	3 a	3 a	3 a	3 a
	4 a	4 a	4 a	4 a	4 b
	5 b	5 a	5 a	5 a	5 a
	6 a	6 a	6 a	6 a	6 b
	7 a	7 a	7 a	7 a	7 a
	8 a	8 a	8 a	8 a	8 a
	9 b	9 a	9 a	9 a	9 a
	10 a	10 a	10 b	10 b	10 a
Option c	Not ticked	Not ticked	Not ticked	Not ticked	Not ticked

Q no.4 Part B:

Following are some of the objectives of training evaluation. Please tick them in order of preference from number 1 to 5 (1 being the highest)

a) To evaluate the achievement of training objectives. ☐

b) To determine the extent of acquisition of knowledge, skills and changes in attitudes because of training ☐

c) To make required improvements in training. ☐

d) To determine the effectiveness of training staff. ☐

e) To establish guidelines for future programmes. ☐

The answer to the above question was answered as below:-

Construction Sector Companies

Q.	Co.1	Co.2	Co.3	Co.4	Co.5	Co.6	Co.7	Co.8	Co.9	Co.10
a	2	3	2	3	2	3	2	2	2	3
b	1	2	1	1	1	1	1	1	1	1
c	3	1	4	3	3	2	3	4	3	2
d	5	4	5	5	4	5	4	5	4	4
e	4	5	4	4	5	4	5	4	5	5

Manufacturing Companies.

Q.	Co.1	Co.2	Co.3	Co.4	Co.5	Co.6	Co.7	Co.8	Co.9	Co.10
a	2	3	2	3	2	3	2	2	2	3
b	1	1	1	1	1	1	1	1	1	1
c	3	2	4	3	3	2	3	3	3	2
d	4	4	5	5	4	5	4	4	4	4
e	5	5	4	4	5	4	5	5	5	5

Hospitality Sector

Q.	Co.1	Co.2	Co.3	Co.4	Co.5	Co.6	Co.7	Co.8	Co.9	Co.10
a	2	3	2	3	2	3	2	2	1	3
b	1	1	1	1	1	1	1	1	2	1
c	3	2	4	3	3	2	3	3	3	2
d	4	4	5	5	4	5	4	4	4	4
e	5	5	4	4	5	4	5	5	5	5

Banking Sector

Q.	Bank1	Bank2	Bank3	Bank4	Bank5	Bank6	Bank7	Bank8	Bank9	Bank10
a	2	3	2	3	2	3	2	2	2	3
b	1	1	1	1	1	1	1	1	1	1
c	3	2	4	3	3	2	3	3	3	2
d	4	4	5	5	4	5	4	4	4	4
e	5	5	4	4	5	4	5	5	5	5

Service Sector

Q.	Co.1	Co.2	Co.3	Co.4	Co.5	Co.6	Co.7	Co.8	Co.9	Co.10
a	2	3	2	3	2	3	2	2	2	3
b	1	1	1	1	1	1	1	1	1	1
c	3	2	4	3	3	2	3	3	3	2
d	4	4	5	5	4	5	4	4	4	4
e	5	5	4	4	5	4	5	5	5	5

Part C of the Question

1	In your organization measurement of effectiveness of training is determined by comparing pretest scores with post test scores .	**YES** ☐	**No** ☐
2	For measuring the effectiveness of training, which of the following formulae is used in your organization?	**(Please tick.)**	
a)	$\frac{\text{Number of trainees Operating equipment to required standard}}{\text{Total number of people trained}} \text{X } 100\%$		
b)	$\frac{\text{Number of training courses achieving the required outcomes}}{\text{Total number of training courses delivered}} \text{X } 100\%$		
c)	$\frac{\text{Total benefits}}{\text{Total Costs}} \text{ X } 100\%$		
d)	Any other method		
3	Would you give permission to undertake detailed research on training and development activities in your organization ?	**YES** ☐	**No** ☐

The answer to the above questions were answered in variety of ways as below:-

Construction Sector

Q.	Co.1	Co.2	Co.3	Co.4	Co.5	Co.6	Co.7	Co.8	Co.9	Co.10
1	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes

Manufacturing Companies.

Q.	Co.1	Co.2	Co.3	Co.4	Co.5	Co.6	Co.7	Co.8	Co.9	Co.10
2	a	a	a	a	a	a	a	a	a	a

Hospitality Sector

Q.	Co.1	Co.2	Co.3	Co.4	Co.5	Co.6	Co.7	Co.8	Co.9	Co.10
2	b	b	b	b	b	b	b	b	b	b

Banking Sector

Q.	Bank1	Bank2	Bank3	Bank4	Bank5	Bank6	Bank7	Bank8	Bank9	Bank10
2	b	c	c	c	c	c	c	c	c	c

Service Sector

Q.	Co.1	Co.2	Co.3	Co.4	Co.5	Co.6	Co.7	Co.8	Co.9	Co.10
2	b	b	b	b	b	b	b	c	c	b

Conclusion

On the basis of responses obtained from Part A of the questionnaire we can say that all 5 sector companies :-

1. Consider training need identification as primary task before designing training programme.
2. Use performance appraisal as basis for training need identification.
3. Agree to well defined mechanism for evaluation of training programme.
4. Have well defined evaluation objectives.
5. Make follow up for outcome after training programmes
6. Preserve evaluation data for future use.
7. Have trained their staff for evaluation methods.
8. Consider evaluation of training as an integral part .

Responses from Part B of the questionnaire demonstrated

- It is evident that all the companies follow Kirkpatrick model of evaluation. The reason for following this model is because it is easy to use.
- All the companies have suggested that Kirkpatrick model of evaluation is the best model. The reason for this is again easy to use.
- It is evident from the answers that almost all the companies evaluate their training programmes once in year.
- 90% of the companies in the Construction sector,100% of the companies in the manufacturing sector,90% of the companies in the hospitality sector and 100% of Banks in the Banking Sector and 100% Service Sector companies have similar objective of training evaluation and that is "To determine the extent of knowledge, skills and changes in the attitude because of training"

Part C of the questionnaire

1. All the construction sector companies measure the effectiveness of training programmes by comparing pretest scores of trainees with post test scores and the difference is considered as knowledge and skills gained.
2. Manufacturing sector, on the other hand does not take into consideration the number of training programmes delivered. It takes into consideration the number of people in the organization trained till they acquire the required standard of skill sets to perform as per standards laid down. Thus for example if the number of people trained were 250 for operating CNC machine to the correct standard and out of these 250, say 188 trainees displayed the correct standard, then the effectiveness of training is said to have achieved 75%.
3. All the hospitality sector companies measure the effectiveness of training in a different way. For example, if the number of training courses were 50 in a calendar year and the required skill sets acquired by the trainees in 40 training programmes out of the 50, then the effectiveness achieved is 80%.
4. 90% of the banking sector organizations believed in total benefits gained out of the total cost incurred for the training programmes. For example, if the training programme for deposit mobilization incurred a cost of Rupees 1 lakh, and the trainees had mobilized deposit to the tune of Rupees 10 lakhs, the percentage of success could be said to be 90%.
5. The service sector companies were compatible with hospitality sector. 80% of the service sector companies measured the effectiveness by outcomes of the training programmes from the total number of training programmes undertaken.
6. All those companies did not have any other method of measuring the effectiveness of training programmes except for the above mentioned methods.
7. Question 3 of this part C was "Would you give permission to undertake detailed research on training and

development activities in your organization ? " Yes No

The answer to this question was an emphatic NO by all the companies except only one company in the manufacturing sector. This emphatic NO by other companies has really baffled the researcher and it is concluded that the training activities are kept classified from the academic researchers for number of reasons. Although evaluation is regarded as the integral part of the training system, the fact that there is no transparency in its disclosure led the investigators to conclude the possibility that the 50 companies or more specifically the HRD Departments possibly suffered from the following symptoms-

- The Avoidance Symptom- Evaluation is perceived as a painful process that exposes the training departments' problems and individuals' shortcomings. It is avoided unless absolutely necessary.
- The Anxiety Symptom It induces anxiety in the minds of trainers.
- The immobilization Symptom- The lassitude and lack of interest are symptoms of sickness.
- Lack of Theory and Guideline Symptom: There is a lack of unified theory of evaluation.
- The above sickness generally breeds following abuses of training evaluation.
- Eye Wash – An attempt to justify a weak programme by deliberately selecting only those aspects that look impressive on the surface. (appearance replaces reality)
- White Wash –An attempt to cover programme failure or errors by avoiding any objective appraisal. (vindication replaces verification)
- Sabotage- An attempt to destroy programme regardless of its effectiveness. (politics replaces science)
- Posture – An attempt to use evaluation as a gesture of objectivity or professionalism. (ritual replaces research)
- Postponement- An attempt to delay needed action by pretending to search for the facts. (research replaces service).

Investigation's Impact

To recap, the investigators proceeded with the following hypotheses:

1. Evaluation of training is an essential requirement to understand the effectiveness of any HRD intervention.

#.2. Evaluation is not based on a one single method but on a variety of methods.

Every single company from the 50 studied agreed with H 1 in that evaluation of training is an essential requirement. This means that H # 1 stands proven.

Every single company moreover claimed to have used only the Kirkpatrick Model. This means that H # 2 is not proven.

However the lack of transparency precludes the investigators from making a conclusive remark on this issue.

Pune is often referred to as the "Oxford of the East". One would then assume that there was some symbiosis between the academia and industry reflecting what is taught with what is practiced. However, there seems to be little impact of what is taught in HRD upon what is practiced in the industry. This may be because many HRD Managers may have been educated outside Pune and/or maybe the prevailing corporate culture overshadows the HRD Manager's zeal to evaluate the training. In view of the opaqueness exhibited by the HRD Managers during the course of this investigation, it is hard for us to tell. But the fact remains that HRD cannot be an ongoing exercise unless evaluation of training is scientifically done. As S Sadri and S Jayashree12 have argued unless evaluation takes place HRD interventions will remain a Pie in the Sky and that is what seems to be happening

most unfortunately. As an ancillary to this the feedback must be taken seriously to improve training deliverables and evidence on that front too was found wanting.

This definitely makes a strong case for promoting creativity and innovation on the one hand and generating trust, transparency and teamwork on the other. This being outside the scope of this paper a mere mention of it is enough.

References:

1. Jacobs RL, and Washington (2003) Employee Development & Organizational Performance: A Review of Literature and Directions for Future Research. Human Resource Development International 6(3), 343-354
2. Saks A.M. (1996)The Relationship between the Amount and Helpfulness of Entry Training and Work Outcomes .Human Relations 49(4),429-51
3. Huselid Mark(1995). The Impact of Human Resource Management Practices on Turnover ,Productivity and Corporate Financial Performance. Academy of Management Journal, 38, June 636-672
4. Human Resource Development Requirements of the Tourism Sector in India, United Nations, New York, 1999. http:// unescap.org.//ttdw/ Publications.
5. Michael ,J.Kolligan abd Alecxander Cohen91998). Assessing Occupational Safety and Health Training. June. National Institute for Occupational Safety and Health Publications Dissemination, Columbia Pparkway Cincinnati, Ohio. http:// www.cdc.gov/niosh
6. Jacobs R.L. & Washington, C (2003). Employee Development & Organizational Performance: A Review of Literature and Directions for Future Research. Human Resource Development International, 6(3), 343-354
7. Perdue Joe, Jack Ninemerier, and Robert Woods (2002): Training Methods for Specific Objectives; Performance of Managers in Private Clubs, International Journal of Contemporary Hospitality Management, 14(13), 114-119
8. Harris Kimberley J (1995). Training Technology in the Hospitality Industry: A Matter of Effectiveness. International Journal of Contemporary Hospitality Management 7(6), 24-29.
9. Klink Marcel,R and Jan N Streumer (2002) Effectiveness of on the Job Training: Journal of European Industrial Training. 26(4), 196-199
10. Mann Sandi & Evan T. Robertson(1996): What Should Training Evaluation Evaluate? Journal of European Industrial Training, 26(4) 196-199
11. Warr P., Bird M., and Rackham,N. (1970) Evaluation of Management Training Gower Aldershof, 1970.
12. Sadri S and Jayashree S, (2011) Human Resources Management in Modern India (concepts and cases) Current Publications, Agra,

Indian perspective on Work-Life Balance

Prof. Hema Mirji,
Lecturer,
Bharati Vidyapeeth Deemed University
Institute of Management and Entrepreneurship Development, Pune -38
and
Prof. Dr. Kirti Gupta
Professor,
Bharati Vidyapeeth Deemed University
Institute of Management and Entrepreneurship Development, Pune -38

Abstract :

Research findings suggest that level of work-life balance significantly influences various individual, family and organization relevant outcomes such as employee health, employee commitment, job satisfaction and family satisfaction.

In the case of Indian workforce's work-life balance issue needs to be studied differently, as the Indians have some unique traits than that of western people. Despite the continuous and growing impact of urbanization, secularization, and Westernization, the traditional joint household, both in ideal and in practice, remains the primary social force in the lives of most Indians.

This paper tries to find the various factors that can be studied as the link to understand the Indian perspective on work-life balance.

Introduction :

Work-life balance is an issue of paramount importance to individuals, organizations, families, government and society. Techno-economic changes have increased the pressures on organizations and employees alike. Moreover, the increasing number of women in the workforce, nuclear families and dual earner couples has made work-life balance a crucial concern for employees as well as organizations across industries and occupations. The need for a balance between work and personal life has become an integral element of employee expectations from employers. Career success today is defined not only in terms of promotions and lucrative assignments but also the ability to balance between work and non-work life. In this regard helping employees to have a healthy work-life balance has become a challenge for employers and human resource professionals.

Over the past twenty-five years, there has been a substantial increase in work which is felt to be due, in part, by information technology and by an intense, competitive work environment. Long-term loyalty have been twisted by a performance culture that expects more and more from their employees yet offers little security in return. This is also encouraged by prevailing consumerist culture and expanding horizons of the social changes in Indian influenced by western culture gives more importance to earnings and life style and the low value to parenting.

Over the past decade, rises in levels of absenteeism, poor health, cardiovascular disease, sexual health problems, a weaker immune system and frequent headaches, stiff muscles, or backache, poor coping skills, irritability, jumpiness, insecurity, exhaustion, and difficulty concentrating. There are also increase in the level to binge

eating, smoking, and alcohol consumption. They are all evidence of an unhealthy work life balance. According to a recent study for the Center for Work-Life Policy, 1.7 million people consider their jobs and their work hours excessive because of globalization.

What Is Work-Life Balance?

Work-life balance suggests the meaning as "bringing equilibrium or stability of both life and work". Moreover, this gives rise to the need to recognize that balance can have both an objective and subjective meaning and measurement, that it will vary according to circumstances and that it will also vary across individuals.

- Need and importance of the study /Why it needs to be studied?
- Women with young ones are the fastest growing segment of the work force.
- Eighty-five percent (85%) of all workers have family care responsibilities.
- New challenges from the globalization have disturbed the Indian life style.

Evolution of the concept:

Work-life balance has always been a concern of those interested in the quality of working life and its relation to broader quality of life. In the early days of the industrial revolution in Europe (and today in some parts of the developing world) a primary concern was with the impact of child labour. In times of recession and again today in parts of Europe, the concern is with lack of employment and its consequences, graphically illustrated in the early work by Jahoda (1992) at Marienthal and studied in many contexts up to the present day. Yet work-life balance has come to the fore in contemporary debates largely because in affluent societies the excessive demands of work are perceived to present a distinctive issue that needs to be addressed.

The pressures of work, for those in work, have been intensifying in recent decades. Factors such as

- the advances in information technology and information load
- the need for speed of response
- the importance attached to quality of customer service

further, its implications for constant availability and the pace of change with its resultant upheavals and adjustments all demand our time and can be sources of pressure. The evidence from the UK, which has the longest working hours in Europe, shows while the average number of hours worked has been steady for the past twenty years, the proportion working more than 48 hours has increased in the past decade. Also, people report an increase in the intensity of work. Comparative figures for Europe show that the rise in intensity in the 1990s was greatest in the UK closely followed by Ireland, France, Italy and the Netherlands. At the other extreme West (but not East) Germany reported almost no increase in the intensity of work. Intensity was measured through subjective responses to questions about the proportion of time spent working at very high speeds and to tight deadlines. As a result, so the argument goes, the demands of work begin to dominate life and a sense of work-life imbalance ensues.

The Indian 'difference':

Values transcend down generations automatically. The Indian are born with some unique genetic traits and simplicity. Indians are highly flexible in the sense they would like to imbibe the changes dictated by western influence and yet clearly affirm their belief in traditions. The trait of flexibility is added with loyalty to family and to the organization where they work is a deeply held ideal for almost everyone.

The joint family is an ancient Indian institution, but it has undergone some change in the late twentieth century. Although several generations living together is the ideal, actual living arrangements vary widely depending on

region, social status, and economic circumstance. Still many Indians live in joint a family, which brings certain advantage of balancing the work-life. Elders at the home are usually take care of the young ones which reduces the burden of the parents, sometimes they also have parents earning the pension through which economic assistance and other benefits are obtained. Otherwise, clusters of relatives live very near each other, easily available to respond to the give and take of kinship obligations. Even when relatives cannot actually live in close proximity, they typically maintain strong bonds of kinship and attempt to provide each other with economic help, emotional support, and other benefits.

With the advent of technology and women emancipation there is a trend to mingle free with the western concepts of dress, belief, work and also get into a secular concept. Indians all over the world are known for their high level of tolerance. Their adaptation power is high which has been proved in the international arena. The ultimate advantage of the Indians is the gift of health and well being through yoga and meditation.

The above mentioned values like flexibility, tolerance, joint family culture and gift of health and yoga are unique for the Indians. These things impacts the way they balance the work and life. This is evident in the study carried out by the researcher.

1. Around 80% of the married people, lying between the age group of 31-40 years working in banks are of opinion that they are able to balance their work life and personal life.
2. Around 72% of the people are of opinion that their working hours are comfortable to work.
3. Around 85% of the have children to look after and their family support their career life.
4. Almost 98% of the people are interested in flexible working hours and would like to share the job. But, no one is interested in part-time working and also do not want career break. All of them would be very interested to utilize the sources of information and advice on health, housing and family care.
5. It is very interesting to know that almost 87% of the people feel their job makes them feel too tired to do the things that need attention at home. Also they feel having a good day on the job makes them a better companion at home.
6. Around 50% of the people feel that their personal and family worries and problems distract them when they are at work.

Ways to bring Work-Life balance:

Today, an employee is not looking at their employer just a job but they want the company to care for their work life balance and their well being. Employees tend to feel motivated when they feel that the organization is putting extra effort in providing a healthy balance between work and life.Motivated employees not only enhance the productivity but also help creating a positive work environment at office. Some organizations have initiatives to provide timely assistance to the employees in a crisis situation rising out of financial or personal problems. Flexible work options is one of the key tools for attracting and retaining employees especially women employees. Our employees have the flexibility to exercise a need based work from option as it helps them more in maintaining balance between work and home. This benefits includes increased productivity, lower attrition, less number of leaves taken, cost savings on infrastructure and of course an extremely happy workforce.If a company addresses these needs, in addition to providing great career opportunities, they can be very successful in providing job satisfaction to the employee.

Pay:

WLB policies must be built around an equitable pay programs.so that in future more workers may want to participate in the profits of the firm.

Benefits:

Since workers are now better organized, educated and vociferous, they demand more from the employers all over the world-apart from the pay-in the form of social security and welfare benefits as matter of right which were once considered as part of the bargaining process.

Job Security:

Conditions in the work environment must be created by the employer which will give freedom to all the employees and free from fear of losing their jobs. A system must be created in such away which creates healthy working conditions with optimum financial security.

Alternative Work Schedules:

With a view to tackle job boredom, modern organizations have been experimenting with several forms of alternate work schedules such as four-day work week, flexi-time and part-time work. Compressed work week is a work schedule made between the number of hours worked per day, and the number of days worked per week, 10 hours each day or three days, 12 hours each day are examples of the QWL schedule. In India this is being implemented by a few companies successfully.

Participation and Democracy:

The Quality of Work life department implements programs and practices that encourage a positive and productive work experience at organization. QWL services address the key areas of Work-Life Balance such as Flexible working options, Flextime, Flexi place, compressed work schedules, job-sharing, staff recognition and awards, health and wellness workshops. Change and competition have dramatically increased the work demands in the environments. At the same time, these pressures have impacted the entire Indian organizations workforce. These are some points stressed as essential to improve the QWL in Indian organizations. Let us see how company's carried QWL programs to overcome crisis faced by members of organization. Some of the key area of work life balance is discussed below:

Flexible work options:

Flexible work options respond to significant changes at work and home during the past few decades. Some flexible work options are:

Flextime:

The most requested, easiest to manage and the most affordable FWO is flextime which offers flexibility in arrival, departure and/or lunch times, typically with a designated core-time during which all staff are present. The Flextime in many companiesenhances recruitment, reduces stress through the ability to better balance work and personal responsibilities, reduces paid absences and tardiness, reduces turnover, where individuals faces a recurring, unresolvable conflict between work and a personal responsibility. Flextime may offer a solution that enables the individual to solve the problem at hand.

Flex place:

This arrangement allows for a portion of the job to be performed off-site, on a regular, recurring basis. The majority of work time is spent at the office and the off-site work typically is done at home. It may be the most complicated flexible work option to arrange since it generally requires electronic equipment and technological

support. Based on operational needs, a Flex place arrangement is most appropriate for work with clearly defined tasks, measurable work activity, and the individual's presence is not required in the work place. The advantages are can improve the morale, productivity, commitment and retention is possible.

Compressed Work schedules:

Compressed Work schedules have been promoted as a way to extend service hours, reduce shift turnover, or maximize an investment in expensive equipment or high-priced office space. Additionally, these arrangements have supported time off during summer months in order to offer employees more week-end leisure time. More recently, these arrangements have been seen as a way to comply with corporate support for reduced traffic and pollution. A traditional 35-40 hour work week is condensed into fewer than five days of work. This option is more easily applied to non-exempt (weekly paid) staff for whom maximum work hours are identified, but it is not ruled out for monthly paid staff who may work more than 40 hours during the work week.

Part - time work:

Is a regular arrangement for between 17.5 and 28 hours a week. This is different from a temporary work assignment where an employee is expected to have a temporary, non-recurring relationship to the workplace and does not receive paid time off.

Job Sharing:

The time can be split evenly or unevenly depending upon the demands of the job or the needs of the sharing team. The company allows two staff members to share the responsibilities of one full-time position. Each staff member shares a specific proportion of a full-time position. Creative and innovative schedules can be designed to meet the needs of the job sharers and the office. A Job Share arrangement is different from a Part-time position which has a workload that can be managed within 17.5 to 28 hours a week. Working in a shared job also differs from a Part Time arrangement in the following ways:

Opportunity for career growth:

The work should provide career opportunities for development of new abilities and expansion of existing skills on a continuous basis.

Balance of work and personal life

There should be proper balance between work life and personal life of workers. The demands of work such as late hours, frequent travel, and quick transfers are both psychologically and socially very costly and detrimental to QWL.

Social relevance of work:

Work should not be a source of material and psychological satisfaction but a means of social welfare. An organization that has a greater concern for social causes like pollution, consumer protection, national integration, employment, etc., can improve the QWL.

Social intergration in work force:

The worker should be made to feel a sense of identity with the organization and develop a feeling of self-esteem,

Openness, trust, sense of community feeling, scope for upward mobility, equitable treatment are essential for this purpose.

Constitutionalization in work organization

QWL provides constitutional protection to the workers. Management action can be challenged. Constitutional protection is provided to workers on such matters like free speech, equity and due process.

Indiviualism and democracy:

This means greater authority and responsibility to workers. Meaningful participation in the decision – making process improves the WLB

References :

1. Steven L. Sauter, chief of the Applied Psychology and Ergonomics Branch, National Institute for Occupational Safety and Health in Cincinnati, Ohio, states
2. American Psychological Association. www.apa.org.,July 5, 2007. Robinson BE.
3. The Work Addiction Risk Test: development of a tentative measure of workaholism. Percept Mot Skills. 1999 Feb;88(1):199-210
4. Spence JT, Robbins AS. Workaholism: definition, measurement, and preliminary results. J Pers Assess. 1992 Feb;58(1):160-78. www.workaholics-anonymous.org.
5. Thomas Kalliath and Paula Brough, JOURNAL OF MANAGEMENT & ORGANIZATION Volume 14, Issue 3, July 2008

Study of Industrial Relations policies in Mubea Suspension India Limited., Pune

Mr. Kishor Kenche,
Research Scholar, JJTU, Rajasthan- 333001
and
Dr. A.B. Dadas,
Professor Neville Wadia Institute of Management Studies & Resarch

Abstract

The industrial sector plays a dominant role in the development of the Indian economy. Healthy IR in business and Industry are of paramount importance for increasing productivity. Industrial relations, in a broader sense, emphases on productivity and industrial peace of industries at grate extend. In this article, we have focused on the manufacturing activities, individual and group performance of the workforce actually working on shop floor, Industrial peace etc under the ambit of good Industrial Relations. Although Industrial Law has played a crucial role in shaping Industrial Relations of this country. The Labor Laws seek to protect the interests of weaker segment in Industrial Relations and it has all along been the labour. However, we have consolidated the bargaining strength towards the development of the organization.

This article will help to identify the impact of Industrial relations in manufacturing industry. This paper has investigated how Industrial Relations help the organization for organization performance related to productivity, quality, efficiency, attendance. Also the paper has shown the positive impact on good industrial relations on quantity, quality, undisrupted production and their family conflict. This article has investigated factors of Industrial Relations and how the good Industrial Relations helped in the growth of Mubea Suspension India Limited.

Key words

Harmonious/ congenial Industrial relations, Un-interrupted production, Human Asset, Vision, Mission, Employee Relations, Manufacturing Industry, healthy Industrial relations. Production and Productivity

Introduction

The industrial relations system in India has been under pressure for decades and new problems are emerging as the country becomes more integrated into the global economy. The main architecture of the system was established prior to Independence and remains mostly unchanged. The system is highly centralized and the state is the main mediator between capital and labour. Unions have historically enjoyed a close relationship with the state through party-based federations, but this has undermined their success developing a robust grassroots constituency and experience in collective bargaining. This article provides a broad overview of the industrial relations and the

labour market reform debate that has arisen in the context of economic change. The structure of the Indian labour market, the overwhelming size of the informal or `unorganized' workforce, and its location outside the industrial system is the fundamental challenge facing Indian industrial relations. There is an urgent need to develop a system that embraces all workers especially given India's demographic profile and the expected increase in the number of working age people over the next decade. The experience of women workers and the failure of both the industrial system and the union movement to understand and accommodate their needs is also an important challenge for industrial relations in India.

Objectives

To study a culture of industrial peace and harmony between management and union organizations

The objectives of the study article are:

1. To enquire into the Industrial Relations practices VIZ., Participation in decision, develop mutual trust and confidence between two parties, Encourage open communication between the two parties, Arrive at medium and long-term agreements, Arrive at common objective programs between two parties, Ensure transparency in information sharing and communication process in MSIL;
2. To analyze the outcomes of the Industrial relations management; in MSIL India;

   and
3. To offer appropriate suggestions, wherever necessary, to improve the practice of human resource management techniques in order to minimize negative outcomes and maximize the positive outcomes. In the fulfillment of these objectives, a close study is made in Mubea Suspension India Limited.

Hypothesis of the study

- Industrial relations in Mubea Suspension India Limited are Healthy.
- Hypothesis is tested and it is affirmative.

Methodology

The primary and secondary data are collected for the study. The primary data is collected by conducting

Questionnaire Interviews and discussions, with employees and management respondents in two separate schedules structured for the purpose. Various appropriate statistical techniques were employed for analyzing the data. The statistical analysis and data are supplemented by the information collected through interviews and personal observation so as to derive effective and meaningful conclusions.

The secondary data is collected from various sources. Factual data were collected from the production reports, monthly MIS of sample company; training departments, in-house magazines and other records of the companies. Companies' web sites and other related web sites were browsed.

Type of Study	-	Descriptive
Nature of study	-	Qualitative
Type of questions	-	Open ended and Close ended
Type of analysis	-	Statistical
Sample size	-	30 Workers and10 Managers
Sampling method	-	Random method (Personal Schedule)
Sampling source	-	Mubea Suspension India Limited Ltd, (Formerly TC Spring)

Sampling

Data for this study was collected based on the 'Convenient Random Sampling' technique in MSIL and further respondents are divided in to two strata's viz., workmen respondents and management respondents. For opinion of the respondents the data collected from each Product is as follows-

Table No.1

Sr. No	Product Name	No.of employee Respondents	No.of Management respondents	Total
1	Stab Bar	10	3	3
2	Stuart Bar	10	3	3
3	Suspension Springs	10	4	4
4	Toatal	30	10	40

Table No. 2

Production and Turnover of the company

/ Month	Jan 2010	Feb 2010	March 2010	Remarks
Total Produced Parts / numbers	133000 Parts	135000 parts	145000 parts	Productivity Increases
Turnover / sales of the in (Cr)	5.5 Crs	5.65 Crs	5.85	Increased Sales

Sources of information

Primary data: Primary data for the article was obtained from Workers and manager.

Secondary data: Secondary data was collected from different websites, manual and documentation of the company.

Methodology

The primary and secondary data are collected for the study. The primary data is collected by conducting interviews and discussions, with employees and management respondents in two separate schedules structured for the purpose. Various appropriate statistical techniques were employed for analyzing the data. The statistical analysis and data are supplemented by the information collected through interviews and personal observation so as to derive effective and meaningful conclusions.

The secondary data is collected from various sources. Factual data were collected from the annual reports of sample companies; training departments, in-house magazines and other records of the companies. Companies' web sites and other related web sites were browsed.

Data Collection

1. Collection of data from respondents through questionnaire.

A primary data questionnaire is prepared of for the workmen and managers. From each workmen and manager the data is as per the above table no 1 and II which is based on convenient sampling.

Secondary data is also collected, by referring to journals, magazines, newspapers and textbooks, annual reports and Internet are used to collect secondary data from various web sites

2. Tools for Analysis.

To analyze the data the following statistical tools are used.

The percentages, weighted averages, are used as and wherever necessary. Tables are used to represent the data. Scaling techniques are used to analyze the opinions of managers as well as workmen

3. Scope of the Study.

The study covers areas of Industrial Relations management/development in the Mubea Suspension India Limited. These areas include participation in management decision, Mutual trust between management and workmen, HR Policies, Communication between two parties, Trust and openness, healthy relation with management etc.

These primary areas of Industrial relations management are studied thoroughly to the maximum extent through the means of discussions, Questionnaires, reports, accounts, observations etc.

(a) Questionnaire

In this study we have used questionnaire method for collecting necessary information. The questionnaire is consisting of both closed ended and open ended questions

(b) Informal discussion

In this study we have done informal discussion with individual workmen and managers.

ANALYSIS

Limitations of study

As company chosen is only and the study is limited to one industry. Findings cannot be generalized to all the auto components manufacturing industry as so many companies are present. Further the study is limited to specific area only, despite the presence of respondent companies across the globe, because data is collected through sampling, there may be deviation in generalizing the opinions of different manufacturing industry's professionals. The time for study was limited. The response of the workers could be duplicate.

Conclusions:

Industrial Relations presence is shown at the various level in the organizations the process of measuring the performance of employees containing in various As per the finding on Industrial Relations, it is found that all most all the respondents of sample units expressed their positive view of Industrial relations.

Production and Productivity of per person per parts increased. Companies turnover sales was increased more than 5 % . Technological changes are introduced by the company, and support is being extended by the workforce and union. Most of the workers are satisfied with the Human Resource e policies and Managements approach. They said that the HR management is supportive and they are comfortable in working with them. Maximum of the workers feel that the management is involving workmen in the decision making. Most of the employees are satisfied by the new compensation. Most of the workers said that they have healthy relationship with the management and the management is effective in solving their problems. Most of the managers feel that the Industrial relations are good in Mubea. They said that the opposition from the workers was faced by the management efficiently. According to the workmen and managers their Is Healthy Industrial relations in Mubea.

References

1. Data and documents of the company
2. "Essentials of Human Resource Management and Industrial Relations"by Subba Rao
3. "Personnel Management," by Mr. C.B. Memoria
4. "Research Methodology" Mr. C.R. Kothri
5. "Research Methodology" Dr. Shailesh Kasande
6. www.mubea.com
7. www.wikipedia.com
8. www.BNET.com

From Core Competence To Competitive Advantage : An Intellectual Journey

Jayashree Sadri
Behavioral scientist and Senior Management Consultant
Visiting Professor of HR and Business Ethics at a number of B Schools in Maharashtra
And
Bijoy Guha
Specialist on management strategy and Senior Management Consultant
Visiting Professor in Business Strategy at a number of B Schools in Pune.

Abstract

This is a brief paper based on the work done by the two authors in the areas of excellence and sustainability along with Sorab Sadri since 2005. C.K.Prahalad and Gary Hamel in their landmark article in the Harvard Business Review introduced the phrase 'Core Competence' 1990. They define Core Competence as an integrated bundle of skills and technologies, a messy accumulation of learning, which contributes, to a business's competitive success. This paper argues that when a firm fails to correctly identify its core competencies, it misses good opportunities and chases poor ones. Hence, proper identification of core competencies is necessary in order to be able to use them to gain competitive advantage. This is one big lesson that Indian business and industry can ill-afford to overlook if they are to remain globally competitive. And for this excellence and sustainability are the sine qua non.

Introduction

Sadri et al (2009) and Jayashree et al (2008) have maintained that organizational change is non linear and non Newtonian. In this race for the survival of the fittest what matters is core competency upon which divergent competency rests (Sadri and Jayashree 2010) go on to say that this cutthroat competition brings out utilitarian perspective among managers and people tend to become selfish. They have between 1999 and 2009 argued that values and ethics form the base on which organizational excellence rests. Organizational excellence, Sadri and Guha, elsewhere argue cannot be an end in itself and must lead to sustainability. This is the fundamental logic on which this paper's argument has been developed. The authors argue that core competence leads to competitive advantage that in turn is the basic element for both excellence and sustainability.

Some authors have used the phrase 'capability' or 'core capability' as better expressing the dynamic learning process involved. These terms define those unique capabilities, knowledge and behavioral routines that are potential source of an organization's advantage. The idea that complex internal capabilities are critical to firm's success is not new as core competence. Philip Selznick, in his book, Leadership in Administration, was one of the first writers to acknowledge that factors internal to an organization, such as its personnel and its previous experiences, are crucial to its chances of success in executing a Chosen policy. In essence, Selznick argued

that in field of business activity past determines present He said that an organizations developmental history results in its having special limitations and capabilities - a character, or emergent institutional pattern that decisively affects the competence of an organization to frame and execute the desired policies'. This he called as 'distinctive competence'. The goal of corporate strategy was to match a firm's distinctive competence with available opportunities and thereby gain competitive advantage.

Robert Hayes, writing in Harvard Business Review in 1985 criticized what he called the ends-ways-means approach to strategic planning. He questioned whether managers should decide on strategy before deciding on the means of implementing that strategy. He advised managers 'Do not develop plans and then seek capabilities; instead, build capabilities and then encourage the development of plans for exploiting them'.

The central proposition of this group of writers is that organization is an accretion of specialized resources, which can be used to gain a privileged market position - a sustainable competitive advantage. Firms acquire, develop and expand their resource bundles over time, and because organizations follow different developmental paths, firms have different resources. Hence the organizations history and experiences, its character and culture, and its strengths and capabilities all contributes to its strategy and indeed are crucial in determining in success of that strategy.

At the business level, a key idea is that competitive advantage stems from the firm's unique resources and capabilities, which are hard for competitors to imitate or acquire. At the corporate level resource based theorists perceive the firm as bundles of resources which can have different applications; that is, the firm's resources can be deployed in different businesses with different end products. Using the language of resource-based school, Barney argues that a firm's resources and capabilities are competitively important if they are (l) valuable, (2) rare and (3) difficult to imitate.

1. The value of a resource depends on the opportunities available for exploiting it, and these opportunities can change. For example, IBM's capabilities in mainframe computers became less valuable as personal computers became more sophisticated and cheaper.
2. Competitively important resources are also rare. If many competitors have the same or similar capabilities, none of them will have a competitive advantage.
3. The third criterion for the competitively important resources is that they are difficult to imitate. As many physical resources are easily imitate, rivals can build similar plants or copy a process technology. It is far more difficult to imitate capabilities that depend on teamwork, culture and organizational routines. These resources are usually complex, the result of a firm's own history and of numerous small decisions overtime which contribute to the development of unique capabilities Barney cites the example of Hewlett Packard's corporate adjure, which encourages teamwork and co-operation across divisions. This has enabled HP to use its technologies in varied products - printers, plotters, computers and electronic instruments - and to make these products compatible. Rival fauns may be able to duplicate the technology of HP's products, but it is not easy for competitors to imitate the culture and organizations, which underpins HP's success.

Capabilities are often a firm's most important resources because they are valuable, rare and difficult to imitate. At the sane time, the complexity and opaqueness of a firm's capabilities creates a management problem of its own. To capitalize on an organization's resources, managers need to be able to identify them, make decisions about how to exploit them, and know how to expand them. Without this knowledge, successful strategies would only be the lucky result of historical decisions or accidents. To understand how firms acquire and expand their capabilities we have to turn to learning theory. There then emerges a symbiotic and indeed dialectical relationship between people management and corporate strategy that allows the company to thrive on the cutting edge of market competition by harnessing the tools provided by emergent technology and binding it with innovative practices. There may indeed be some amount of serendipity in this but usually this is the result of astute strategic planning, monitoring and execution.

ORGANIZATION AS LEARNING SYSTEMS

Leaning is one of the most important factors in developing and managing an organization's core capability. Organizational learning can be defined as the capacity or process within an organization to maintain or improve performance based on experience. Learning is a systems-level phenomenon because it stays within the organization, even if individuals change. Learning is as much a task as the production and delivery of goods and services. It does not mean organizations could sacrifice the speed and quality of production in order to learn, but, rather, that production system be viewed as learning systems. While companies do not usually regard learning as a fixation of production, research on successful firms indicates that three learning related factors are important for their success.

1. Well-developed core competencies that serve as launch points for new products and services.
2. An attitude that supports continuous improvement in the business's value- added chain.
3. The ability to fundamentally renew or realize an aim.

These factors identify some of the qualities of an effective learning organization that diligently pursues a constantly enhanced knowledge base. This knowledge allows for the development of competencies and incremental or transformational change. In these instances, there is assimilation and utilization of knowledge and some kind of integrated learning system to support such 'actionable learning. Indeed an organization' s ability to survive and grow is based on advantages that stem from core competencies that represent collective learning.

Although, not all learning is the same, some learning is dysfunctional, and some insights or skills that might lead to useful new actions are often hard to attain. However, some learning does lead to development of special skills leading to organization's core competencies.

Core Themes

1. **All organizations are learning systems:** All organizations have formal and informal processes and structures for the acquisition, sharing, and utilization of knowledge and skills. Members communicate broadly and assimilate values, norms and procedures both in formal and informal way. In short, all organizations, in some way or other, are learning systems.
2. **Learning conforms to culture:** The organization's culture or subcultures determine the nature of learning and the way in which it occurs.
3. **Style varies between learning system:** There are a variety of ways in which organizations create and maximize their learning. Basic assumptions about the culture lead to learning values and investments that produce a different learning style from a culture with another pattern of values and investments.
4. **Generic processes facilitate learning:** How will an organization maximizes learning within its chosen style does not occur haphazardly, Data suggests that talking about the 'learning organization is partially effective, some policies, structures and processes do seem to make a difference. The difference is in how easy or how hard it is for useful learning to happen, and in how effective the organization is in 'working its style'.

Whatever the organization's choice, the following are three guidelines for developing and implementing a chosen strategy for improving organizational learning capability:

1. Before deciding to become something new, study and evaluate what you are now. Without full awareness and appreciation of current assumptions about management organization and learning, it is not possible to grasp what is being done well and what might be improved or changed.
2 Organizations can change in major ways if people experience success with more modest, focused, and specific changes. As with many skills, there is a learning curve for the skill of managing and surviving transitions. Large-scale change requires that many initiatives be put into place in a carefully designed, integrated sequence.

3. Organizations must consider cultural factors in choosing and implementing any strategy, particularly when considering how it does specific things. For example, in a highly individualistic society like the United States or the United Kingdom, skill development focuses on individual skills; in comparison, more communitarian societies such as Japan or Korea have traditionally focused on group skill development. Moving from one pole to another is a major cultural change to simply improve on the existing orientation is much easier.

Targeting A Company's Core Competencies

By recognizing its core competencies, a company can clearly define organizational boundaries and focus resources for maximum advantage. The authors outline an approach for identifying those competencies that can provide a company with the best chance to achieve long-term competitive advantage. The twin concepts of core competence and business processes figure prominently in most discussions of corporate strategy. The core competence concept helps top managers answer the fundamental question what should we do?' and the business processes perspective addresses the question 'How should we do it?'

Both concepts are indispensable in guiding firms to achieve enduring competitive advantage and superior profitability. Both are founded on a simple notion: that the firm is a system of activities, not a portfolio of individual products or services Some activities are performed so much better than the competition and are so critical to end products or services hat they can be described as core competencies. When a series of activities are organized into a system that works better than the sum of its parts, this business process can also create competitive advantage, even if component activities by themselves do not.

Business process reengineers have developed an analytically rigorous discipline that can systematically applied and plainly communicated to others. For the core competency concept to achieve this same success it must be linked to the underlying business economics that drive competitive advantage and it must be applied in the same systematic manner as the business process concept.

Once it is determined that a firm enjoys a comparatively strong activity position, the next logical question is 'So what?' Achieving strong activity position is by critical to competitiveness only when the particular activity adds significant value to the end product or service.

There is a disturbing tendency today to identify characteristics such as 'quality products' and 'a good reputation' as core competencies, when these characteristics are really the result of performing discrete activities well. In failing to associate specific, underlying activities with these claimed competencies, managers are unable to focus on preserving and strengthening the building blocks that create quality products in the first place. Business analysts must dig deeper. When they do, they will find that real core competencies are tangible value added activities that are performed more effectively and at lower cost then that of the competition. These unique and enduring activities constitute a firm's core competencies. When a firm fails to correctly identify its core competencies, it misses attractive opportunities and chases poor ones.

Four Imperatives Of Core Competencies

Once the senior management develops the strategic intent to identify, nurture and organize around activities that can be made unique and enduring, a few rules must be followed to transform this commitment into competitive success.

Rule 1: Avoid laundry lists:

If senior management settles on more than a hand fill of key activities or core competencies, it is probably over reaching and certainly ignoring the intent of the word 'core'. Many successful companies have targeted either one or two key activities. Identifying key activities is one of the most important contributions senior management can make. Proposed core competencies should:

- Contribute significantly to the ultimate value of product or service.
- Represent a unique capability that provides enduring competitive advantage

- Have a potential to support multiple products or services.

Rule 2: Achieve senior management consensus on core competencies:

What business are you really in? is the basic session. Evaluating potential core competencies using the screening approach is a necessary but insufficient step in building a competency-driven organization. If competencies are to be nurtured and shared widely through the firm, senior management must reach consensus on which these are and act on the results of their selection process. In working to build senior management consensus on key activities, good results can be achieved using following approaches (among others):

- Activity-based benchmarking.
- Employee and asset distribution.
- 'What if' scenario development.

Activity based benchmarking is technique that can steer debate away from subjective opinions and toward hard fads. For example, if the vice President of operations claims that order processing and fulfillment is a core competency, he should develop a persuasive argument by demonstrating and enduring competitive advantage in order-processing speed, cost and customer satisfaction.

A compelling argument can also be built by answering some simple questions about an organization's internal configuration, for example: 'What do your employees do? Where are your assets?' If 80% of a company's employees are on the plant floor, the Marketing Vice President must argue persuasively to convince his colleagues that marketing and sales Is really a key activity. After all, people embody collective learning, which becomes a formidable competitive weapon when it is built up and shared among a large number of employees.

'What if approaches are also useful in working such a group to select core competencies? A senior management deadlock can often be broken by working out the implications of selecting a single core competency as a guide for future actions. In a deadlocked situation, one might ask, what actions are implied by the adoption of core competency 'X'? What products and markets are most attractive given this core competency? What Mill the company look after five years from now, if competency 'X' guides our actions? These same questions should be answered for earth proposed sore competency. While this approach may seem simplistic, it- can be combined with other, more analytical approaches to help the group reach consensus on a core competency (or two) that makes the most sense for the corporation.

Rule 3: Leverage the core competencies inside the organization:

Once senior management identifies and agrees on the firm's core competencies, it must work zealously to ensure that competencies are continually strengthened, shared widely throughout the corporation and managed in the way that best preserves the competitive advantages they create. The importance of this mandate cannot be stressed enough if senior management fails to organize around the key activities, they will disappear. Actions that may be necessary to best exploit the identified competencies range from physically reconfiguring disparate manufacturing processes to simply communicating more effectively. Consider the case of leading international manufacturer of electrical products. Division A developed the expertise in the design and manufacture of surface mounted printed circuit boards and used this skill to reduce the costs of its products. Division B could have benefited from Division A's surface-mount expertise and in return could have driven down costs for both divisions by increasing overall volume. Instead, Division A jealously guarded its capabilities and Division B continued to struggle. This behavior cannot be tolerated if key corporate skills are to be exploited to their fullest potential. New approaches to project coordination and interdepartmental communication can help to break down the barriers. The goal of the adaptive organization is a ensure that the best core competencies, whether embodied in technologies, process, or employees, are linked to the most promising market opportunities so that learning is maximized and travels quickly throughout the corporation.

Rule 4: Share core competencies outside the corporation as well:

Sometimes sharing and nurturing core competencies within a corporation is not enough. As markets evolve, new activities may be required. Moreover, in today's global marketplace, even giant corporations blanch at the

cost of launching new products and entering new markets. With product like cycles shrinking and R&D costs skyrocketing, some companies find it easier to embrace their competitors rather than fight them.

Collins and Doorley have studied multinational alliance behavior and observe that 'the corporation of the future will need to take a more dynamic view of its business. There is often insufficient time to switch from one mode of operation to another as markets evolve {through their product life cycles}. From the very start of new business, companies must find ways of building competency in each area of competitive advantage - even if they ale not well placed to do so on their own.

Identifying core competencies and inspiring the organization to nurture and organize around them is one of the most important contributions senior management can make. In addition, selecting the wrong competency or too many core competencies is one of the worst conceivable management errors. The process of redefining core competencies should be undertaken every three to five years as part of a periodic review of corporate strategy. When any industry undergoes a fundamental change in its value-added Structure, a reassessment is critical. Often management cannot respond fast enough and heavy losses result.

Companies with a widely shared understanding of their unique enduring capabilities and the evolving value-added structure of their industries will above the competition. Firms that define their competitive advantage based on structural superiority in the discrete activities they perform are more often than not long-term winners; these companies turn their competencies into competitive weapons, not competitive traps. Thus companies can use their core competencies to gain competitive advantage.

Crltical Analysis

In order to use their core competencies to competitive advantage, firms need to first have a clear understanding of their strengths, weaknesses, opportunities and threats (SWOT). This will help them to understand their internal capabilities and capitalize on them. Firms in the same industry often make similar diversification moves, identifying areas with technology or products similar to those of existing businesses. The result is often intense competition and disappointing performance. To avoid these problems, managers should broaden their understanding of their firm's core capabilities and identify what makes their company different and unique. A company's core skills might be in particular functions, such as marketing, or they might be derived from long experience such as expertise in coping with unstable prices. Capabilities might also be based on the interaction of different fictions, as in a company where the sales and research functions work closely together to solve customer problems, or, they might involve a complex set of skills, as in a capability in administering franchises. Every firm has its own history and experiences, and even firms in the same industries will have different sets of core skills. A firm's capabilities can provide a guide to new areas of business, if it identifies businesses where it can exploit its core skills. Thus if firms make a mistake in identifying their core competencies, they will invest in areas where their resources will be wasted. Managers should be able to do optimum utilization and allocation of resources. When a firm fails to correctly identify its core competencies, it misses good opportunities and chases poor ones. Hence, proper identification of core competencies is necessary in order to be able to use them to gain competitive advantage. This is one big lesson that Indian business and industry can ill-afford to overlook if they are to remain globally competitive. And for this excellence and sustainability are the sine qua non.

Bibliography

1. Clarke, Thomas and dela Rama, Marie (eds.) (2006) "Corporate Governance and Globalization", CA: SAGE, London and Thousand Oaks
2. Durkheim, Emile (1947): The Division of Labour in Society (translated by G Simpson) the Free Press of Glencoe, New York.
3. Durkheim, Emile (1895) (1950): The Rules of Sociological Method, University of Chicago Press, Chicago.
4. Drucker, P. F. (1996): Innovation and Entrepreurship, Harper Business Books, New York.
5. Galbraith J K (1977): The Age of Uncertainty, Hughton Muffin and Co, Boston.
6. Gouldner, Alvin (1971): The Coming Crisis of Western Sociology, Heinemann, London.

7. Hippargi, S and Kothari P (2010) A Utilitarian Perspective on Business Ethics during Times of Recession, being a paper presented at the International Conference at BVIMR New Delhi March 2010
8. Jayashree S (2003) Towards Business Excellence: Postulating the New Strategic Triad in Upinder Dhar and Santosh Dhar (eds) Shaping Management for the 21st Century, Indore Management Association, Indore
9. Jayashree S (2005) Business Ethics, Corporate Governance and Organisational Excellence, Prestige Journal of Management and Research, Vol 9, No 1, April
10. Jayashree S (2007) Ethics and Managerial Styles in the Future, Indira Management Review, February
11. Jayashree S et al (2008) Theory and Practice of Managerial Ethics, 2nd edition, JAICO Pub Co.Mumbai.
12. Jayashree S, Sadri S and Nayak N (2009): A Strategic Approach to Human Resources Management, JAICO Pub Co.Mumbai.
13. Hamel G and Prahalad C K (1994): Competing for the Future, Cambridge Mass., Harvard Business School Press.
14. Hamel G and Valigangas (2003): The Quest for Resilience, Harvard Business Review, September.
15. Hammer, M. and Champy, J.(1993): Re-engineering the Corporation: A Manifesto for Business Revolution, London: Nicholas Brealey
16. Kuhn, Thomas (1962): The Structure of Scientific Revolutions, University of Chicago Press, Chicago.
17. Lele, Milind M. (1992): Creating Strategic Leverage: Matching Company Strengths with Market Opportunities, John Wiley and Sons Inc., New York.
18. Monks, R. A. J. and Minow, N (1995): Corporate Governance, Basil Blackwell Inc., Massachusetts.
19. Parsons, T and Smelser, N. J. (1956): Economy and Society: A Study in the Integration of Economic and Social Theory, Routledge and Kegan Paul, London.
20. Prahalad C K (2009) The Fortune at the Bottom of the Pyramid, Pearson Education, South Asia.
21. Rawls J. (1971): Theory of Justice, Harvard University Press, Boston.
22. Shleifer, A. and Vishny, R.W. (1997): A Survey of Corporate Governance, Journal of Finance, 52 (2).
23. Sadri S and Jayashree S (1997) Chief Executives and Organisational Change, South Asian Journal of Management, July-December.
24. Sadri S, Jayashree S and Ajgaonkar M (2002) Geometry of HR, Himalaya Pub house, Mumbai.
25. Sadri S, Jayashree S and Nayak N (2009): Implementing Organisational Change, IMED Journal of Management and Social Research, Vol II NO 4, October.
26. Sadri S and Jayashree S (2010) Oorganizational Excellence and Business Sustainability under conditions of Economic Recession [a considered opinion from an Indian perspective] being a paper presented at the International Conference at BVIMR in New Delhi, March 2010
27. Sadri S and Jayashree S (2010): Business Ethics and Corporate Governance: towards organisational excellence, Current Publications, New Delhi
28. Sadri S, Guha B S, Jayashree S (2010) Managing for Excellence, PHI , New Delhi
29. Sharma, Subhash (2007): New Mantras in Corporate Corridors: from ancient roots to global routes, New Age International Publishers, New Delhi.
30. Tara, Shahrukh N (2007): Excellence through Corporate Governance: an investigative study in Mumbai, Unpublished Ph D Thesis, Bharati Vidyapeeth University.
31. Thompson, Laura (1961): Towards a Science of Mankind, McGraw Hill Book Co., New York.
32. Weber, Max (1933): The Methodology of Social Sciences, the Free Press of Glencoe, New York.

Auditing Industrial Relations In Western Maharashtra [A Reserch Based Reformulation]

Mona Sinha

Doctoral Scholar at BIT (Mesra) and Assistant Professor of Human Resources at the Bharati Vidyapeeth Institute of Management Sciences and Research, Sector 8, CBD Belapur, Navi Mumbai

And

Anjali Kalse

Professor and Head of department of Human Resources at the Bharati Vidyapeeth Institute of Management Sciences and Research, Sector 8, CBD Belapur, Navi Mumbai

Abstract

This paper in a way posits and chronicles the development for an instrument for use of HR experts in organizational diagnosis. That which began as positing of a specific model for auditing industrial relations styles had developed into a general model for auditing management styles across geo-political frontiers. The model was tested under the following political-economic climates: the core capitalist economy, the peripheral capitalist economy, the neo-colonial economy and the colonial economy. It was found that its prognosis held true. What began as an instrument for auditing industrial relations styles was found valid for auditing management styles as well. What began as a static snap shot method of diagnosis could be converted into a dynamic model with the use of simple mathematics and this reformulation was attempted. On the basis of the evidence at hand the investigators also recommend its use in feeling the corporate pulse. The style of the paper begins in a positivist vein (c.f. Frohlich and Oppenheimer 1977) but ends in the normative mode precisely due to the fact that years of experience have reinforced the beliefs cited at the end (c.f. Sadri and Whitehouse 1988). This paper is based on study conducted in selected industries at Solapur, Sangli and Kolhapur Districts of Western Maharashtra between 2008 and 2010. While the first author laid out the theoretical foundations and finally wrote the paper it was the second author who diligently conducted the field work with the assistance of postgraduate students and brought home the ground level experiences that helped to actualise the prognosis.

Theoretical Basis Of The Investigation.

If Industrial Relations is nothing but the behavioural aspect of the Micro economic Production Function as any cynical social scientist like Sorab Sadri will tell us, will it not be fair to suggest that these styles also depict managerial behaviour towards both capital and labour? In addition, is that not what HRM is all about anyway? Personnel Management as a concept has been criticized and the Sadri - Dastoor (1992) paper can be seen as having read the funeral rites for the orthodox view of Personnel Management. The debate nevertheless continues and people continue to be appointed either as Personnel Managers or Professors of Personnel Management.

The purpose of this investigation was to see whether Jayashree's contention of a "reverse swing" in IR Styles was possible under unfavourable economic conditions or socio-political shocks. The investigators concede that the sample for this study was somewhat based on stratification and somewhat on convenience. It is also conceded

that only the owners and few of the employees were actually interviewed. However, the analysis is defended because within the given limitations and the specificity, the contentions are valid.

Industrial Relations has been described as the jewel in the crown of Human Resources Management. IT has consequently been seen as an operational and strategic system in People Management. Over the years, a number of attempts have been made [c.f. Dunlop, Parsons, Strumthal, Hyman, Fox, Flanders, Clegg, Thurley, Blain and Gennard, Wood et al, Sadri et al], to define the term "Industrial Relations" as distinct from other areas such as human relations or personal relations. It is a pity that Indian authors by and large have adopted these definitions without batting an eye-lid. A further attempt will not be made here except to reiterate Sadri's 1977 position that

> *Industrial Relations is concerned with the relationship between management representing the holders of capital and trade unions representing the holders of labour power regarding the employment, unemployment, terms of employment and unemployment, conditions of employment and unemployment, and conditions of work*

Looking at the 2003 and 2009 works one can easily see that Sadri's is not the typical Flanders type of relations of work definition; it imbibes the Hyman argument of process of control as well. Like Fox, he further assumes that the quality of this relationship differs as between companies, industries and economics. Furthermore, that these relationships are based on class contradictions and antagonism historically born out of the social structure which is determined by the mode of production. A management should review and monitor the health of Industrial Relations, as any other function, on a regular basis. This model of Industrial Relations Audit was designed to achieve this end in view as far back as in 1977 at the London School of Economics and Political Science.

The traditional view is that the quality of a company's industrial relations could be judged by considering whether the existing framework of policies and practices assists or hinders the achievement of company objectives. Suppose we accept that, the aims of an Industrial Relations Policy are to anticipate and regulate conflicts arising out of and in the course of employment relations within an organization. Then in order to enable the parties to achieve their objectives whilst enabling the organization to fulfil its tasks, an audit ought to highlight whether these aims are in fact being met.

Sadri began as positing of a specific model for auditing industrial relations styles that soon developed into a general model for auditing management styles across geo-political frontiers. The model was tested under the following political-economic climates. The original model was developed by Sorab Sadri (1977) at the London School of Economics and Political Science for a single private sector medium scale manufacturing firm: Messrs. Coopers Mechanical Joints at Slough. It was then contended that if the style of Management in respect of Industrial Relations was known then it would be easier for both the owners of capital and the owners of labour power to understand each other's posturing and thereby reach an equilibrium saddle point during collective bargaining.

In Nigeria thereafter the model was used and findings were chronicled by Sorab Sadri and Caroline J Williamson (1988). They audited industrial relations styles of large publicly owned corporations mainly in the petroleum and ports sectors. The Sadri and Williamson study found that the original prognosis for a privately owned medium scale firm in the capitalist core was equally valid in the case of publicly owned large-scale organizations in the neo-colonial economy.

Thereafter Padre Carlos Rodrigues Linara (1990) tested this original Sadri model in the case of the educational sector of Hong Kong and Macau. He argued that since both these territories were almost colonies of United Kingdom and Portugal respectively education could be treated as a profit centred industry just as any other. Instead of concentrating on relations between management and unions, Linara looked at management's attitude towards labour in general and the exploitative nature of its operations. Even under such conditions, he found Sadri's prognosis valid.

The (probable) academic temptation to see if the model held true in a multi-ethnic society like that of Malaysia with its rather autocratic form of government led Sadri and Lukose (1991) to carry out an extensive study across organizations in the secondary and tertiary sectors in and around Kuala Lumpur. Here there was a possible problem since there was neither one single organization nor a kind of organization that was being investigated.

Rather a geo-physical clutch of wage labour was being investigated. Nevertheless the authors steam rolled their findings.

We know that large-scale organizations have the benefit of an infrastructure and can dispense with caution since the financial cushion exists to protect managers. Hence, critics had argued, managerial style depicted in the original model would not suit Indian conditions where small-scale organizations proliferated.

Clearly, the original model has borrowed the continuum along the vertical axis from Douglas McGregor's Theory X and Theory Y, while the continuum along the horizontal axis has been adopted from Fox's seminal work cited in the references. It is the contention of these investigators that these Industrial Relations Styles could also be used to describe Human Resource Management Styles. Surveys of small-scale industries in Bihar, Maharashtra and Kerala have demonstrated the validity of this statement.

The style mentioned that in each quartile also reflects the level of managerial maturity within an organization. In other words as a management matures it moves from the first quartile on to the second and thence to the third en route to the fourth. Contrary evidence also exists to support the view that many organizations unable to withstand the pressures of change regressed from quartile three to quartile two and ensconced themselves in the familiarity of quartile one. Such was the dynamism in the small-scale industries sector

A behaviour repeated over a period causes a pattern to emerge and this is referred to as style. There bare no black and white demarcations in reality whereby a management can be labelled wholly pluralistic or unitaristic. What can be said is that "generally" management tends to act in such and such manner denoting a style. Since no management is wholly unitarist or pluralistic, nor is it possible to have a wholly autocratic or democratic management. Hence, these terms merely signify a tendency towards the direction described by the definition, arrived at by observing past management behaviour and present (stated and unstated) objectives. This combination of managerial assumption and controls, they posit, give rise to a matrix, which depicts four possible styles of Managing Industrial Relations.

The present study across Western Maharashtra adopted the Sadri Model of IR audit, which is well known, and well accept in the HR fraternity and which is shown schematically below by way of illustration.

Sadri's original model and Jayashree's adaptation thereof is largely similar to a Contingency type exposition. This (contingency) approach, we know, states simply that different situations call for different types of organizations. It would follow that any audit or evaluation must be made against a benchmark set up by the internal organization of the company and reflected largely by the corporate objectives. However, it assumes that management operates by design and not by accident. Taking an openly Marxist view Sadri stated that management as the representatives

of the owners of capital ipso facto have a vested class interest in perpetuating the inequality alluded to earlier in Sadri's earlier works. Hence, he had said, it has an ideological motive as well as an economic motive to act in the manner that it does. This ideological motive forces, he had argued, managerial action to retain status quo even when stability degenerates into inertia. Jayashree accepted this premise but refuted the claim that developmental-growth in consciousness and thus style could be unidirectional. She held that management could retract and get into a shell within a comfort zone by withdrawing from its progressive style. In such conditions Jayashree (2005) postulated that the management could move from being participative to becoming proactive and thence reactive only to reach a comfortable paternalistic style when its position was threatened.

Empirical Evidence Of Jayashree

For the Jayashree study whose findings are reproduced here, any concern that employed more than 5 and less than 100 employees was taken as a small-scale industry. Names of concerns were taken from the local offices of the Registrar of Companies in Bangalore, Hyderabad and Trivandrum. No names were disclosed by her as the interviews were conducted on the tacit understanding that anonymity will be ensured. A sample of ninety small-scale industries chosen at random from the three Southern States formed the basis of the empirical examination. Enterprises were divided into the following categories and as will be clear, her sample was quite representative although it was chosen deliberately.

The purpose was to show that the Sadri Model (1977) developed originally for a core capitalist economy was equally valid in a peripheral capitalist economy of a retarded variety as well. In addition, on the strength of the empirical evidence we advise HRM experts to adopt this methodology in their organizations as well. It is simple but not simplistic. It is indicative but can be used for forecasting reactions as well.

In the small-scale sector a manager is known to perform many varied functions and Industrial Relations is just one of them. The original position is well known so only the extended logic based on the empirical evidence from Southern India is cited. We admit that it would be dangerous to generalize, there from, without committing the fallacy of composition (when what is true for a part is taken to be true for the whole).

Hence, she retained the specificity of her findings. In the small-scale sector it must be noted that Human Resources Management is restricted to two activities: General Administration including Pay Roll and Industrial Relations including statutory compliance. Her study had examined the latter directly and the former indirectly.

Here we would like to remind ourselves that these aforementioned studies assumed that the function of industrial relations is to anticipate and regulate conflicts and aid the parties in achieving their set objectives. Industrial Relations Audit becomes an ongoing exercise in a free market economy. This does not ipso facto assume that all conflict is endemic and must be contained. It only assumes that all conflict, which hinders the achievement of corporate objectives, must be anticipated and regulated by industrial relations. Some theorists justifiably go to the extent of stating that conflict arises out of change, is a proof of dynamism and hence must be welcomed. This is indeed an extreme view but has great merit: it prevents stability from becoming inertia as has been witnessed in the Public Sector of Indian industry, either in the primary, secondary or the tertiary sectors. One only has to see the institutions of higher learning especially those funded by the government to see the amount of dead wood carried on the pay rolls. The end result of this is that there is little or no real value addition arising out of managerial action. What in fact happens is that management perceives that their action will lead to the realization of their objectives and thereby add value ipso facto. Since the objectives are those of a mercantilist-trader-businessman, the perception of value addition is flawed and real progress is vitiated. The inevitable result is that we have organizational paralysis a la Jayashree Sadri (the behavioural scientist) along with all the symptoms of development-less-growth, a la Sorab Sadri (the political economist). This both of them say is a typical feature of peripheral capitalism of a retarded variety.

1. Paternalistic Style:

Jayashree's investigation had revealed that village affinity, caste bias and political positioning of management accentuated the Paternalistic style. In these plantations of Kerala for instance this was very much in evidence.

2. RE-ACTIVE STYLE:

Jayashree's investigation had revealed that the reactive style was adopted not so much in respect of the actions of workers themselves. But the environment in which the company functioned e.g. the PWG in the locality, the interest of the MP or the MLA, the state government policy regarding particular industry e.g. small machine shops in Karnataka and Bidi plantations in Andhra Pradesh.

3. PRO-ACTIVE STYLE:

Jayashree's investigation had revealed that the Proactive style was more prevalent in cases where the workers were skilled craftsmen as in small machine shops of Karnataka or where the manager was on educationally qualified person as in Kerala.

4. PARTICIPATIVE STYLE:

Jayashree's investigation had revealed that co-operative societies especially in Kerala fit the description best. In the case of Andhra Pradesh especially where it shares its borders with Tamil Nadu the level of consciousness was found to be rather low.

Volumes can be said about the quality of Industrial Relations or more accurately Business Policy towards Labour, in an organization by considering the manifestations of various types of conflict and regularity with which this occurs. Conflict can be hidden or apparently organized or unorganized and can arise at a number of levels together, separately or in logical sequence. (The response from the questionnaire's and the guided-open ended interviews were used buy jayashree to assess this criterion).

In the small-scale industries studied it was found that family owned concerns of feudalistic structures where exploitation of human labour was the norm, the management operated along Paternalistic lines as in the case of the Palm-oil and Bidi Plantations. In exchange for freedom labour was guaranteed employment and a minimal welfare for the families. With a disequilibrated labour market and an uncertain employment position the exploited labour force welcomed this.

It was found that in concerns where the management was involved in machine tool component manufacturing and where the level of workers was that of a skilled craftsman with a minimal educational background the managerial style was reactionary and labour exploitation was overt. This was because the workers knew their rights and also how to exercise them. However, lack of alternative employment prevented them from making too much "noise" when the management became over exploitative.

In the case of business where there was some amount of bureaucracy and paper work such as small computer companies, the management followed a proactive style of management. The level of deceit and exploitation was no longer overt but covert.

In the case of co-operative societies either of the producers or the consumers the style of management was participative. Power was shared to an extent and decisions were jointly taken. This was because there was a sense of belonging among the participants in the decision making process.

It would indeed be interesting to see where companies in the Middle East or in Japan fit into the typology presented earlier and tested yet again herein. Whereas these were mere tendencies, there is no doubt that an absolute categorization is foolhardy. This paper opines that the original 1997 model within certain parameters is found to be valid in the Indian small-scale industry sector as well. Hence, it is a useful instrument to be used by the HRM expert in organizational diagnosis. Nothing more is claimed by us.

The essential difference between Sadri's various studies and Jayashree's 1994 study was the context in which the model has been tested. The original model was designed for large-scale industries, whereas, in their study the investigatorss endeavour to extend the scope to small-scale industries as well. However, they not only extended the utility of the audit but also pointed out that in an era of strategic alliances, such audits would have to be conducted periodically. In doing so, they pointed out the inherent weakness of the model that it was a static devise use for measuring a dynamic phenomenon. This part of the paper is thus an academic response to that very valid criticism.

The Jayashree study had found that in concerns where the management was involved in a machine tool component manufacturing and where the level of workers was that of a skilled artisan with a minimal educational background the managerial style was reactionary and labour exploitation was overt. This was because the workers knew their rights and how to exercise them. However, lack of alternative employment prevented them from making too much "noise" when the management became over exploitative (Yukl and Wexley, 1983).

In the case of business involving some amount of bureaucracy and paper work, such as small computer companies, the management followed a proactive style of management. The level of deceit and exploitation's been no longer overt, but became sophisticated and covert, (Mouzelis, 1975, Toffler, 1985). In the case of co-operative societies either of the producers of the consumers, the style of management was participative. Power was shared to an extent and decisions were jointly taken. This was because there was a sense of belonging among the participants in the decision making process.

It would indeed be interesting to see where the companies in the Middle East or in Japan (Thurley, 1975, Thurley and Wood, 1983, Wolfern, 1990) fit into the typology presented earlier and tested yet again herein. Whereas, these were mere tendencies, there is no doubt that an absolute categorization is foolhardy.

Thr Re-Formulation Of Sadri

Based on the theoretical underpinnings Sadri had revisited the issue and undertook an analysis of the empirical evidence first unearthed by the Jayashree study and subsequently verified by Sadri using postgraduate research scholars at XLRI. What essentially was posited, therein, was simply that the influences of endogenous variables cannot alone determine the form and the content of the industrial relations. In other words the influences of the managerial styles on the industrial relations styles are not total. Using the transitivity principle in mathematics, wherein, if a > b and > c, then a > c, this paper posits the following formulation to explain that in order to attain an optimum level of organizational behaviour (OB) had Sadri argued that one must consider both exogenous and endogenous variables.

Let OB = z

Let Exogenous Variables = x

Let Endogenous variables = y

The paper assumes that z is a function z and y, i.e. z = f (x,y)

Representing z by the general equation in the second degree we get…

z = ax2+by2+2gx+2fy+2hxy+c…….(1)

To maximize z we differentiate it partially with respect to x or y. So doing, we arrive at :

z = 2ax+2hy+2g and z = 2by+2hx+2f

Putting z = 0 we get x = (hy+g)/a and y = (hx+f)/b

and then substituting these in (1) we get z to be a function of y in the first case and x in the second.

Now, as posited by the mode we could put, if x = 0 then

z = by2+2by+c…….. (2)

So z = 2fy+2f (with respect to y)

Putting z = 0 we get y = f/b

Substituting this in (2) we get z = c - f/b which is a constant, showing that z can only attain a fixed value for given values of b. f. c. Since the purpose of an audit is to review, and thereby improve upon the existing policies, the assumption to leave out x or exogenous variables while testing the model is not justified as an exercise in judging the health of a human resource management system.

Sadri's 2003 formulation has an apparent limitation. It cannot and does not take into account ideological influences

in the sense that he mentions them but does not show how they can be gauged.

However, in later papers he argues that since ideological influences are both endogenous and exogenous, these can be subsumed in the formulation. In addition, the exogenous and the endogenous influence are not mutually exclusive so this mutuality assumed in the model may be limiting this derivation. But if mutually exclusives is not assumed. We will have problems of autocorrelation, which will unnecessarily complicate the matter.

Furthermore, z is a dependent on the managerial styles, which in turn determine the industrial relations styles, so z can determine the industrial relations styles. The paper has already postulated that without considering x, z cannot be maximized. Hence, without considering x, an industrial relations style neither can be fully determined nor be accurately audited.

The earlier studies do not account for change. They assume the industrial relations styles and the policies to be static at the expense of neglecting the dynamism inherent in the system. This was a convenient assumption at the time but with the cataclysmic changes going on in the economy and the polity of India that assumption needed to be revised.

The original model assumes that the quality of industrial relations could be judged by considering whether the existing framework of policies and practices assists or hinders the achievement of the company objectives. That the objectives are stated clearly and openly, and that there is no hidden agenda, is further assumed.

The achievement of the company objectives (for e.g. if the same is achieving a target production of say 5 million tones of steel per annum), as the role criteria for judging the quality of industrial relations seems to be a superficial benchmark. A Company in the run may slave-ride its employees and achieve that target. This may not assure us of a good quality of industrial relations per se. The four identified styles of industrial relations depicted in the earlier formulations assumed that the style of a manager should fall into one of these four categories. It is possible that the manager may have to adopt a combination of these four styles depending upon the situation. Therefore, a contingency type approach incorporating all the four styles may seem appropriate. Evidence from the Indian context shows that as a management matures it moves from a paternalistic mode to a reactive mode, and thence to a proactive mode. Except in small concerns like research bodies and co-operative societies, participative management is never achieved. In fact, it is utopian, it assumes a level of maturity on the part of the management and the unions (which is just not there) and it assumes the consensus will prevail in solving problems (which again is not the case). If management promotes creativity, is built on trust-relations, is transparent in its decision-making and has a high sense of ethical core beliefs, then the Proactive Style is ideal for registering progress. The original can be stated thus:

> *Examination of the HR Style would serve as a guide to formulating corporate policy towards capital and labour. It must be undertaken in every organization as a precursor to HR intervention.*

In a subsequent study Jayashree (1999) discovered that Sadri's prognosis of movement from one managerial style to another, as a management matured (in large-scale industries) was not quite so straightforward. She found that as a management moves from the paternalistic style to the reactive style, there is a lot of turbulence as the erstwhile power relations are threatened. Hence at the slightest sight of trouble management tends to revert back to the paternalistic style wherein the CEO is more stable even though the organization is in a state of inertia. The process of democratization, empowerment and delegation are rolled back and the CEO relapses into the more comfortable feudal-mercantile-trader mode. It is here that HRM intervention has to play a very vital role in preventing a roll back of progress. The transition from the reactive style to the proactive style was a little less traumatic since the CEO was used to a semblance of democracy by now. However the proactive managers depend to a great extent on the charisma and humane character of the leadership. A leader who walks his talk and leads by example is the one who makes the difference. But where does HR intervention fit in? Jayashree's well known and well researched position on the question of diagnosis for HR interventions can be succinctly re-stated as follows:

- Whereas diagnosis is an activity one cannot afford to overlook precious few HRM professionals actually carry it forth systematically. Their quick fix solutions are then constrained by their lack of depth and this affects the accuracy of the findings.
- Whereas the accuracy of the findings is desired, a judicious mix of time taken and the accuracy needed must be struck. Climate surveys, for instance, which take over nine months to complete in an industry where the climate changes every three months, are an exercise in futility.
- Whereas it is necessary to arrive at an accurate diagnosis, this is futile if the idea cannot be converted into a feasible solution and sold to top management. This where the link between theory and practice becomes very important. Selling the idea must be based on principles and anchored on core values.
- Seeing the solution through and being accountable for the delivery of the solution makes the difference between a consultant and a facilitator. Of course, the latter is preferred.
- Never should a decision be taken and a survey conducted to justify the same ex post facto. There are consultants who reveal in doing so and such a practice must be eschewed.
- A competent facilitator never uses only one instrument to diagnose an organization. One method, which we have used with a degree of success, is (a) Use the micro-economic production function to determine the health of the organization's economy. (b) Follow it up with examination of managerial styles. (c) End the diagnosis with a structured climate survey. Do not rush into conducting a climate survey straight off.
- Whereas change is often desired the HRM facilitator must keep an open mind and see whether the diagnosis reveals that change is in fact called for. Change for the sake of change is disastrous.
- The HR facilitator must be alive to the internal power struggle and the corporate politics when the organizational diagnosis is being undertaken. This will ensure that inputs are cross-referenced and objectively evaluated.

Following on the lines of Mills, Giddens and Gouldner the advice repeatedly given by Sadri to all CEOs who employ HR facilitators is to ensure that the facilitator is accountable for the solution proffered by him. One caution that the CEO must exercise is that he should never employ the services of a facilitator who has links with executive placement agencies. The facilitator must be empowered, held accountable for his/her ideas and must supervise its implementation as a part of the contractual agreement. In the software industry, especially this homily is well worth taking seriously since attrition levels are known to escalate when certain facilitators enter into certain organizations.

With the above caveat and the brief examination into the investigations carried out, Sadri 2003 concluded that. (a) HRM is an integral part of the corporate strategy making strategy implementation team. (b) HRM is a specialized function, which are at once the instigator and the catalyst of organizational change. (c) Transition of a concern into a high growth company needs positive and proactive HRM intervention. Moreover, this position was repeated in the 2009 work of Jayashree, Sadri and Nayak as well.

It was quite clear that the HR fraternity of Indian academia had accepted this model and the investigators had to just ensure that this was true since the pilot investigations in the Thane-Belapur belt in the course of the doctoral research of one of the investigators had indicated otherwise.

The Evidence From Western Maharashtra

Sadri had finally concluded that organizational diagnosis is an inexpendible part of the Strategic HR function. The model for auditing industrial relations originally in its specific form was converted into its generalized form over the years and used effectively to audit managerial styles. Its validity was successfully tested across geo-political barriers by several independent studies. These studies were dated and these investigators felt that Western Maharashtra with its unique blend of rural and urban work cultures would throw up its own unique management style. Hence, these investigators studied the industrial scene in Solapur, Sangli, and Kolhapur Districts. This was because the industries and the geo-physical environment was so much different from the area of Greater Mumbai which was the focus of her ongoing doctoral research.

Sample And Method Of Inquiry

Postgraduate students of Management who hailed from the respective regions and came to Mumbai for studies, were used, questionnaires were distributed and collected. Sample was chosen on a stratified cum convenience basis. Thereafter the data was analysed and reinforced through focused interviews.

Given below is a chart that conveys the size of the sample taken for this study between 2008 and 2010. The five sectors selected show that to an extent we could generalise on our findings since companies dealing in textiles, engineering, processing, banking and hotels constitute a fair spread of the value generation units and process in Indian industry.

District Solapur

INDUSTRY TYPE	NO OF UNITS	MANAGERS	SUPERVISORS	WORKERS
Textiles	06	10	22	30
Engineering	02	4	05	19
Processing	03	5	09	25
Banking	08	8	04	35
Hotels	03	4	07	12

District Sangli

INDUSTRY TYPE	NO OF UNITS	MANAGERS	SUPERVISORS	WORKERS
Textiles	07.	10	22	30
Engineering	02	03	06	22
Processing	02	02	05	25
Banking	06	06	08	29
Hotels	02	03	06	18

District Kolhapur

INDUSTRY TYPE	NO OF UNITS	MANAGERS	SUPERVISORS	WORKERS
Textiles	12	10	22	30
Engineering	04	07	12	12
Processing	02	03	07	25
Banking	05	05	05	19
Hotels	03	03	07	15

Survey of literature shows that the districts of Solapur, Sangli and Kolhapur are well within the sugar belt of Maharashtra and economic development is stymied. The gap between the rich and the poor is very wide and intra-sectoral development is uneven. A short introduction on Solapur, Sangli and Kolhapur Districts is given below It will be quite clear that though all three districts are located within Western Maharashtra each of them has retained its uniqueness of economy, polity and culture.

Solapur, a Central Railway junction of importance, has been a textile hub for many years. The natural climate of Solapur is conductive to the textile manufacturing process. Even though the composition textile mills and spinning mills have been making a good business in the past they are not doing well for the last decade or so. These power units also are going for modernization and quality improvement. There are one or two small knitting units at Akkalkot road MIDC. Industrial organization is a gigantic structure, which is supported by four 'Ms'. Man, Machine, Material, and Money.

The case of Sangli is not much different. Sangli is major national market for sugar, turmeric, cotton, oil seeds, grapes, sugar, jiggery, chillies, soybean and other agriculture goods. Sangli has well organized market body for trading local agriculture products called Vasandada Market Yard. However, it is also well known for its spinning mills which this study has undertaken to review. Sangli -Miraj MIDC industrial area is one of the largest industrial area in Maharashtra. It is made up of two main blocks i.e. Kupwad block and Miraj block. Krishna Valley Chamber of Commerce and Industries is the main body looking after all development and has provided different facilities like green house, club house, swimming pool, health centre, software-training, etc

The co-operative movement in Kolhapur is back bone of the economic development of the district. This is the only movement which has touched every field. The stalwarts like Ratnappa Kumbhar, Tatyasaheb Kore, Late Dattajirao Kadam, Dadasaheb Patil Kaulavkar, D.C.Narake and several others have laid the foundation of this movement. The co-operative spinning mills have to some extent raised the living standard of farmers and workers employed therein. The district has made progress mainly through the co-operative movement. In September 1906 the Late Chh.Shahu Maharaj laid the foundation stone of Shahu Chhatrapati Spinning mills which was a begging of industrialisation in Kolhapur

The Scenario Prior To 1995

Literature reviewed by the first investigator showed that as the level of working class consciousness and managerial acceptance of the fact that cooperation was a better alternative than confrontation in Industrial Relations, increased, the initial Sadri formulation and Jayashree's empirical evidence showed that the formulation depicted below was very much representative of objective social reality. Western Maharashtra was thriving and the textile and sugar industries in particular were the main engines of growth. The trickledown effect of growth was positive and employment levels rose as did the social-economic indices. The affluence in Kolhapur was known as was the collapse of industries in Solapur and the ambivalent business positions in Sangli. Hence these three districts represented an assortment of geo-physical environments and made the current study that much more interesting.

The Post 1995 Scenario

The ill-advised and almost quixotic textile strike led by Datta Samant was more damaging than beneficial to the workers' cause and their eventual emancipation from the industrialists who usually operated with a mercantilist-feudal-trader mindset. They saw reality in terms of short run actual cost and gave the long run opportunity cost the short-shrift in typical book-keeper style reminiscent of the modern day version of Uriah Heap (with apologies to Dickens). Industries died out and workers lost both their hearths and their homes consequently. After the

steady collapse of the textile industry, management went on the back foot and having gone that way, the situation became retrograde. Managerial consciousness levels declined and management styles followed. To add this was the withering away of trade unions a la Sadri, Ray and Hegde (1994). Politicisation of the labour movement had created unnecessary rifts in the rank and file on the one hand and promoted petty bourgeois false consciousness on the other. This added to the growing malaise.

A short unpublished study conducted by Sadri (2009) entitled "The Production Function of Solapur's Textile Industry" had further showed that the value of A in the elementary Cobb Doulas Production Function [$Q= AL\alpha K\beta$] in selected textile mills of Solapur district was 2.0 as against the desired 3.0+. In other words the investment multiplier A was not adequate enough to allow companies to function above constant returns to scale and managements were reluctant to infuse capital to buttress the desired growth to meet both competition and market demand. Hence the blame for the demise of the textile industry in Solapur needs to be shared by the unions and the management in almost equal measure.

As the 21st. Century was ushered in, the world saw the emergence of a triad in international trade where the three principal loci of economic power were the United States, Japan, and the European Union. Monopoly capitalism had given way to finance capitalism and an era of international finance capitalism a.k.a. imperialism, which emerged there from, had become a powerful reality that could neither be wished away nor overlooked. Traditionally the social class that controls the means of production also controls the means of government. Under this new imperialism, what will be the symbiotic relationship between the State and business becomes a major concern of political economists. The unequal distribution of wealth, incomes and opportunities on the one hand and the uneven development of peoples, industries and sectors on the other hand become the hallmarks of the new global economy. A market driven balance in the spread of gains from commerce among these three loci of power does not seem imminent. Under such conditions, interdependence between governments and firms becomes more significant. This argument has been extended from Sadri's 2003 polemical paper that was based on an essentially Neo-Classical (capital deepening, labour deepening and Hicks neutral) paradigms examines the question of corporate governance at the national level from the macro managerial perspective of political economy and links it to the process of structural change. In the process, some issues are thrown up for future intellectual cogitation especially as it influences the Indian Economy in the first few years of the present century. Consequently, the Sadri model worked in a reverse way as can be seen from the diagram given below.

When a sense of the historical mission is lost and consumerism and materialism begin to thrive, the trade union becomes a pawn in either the hands of management or the Government as seen in some cases in West Bengal

and Kerala. In short, this observation is true for the so called socialists as well for them who are not always consistent in their policies in respect of labour. And, this is exactly the position in which the protagonists of a free market economy and their capitalist pay masters want the workers to be in. We believe that as long as capitalism survives the entrepreneurial spirit will continue to generate surplus value for private distribution. And as long as this equation remains valid, productivity related growth in the Indian periphery will surely take place. Evidence of macro-economic indicators between 2006 and 2010 are adequate to support this contention. This, in turn, will determine the relations of production and the form in which capitalism will survive in the years to come. In other words, the modalities of the new socio-political order are delineated and with it the magnitude and the direction of change in the labour collectivity.

The indigenous entrepreneur's position, all over the country, then is not to negate the existence of the union per se. Conversely, it is to create a form of "business unionism" which is consumerist and materialist. That union would be sans ideology and act as a clearing house for labour demands. To quote C Wright Mills, (1970) unions would become "managers of discontent" and nothing more. They will be unable to transcend the level of consciousness and grapple with issues that threaten to restructure the very relations of production. The embourgeoisement of the rank and file, the labour aristocracy within the leadership and the oligarchic nature of union administration helps in the formation of such business unionism. And, if the present trends persist, then the worker will be left without an adequate level of class consciousness so that the true nature of capitalism can be understood. Under the above circumstances, the alienated worker sinks into a condition of anomie and the macro as well as micro praxis of aggrandisement is made possible. If such a situation is allowed to persist and the markets once again begin to clear will, the exploitative nature of capitalism not be tempted to become more overt? In addition, if that happens will the working class not be caught napping, as the Sadri-Ray-Hegde (1994) paper had rightly argued).

Conclusion

Now we come to the findings of this study. As the forces of competition intensified, and as management increasingly found itself on the back foot, it moved from a somewhat participative position to a proactive position. Thereafter as the strikes began to eat into profits and agriculture as an industry dwindled taking the regional economic prosperity with it management became even more conservative moving into a reactive mode and in 2008 it has safely ensconced itself into a paternalistic mode. Hence this study came to the conclusion that whereas the original model of Sadri held true only when industry was moving upwards on a growth path, Jayashree's observation that the cycle could be reversed was held true when the industry was going downwards recording negative or stagnant economic growth. This finding is significant in that the IR style cannot and should not be viewed in isolation but must always seen in the context of the external environment. It is by no means static but a very dynamic phenomenon which the HR Manager can overlook only to his/her own detriment.

References

1. Bennis, Warren, G., (1969), Organization Development: Its nature, Organization and Development, Addison- Wesley, Reading, Mass.
2. De, Nitish (1991): Organizational Scanning, Prentice Hall of India, New Delhi.
3. DiBella, A J and Nevis, E C (1998): How Organizations Learn, Josey-Bass Pub. San Francisco.
4. Fox, Alan (1974): Man Mismanagement, Hutchinson, London.
5. Frohlich N and Oppenheimer J A (1977): Modern Political Economy, Prentice Hall of India, New Delhi.
6. Giddens, Anthony (1992): Sociology, Polity Press, Cambridge.
7. Gillerman, Saul W. (1970):, Motivation and Productivity, D.B. Taraporewala & Sons, Bombay.
8. Gouldner, Alvin (1971): The Coming Crisis of Western Sociology, Hienemann, London.
9. Handy, Charles (1991): The Age of Unreason, Arrow Business Books, London.
10. Handy, Charles (1996): Beyond Certainty, Arrow Business Books, London.
11. Harrison, M and Shirom, I A (1999): Organizational Diagnosis and Assessment, SAGE, New Delhi.
12. Hyman, Richard (1982): Industrial Relations: a Marxist Introduction, Macmillan, London.

13. Hyman R and Brough Ian (1975): Social Values and Industrial Relations, Basil Blackwell, Oxford.
14. Jayashree S et al (1995) Studying Managerial Behavior in the Indian Environment in Dharani P Sinha (ed) Redeployment and Labour in South Asia, AMDISA. Frederick Ebert Stiftung
15. Jayashree S (1999) "The HRD Facilitator and Organizational Diagnosis: a considered opinion" Indian Management, Summer.
16. Jayashree S (2005): What Every MBA Should Know About HRM, Himalaya Pub House, Mumbai
17. Jayashree S, Sadri S and Nayak N (2009): A Strategic Approach to Human Resources Management, Jaico Pub House, Delhi and Mumbai.
18. Linara, Carlos Rodrigues (1990): The Relevance of the Sadri Model of IR Audit in the Educational Sector of Macau and Hong Kong, unpublished Masters Degree Thesis of the University of East Asia.
19. McGregor, Douglas, (1960), The Human Side of Enterprise, McGraw Hill Book Co., New York.
20. Milkovich G., and Bourdreau, J. (1997), Human Resource Management 8th ed., Irwin, Chicago
21. Mouzelis, Nicos, (1975): Organization and Bureaucracy, Routledge and Kegan Paul, London.
22. Pareek, Udai: (1992): Conflict and Collaboration in Organizations, Oxford and IBH, New Delhi.
23. Rao T V, et al (1994): HRD in the New Economic Environment, Tata McGraw Hill, New Delhi.
24. Rao T V: (1990): The HRD Missionary, Oxford and IBH, New Delhi.
25. Sadri S and Williamson C J (1988) Auditing Industrial Relations in Free Market Economics" in the Conference Proceeding of the Asian Research Centre, Hong Kong, 1988.
26. Sadri S and John Whitehouse (1988) "The Social Action Approach to the Study of Organisation Theory (An Exposition)", Vol 3, annual issue, Eastern Sociologist, India
27. Sadri S (1989): "An Approach to the Study of Industrial Organization" International Social Science Review, Ohio.
28. Sadri S and Hegde D S (1993): The Liberalised Economy and The Corporate Manager The Economic Times, 22 July 1993.
29. Sadri S, Ray P and Hegde D S (1994): Are Trade Unions in India Withering Away?, Indian Journal of Labour Economics,
30. Sadri S and Jayashree S (1997): "Chief Executives and Organizational Change" South Asian Journal of Management, July-December.
31. Sadri S and Jayashree S (1998): "When the Mediocrity is Empowered Woe to Thee Oh HR Professional" Management and Labour Studies, winter.
32. Sadri S and Williamson C J (1989): Management and Industrial Relations Strategies of Multinational Corporations in Developing Countries, Journal of Business Research, Vol. 18.
33. Sadri S and Lukose F (1991) Cross Cultural Industrial Relations: An Empirical Examination" in International Journal of Value Based Management", January.
34. Sadri S and Dastoor D S (1992) Personnel Management in India: A Critical Appraisal and Reformulation, Udyog Pragati, Vol 16 Nos. 3 & 4.
35. Sadri S, Jayashree S and Ajgaonkar M (2002): Geometry of HR, Himalaya Publishing House, Mumbai.
36. Sadri S: (2003) A Model For Industrial Relations Audit: {From The Specific To The General} Indian Journal of Industrial Relations, January.
37. Sadri S (2003): Corporate Governance Under Conditions Of Deepening Economic Integration [A Considered Opinion]: Silver Prayas, SIBM, Pune.
38. Sadri S and Jayashree S (2011): Human Resources Management in India: concepts and cases, Current Publications, Agra.
39. Silverman, David (1970) The Theory of Organizations; a sociological perspective, Heinenmann, London
40. Thurley, K. (1975), "The Treatment of Management in Industrial Relations Studies, a New Start?" Monograph, London School of Economics and political Science.
41. Thurley, K. E and Wood, S. (eds.) (1983), Industrial Relations and Management Strategy, Cambridge University Press.
42. Ulrich D (1997) Human Resource Champions, Harvard Business School Press, Boston
43. Walton R and McKersie R (1965) A Behavioural Theory of Labour Negotiations, McGraw Hill, New York.
44. Wolfern, K. van, (1990): The Enigma of Japanese Power, Vintage Books, New York.
45. Yukl, G.A. and Wexley, K.N., (eds) (1983), Readings in Industrial and Organizational Psychology, Oxford University Press, London
46. Gratitude with the usual disclaimers is extended to Dr Sorab Sadri for the constant discussions and critical appreciation over the past two years during which this project was completed.

Competency Mapping - A successful business strategy in the Global Scenario

Neha Wasalwar

Introduction

In the modern competitive world it has become an essential requirement for each and every organization to have one or the other core business strategy to excel. When it comes to excellence, there is a saying- "charity begins at home" which means One's own family (or country, etc.) comes before any other responsibilities and in terms of organization it means that the internal customers i.e. the employees of the organization come before the external one. And to achieve excellence it is important to have an outstanding staff which would take the organization towards Excellency.

In today's scenario a new concept Competency Mapping has gained a lot of significance among HR professionals as a tool for improvement in recruitment and selection, performance management, training and development, succession planning, organizational development analysis, etc..

History

The competency mapping has originated from the Arthshastra and Gita, the classical books. The Arthshastra is an ancient Indian script/ book on Political Science and Administration which was written by Chankya (also known as Mr. Kautilya and Mr. Vishnu Gupt) some 3000 years ago . It is the towering book in which the basics and applications of Management Sciences, Chemistry, Physics, Military and War techniques, Basic Engineering and Technologies, Ethics, Legal and Judiciary and Fiduciary system, Values, Psychology, and Anthropology, Organization Behavior, Human Resource Management are found. In fact major basics of all Marketing Management, Human Resource Management, basics of Management Models, are been directly lifted with some modification from this book. The Gita is a classical script on spirituality.

Objectives of the study

- To understand the concept of Competency Mapping
- To study the process of competency mapping
- To know the different models for competency mapping

- To find how competency mapping helps in the recruitment and selection, training and development and performance management.

Findings

Competency is the ability of an individual to perform a job properly.

"competence" is a combination of knowledge, skills and behaviour which is used to improve performance; or as the state or quality of being adequately or well qualified, having the ability to perform a specific role.

Competencies can be classified into 3 broad categories:-

1) Managerial

Competencies which are considered essential for staff with managerial or supervisory responsibility in any service or program area, including directors and senior posts.

Some examples of managerial competencies are decision-making, team leadership, change management, etc.

2) Generic

Competencies which are considered essential for all staff, regardless of their function or level. Example- communication, program execution, processing tools, linguistic, etc.

3) Technical/functional

Specific competencies which are considered essential to perform any job in the Organization within a defined technical or functional area of work.

Example- environmental management, industrial process sectors, investment management, finance and administration, human resource management, etc.

Competency Mapping

Competency Mapping can be defined as a process through which one assesses and determines one's strengths as an individual worker and in some cases, as part of an organisation. Its a combination of 3 key areas called KSA, K - Knowledge, S - Skills, A - Attitude. Competency Based Framework Helps an Organization to Build Up competencies for the employees and develop a competency based culture. It is the process of identification of the competencies required to perform successfully a given job or role or a set of tasks, at a given point of time. It consists of breaking a given role or job into its constituent task or activities and identifying the competencies (technical, managerial, behavioural, conceptual knowledge, an attitude, skills, etc.) needed to perform the same successfully. Different organisations adopt different process of Competency Mapping according to their requirements.

But in general the process of Competency mapping consists of the following steps:-

a) A job analysis is conducted by taking incumbents to complete a Position Information Questionnaire (PIQ). This can be provided to incumbents to complete or use it as a basis for conducting one-on-one interviews. The primary goal of this is to gather information from incumbents about what they feel should be the key behaviour necessary to perform their respective jobs.

b) Using the results of job analysis, a competency based job description is developed.

c) With a competency based job description, mapping the competencies can be done. The competencies of the respective job description become factor for assessment on the performance evaluation. Using competencies will help to perform more objective evaluations and better recruitment and selection.

d) Taking the competency mapping one step further, one can use the results of one's evaluation to identify in what competencies individuals need additional development or training. This will help in focusing on training needs required to achieve the goals of the position and company and help the employees develop toward the ultimate success of the organization.

It is not easy to identify all the competencies required to fulfill the job requisite. However, a number of methods and approaches have been developed for mapping Competencies. These methods have helped managers to a large extent, to identify and reinforce and/or develop these competencies both for the growth of the individual and the growth of our organization.

Following are the various methods of Mapping Competencies:-

A. Assessment Center.

B. Critical Incidents Technique

C. Interview Techniques

D. Questionnaires

E. Psychometric Test

F. Repertory Grid

A. Assessment Centre

Assessment center is a mechanism to identify the potential for growth. It is a procedure (not location) that uses a variety of techniques to evaluate employees for manpower purpose and decisions. The techniques used must be validated to assess the dimensions of skills and abilities. An essential feature of the assessment centre is the use of situational test to observe specific job behaviour. The behavioural observations must be classified into some meaningful and relevant categories of attributes, skills and abilities, etc. Since it is with reference to a job, elements related to the job are simulated through a variety of tests. Multiple assessors must be used for each assess and the assessors must be thoroughly trained. The assessors observe the behaviour and make independent evaluation of what they have observed in a systematic format and prepare a report on it. The report helps in identifying strengths and weaknesses of the attributes being studied.

The assessment center comprises a number of exercises or simulation which are designed to replicate the task and demands of the jobs and to assess the strength and weakness & potential of the employees.

1.) Group Discussion : In this candidates are brought together as a committee or Project team with one or a number of items to make a recommendation on. Candidates may be assigned a specific roles to play in the group or it may be structured in such a way that all the candidates have the same basic information. Group discussions allow them to exchange information and ideas and give them the experience of working in a team. In the work place, discussions enable management to draw on the ideas and expertise of staff, and to acknowledge the staff as valued members of a team.

A useful strategy for developing an effective group discussion is to identify task and maintenance roles that members can take up. Following roles, and dialogue that might accompany them in a group discussion have been identified.

a) Positive Task Roles

b) Positive Maintenance Roles

2. In Tray : This type of exercise are normally undertaken by the candidates individually. The materials comprise of a bundle of correspondence and the candidate is placed in the role of somebody, generally, which assumed a new position or replaced their predecessor at short notice and has been asked to deal with their accumulated correspondence
3. Interview Simulation / Role Plays : In these exercise candidates meet individually with a role player or resource person. Their brief is either to gather information to form a view and make a decision, or alternatively to engage in a discussion with the resource person to come to a resolution on an aspect or issue of dispute. Generally time is given to prepare for such a meeting and a short, general brief on the conduct of the meeting itself and consideration to preparatory notes are also given.
4. Case Studies / Analysis Exercises : In this type of exercise the candidate is presented with the task of making decision about a particular business case. They are provided with a large amount of factual information which is generally ambiguous and , in some cases contradictory. Candidates generally work independently on such an exercise and their recommendation or decision is usually to be communicated in the form of brief written report and / or a presentation made to the assessors.

B. Critical Incidents Technique

It is difficult to define critical incident except to say that it can contribute to growth and decay of a system. Despite numerous variations in procedures for gathering and analyzing critical incidents, researchers and practitioners agree that critical incidents techniques can be described as a set of procedures for systematically identifying the behaviour that contribute success or failure of individual or organization in specific situation. First of all, a list of good and bad for the job behaviour is prepared for each job. A few judges are asked to rate how good and how bad is good and bad behaviour for the job, respectively. Based on these rating a check-list of good and bad behaviour is prepared.

The next task is to train the supervisor in taking notes on critical incidents or outstanding examples of success or failure of the subordinates in meeting the job requirements. The incidents are to be immediately noted down by the supervisor. Very often the employee concerned is also involved in discussion with his supervisor before the incidents are recorded, particularly when an unfavorable incidents is being recorded, thus facilitating the employee to come out with his side of the story.

The objective of immediately recording the critical incidents is to improve the supervisor's ability as an observer and also to reduce the common tendency to rely on recall and hence resulting into distortions in the incidents. Thus a balance sheet for each employee is generated which can be used at the end of the year to see how well the employee has performed. Besides this a definite objective of this technique is that it identifies areas where counseling may be useful.

C. Interview Techniques

The interview consists of interaction between interviewer and applicant. It is a very powerful technique in achieving accurate information and getting access to material otherwise unavailable. Biasness and restriction or distortion of flow of information must be avoided while interviewing.

Followings careful steps should be taken during and after the interview:

a) Before the actual interview begins, the critical areas in which the questions are to be asked must be identified for judging ability and skills. It is advisable to write down these critical areas, define them with examples and form a scale to rate the responses

b) The second step taken is to scrutinize the information provided to identify skills, incidents and experiences in the career of the candidate, which may answer questions raised around the

critical areas. This procedure will make interview less detached from reality and the applicant will be more comfortable because the discussion will focus on his experiences.

c) An interview is a face-to-face situation. The applicant is "on guard" and must be careful to present the best face possible. At the same time he is tense, nervous and possibly frightened. Therefore during the interview tact and sensitivity can be very useful. The interviewer can get a better response if he creates a sense of ease and informality and hence uncover clues to interviewee's motivation, attitudes, feeling, temperament, etc., which are otherwise difficult to comprehend.

d) The fundamental step taken is establishing rapport, putting the interviewee at ease conveying the impression that the interview is the conversation between two friends, and not a confrontation between employer and employee. One way to achieve this is by initially asking questions not directly related to job, that is, chatting casually about the weather, journey and so on.

e) Once the interviewee is put at ease the interviewer starts asking questions or seeking information related to job. Here again it is extremely important to lead up to complex questions gradually.

f) Showing surprise or disapproval of speech, clothes or answer to question can also hold back the candidate. The interviewee is over-sensitive to such reactions. Hence, an effort to try and understand the interviewee's point of view can go a long way in getting to know him.

g) Leading questions should be avoided as they give the impression that the interviewer is seeking certain kind of answers. This may create a conflict in the interviewee, if he has a strong view on the subject.

D. Questionnaires

Questionnaires are written list of questions that users fill and return back. The method starts by formulating questions based on the type of information which is required to be known. Usually, a questionnaire consists of a number of questions that the respondent has to answer in a set format. A distinction is made between open-ended and closed-ended questions. An open-ended question asks the respondent to formulate his own answer, whereas a closed-ended question has the respondent pick an answer from a given number of options. The response options for a closed-ended question should be exhaustive and mutually exclusive.

E. Psychometric Test

Psychometric tests aim to measure attributes like intelligence, aptitude and personality. They provide a potential employer with an insight into how well an applicant work with other people, how well he handle stress, and whether he will be able to cope with the intellectual demands of the job. Psychometric tests fall into two main categories. Personality questionnaires, which try to measure aspects of one's personality, and aptitude tests which try to measure one's intellectual and reasoning abilities.

A psychometric test must be:

- Objective: The score must not affected by the testers' beliefs or values
- Standardized: It must be administered under controlled conditions
- Reliable: It must minimize and quantify any intrinsic errors
- Predictive: It must make an accurate prediction of performance
- Non Discriminatory: It must not disadvantage any group on the basis of gender, culture, ethnicity, etc.

F. Repertory Grid

The repertory grid is a technique for identifying the ways that a person construes (interprets/ gives meaning to) his or her experience. It provides information from which inferences about personality can be made, but it is not a personality test in the conventional sense. A grid consists of four parts:

1. A Topic: it is about some part of the person's experience
2. A set of Elements, which are examples or instances of the Topic. the Grid has been used in much wider settings (educational, occupational, organisational) and so any well-defined set of words, phrases, or even brief behavioural vignettes can be used as elements.
3. A set of Constructs. These are the basic terms that one uses to make sense of the elements, and are always expressed as a contrast. Thus the meaning of 'Good' depends on whether one intend to say 'Good versus Poor', as if he is construing a dramatic performance, or 'Good versus Evil', as if he is construing the moral of some more fundamental experience.
4. A set of ratings of Elements on Constructs. Each element is positioned between the two extremes of the construct using a 5- or 7-point rating scale system; this is done repeatedly for all the constructs that apply; and thus its meaning to the client is captured, and statistical analysis varying from simple counting, to more complex multivariate analysis of meaning, is made possible.

Constructs are regarded as personal to the person, who is psychologically similar to other people depending on the extent to which she/he would tend to use similar constructs, and similar ratings, in relating to a particular set of elements. And it is the way that the constructs are identified that makes a Repertory Grid unique.

The person is asked to consider the elements three at a time, and to identify a way in which two of the elements might be seen as alike, but distinct from the third. For example, in considering a set of people as part of a topic dealing with personal relationships, a person might say that the element 'my father' and the element 'my boss' are similar because they are both fairly tense individuals, whereas the element 'my wife' is different because she is 'relaxed'. And so we identify one construct that the individual uses his thinking about people: whether they are 'Tense as distinct from Relaxed'. (in practice, good grid interview technique would delve a little deeper and identify some more behaviourally explicit description of 'Tense versus Relaxed'. All the elements are rated on the construct, further triads of elements compared and further constructs elicited, and the interview would continue until no further constructs are obtained.

Competency Model

A job competency model is a description of those competencies possessed by the top performers in a specific job or job family. In effect, a competency model is a "blueprint for outstanding performance". As an Individual, one can use job competency models to guide own career development. Coupled with an accurate assessment of own competencies, one will be able to identify competencies needing development and/or identify other jobs or careers that make better use of the competencies one possess.A competency model is a valid, observable, and measurable list of the knowledge, skills, and attributes demonstrated through behaviour that results in outstanding performance in a particular work context. Competency modeling begins the process of building tools to link employee performance to the mission and goals of the organization.

Integrating the competency model throughout the HRM system

To be most effective, the organization should integrate the same competencies identified for a specific

classification throughout all aspects of the HR program, including recruitment and selection, performance management and professional development.

For example, once identified the competencies which is most critical to job performance in targeted classification,one should design the selection process to recruit and hire people who possess those competencies. Once hired, employees should be given performance feedback on how well they demonstrate those competencies, and their professional development plans should focus on further improvement in the critical competency areas.

The figure below illustrates how a classification's competencies are integrated into an organization's entire Human Resources Management system.

Integrated Competency Model

In implementing the Competency Model, consistency is critical. To use one set of competencies for the selection process and another for performance management invites confusion and dilutes the effectiveness of the Competency Model.

In addition, the Competency Model will be most effective when everyone in the targeted classification understands which competencies the agency considers critical to successful job performance. When consistently used, the language of the Competency Model will become interwoven into the fabric of the organization, and integrated into employee performance.

In some organizations it is most practical to introduce the Competency Model into all of the agency's HR systems simultaneously. In others, it will be better to phase the Competency Model into HR systems on a gradual basis. Although there are real benefits in introducing a fully integrated system all at once, unless your organization has the capacity to do it well, it is better to phase it in gradually.

When phasing in the Competency Model, it is best to introduce it into the selection process first. Typically there is less resistance to changing a selection process than a performance management process because it directly affects fewer employees. Most agencies also find it best to introduce the Competency Model into the performance management process at the beginning of a performance evaluation cycle. This will prevent one from selecting employees under one set of competencies and evaluating them under another.

Integrating a Competency Model throughout the Organization

The integrated competency-based HR model should be used throughout the organization. Doing so simplifies the administration of HR services and increases everyone's perception of the importance of the competency-based approach. Integrating the model throughout the organization has a number of advantages:

To focus the Competency Model only on one or two classifications will diminish the potential success that can be achieved by introducing the integrated Competency Model throughout the agency.

The competencies generally vital in HRM are as follows:-

1. Business Management Competencies- It comprises of Business Process Reengineering, Change Management, Contract Management ,Cost-Benefit Analysis , Customer Relations , Financial Management , Marketing ,Negotiating ,Organizational Awareness, Organizational Needs Assessment ,Outcome Measures and Evaluation ,Project Management ,Strategic Human Resource Practices ,,Strategic Planning.
2. Professional Competencies- It comprises of Coaching and Mentoring, Communication ,Conflict Management , Decision-making , Ethics , Facilitation ,Interpersonal Relations ,Problem-Solving , Self Management ,Teamwork ,Technology Application ,Technical.
3. HR Competencies- It comprises of Appeals,Grievances, and Litigation , Attendance and Leave, Benefits ,Career Development , Compensation ,Discipline and Adverse Action ,Employee Assistance, Equal Employment Opportunity , Human Resource Management Fundamentals ,Instructional Systems Development ,Instructional Technology ,Job Analysis ,Labour Management Relations ,Organizational Development ,Organization and Position Design ,Pay Administration ,Performance Management ,Personnel Assessment , Personnel Systems Management , Position Classification , Reduction-in-Force ,Rewards and Recognition, Staffing and Recruiting , Succession Planning.

All employees understand which competencies they need for the successful performance of their current jobs, and also for higher-level jobs to which they might aspire.

One can use a Competency Model as an important tool for shaping an organizational culture around the competencies needed for the agency's overall success. After the methods and Competency model comes the Assessment.

Job Competency Assessment

Competency assessment involves the measurement of an individual's competencies.

It is a breakdown of general job functions into specific activities essential to successful performance. Each activity is analyzed to determine the human behaviours or personal characteristics that determine successful completion of that activity. Job competency assessment provides valuable information for a variety of human resource functions, including recruitment, selection, placement, performance appraisal, training and development, and succession planning.

Analysis

Once the Competency Assessment is done it aids in the HR functions in the following ways:-

Competency Based Recruitment

Competency based interviews reduce the risk of making a costly hiring mistake and increase the likeli-

hood of identifying and selecting the right person for the right job

Competency Based Performance Appraisal

Competencies Enable-

- Establishment of clear high performance standards.
- Collection and proper analysis of factual data against the set standards.
- Conduct of objective feedback meetings.
- Direction with regard to specific areas of improvement

Competency Based Training

Competency based appraisal process leads to effective identification of training needs.

Opportunity to identify/ develop specific training programmes - Focused training investment.

Focused Training enabling improvement in specific technical and managerial competencies

Competency Based Development

Competencies contribute to the understanding of what development really mean, giving the individual the tools to take responsibility for their own development.

Competencies give the line managers a tool to empower them to develop people.

Conclusion

In this fast developing modern scenario it is most vital to have a strong HR department in any organization. Today Competencies and competency-based human resources management (CBHRM) are in common practice in many organisations. To survive in a turbulent and dynamic business environment organisations have to adopt competency based human resource management practices, which are essential for productivity and performance excellence. Human Resource Management in the organisation have to give keen importance to these process since competency determine the organisation effort to compete with quality. Employees in the organisation are more concerned about their advancement in their career. In addition to the competency consideration employee career should also be considered by the Human Resource managers in the individual planning level. Career-based and competency-based approaches of Human Resource Management will have fruitful result in the productivity and business surplus in many organisations. Thus to conclude the Human Resource Management have to look more in the area of CCHRM (Career Competency – Based HRM) as a solution to productivity and quality assurance in the wake of acute business competition.

References:

1. Bhattacharyya D.K., Human Resource Research Methods, 2007.
2. Bhatia S.K., Human Resource Management, 2006.
3. P.Subba Rao, Personnel and Human Resource Management, Himalaya Publishing House, 5th Edition.
4. Web Resources
5. http://en.wikipedia.org/wiki/Competence_(human_resources), dated 20/01/2011
6. http://www.indianmba.com/faculty_column/fc1051/fc1051.html, dated 23/01/2011
7. http://www.wisegeek.com/what-is-competency-mapping.htm, dated 23/01/2011
8. http://timesascent.in/index.aspx, dated 22/01/2011
9. http://www.iqpc.com/uploadedFiles/Training/Asia_Training/The_Gateway/competency.pdf, dated 23/01/2011
10. http://www.workitect.com/competency_systems.html, dated 22/01/2011

Cross Cultural Diversity and its Challenges A case study of Pune Industries on Team work

Priya P Gole
Lecturer-HR areas
S.B.Patil Institute of Management, Sec 26 Pradhikaran, Nigdi- Pune 411 044
Amarja Kulkarni
Lecturer-HR areas
Asma Institute of Management, S 85, NDA Road, Shivane, Pune 411 023
&
S.Ranganathan (Dr)
Director
Asma Institute of Management, S 85, NDA Road,Shivane,Pune 411 023

ABSTRACT

Diversity in modern organizational context needs understanding the development of team work and hence performance. Teams are essentially built by bringing together the various stakeholders and enabling them to perform in the manner that is necessary for successful achievement of goals set. Today's organizations exist with this culture of cross cultural diversities and hence the need to study the impact of such developments that are understood to have been put in place. The findings of a study on 30 small, medium and large industries in Pune industrial belt comprising of Pimpri Chinchwad and Hadapsar areas suggest that generally the trend in managing a team is difficult when it comes to diverse work force and need for team building exercises and the organizational interventions that are required in ensuring that the teams perform better to score over. The study involved the administration of a structured questionnaire designed by Tuckman's Team development model on 30 HR managers of randomly selected companies. Appropriate suggestions are given for effective team building measures to be undertaken by these companies so that organizations realize the importance of "men may come and men may go, but an organization goes on for ever"

Key words:

Team work, Goals, Trend in managing teams, Team building measures

Introduction

What is a team anyway?

- A team is a small number of people with complementary skills who are committed to a common purpose, performance goals, and approach for which they hold themselves mutually accountable
- Small Number
- Complementary Skills
- Common Purpose and Performance Goals
- Common Approach
- Mutual Accountability

Five issues to be considered in team building

1.Interdependence

This is the issue of how each member's outcomes are determined, at least in part, by the actions of the other members. The structure of the team task should be such that it requires cooperative interdependence. Functioning independently of other team members or competing with them should lead to sub optimal outcomes for the entire team. Tasks that require the successful performance of sub tasks by all team members are called divisible, conjunctive tasks.

2. Goal Specification

It is very important for team members to have common goals for team achievement, as well as to communicate clearly about individual goals they may have. The process of clarifying goals may well engage all of the issues on this list. Indeed, shared goal is one of the definitional properties of the concept "team." A simple, but useful, team building task is to assign a newly formed team the task of producing a mission and goals statement.

3. Cohesiveness

This term refers to the attractiveness of team membership. Teams are cohesive to the extent that membership in them is positively valued; members are drawn toward the team. In task oriented teams the concept can be differentiated into two sub concepts, social cohesiveness and task cohesiveness. Social cohesiveness refers to the bonds of interpersonal attraction that link team members. Although a high level of social cohesiveness may make team life more pleasant, it is not highly related to team performance. Nevertheless, the patterns of interpersonal attraction within a team are a very prominent concern. Team building exercises that have a component of fun or play are useful in allowing attraction bonds to develop. Task cohesiveness refers to the way in which skills and abilities of the team members mesh to allow effective performance.

4. Roles and Norms

All teams develop a set of roles and norms over time. In task oriented teams, it is essential that the role structure enables the team to cope effectively with the requirements of the task. When the task is divisible and conjunctive, as are most of the important team tasks in our society, the assignment of roles to members who can perform them effectively is essential. Active consideration of the role structure can be an important part of a team building exercise. Task roles may be rotated so that all team members experience, and learn from, all roles. Even then, it is important that the norm governing the assignment of roles is understood and accepted by team members. Norms are the rules governing the behavior of team members, and include the rewards for behaving in accord with normative requirements, as well as the sanctions for norm violations. Norms will develop in a team, whether or not they are actively discussed. (Scholes.P, 2004)

5.Communication

Effective interpersonal communication is vital to the smooth functioning of any task team. There are many ways of facilitating the learning of effective communication skills. Active listening exercises, practice in giving and receiving feedback, practice in checking for comprehension of verbal messages, are all aimed at developing skills. It is also important for a team to develop an effective communication network; who communicates to whom; is there anybody "out of the loop?" Norms will develop governing communication. Do those norms encourage everyone to participate, or do they allow one or two dominant members to claim all the "air time?"(Scholes, ibid)

Teams in the 21st Century: how do we define their role?

Belbin M (2002) takes a look at the nature of teamwork today and offers an optimistic outlook. The word 'team' appears to have been borrowed in the first instance from sport and signified 'being on the same side and pulling together'. But it seems the terms of reference of a team are shifting and demand further thought. At one time a 'team' was virtually synonymous with an Autonomous Work Group. However, synergy within the team, essential for an AWG, was often achieved at the expense of lack of synergy with other parts of the organization. Visions

were restricted because members of the team always kept the same company, being pinned into their positions by restrictive job descriptions.

As these formal structures are increasingly falling into disrepute, new dynamic concepts are beginning to take their place. First, it is being recognized as dysfunctional that membership of any given team should remain static. Second, perspectives within the team need to be widened. Facilitating career moves within the organization offers one means of achieving this aim while also offering the advantage of growing a 'bigger person'. Another way is to arrange periodic swaps of members between existing teams in

order to deepen understanding of the broader field. Just as there are 'horses for courses', so also there are 'teams for pitches'. If a team is to be pitched into a particular area of challenge, one needs to ensure that the team consists of the right players. In football, the fans judge the quality of the players because they view the play throughout the game. But who can judge the quality of the players participating in industrial teams? There are no independent witnesses as in football.

Managers in industry or the public service are often supposed to be assessing underlings. Common experience suggests that managers are seldom positioned to do so and are often embarrassed in having to go through the motions. So where does that leave the manager? Often in the unenviable position of being out of touch, one fears.

As to the future, it seems that teams will need to spend more time in mutual assessment and be readier to accept collective responsibility for what they achieve. In being collectively accountable to a manager, teams will need to face up to the downside of greater empowerment. The manager will be fully entitled under this new scenario to dismiss a failing team and to assemble a new one.

In the past, the presumption was that managers knew everything that was going on. Few managers these days would dare to make such a bold claim. New technology is changing culture. Wistful managers now feel they are being bypassed because websites and e-mails are generating a vast amount of information through lateral communication. As a consequence, the bedrock of traditional hierarchy is being relentlessly undermined in the process. So thoughtful managers will inevitably feel the need to change the way they approach their jobs. They will have to think more about the nature of accountability and about how responsibilities can best be transferred to well-constructed teams. The need for a better balance in decision taking is gaining wider recognition, which is why understanding the attributes of the team in Management, and in associated projects, looks like becoming one of the more promising and defining features of the 21st century. The above is an adaptation of the full article, which appeared in the December 2002 edition of Training Journal - a especially themed issue concentrating on the subject of teamwork. The article examines what the words 'team' and 'teamwork' mean in today's workplace. The author assesses how teams can progress to be of maximum use. He also takes a look at the future of teams and comes to an optimistic conclusion.

A case on Team Building:

(Source: www.innovativeteambuilding.co.uk)

Team Building for an International Law Firm

"Before we knew it we had learned more about each other, considered how to work more effectively together and had a lot of fun"

In September 2008 an international law firm who were keen to conclude a team away day with some high impact team building event that would be creative, unusual and fun. It was agreed to provide an afternoon's programme of team tasks that would challenge this demanding and hard-working group and encourage them to think about their individual and joint contributions to the team.

Background Information

The company is a major international law firm with its principal office in the City of London and a worldwide network of offices.

Aims and Objectives

The firm's Commercial Litigation team had planned a two-day meeting to examine practice and client needs. They wanted to complement this internal analysis with a learning session that would be somewhat more light-hearted, and would ensure the conference ended on a high note, sending the team away positive and energised.

The busy Commercial Litigation team does not often have time to take stock of their role as team members. The main objective was to therefore enable the team to work together more effectively.

Programme Development

The programme was developed with liaison with the firm's Head of Training, who wanted to know, in no uncertain terms if the programme needed to be tightly focused, in depth and busy, adding that lawyers "tend to eat up tasks - they get bored so quickly!". A brief on the role, age range, areas of expertise and seniority of the participants. Taking all this into account, a programme was drafted to ensure that the firm's objectives would be met and that the afternoon would give the group some tangible bottom line results in team development.

The programme was designed to take into account individual specialisms and aimed to get individuals to work with colleagues outside their area of expertise or level of seniority.

Delivery

Knowing that this group was very time-conscious, it was important that the first session justified this time-out for the team and underlined the value of the afternoon's activities. By referring the planned activities back to particular areas of specialism, it was ensured that the programme could be placed firmly within a familiar context to enable clear parallels to be drawn between working life and the challenges they were about to face. In particular the aim in this first session was to start to find out about the people behind the job roles and to discover the characteristics and qualities that people do not usually get an opportunity to display in the workplace.

An activity titled "Amazing Secrets" in which each participant writes on a Post was organised. It was to tell something about themselves that no one else in the room knows - they used to play in a band, have appeared on TV, saved a life etc. In their teams each group then tries to match the secret to the individual. This activity reinforces the theme of sharing and discovery outlined in the introduction.

The next session, "Silent Circle", focused on communication and required the group to form a circle based on the date of their birthday, without uttering a word. In their new teams, the group moved on to a creative challenge, "Egg Drop", in which the teams needed to build a structure that would prevent their egg from breaking when dropped from a height of 10 feet.

Next came "Saboteur" which looks at trust and blame: teams had to copy a detailed plan view of a maze from their combined memory, a difficult task in itself made even more challenging by the fact that there may be a saboteur in the team. In order to prevent the saboteur from destroying their plan the team can vote him/her out or ask him/her back in if they feel that the accused is in fact innocent. This opens discussions on trust and how it feels to be accused of letting the team down.

The final activity got the whole team working together: "Group Juggling" begins with smaller groups and just one bean bag per person, building to a point where the whole team forms a circle, simultaneously juggling two bean bags each. Co-ordination, support and pin-sharp timing are required to succeed at this challenge. It may take a little while but when it goes right the feelings of elation and achievement are unforgettable.

Feedback

By the end of the afternoon, the group had relaxed, were having fun and it was apparent that some of the barriers had begun to come down. It was felt that the activities/games skillfully put the members through their paces on

the team tasks and before they knew it they had learned more about each other, considered how to work more effectively together and had a lot of fun." At the end the session the general feeling was that "the afternoon of team tasks encouraged team members to get to know each other better, to work more effectively together and provided a fun and energising end to two days of hard work."

Thus we can see that effective team building is necessary in the modern organisations where managing multi-cultural and cross cultural teams have come stay and unless managers learn the skills of effective team culture, the results may not be forthcoming

Stages in team building:

According to Tuckman's model, teams are constituted using Forming (formation of team), Norming (establishing the procedures of actions), Storming (teams sit together to plan the course of actions to be taken) and Performing (actual performance by the team). These needed to be applied in any team development and hence the study gains importance

Research questions:

- Do industries/organisations/managers in Pune Industrial areas
- Are aware of the stages of Tuckman's model?
- To what extent they apply the model in their day to day team management activities?
- If not what suggestions can be given to these organisations?

Research Methodology:

The research was carried out in major industrial areas of Pune (Hadapsar, Pimpri Chinchwad, Shivane small scale units) and a total of 30 companies were chosen and Managers/Chief Executives were met with a questionnaire developed by Canadian Management Association and modified to suit Indian environment which asked for stating "almost never (1), seldom (2), Occasionally (3), Frequently (4) and Almost always (5)" in 32 statements. Observations were recorded as how the respondents attributed their liking in the response. The research was conducted as part of presentation in the National Seminar organised by Neville Wadia Institute of Management Studies and Research, Pune during the last week of Dec 2010.

The results were analysed taking mean score, where the mean is an index of measure to ensure the level of acceptance. The earlier research had evolved a 'mean index' as the base and classified organisations team culture as a measure for success. Tables show the details of the nature of industries met and also the mean scores under the various elements of team building(Forming, storming, norming and performing and overall) From the table it can be seen that in Pune industries team building as a concept in the forming and storming stages are not adequately concentrated (Mean scores being 23 and 21 respectively), however, in the other two stages of norming and performing the industries concentrate with the mean scores more skewed in favour of these attributes(28 and 30). The overall score the mean is 104 which is an indication that lots needs to be done to bring in the culture of team work and achievement of results as an involved effort and not imposed.(Standard mean: 128)

Table 1 showing profile of companies responded: N: 30

Nature of companies	Number of Companies	Number of Employees
Small Scale	18	175
Medium Scale	6	75
Large Scale	6	350
Total	30	600

Table 2 showing Mean Scores under Tuckman's Model

Particulars	Mean Score	Standard Mean as per earlier research
Forming	23	32
Norming	21	32
Storming	29	32
Performing	31	32
Overall Mean: 104/120		

(Source: data collected and analysed)

Findings:

Table 2 presents the various mean scores as responded by the managers/ chief executive officers in Pune and it can be seen that the present situation is more of an imposed one with storming and performing stages alone come closer to the standard mean scores and the other two major components do not seem to have been adequately addressed. This clearly shows that organisations tend to be more on the imposing style than an involving style of management. This may not augur well in the long run since cross cultural and multi-cultural employee force need to be involved otherwise, the attrition rate may increase and the talent acquisition may become difficult in the long run. Organisations have to recognise this so that they are successful with the right person in the right place.

2. Managers in Pune are not fully aware of the various stages of Tuckman's team development model as it was observed during the data collection.

Suggestions:

1. Top management must know the impact of team building as a process for further development and man management
2. To this end they are to be given training in team building activities
3. They must also be oriented to know the rules of 'involvement than imposing"
4. With millennium work force coming to the limelight, the importance of team work can never be under estimated

Acknowledgements:

The researchers thank all the managers who responded to the research tool. They also place on record the students of HR specialization in ASMA Institute of Management (Ms.Ishwari, Ms.Prajakta, Ms.Pammi Singh and Ms.Aparna Jha who helped in the collection of data and also Mr. Sayed Mudassar, Lecturer in management, ASMA Institute of Management for the support given and also Mr.Anshul Sharma, Chairman, PSD Shastri Group of Institutes, Mr.Kalbhor, Secretary, Pimpri Chinchwad Education Trust, Pune for the support extended for the research. Ms.Manjusha Bhat Librarian, ASMA Institute of Management for providing review support and Prof. Nishikant Gajakas, Head, MBA Dept., ASMA Institute of Management,Pune for the moral support given in the completion of the research work.

References:

1. www. Innovativeteambuilding.co.uk/visited on 29th Dec 10/3rd and 5th Jan 2011/pages visited: contents/case studies/shg.htm
2. Belbin M 2010 Training Journal Abstract 0112
3. Colline D 2006 Fresh Tracks, UK
4. Scholes P the Team Handbook Joiner Associates (1988,2004)
5. Tuckman' Model Wikipedia.org/date visited 25th Dec 2010

Employee Engagement Key Driver for HR: A Literature Review

Prof. Dr. Sayalee Gankar,
Director, MIT College of Management, Pune.
Prof. Dr. (Capt.) C. M. Chitale,
HOD, Dept. of Management Sciences, Pune

Abstract

Employee engagement has become a hot topic in recent years. HR fraternity is in confusion to understand what the term is, how to implement or operationalize it in the organizational context. This literature survey examined peer-reviewed journal articles, working papers, textbooks, and other published resources relevant to employee engagement.

This research paper aims to understand the term 'employee engagement'. It summarizes a broad range of academic literature. It has given focus on the following areas: Defining Engagement, Researching Engagement and Employee Engagement in India

Focus is to identify key drivers of engagement. The review also identifies gaps and issues that have not so far been investigated, making clear the focus of where further enquiry should be. The review aims to add value to the current state of knowledge by critically evaluating the existing literature on employee engagement and providing a reflective stance on existing debates and findings. As a result, it addresses concerns about the lack of agreement on what engagement is and how issues surrounding it can be addressed.

Key Words:

Defining Engagement. Employee Engagement

Origin of the Concept

The world's top-performing organizations understand that employee engagement is a force that drives performance outcomes. In the best organizations, engagement is more than a human resources initiative -- it is a strategic foundation for the way they do business.

Research by Gallup and others shows that engaged employees are more productive. They are more profitable, more customer-focused, safer, and more likely to withstand temptations to leave. The best-performing companies know that an employee engagement improvement strategy linked to the achievement of corporate goals will help them win in the marketplace.

In this paper we are trying to explore the meaning of the term, researching on engagement and research about Indian Employees.

Employee Engagement is the extent to which workforce commitment, both emotional and intellectual, exists relative to accomplishing the work, mission, and vision of the organization. Engagement can be seen as a heightened level of ownership where each employee wants to do whatever they can for the benefit of their internal

and external customers, and for the success of the organization as a whole.

Employee engagement is also called as work engagement or worker engagement. This is a business management concept. An "engaged employee" is one who is fully involved in, and enthusiastic about, his or her work, and thus will act in a way that furthers their organization's interests. According to Scarlett Surveys, "Employee Engagement is a measureable degree of an employee's positive or negative emotional attachment to their job, colleagues and organization which profoundly influences their willingness to learn & perform at work". Thus engagement is distinctively different from satisfaction, motivation, culture, climate and opinion and very difficult to measure.

Employee engagement was described in the academic literature by Schmidt et al. (1993). A modernized version of job satisfaction, Schmidt et al.'s influential definition of engagement was "an employee's involvement with, commitment to, and satisfaction with work." This integrates the classic constructs of job satisfaction (Smith et al., 1969), and organizational commitment (Meyer & Allen, 1991). Employee engagement is derived from studies of morale or a group's willingness to accomplish organizational objectives which began in the 1920s. The value of morale to organizations was matured by US Army researchers during World War II to predict unity of effort and attitudinal battle-readiness before combat. In the postwar mass production society that required unity of effort in execution, (group) morale scores were used as predictors of speed, quality and militancy. With the advent of the knowledge worker and emphasis on individual talent management (stars), a term was needed to describe an individual's emotional attachment to the organization, fellow associates and the job. The term "employee engagement" is an individual emotional phenomenon whereas morale is a group emotional phenomenon of similar characteristics. Scarlett (2001): employee engagement is the raw material of morale composed of 15 attitudinal drivers.

Defining Engagement

Kahn (1990:694) defines employee engagement as "the harnessing of organization members' themselves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances". The cognitive aspect of employee engagement concerns employees' beliefs about the organization, its leaders and working conditions. The emotional aspect concerns how employees feel about each of those factors and whether they have positive or negative attitudes toward the organization and its leaders. The physical aspect of employee engagement concerns the physical energies exerted by individuals to accomplish their roles. Thus, according to Kahn (1990), engagement means to be psychologically as well as physically present when occupying and performing an organizational role. Further, Truss et al (2006) define employee engagement simply as 'passion for work', a psychological state which is seen to encompass the three dimensions of engagement discussed by Kahn (1990), and captures the common theme running through all these definitions. The existence of different definitions makes the state of knowledge of employee engagement difficult to determine as each study examines employee engagement under a different protocol. In addition, unless employee engagement can be universally defined and measured, it cannot be managed, nor can it be known if efforts to improve it are working (Ferguson 2007). This highlights the problems of comparability caused by differences in definition. Furthermore, whilst it is acknowledged that employee engagement has been defined in many different ways, it is also argued the definitions often sound similar to other better known and established constructs such as 'organizational commitment' and 'organizational citizenship behavior' (OCB) (Robinson et al 2004). Wherein Robinson defined engagement as 'one step up from commitment'.

Researching Engagement

Further understanding of the varying levels of attachment individuals expressed towards their roles, Kahn examined several disciplines. It was found that psychologists, sociologists and group theorists had all recognized the idea that individuals are naturally hesitant about being members of ongoing groups and systems. As a result they seek to protect themselves from both isolation and engulfment by alternately pulling away from and moving towards their memberships. The terms Kahn uses to describe with two term personal engagement and personal disengagement which refer to the behavior's by which people bring in or leave out their personal selves during

work role performances. These terms developed by Kahn integrate previous ideas taken from motivation theories that people need self-expression and self-employment in their work lives. Kahn undertook a qualitative study on the psychological conditions of personal engagement and disengagement by interviewing summer camp counselors and staff at an architecture firm about their moments of engagement and disengagement at work. He defined disengagement as the decoupling of the self within the role, involving the individual withdrawing and defending themselves during role performances. Disengaged employees displayed incomplete role performances and were effortless, automatic or with no emotion. Kahn found that there were three psychological conditions related with engagement or disengagement at work: meaningfulness, safety, and availability. He argued that people asked themselves fundamental questions in each role situation: meaningfulness of the job to bring myself into this performance; safety and availability to complete the task. He found that workers were more engaged at work in situations that offered them more psychological meaningfulness and psychological safety, and when they were more psychologically available. It is found that meaningfulness, safety, and availability were significantly related to engagement. They also found job enrichment and role fit to be positive predictors of meaningfulness; rewarding coworker and supportive supervisor relations were positive predictors of safety, while adherence to co-worker norms and self-consciousness were negative predictors. Resources were a positive predictor of psychological availability, while participation in outside activities was a negative predictor. Overall, meaningfulness was found to have the strongest relation to different employee outcomes in terms of engagement. An alternative model of engagement comes from the 'burnout' literature, which describes job engagement as the positive antithesis of burnout, noting that burnout involves the erosion of engagement with one's job Maslach et al 2001. According to Maslach et al, six areas of work-life lead to either burnout or engagement: workload, control, rewards and recognition, community and social support, perceived fairness and values. They argue that job engagement is associated with a sustainable workload, feelings of choice and control, appropriate recognition and reward, a supportive work community, fairness and justice, and meaningful and valued work. According to Holbeche and Springett 2003, people's perceptions of 'meaning' with regard to the workplace are clearly linked to their levels of engagement and, ultimately, their performance. They argue that employees actively seek meaning through their work and, unless organizations try to provide a sense of meaning, employees are likely to quit. Further, high levels of engagement can only be achieved in workplaces where there is a shared sense of destiny and purpose that connects people at an emotional level and raises their personal aspirations. Kahn's (1990) and Maslach et al's (2001) models indicate the psychological conditions are necessary for engagement, but they do not fully explain why individuals will respond to these conditions with varying degrees of engagement.

Employee Engagement in India

Anexi Blessing :Employee Engagement Survey 2008 shows significant differences between what motivates workers in India and what motivates workers in other countries. The global survey shows that 34 per cent of the employees in India are fully engaged, 13 per cent disengaged and 29 per cent are 'almost engaged'. Factors influencing satisfaction would most influence at work for Indian workers are: Development opportunities and training (26 per cent); about how I'm doing (25 per cent); and greater clarity about what the organization needs me to do and why (22 per cent).

It is very interesting fact that though HR executives in India continue to struggle with talent management issues, particularly retention. Yet, 65.54 per cent said "yes" to continue with organization during the recession phase.

In summary: building an engaged and loyal workforce today will help for tomorrow.

References

1. Maslow, A. (1954) Motivation and Personality.
2. Saks, A.M. (2006) 'Antecedents and consequences of employee engagement', Journal of Managerial Psychology, Vol. 21, No 6, pp 600-619.
3. Kahn, William A. (1990). Psychological Conditions of Personal Engagement and Disengagement at Work. The Academy of Management Journal, Vol. 33, No. 4 (Dec., 1990), pp. 692–724.
4. Scarlett, Ken (2010) "Quality Employee Engagement Measurement" Pages 108-122 .
5. Business World (2008), HR Special Survey: Engage the Employee

Trade Unions And The Changing Socio Political Environment In India

Mona Sinha
Assistant Professor of Human Resources, BVIMSR, Navi Mumbai

Abstract

This is an argument based on secondary research conducted in the libraries of Mumbai. It adopts a definite position on the level of trade union consciousness so that the functioning of the labour market within the larger political economy can become clearer. The author is concerned here with the socio-political environment and not the geo-physical environment while recognising the mutuality of both. It has in a way, encapsulated the argument of radical scholars like Sorab Sadri and Jerome Joseph on the issue of appropriation of surplus value within the peripheral capitalism in India, albeit of a retarded variety. It has mainly relied on published work between 1995 and 2010.

I. The Effects Of Liberalisation On Labour And Capital

Whereas, castigating ex post facto leaders who have since passed into oblivion is an exercise in futility, a quick examination of the past often lays down a sound basis for evaluating the present. By 1987 it had become clear that the Nehruvian concept of a "socialistic pattern of society" was not the panacea for India's economic development. Consequently moves were made to liberate the market forces and give a fillip to private capital, which had contributed to the economy but which had been forced to take the back seat following the Industrial Policy Resolution 1956 and the Monopolies and Restrictive Trade Practices Act 1969. Three successive governments at the centre wrote off loans given to the agricultural sector in exchange for beefing up the vote bank. The country sank into debt and had to go a begging to the World Bank and the IMF. These bodies laid down conditionalities while granting the loans to resurrect the flagging fortunes of the Indian economy. It stands to reason that if someone bailed out India from her large external debt, that body had the right to lay down conditionalities. In keeping with the IMF norms, therefore, India had begun to liberate her economy in a big way ever since 1991.

The air of optimism in certain circles about the fruits of this liberalisation exercise, however, needs to be tempered with restraint. It is in bad taste to hurt the Government's amor propre by pointing out that one fundamental statistic was left out of the all important 1994-95 Budget Speech of the Honourable Finance Minister that actually galvanised the globalisation intervention with radiant activity.

Nevertheless, it is opportune to mention that the debt repayment obligations of India during the next three years would exceed US$ 30 billion. And once the stock market plunges, the institutional investors as well as the non-resident Indians would pull out their money from the economy leaving a large vacuum. Under such socio-political conditions having an Exit Policy would be catastrophic.

Prof. Mona Sinha is a Doctoral Scholar at BIT (Mesra) and who is at present Assistant Professor of Human Resources at the Bharati Vidyapeeth Institute of Management Studies and Research, at Navi Mumbai. She may be contacted on mona_raisinha@yahoo.com

But where did we go wrong? The linguistic division of states had created a kind of micro-nationalism which was festering on the decay of the economic machinations in the public sector. Sound investment assumes that the cost of borrowing < the rate of return. The public sector investment pattern was such that the i (cost of borrowing) was often more than r (the rate of return).

This is thanks to the dhoti-kurta-topi-jhola brigade of comprador elements. Also, the lag required to break even was often lengthened, thereby, raising costs considerably and delaying the realisation of the break-even point. To add to this, the bureaucracy in the public sector often acted in a manner detrimental to smooth realisation of profits: not necessarily by intention, but, because the bureaucratic processes themselves were counter productive, cumbersome and time consuming.

To add to the bureaucracies within the Public Sector were the bureaucracies created by the formation of new states. These new states created a civil service (police, judiciary and legislature) to sustain the administration and the comprador class began to swell its ranks. This created a kind of macro-racism whose fires were further fanned by the dichotomy presented by the Mandal Commission Report. The twin forces of micro-nationalism and macro-racism created the climate for negative development and the secular constitution of the largest democracy in the world played second fiddle to a retrograde orthodoxy which threatened to grow into religious fundamentalism on many sides of the political spectrum. Chauvinism thrived, nepotism mushroomed and a self-perpetuating mediocrity began to call the shots.

The factor and product markets were liberated but the bureaucracy was not because the law-makers were not prepared to give up their own privileged positions. A liberated infrastructure alongside of a static superstructure gave rise to a macroeconomic dis-equilibrium within which capital and labour had to co-exist. In their zeal to make the most of a liberated market economy competitive strategy became the paramount concern of the capitalist. But the national cake did not increase substantially and the same had to be re-divided under new conditions by new rules of the game. The goal has been to de-emphasise blue collar work by transferring the job and along with it the control, away from the manual workers.

Under the above described circumstances, the battle of competition, is then fought by the cheapening of commodities on the one hand and the credit system on the other. The former depended on the productivity of labour while the latter on the regrouping of capital. The falling prices of white goods and the proliferation of the "plastic card" have amply vindicated this in recent years. To add to this is the fact that a sizeable portion of, even such basic commodities as steel, consumed in India was bought on the black market or was smuggled in. Clearly, the Indian commodities were not cost competitive and labour took the flack for it. In their zeal to retain equilibrium, stability was mistaken for inertia and environmental issues were raised only when political mileage was to be gained. The employers resorted to hypocrisy and feather-bedding of the issues by making a fan fare out a presumed social responsibility.

This logically brings us to an examination of the labour process. By Labour Process we mean the manner in which value is created by human effort and how Capital is justified as being man made aid to production. Increased competition in the market place invariably leads to the big fish swallowing the small fish. This gives rise to combines which are interested in reducing the cost of variable capital and keeping the cost of constant capital in tact. This, in turn, leads to a fall in wages and the cheapening of labour marked by an increased casualisation and feminisation of wage labour. This sets off a spiral of unemployment and the reserve army of unemployed swells in ranks helping to keep wages, (variable capital costs), low.

This is further complicated by the fact that no fresh addition of capital is made through a set of Strategic Alliances, and capitals are regrouped to further exploit the surplus for private aggrandisement. Recent trends in the Indian labour market and the State's half-heartedly toying with the idea of an "exit policy" without an adequate social security system proves the point we seek to make: that there is an unholy trinity between the State, the national bourgeoisie and foreign capital. This is bound to further alienate labour which has two reasonable ways to look up to: towards religion which has become the launching pad for national fascism or towards the co-operative movement which is being derided by the press in the wake of the disintegration of the USSR and Eastern Europe. Our submission is that we should not throw out the baby along with the bath water as we have

been doing. What we, perhaps, need is a change of bath water while retaining the baby.

Unorganised labour, peasants and the agrarian workforce at present seems to be showing an increased class consciousness which the trade unions fail to demonstrate. The resistence to the Dunkel Draft is significant when we see the recent farmers' protest at the Cargill Seed Company premises in Bangalore. Caste barriers seem to have broken down in this common cause for survival. What is baffling is that when the capitalists quietly unite to expropriate the means of production, the Press is silent but when the workers do so it is quick to castigate them and try to split the unity. An important supplementary question is then raised : who owns and controls the Press? The Neo-colonial nature of capitalism in the Indian periphery is never more visible when we find that the criminal law is universal but the civil law is stratified. In other words the government makes sure that the people obey the dictat of the power elite (to use the terminology of C Wright Mills) and are unable to unite as a cohesive force to oppose the said dictat (to use the British colonial measures of divide and rule). India was given its independence in 1947 but in 1993 it still is a long way away from gaining its freedom.

Ii. Liberalisation And The Restructuring Of Capital

The theoretical underpinning for the position adopted in respect of capital by this paper is as follows:

(i) There is no difference between the class that controls the means of production and the class that controls the means of government.

(ii) That the political and economic environment created in recent years helps the process of capital accumulation and this is brought about by the economic exploitation of every factor of production ; and human resources being the principal factor.

(iii) That the environment has been directly or indirectly created by the class that controls the means of production. Capital has to function within the environment it has helped to create and which will contribute towards the realisation of its objective function. Consequently the cycle of aggrandisement at the macro level is completed.

It is in the light of the above that the ensuing argument has to be posited. One significant phenomenon, fast on the heels of the liberalisation process of the Indian economy, is the spate of mergers and strategic alliances between a select band of corporate giants and their overseas counter-parts. The weaker capital then gets subsumed within the stronger capital, loosing its identity. Labour in these weaker capitals then gets alienated and a sense of despondency, brought about by uncertain conditions, sets in. This is seen by the Liberal Economists and others of similar persuasions as merely a transformation of the market structure, symptomatic of imperfections, from one of monopolistic competition to that of oligopoly and duopoly. There is, however, more to it than what meets the eye. What, we argue, as taking place is the concentration and centralisation of capital in Indian industry. This process has wider implications both for the polity and the economy than is prima facie observable. It would appear that the Indian industry is finding its new equilibrium under conditions of relative uncertainty, the dynamics of change in the relations of production and the technical composition of capital accompanying it.

Iii. liberalisation And The Restructuring Of Labour

The workers collectivity is gradually feeling the effect of the environment within which it exists. The consistently large "reserve army of the unemployed", the absence of a social security system and the low level of consciousness among the leadership has made the trade unions weak. Consequently the leadership cannot prevent the rank and file from being attracted towards materialistic pursuits which have become more readily possible to attain with the globalisation of the product market and the liberalisation of the macroeconomy.

The law, except in some states, provides for the compulsory registration of the union but not the compulsory recognition of the union by the management. The Trade Union Act 1926 promulgated under colonial India is being held valid even in 1993 under a Neo-colonial India. The labour movement is fragmented due to inter-

union and intra-union rivalry. The opposition to the capitalist aggrandisement is consequently weakened. And even 45 years after independence we still have bonded labour as in Andhra Pradesh, child labour as in Tamil Nadu, oppression of women labour as in Gujarat and Rajasthan and feudalistic mode of production as in Northern Bihar and Harayana. The working class is a long way away from being liberated from the fetishes of society. To take this logic to its conclusion we posit that the absence of class consciousness has had a retrograde effect in the light of the Neo - fascist onslaught and certain sections of the working class have become more "conservative", and ideologically backward in the past few years. The progressive leaders find themselves at a disadvantage as the much talked about "reform in the industrial relations system" is yet to take a concrete form.

Basically the labour movement (especially post 2005) is fragmented and weak due to inter-union and intra-union rivalry, the rise of a labour aristocracy leaving an oligarchic union leadership in control of a dis-organised collectivity. The relative lack of managerial consciousness an sich (of itself) and fur sich (for itself) has further led to situations where these labour oligarchs feel secure in their entrenched positions. Michels' "Iron Law of Oligarchy" is proved correct many times over in the context of the Indian trade unions. The State and the managements both seem to believe that by controlling the leadership they can control the entire human resource (unionised and non-unionised). In Macheavellian terms the silent majority within the working class is assumed away and alienation is reinforced.

The drive towards consumerism has made the labour force more materialistic minded than it was before. The unions are satisfied in asking for palliatives and donations from time to time to bridge the gap between the rise in the consumer price index and the basic wage. The manager's right to manage is seldom, if ever, questioned. The economic environment caused by faulty planning and poor administration is held responsible for the capitalists' actions without mentioning the fact that it was the state and the capitalist that helped to create the environment in the first place. Contrary to the laws of natural justice the labour force seems to be twice vexed for a crime they did not commit! Nowhere is this more clearly visible than when work issues are bilaterally settled the typical response of trade union leaders is to put a price tag on workplace problems and bargain for countervailing monetary benefits. A further variation of this style is to trade greater managerial control over the process in return for enhanced benefits. There is little difference, as Ramaswamy (1988) points out, between unions and union leaders of various ideological persuasions in this regard. Consequently, there is "an end of ideology" and radicalism has come to mean merely a higher price tag. Materialistic pursuits and consumerism at all levels of the labour force has helped in this re-interpretation of radicalism. And, what has emerged is a materialistic but alienated labour force led by an oligarchic aristocracy to quote Sadri, Ray and Hegde..

What seems to aggravate the damage to labour by above postulation is the belief that it is the labour which is to blame for the mishaps of the past. Low productivity is pointed out as the reason for low profits. But nobody seems to be saying that archaic technology installed by the capitalist class has a detrimental effect on labour productivity. Nowhere is this contradiction more cleanly visible than in the Indian Textile Industry. That cost push inflation is nothing else but profit push inflation is something which the employers' collectivities conveniently omit when they are busy union bashing. As any economist will know, low productivity is a direct result of obsolete technology. The union has little control over the choice of technology since participative management has remained a pipe dream and worker directors have no real power to make corporate level decisions. How is it then that the labour collectivity is blamed for something it has little or no control over?

The argument of Sadri, Ray and Hegde (1994) and the findings of Bhangoo and Singh (1993) also lend support to the observation of Ramaswamy and Ramaswamy (1981) in respect of the low level of working class consciousness. This is still valid in 2010 when we examine the Mamta Banerjee – Maoist led agitation against Tata Motors at the Singur Plant in West Bengal. Faced with such a scenario, management wishes to negotiate with that section of the opposition which is more manoeuvrable. Just as the British chose to deal with Mohandas Gandhi rather than Subhas Bose and the American State chose to help promote Martin Luther King at the cost of Malcolm X, so also modern management has chosen to deal with those leaders whom they can "handle" more easily. In recent times, a close nexus has emerged between the top leaders of the trade union movement and employers in general. As Alan Fox has observed, what hurts the employer is not so much the compulsion of having to bargain the market price of labour, as the prospect of having to share the power that de-

termines how the work process will be structured. And, managements seek out and deal with those leaders who do not threaten their power base. Hence the concept of power sharing becomes the hub along which all bargaining, and indeed industrial relations activity, rotates.

What emerges from the foregoing is a management whose consciousness is at an elementary level. As Tulpule (1976) said,, the traditional attitude of professional managers in our country towards unions is either of patronising them or of viewing them as an unavoidable nuisance to be tolerated, humoured but kept at a distance. The low level of managerial consciousness, the rise of a labour aristocracy and the embourgeoisment of the proletariat have created a serious disequilibrium at the micro as well as the macro level. Disequilibria under conditions of relative uncertainty are known to generate climates that are not congenial for a developed industrial relations system to operate.

Many managements take an even more easy option of promoting from the ranks of the union leaders a core who become suppliers of either labour or of raw material to the very company in which they hold power. This new "power elite" is ideologically void and behaves like all petit bourgeoisie of a comprador variety do.

Iv. What The Future Holds

In the recent past labour has been privy to more knowledge and information thanks to the development in the media industry. State abetted and Capital sponsored programmes on the television and radio highlight the virtues of a free market economy. When the basic philosophy of a market economy is eulogised ad nauseum is it any wonder that materialism and consumerism is thriving? The spate of mergers, take-overs, strategic re-alliances and board room battles all over the country are common knowledge and are freely talked about. This along with a new interest of the working class in the stock market functioning leads to further embourgeosiement, accompanied by a rise in false consciousness.. The growing reserve army of the unemployed makes even seasoned managers afraid of their own shadows. All criticism is muted and errors cannot easily be pointed out without incurring the wrath of the supremo. Mediocrity thrives and apple polishers flourish. People with the gumption to stand up and be counted get marginalized.

It is clear that segment of the workforce which is ideologically committed will have a developed form of class consciousness. We also opine that as long as workers do not have an ideological conviction they will be unable to transcend the barriers to their own growth placed by a limited consciousness. It is only when the worker is able to transcend the trade union consciousness and move ahead towards a greater understanding of the praxis of aggrandisement that the realisation of a trade union maturity is possible. Recent trends show that there is a waning away of ideology and this will lead to a labour collectivity which is devoid of a sense of historical purpose.

When a sense of the historical mission is lost and consumerism and materialism begin to thrive, the trade union becomes a pawn in either the hands of management or the Government as seen in some cases in West Bengal. And, this is exactly the position in which the protagonists of a free market economy and their capitalist paymasters want the union to be in. We believe that as long as capitalism survives the working class will continue to generate surplus value for private distribution. And as long as this equation remains valid, the labour collectivity will remain. Trade unionism will not wither away as Marx thought that the capitalist State would. The moot question then arises: "in what form will the labour collectivity remain and what will be its true character?" The answer to this question will determine the relations of production and the form in which capitalism will survive in the years to come. In other words the modalities of the new socio-political order are delineated. The new socio-political order was heralded by the triumph of private capitalism over state capitalism in India.

If the environment were to then change such that goods are sold easily and the markets clear, will the much-bandied-around concept of "participative management" be retained? What is the guarantee that the managements will not go back to their old self? After all, the cynical economist will argue, the management is not ready to share power except in certain enlightened firms that barely make up a sizeable minority. Is the union not justified in treating "participative management" with a degree of scepticism? Is the management, they

would argue not being materialistic? And, if so what should prevent the labour collectivity from being consumerist and materialistic? The worker collectivity is not interested in fanciful buzz-words which management and organisation theorists appear to rattle off at the drop of a hat. The collectivity wants concrete assurances. What has the management done to inculcate greater trust relations and guarantee that it will not revert to its old form once the markets begin to clear? Precious little, we believe. Managements speak of planning but exist from moment to moment. And is it any wonder, therefore, that little has been done on "industrial democracy" since the Webbs wrote their magnum opus in 1898?

Management aids and abets this process of embourgeoisement since it is their interest to have control over the psyche' of the union leaders. These union leaders then get benefits which are not available to the average employee. The divide between the union leadership and the rank and file as well as the proximity between the union leadership and the management increase almost at the same time and pace. This empowers the labour aristocracy which, most unfortunately, comes from the ranks of the lumpen proletariat and the comrador bourgeoisie than from the midst of ideologues.

The embourgeoisement of the rank and file, the labour aristocracy within the leadership and the oligarchic nature of union administration helps in the formation of such business unionism. And, if the present trends persist, then the worker will be left without an adequate level of consciousness so that the true nature of capitalism can be understood. Under those circumstances, the alienated worker sinks into a condition of anomie" and the macro as well as micro praxis of aggrandisement is made possible. If such a situation is allowed to persist and the markets once again begin to clear will the exploitative nature of capitalism not be tempted to become more overt? And, if that happens will the working class not be caught napping? Will there be a resurrection of socialism in the long run? Karl Marx reminds us that history repeats itself. On the first occasion it is a tragedy, on the second it is a farce.

This paper is only a radical argument that lays the basis under which very important issues will fade into the background unless an all round effort is made to raise the level of consciousness of the workers and their leaders through a holistic and meaningful educational programme for all strata of society. And, that is what we opine, the social responsibility of business as well of a democratically elected government should be concerned with!

The Art of Work And Personal Life Balance:- A Business Strategy For Success

Prof. Archana Dixit.
Faculty at, Dnyansagar Institute of Management & Research, Balewadi, Pune-45

Abstract: -

Work and Family Life of employees were competitive factors, Now in recent years work and Family Life are complimentary factors to each other. If employee's work life gets disturbed, it affects badly on his/her family-life and vice-versa. Harmonious relations between work and family life of employee are having the direct effect on his productivity. To bring the peaceful and stress -free minds at work and improve the productivity is the challenge in front of Strategic Human Resource Management.

Figure No.1

Source:- http://corporatevoices.files.wordpress.com/2010/03/work_life_balance.jpg

The effectual WLB(Work –Life Balance) policy provide employer's a conquering Strategy, for to design useful policies and benefits packages, and to attract, retain and motivate the valuable and talented work force as their long term asset. Work – Life Balance means a harmonious balance of work and family life of employee. It allows an employee to fulfill all the roles in his /her personal and professional life effectively and efficiently. An Individual employee, daily plays various roles like, As an Employee, Child of his/her Parents, Sibling, Spouse, Parent, Friend, Relations - In Laws And Most Important, is as a SELF. In today's World of globalization, to play

all these roles with responsibilities, emotions, affections, care, love and respect is quite tough. In this article, one survey has been done for the Bank employees, of Pune City in the month of June-2010, for knowing the Work and Family Life balance of Banking Sector Employees.

Key Words

Work –Family Balance Challenges, Peaceful minds at Workplace, Productivity, Strategies of HRM for WLB Policy.

Introduction

Every Organisation should take innovative actions to keep their employees happy, satisfied and stress free, In return it helps the organization to retain and grow the best talent. HRM should realize that WLB is an important management strategy and give their commitment towards a new and innovative Work –Life Policy. The effective implementation of WLB policy should utilize the potentials of an employee in an optimum way to achieve the organizational goals as well as every employee's goals.

Figure No.:-2 WORK- LIFE BALANCE

Source:- http://www.strategicplanningsuccess.com/images/newsletter_pics/balance.jpg

The Indian Family System/values is world famous, Indian values for the Family System at most and once this family life is happy and healthy the employee is as best of his performance and this reflects in his/her productivity, team spirit and creating healthy environment at workplace. On the contrary, the employee whose family life is disturbed, then it's badly reflects on his work, Productivity, health and it starts destroying the Environment at workplace too. This is a time to understand the importance of WLB and Implementing the efficient WLB Policy.

Goals & Objectives OF WLB Policy:-

- The effectual WLB policy to provide employers a conquering Strategy, for to design useful policies and benefits packages, and to attract, retains and motivate the valuable work force.
- To Bring the healthy, peaceful and stress free minds at Workplace, Which flourish the environment to achieve the Organizational goals with a high degree of Team Spirit.
- To arrange certain, Concrete meetings with family members of employees with HR professionals to under-

stand the Need of Improving the WLB.

Work – Family Life Culture may be defined as "shared assumptions, Beliefs, and values regarding the extent to which an organization supports and values the integration of employees' work and family lives. A family supportive organizational culture refers to the global perceptions that employees have regarding the extent to which the organization is family supportive."When the two domains work and family are separated, boundaries are cleared and more easily maintained. When role sets are highly integrated, role transitions become less difficult, but they can also confound the demands of these roles, increasing the chance of role blurring.

FigureNo:-3

Source:- Strategic HRM By Tanuja Agarwal

An employee plays various roles daily. He is as an Employee, Child of Parents, Sibling, Spouse, Parent, Friend, Relations- in Laws and Most Important, is as a SELF. In today's World of globalization, to play all these roles with responsibilities, emotions, affections, care and with love and respect are quite tough. When the employee is on the job for 10-12 hours daily and as requirement of body he has to take minimum sleeps of 6 to 8 hours - daily, so what the time remains in his hand to perform rest of the roles.

There are 3, main dimensions, of Work –Family Life Balance these are

1. **Ideal Employee:-**Who is having the skills, knowledge and who is committed to the organization.
2. **Ideal Workplace:-** Where an individual can enjoy his Work in healthy environment.
3. **Ideal Family:-** Where Family relations are based on Love, Caring and affection

Figure No:-4

Achieving, WLI is not as easy as it seems. In the corporate world, is constant an imminent.

The Impact of globlisation, has further stimulate these changes. There are many uncertainties in the environment, long-working hours, increasing work load and pressure, untimely meals, junk foods, not taking proper sleep etc, this all disturbs the balance between personal/family – work life of employees.

Figure No.5 Environmental Trends Impacting Work – Life Issues In Organisations

Source:- Strategic Human Resource Management by Tanuja Agarwal

The Organization which is upgrading the work –Life Integration Policy gets successful in achieving the Goals. It enjoys the unite in employees with healthy environment, positive attitude, great team spirit, high loyalty and commitment towards organizations, To attract and retain talent. It also controls absenteeism, late comings, indiscipline, and negative environment and less conflicts at all levels of organization. This all results in higher productivity, achieving the deadlines, less duplication of work, time saving, optimum utilization of resources, less wastages etc. It increases employees moral as well as they get self motivated and ready to take more challenging jobs.

When the stress is related to work, there are many tools organization provides to get re-stress like Yoga, Meditation, Sports, etc, but when the stress is related to family responsibilities, and its fulfillment, the employee many time post pones those responsibilities because of tight work schedule these normal responsibilities, becomes worst problems, he faces stress, when this stress not get controlled it turns into burnouts. Burnout is very dangerous stage thus an individual can commit a suicide also in this stage. Many times various health problems occurs thus there is imbalance between Work –Family Life. When the harmony between these two gets lose, then Individual get depressed, frustrated, and faces anxiety. Employee faces many health problems like High BP, Heart Problems and Acidity etc. As per one survey many divorce cases also takes place because of the Work –Family life imbalance. Eg. In family, when both Husband and Wife are working, then Who has to take leave when child is ill, Who will attend the meeting in the school of children, Who will look after the old age family members,

when they are ill etc. at a first glance these reasons are small but those are the root causes of disturbing, healthy family life.

Figure No: 6

Organisational Culture should be supportive for the successful Implementation of WLB Policy

Source:- Strategic Human Resource Management by Tanuja Agarwal

Here are the some Companies Examples who Has Introduced Creative WLI Policies

- **Maruti Udyog:-** Happy week keeps 1 week shut down in the month of December and June to get match holidays with children's vacation.
- **TCS:-** For Relocation the site is developed as Maitree by Ms. Mala Ramdorai, (wife of TCS's CEO Mr. Ramdorai.) for the convenience of the TCS employees, when they get relocate, the information includes on Maitree site like for rental and purchase homes, education of kids, tuitions etc.
- **NIIT:** -In addition to maternity leave, a parent can choose to work ½ day with half pay till child turns 1 year old .
- **Sasken:-** Since the office round the clock, the cafeteria also functions 24 hrs. And snacks provide after 11:00 pm are free.
- **Smith Kline Beecham:-** On –site health clinic, fitness Centers &fitness Programmes.
- **Merrill Lynch:-** Childcare Centers, Summer Camps, Tuitions.

Below is the survey to Know how is WLB of Bank Employees in Pune City , The Survey has conducted in the month of June– 2010:-

Survey has been done by interviewing with the help of Questionnaire, with taking into consideration 36 Bank Employees in different Banks of Pune City, Including some Nationalized, Foreign and Pvt. Banks. Questionnaire includes total 10 Questions regarding How well the WLB (Work-Life Balance) Policy is in the Existence in Banking sector of Pune City.

- Around 85% of Pvt. Bank Employees work under stress and more than 8 Hours they work daily. As well as they become tense with increasing work load, system and change in technology.
- Around 92% agree that their work – Personal life Integration is below 50%.
- Around 98% Imagine their Work – Personal Life Integration as Compromising 1 thing for another.

- Only in Some Nationalised and Foreign bank's employees are aware and knowing that Work –Life Integration Policy, is in Process in their Bank.
- There are no facilities like Crèche, Bus Services or canteen facilities as well as Work from Home, or Flexi –Working Hours in most of all the banks in Pune City.

Questioner For Work –Life Balance, of Bank Employees - In Pune City.

1) Name of the Employee……., Designation……..Age……

2) Name of the Bank……3) Status:- Married/Unmarried……..

4) Age Group – Below 25, 25-30, 31-36, 37-42, Above 42……

5) Family Members…....6) No. of Children You Have…...AND 7) Age of Children……

1) Does your Bank implemented Work –Life Balance Policy?

Yes B) No C) It's In Process D)Don't know

Figure No:-7

2) Do you believe that Stress free mind and body gives you great level of satisfaction, Happiness, Motivation and it good results as High Productivity and Self Esteem?

Strongly Agree B) Bit Agree C) Undecided D) Disagree

FigureNo:-8

3) How you see/ Imagine Work – Personal Life Balance?

Compromising 1 thing for another B)See-Saw C)Bicycle D)Your Own Concept

Figure No:-9

4) Do you believe that when your work life is disturbed it affects badly on your family and vice-versa?

Fully Agree B) Agree C) Bit Agree D) Disagree

Figure No:-10

AND LAST BUT NOT THE LEAST

5) How well balanced is your own Work-Life Balance?

90% Above B) 70% to 89% C) 50% to 69% D) Below 50%

Figure No:-11

Conclusion

The Corporate world is realizing the importance of Work –Life Balance, Organizations' are realising the fact that the WLI of employees has a direct effect on the Productivity of employees. Work Life Balance is the responsibility of not only the organization, but also the employee- Understanding the essence of the programs and using them to the maximum benefit of both the individual and organisation's purposes. For the successful implementation, of WLB policy the co-operation and co-ordination at all levels of ogranisation's hierarchy is requires. This, in turn, helps the organization to achieve better productivity, reducing absenteeism and increase Team Spirit, Morale and

Motivation of employees and it also results in improving productivity and better customer serives. Problems at the home front of employees may also lead to major financial costs of employer's, an employee who is facing family preoblems is unlikely to work to his/her full potential. Every organisation should design and implement and imrove the WLB (Work - Life Balnce) policy in a such way that it creates and develops the Peaceful and Healthy Employees, Family, Society as well as the whole Nation.

References

Books:-

1. P.Subba Rao, 2008, Essentials of Human Resource Management And Industrial Relations, Mumabi:- Himalaya Publishers.
2. Tanuja Agarwal, 2007, Strategic Human Resource Management.
3. India- New Delhi:- Oxford University Press.
4. ICFAI, Hyderabad, 2005, Distance Learning Material :-
5. Book "Managerial Effectiveness"

Derivative Book:-

1. Sivaram Tekuru, 2008, The Role of HR in Marinating Work –Life Balance, Page No-160, ICFAI University Press, Derivative Book:- Changing Roles of HR Manager.

Web Sites:-

1. Julie Rosenzweig, Ph.D., Co-Principal Investigator,Eileen Brennan, Ph.D., Co-Principal Investigator ,Lisa Stewart, Ph.D., Project Manager, 2010,"Work-Life Integration for Families with Children & Adolescents Who Have Emotional or Behavioral Disorders" http://www.rtc.pdx.edu/pgProj_4work-life.shtml
2. Nick Bloom , Tobias Kretschmerand John Van Reenen, Work-Life Balance, Management Practices and Productivity, April-2006 http://www.stanford.edu/~nbloom/WorkLifeBalance. .pdf
3. Vijay Lakshmikanthan and Deepa,"Work-Life Balance in Indian Industry"-2010 http://www.aims-international.org/aicvm/AICVMCD/pdf/Indian%20Management/YV519-done.pdf
4. Nancy R. Lockwood "Work/Life Balance Challenges and Solutions" - 2003 http://www.ispi.org/pdf/suggestedReading/11_Lockwood_WorkLifeBalance.pdf

Work Ethics: A Futuristic Prognosis

Sharukh N Tara
Professor Of Finance
BVIMSR, Navi Mumbai

There is no gainsaying the fact that business compulsions in globally competitive markets will force the corporate leader to be ethical. Corporate Leadership arises out of and determines the nature of the work ethic. Hence, no examination of the work ethic is complete without an examination of the corporate leadership. Along with new global alignments and trade rules, a new set of modalities for business have emerged. To name a few:

- Business has per force become transnational. The boundary-less universe has emerged, and an era of concurrent collapse has been ushered in.
- The pace of change is non-linear, non-Newtonian and non-incremental. New power brokers have emerged and teamwork has gained ascendancy.
- The myth of the technological competitive edge has been exploded. Effects of all managerial decisions are seen

  a) In terms of long term growth and stability, and,

  b) The effect it has at the point of production or at the point of sale.

The product profile has changed whereby there is a marked preponderance of the knowledge component over the erstwhile raw material component.

Dependent economies along the periphery of the capitalist world economy found that their growth was immiserised and their infrastructures were fragile and dependent.

The effect of these modalities on organizational behavior is two fold. Organizations are going through a kind of Corporate Olympiad, a massive change of corporate focus in line with the market scenario, where only the fittest can survive. There is a felt need for creative definition of functions and structures, wherein the approach to organization must be geared towards a culture and style transformation as well as be zero based. The doing executive of the 1950s and 1960s became the learning executive of the 1970s and 1980s. The 1990s beckoned the age of the thinking executive and the knowledge worker whose only loyalty is to technology.

It was no longer enough for the corporate leader to be activity based but to combine it with being thought based. The leader's paradigms had to be flexible, proactive, pioneering, holistic and global. Re-engineering which was a fad of the 1990s no longer gave the desired results. Organizations were no longer satisfied with product leadership; they needed to have competence by competition for opportunity share.

Both Michael Porter's Diamond and the B.C.G. Matrix were more descriptive than predictive and consequently

had become old hat. lt was not enough allocate and utilize to resources optimally but to accumulate them for strategic leverage. Hence, policies had to be designed to stretch along with changes in the environment rather than fit into a particular construct. In addition, all this was expected of the corporate leader who will take the organization into a better tomorrow with a new work ethic.

To begin with, let us see what the organization expects of the leader in the future. Some of the key characteristics, which emerged when the question was posed to managers by another XLRI - NITIE research conducted in Western India (1993 - 1995), were:

i. The leader is to help perpetuate history and yet bring about change.

ii. Adapt the character of the corporate management to the needs placed upon the organization by the environment.

iii. Keep faith and uphold key commitments so that at no point is his credibility questioned.

iv. Maintain a healthy tension between tradition and change.

v. Make a lasting impact on the organization, and in turn the market.

When one were to examine this list a mite more closely, one would find there is a kind of causal link from point (i) to point (v). n order to predicate the views of this paper in the proper context it is felt that certain key terms need to be properly defined so that the precise position adopted by this paper is clarified. Hence, this paper must take issue with the nature of corporate leadership itself.

Clearly, the first task of the leader must first of all work towards gaining acceptance. Once that has been achieved, the rest can follow. However, this may not be easy. Vested interests will be keen to scuttle progress for the sake of individual security. The structure of the organization is most often the first thing a leader examines. By structure is meant the distribution along various lines, of people among social positions which influence role relations between the incumbents. One of the biggest hurdles to overcome is that while organizational structures are constructed along concentric lines (for greater effectiveness), the incumbents (managers and workers) still think and act as if the organizational structure is built along hierarchical/ pyramidal lines. To achieve long lasting results the leader must change this attitude.

To bring about a change in attitude, the organization's mission and purpose must be clearly defined. If one does not know where one is going, one cannot be lost. Unfortunately this fits the description of most traditional organizations in India beautifully, which can help an organization to link its activities to the needs of society and legitimize its existence. By purpose is meant statement of intent; of what an organization strives for and sets the objectives, goals, policies and plans accordingly.

An objective is a close-ended attribute, which is precise and can be expressed, in specific terms of quantity, quality cost and time. If not, progress would become hard to measure. The objective in turn springs from a goal, which is an open-ended attribute denoting a future state or outcome than organization strives for. To actualize an objective the leader needs to clearly define the policy, the procedure, the rules and the plans.

The organization's policy is a guideline to action. Procedures are a series of tasks or steps expressed in a chronological order. Rules are prescribed courses of action which explicitly state what is to be done under a given set of circumstances. The rules could, of course, be either substantive or procedural. And these rules, procedures and policies are to be geared towards achieving the objective of the organization.

It is the task of the leader to define the goal and role of each aspect/function within the organization so that both clarity and non-ambiguity exist. This would facilitate the appreciation and understanding that will help fulfill the mission born out of the vision of the organization. To summarize, the organization leader is one who articulates the vision and mission of the organization, brings about goal and role clarity and facilitates the achievement of the objectives through teamwork. The leader builds the team, nurtures it and proactively leads it in order to achieve the organization's objectives. He can do so only if he walks his talk and can carry the team along with him. The key is not so much in liberalization but in conscientious management which brings with it corporate governance.

This view was echoed when Sir Adrian Cadbury in an interview in late 1996 stated:

> *In India I think one has to focus on opening up the system. I would not try, for example, to control transactions a company is entering into. I would rather try and establish a scenario where more information on that transaction is available to shareholders and the press. The need is for all deals that companies make with others and within themselves to be transparent.*

In the same interview, he went on to say that:

> *What is important is that there should be clarity of responsibility between the board and the management. Often there is confusion about precise responsibilities. There has to be a clear line between the tasks of the board and management as to who plans and manages and who executes the plans.*

What will be the nature of this leadership? In 1997 a study conducted by the Sloan School of Management (USA) confirmed a commonly held belief. It was fact that only those companies will remain as effective players in the global market during the next century which have placed a great importance on Ethics and which practice Value Based Management. Such a powerful statement needs to be examined in detail to understand what it implies and what ramifications it may have for Indian industry and business. But first, let us see what do these terms in the corporate context mean mean?

- Values are a set of beliefs held by a person or a group of persons or an organization and which the person or group or organization stands for, is known by, and form the basis of its subsequent actions. (It is a thought-based concept).
- Ethics are a pattern of moral behavior, of a person, a group of persons or an organization, which are in consonance with some assumed, explicit, stated or unstated beliefs. (It is an activity-based concept).

It should be noted that values and Ethics are dialectically connected to one another and the distinction drawn above is purely epistemological. The question then pops up: So, why should managers study ethics?

Ethics has long been the subject of study but Managerial Ethics has gained importance only after the Stock Market crash of 1987 when one stock market after another crashed : Tokyo, Zurich, London, Sydney, New York, Singapore, and Hong Kong.

A study conducted by the China Economic Research Center, Macau, in 1986-88, (of which this author was a part), came to the conclusion that the three main reasons for this stock market crash, which threatened the fabric of several free market economies were :

1. Ham handed economic policies on the technical side.
2. Poor communication between the banks (lenders) and the the industries (borrowers) both of whom were speculating without adequate gold reserves.
3. Low level of Business Ethics in the financial sector which created disharmony and lack of trust between the various markets: Sydney, London, New York, Hong Kong etc., Hence, to an economist like the present author, a serious study of ethics is crucial for business and industry. What does this imply especially for the HRM specialist? It implies five things mainly viz :

- **DEPENDABILITY**
- **TRUST RELATIONSHIPS**
- **QUALITY ASSURANCE**
- **CONSISTENCY**
- **MARKETABILITY**

The question is posed : at what levels do these five traits imply? The answer is that it must be studies at the level of the PERSON, the PROCESS and the PRODUCT. Naturally, one need to know how does the business or

industry benefit from this? The answer lies in the fact that it enables the company to gain a competitive edge in the market place by converting the customer into a client.

When a person comes to buy a product he is a customer. When he comes again for the product, since he is convinced that he gets good value for his money, he is a client. Managerial Work Ethics makes this possible based on the five traits given above.

The research conducted from XLRI and NITIE between 1993 and 1995 had showed that about 82 % of the senior / top level managers in Indian industry (from a sample size of 3000 received and valid questionnaire responses) operated in the acceptance mode when confronted with an ethical dilemma. The finding was based on a country wide cross sectional survey of 3000 top-level managers whose responses were cross-referenced and statistically analyzed. This finding meant that the top-level manager was not always a leader who stood for values and blazed a trail for others to follow. Rather, he was someone who wanted to play safe, hurt nobody in power, ruffle no feathers and thereby continue to enjoy his position of authority.

If this is true, and evidence suggests that it is, then industry must shake off its lethargy otherwise stability will lapse into inertia and we would have achieved development-less-growth. The all important question is begged: why do senior level managers who are financially secure, act unethically? Five possible reasons are thrown up by further research conducted in U.K. between 1994 and 1997.

1. The individual and internalized values of the manager are either unclear or weak: e.g. he does not have the guts to stand up for his beliefs.
2. The individual is concerned with the bottom line only: e.g. he wants to get profits at any cost.
3. The individual believes that anything is right so long as others believe it to be right: e.g. a public relations guided mentality where the person is eager to be popular.
4. The individual is inherently exploitative for meeting personal goals and ambitions: e.g. riding piggyback on colleagues' efforts and taking the credit.
5. The individual is insecure and is afraid of change so he promotes stereotypes and undermines empathy as well as compassion: e.g. the boss who promotes "yes men" and thereby empowers mediocrity.

A similar research in the USA showed organizations tend to reward behavior that violate ethical norms. Most societies value ethics and imbibe morality in its citizens. The study concluded that managers faced an ethical dilemma because of the conflict between societal norms and organizational counter norms e.g.

SOCIETAL NORMS		ORGANISATIONAL COUNTER-NORMS
Be open and honest	Vs	Be secretive and deceitful
Follow the rules at all costs	Vs	Get the job done any how
Be cost effective	Vs	Use it or lose it (as in a high priced computer)
Take the responsibility	Vs	Pass the buck (save your butt)
Be a team player	Vs	Take credit and move up

Given the capitalist nature of most developing economies today could the above prognosis not be universalized? If so, what sort of HRM intervention is needed to address this anomaly? Moreover, herein lies the key to improving the work ethic: to convert competition into cooperation for sustained development.

In Denmark, Switzerland, Holland, Germany, France and Sweden, as well, Managerial Ethics is given a very high priority. Ethical Codes and Audits are consequently introduced in every major company/business. Cadbury speaking on Governance alludes to this all the time. However, what does this mean?

A Code of Ethics is a set of documents describing what an organization stands for and the general rules of conduct expected from all employees irrespective of rank.

An Ethics Audit is a practice of regular assessment of employee behavior so as to identify incidents of dubious (questionable) behavior. Here two systems can operate. Anyone can complain about anyone to an Ethics Manager. Where everyone is his brothers' keeper and is duty bound to complain, correct, and guide anyone who may be seen as falling out of line with corporate norms of conduct.

The final question to this learned readership can then be posed thus:

Is it just good business sense for management to be Ethical ?

or

It is good for management to be ethical and also be seen to be acting ethically anyway?

The precise answer given by top management will determine the work ethic. However, before we conclude there are some finer points to mull over:

History demonstrates and research supports the fact that:

- Managers operating in the Consequential Mode are usually opportunists and carpetbaggers. Very often they do well in life.
- Managers operating in the Acceptance Mode are usually insecure, seek peer approval and promote mediocrity. Very often they live behind a facade.
- Managers operating in the Non Consequential Mode are the trailblazers, history makers and true leaders. Most often they are the ones who make the difference.

HRM is not window dressing or even a soft option. It is an integral part of Management Strategy formulation. It is capable of being benchmarked and must be held accountable for deliverables. HRM is the initiator, instigator, catalyst and manager of organizational change. Moreover, it is here that the HRM facilitator must take his cue in formulating the intervention needed so that a work culture emanates and enables the organization to thrive on the cutting edge of global competition.

There is little doubt that next to God if man should fear anything then it is History. For, when history passes judgement it is most unforgiving. Every person like every country makes his own history but does so under definite conditions over which he has little control. What kind of history would you like to be a part of? Each of us has to make his own decision, walk his talk and stand up to be counted. What will your decision be? What kind of a work ethic will your HRM intervention produce? After all unless the work ethic promotes quality, teamwork, transparency and accountability, it may not be of much use after all. That is the important question we must, as professionals, address to ourselves if we are to help India move into the new millennium from a position of strength.

Managing Brand for the long run : Brand Reinforcement and Revitalization

Prof. Vikas S. Dole,
Lecturer
Neville Wadia Institute of Management Studies & Research, Pane- 01

Abstract:

A strong brand is a powerful driver of sales, profit and shareholder value. That's why market value of fortune companies is more in intangible assets. Even the most popular brands face the danger of getting lost unless they reflect the changing customer preferences. Managing brand over period of time is a big challenge for the marketers today. Brand Proliferation is the order of the day. Rigid brands can become irrelevant in the face of changing priorities and changes in competitive market. Marketing Environment is continuously changing. Change in consumer behavior, Competitive strategies, technological changes and other aspects of marketing environment is making work of brand managers challenging.

In this article, the author has tried to discuss tactics for brand reinforcement and revitalization to manage brand for the long run.

Keywords:

Brand, Reinforcement, Revitalization, Extension, Repositioning, Awareness.

Managing Brand for the long run: Brand Reinforcement and Revitalization

A strong brand is a powerful driver of sales, profit and shareholder value. That's why market value of fortune companies is more in intangible assets. Even the most popular brands face the danger of getting lost unless they reflect the changing customer preferences. Managing a brand over period of time is a big challenge for the marketers today. Brand Proliferation is the order of the day. Rigid brands can become irrelevant in face the of changing priorities and changes in competitive market. Marketing Environment is continuously changing. Change in consumer behavior, Competitive strategies, technological changes and other aspects of marketing environment is making work of brand managers challenging.

In this article, the author has tried to discuss tactics for brand reinforcement and revitalization to manage brand for the long run.

Brand Reinforcement:

Brands are generally reinforced by marketing programs that communicates meaning of the product constantly to

keep up awareness and image. In brand reinforcement we have discussed several ways of conveying brand image in terms of product management, benefits and differentiation of the product as well.

Maintaining Brand Consistency

Brand consistency is critical in maintaining the strength and favorability of brand association. Brand that receive insufficient support in terms of R&D, Product improvement and budgets for marketing programs become technologically obsolete and outdated or forgotten, irrelevant and ancient with time.

The secret of brands that have maintained market leadership for the last one or two decades can be attributed to consistency in spending resources and positioning. Coca cola, titan, Johnson & Johnson can be quoted as few examples who are consistent in their strategies. Titan has used the gift proposition for the last two decades but has always been contemporary with the period. Johnson & Johnson baby products are using same tagline for many years -Recommended by over 90% of Doctors- featuring care and affection of mother towards child. Fair & lovely is using same trial campaign for promotion for many years – Trial of 15 days to make skin fair with a promise of fairness. BPL televisions, leaders one time neither updated their TVs technologically nor invested resources in promotion as compared to its competitors.

Consistency but change

Brand consistency is critical in maintaining brand association but it does not mean that the brand becomes stagnant. With time organizations should change the way the product proposition is offered to the customers. For example Ponds beauty products were becoming stagnant as they taken granted for by the users and Ponds beauty talk started to decline in sales . HUL used concept of Ponds Beauty Institute which helps company to improve the products. This helped company to offer better 'perceived' product.

Fine tuning the supporting program

Titan's fast tract goggles are positioned towards stylish, urban and fun loving youth. Fast Track in both its categories, watches and goggles, is positioned as a brand for youth, reinforced through its co-branded watches, with the iconic MTV which is seen by young generation.

For fine tuning the supporting program following ways are used : Product Related Performance Association and Non Product related Imagery Association.

Product Related Performance Association:

For products whose core associations are product related performance attributes innovation in product design, manufacturing & merchandising is crucial to enhance brand equity.

Gillette spends heavy amount on product research, innovation in products. They have offered various products like Trac II, Atra, Sensor, Mach 3, Mach 3 Turbo (for high end Customers) Vector (for low end customers). Gillette is actually changing its product designs, not just face lift, because of which they enjoy market share of 40% in razor and blade market.

Whirlpool is regularly changing its product features and designs by offering product like Whirlpool Quick chill, 6th Sense technology. As Dalda vanspati lost its relevance because of increasing health consciousness among customers so they are offering ADE- Dalda Husbands choice offering oil with vitamin A, D, E. Onida tried to revive in market by introducing CD players which can play scratched CDs as well.

The timing of announcement of change in the product is critical. If the change is announced too soon, customer may start to purchase improved product version, neglecting the original product. If the change is communicated too late, competitors may reap the benefits of early market entry.

Brand Revitalizing:

Changes in customer preferences, new competitors , new technology or changes in the marketing environment, can affect profits from brand. That's why brands which were respected, have fallen in sustaining their position or have disappeared from the market. Xerox Machines, Shell Oil, BPL TV can be quoted as examples. To regain the lost sources of brand equity (Back to Basics) or gain the new sources brand equity (brand reinvention) is required. Sometimes positioning is relevant but marketing program should be changed or reposition the product completely be changing the meaning of the brand fundamentally.

Expanding Brand Awareness:

For mature brands recall (Depth) is not a problem but consumers start to think it in a narrower way thinking that it is applicable only in some situations. So breadth of brand awareness is the problem. So this part of paper deals with strategies to increase usage of a brand (quantity or frequency) or to find new ways to use the product.

Identifying supplementary usage opportunities:

When perceived usage is less or different than reality, there is opportunity to increase the frequency of usage. For some products if the perceived length of productive usage is short, consumers fail to replace the product regularly. The strategy may be to present better information to consumers.

The easiest way to convince customers about increased usage is when the usage is less than its potential or recommended usage.

The brand appears appropriate in some situations or at places or events. This is obvious when brand association is very strong with respect to events, situations. For identifying additional usage opportunities of the same product sometimes special marketing program should be undertaken. The marketing program should be successful in communicating to customer benefits of additional usage or future barriers brands can resolve or disadvantages if product is used less. For Example: Parle Monaco was promoted as tasty and salty as well. But they extended the use of Monaco as toppings for various food items and later on it was promoted as an ingredient for different recipes. For that they designed special recipe books and web pages. This innovative practice was followed by their competitors to supplement the consumption.

Identifying New or Different ways to use the brand:

The other way of increasing frequency of purchase of a brand is to introduce new ways of usage of products.

For example: Dabur Honey was initially projected as good for health i.e. on health proposition but later on well planned advertisement campaign was launched to project honey as an ideal ingredient for variety of preparations like sandwiches , fruit salads, sweetening agent in milk instead of sugar which not only upgraded the product but product category itself.

Cadbury was initially promoted as routine sweets and confectionery for children and adults as well. As a part of demographic adaption and a way to increase frequency of consumption, they started to promote it as an ideal gift for Diwali, Raksha bandhan to replace the traditional Indian sweets.

Improving Brand image

Repositioning the Brand: Repositioning may require just to remind customers of the worth or qualities of a brand which are getting forgotten with time. Repositioning can be viewed as changing the perception associated with a brand either because of meaning of a brand has to be made relevant to the changing environment or consumers who were using the product are its 'loyalty'.

Marketing Management

Maruti repositioned its Maruti 800 (No frill economy car) as a dream car for middle class consumers. Nestle is positioning its perk brand from leisure time to energy by introducing Perk Glucose. Red Label has tried to reposition itself on product attributes like adding vitamins, Red Label Aurvedik.

Customer may suspect credibility of brand if the product is not positioned clearly. Just like when Vicco introduced multipurpose ayurvedic cream for shaving cream, antiseptic lotion, facial cream, it failed to attract the segments, because these functions have specially targeted by offering special product offerings.

Changing Brand Elements:

Often change in brand elements like brand name itself, logo, characters, Packaging, jingles, celebrities can be modified and update over a period of time to revitalize brand.

To change brand name is very difficult as it is the most important part of brand element.

Back in early 2000s, a host of Indian companies went in for a name change. Tata Engineering became Tata Motors to signal its ambition to be seen as a global car company, not just an Indian truck maker. Around the same time Vam Organics changed into Jubilant Organosys to better reflect its focus away from bulk to specialty chemicals. It recently changed to Jubilant Life Sciences, again to reflect the changed business focus. Red label is advertising change in its brand name process through involvement of people which is helping it in increasing its brand awareness.

Onida is one example which changed its brand elements and promotion plans regularly without much analysis. Now as a brand losing its relevance with present customers, even tried and tested promotion of devil is not working for them.

In FMCG sector, especially detergents change their packet colour to emphasize more powerful or increased efficiency. The country's largest Telco, Bharti Airtel, now fifth largest in the world, after its takeover of Zain in Africa earlier this year has gone in for rebranding, its third since inception in mid-1990s, complete with a new logo, new brand tune and all. It's using the occasion of rolling out its airtel brand into its newly acquired markets to indicate its new global company status.

Bajaj Automobiles also changed its logo and jingles when it changed its brand image from family scooter highlighting family bonds to powerful bike for young generation underlining power, Speed, technology. Mahindra & Mahindra is going to change all brand elements like colour, tagline except logo which will be changed in couple of years.

The story of change of Logo Shell petroleum is very famous. But such kind of changes should be slow and evolutionary in nature. The customers should feel change in product and should not feel that product is entirely new.

Adding new customers

In case of mature products as the customer has already tried and tested the products, the aim of the marketers is to retain the present customers, building brand loyalty and at the same time develop plans for attracting new customers. The new customers should feel that the brand is relevant to them and their needs.

Brand Extensions & Sub brands:

To attract new customers and to keep the brand updated with time, one can introduce line extensions or sub brands. The extended brand or sub brand can include new technology, features or other features to satisfy new customers or changing needs of existing customers.

A critical factor in the success of brand extension is the elasticity of the parent brand. Some brands can be stretched to other categories more easily while some brands cannot. If brand is associated with particular functionality or

use of product, it is less elastic. For example, Burnol was promoted keeping in mind specific use after burn. Because of firm association with functional attributes other brand extensions did not succeed.

Consider the case of 'Colgate' with its variants- Colgate total, Cibaka Top, Colgate Whitening, salt, fresh energy gel, Herbal, Kids tooth paste not only offered lot of extensions but also tried to grab major shelf space. Fair & Lovely has introduced sub brands like multi vitamin, antimarks, Ayurvedik Balance, winter fairness creams. Each of the brand extension is either targeted for existing customers by offering something more than the present product offering or targeted to different customers.

Horlicks is offering the energy drink for children and project mother and child bond in their promotion. Horlicks Mothers' Special is extension is developed keeping mothers in mind with different kind of packaging and pricing level. Generally extensions fail because of over confidence in the parent brand that parent brand will support the sale of extension. So these extensions do not get enough attention and advertising support as compared to parent brand.

Multiple marketing Communication Programs:

A separate advertising campaign for separate segments is a way to attract new segment of market. The increased effectiveness of targeted media makes multiple target segments more feasible.

For example, Blackberry: projects itself as a handset providing solutions to the needs of working professionals. It now also targets college going students saying "We are black berry boys."

Michelob bear target youngsters and working professionals. For working professional it says "Add a weekend in your weekdays" and for youngsters the tag line is "Its time for a blast. Let's rock." But shortcoming of this approach is the cost involved in advertising may be very high and if media is not selected properly may positioning may get hampered.

New Distribution Channels:

Attracting new customers can be done by making the product more available to the group. By using different distribution models reach of the product can be increased. For example, HUL used project Shakti to reach the customers in the rural market where present distribution channel cannot reach.

VIP has worked aggressively on brand building through advertising and exclusive stores like VIP Lounge over the past three-four years. The company has spent ` 50 crore over the past two years on advertisement and brand marketing to enhance the brand image and recall.

Cipla had initially only one division to cater cardio vascular segment, but they divided the segments into three divisions – for Oral, inject able, inter venous drugs. So three different sales representatives will pitch doctor three times instead of one to create and grab space in the minds of doctors. As companies seek opportunities to interact directly with customers, there has a boom in the use of sale of products through promotional events, field marketing, events and shows.

Entering New Market*:*

Redefining categories opens the playground for brands which are ready for bigger share but different competitors. Successful brands aim to define and 'own' the category. They are focused on creating awareness and generating trials for the brand.

For example: Kingfisher Airline is having one division targeting low cost segment. But with increasing competition in low cost segment, kingfisher is targeting premium customers also without losing the present customer.

Bibliography:

1. Kevin Keller, (2003), "Building, measuring, and Managing Brand Equity" 2nd Edition, New Delhi, Prentice-Hall India Pvt. Ltd., Pg.- 612-670
2. V. S. Ramaswamy; S. Namakumari, (2009), "Marketing Management" 4th Edition, New Delhi, Macmillan Publishers India Ltd., Pg.-389- 400
3. Prashant, (Sept., 2010), "Strong brand building pays off", retrieved on 21 January 2011 from
4. http://www.financialexpress.com/news/strong-brand-building-pays-off/
5. (Nove., 2010) "Brand Success" retrieved on 21 January 2011 from http://www.financialexpress.com /news/ fe-editorial-brand-success
6. (March 2002), "Samsung to Increase Brand Awareness Thru Roadshows" retrieved on 21 January 2011 from http://www.financialexpress.com/news/samsung-to-increase-brand-awareness-thru-roadshows
7. Kaushik Mukerjee, (2008),"Brands that win hearts", " retrieved on 21 January 2011 from http://www.tata.com/pdf/tata_review_sept_10/strategy_brands_that_win.pdf
8. S. Ramesh Kumar, (2007). "Marketing and Branding – the Indian Scenario", Delhi, Pearson Education, Pg- 62-65, 415,427.
9. Dr. C. Chandan, (2009), "Product Management", 2nd Edition, New Delhi, Tata McGraw Hill education Pvt. Ltd., Pg.- 123-126
10. Harmish pringle, Peter Field, (2009), Brand immortality, New delhi, kogan Page India, Pg. 150 -155

Promotional strategies – Do's and Don'ts in promotions

Radha Dogra,
Lecturer
Neville Wadia Institute of Management Studies & Research (NWIMSR)

Text: Promotion is an essential element in the marketing mix. It is a tool used by most businesses both large and small to inform, persuade and remind customers to buy the company's product. Without business promotion companies would be stagnant and lack substantial growth because their brands will have low visibility in the market

DO's

Match the message to the customer - Your marketing promotions won't stand a chance if you don't match the right message to the right buyer.

- identify and target the types of buyers who are most likely to be engaged by your product, service or solution
- Build messages and content that match the buyers' criteria for choosing a solution
- Tell the sales people the buyers' stories, proving that you know these buyers and that they need your solution
- Deliver the message in the places your buyer frequents

Give something for nothing

Before you attempt to sell, you must create trust. The best way to do this is to provide something the prospect wants - **information**. When people surf the Internet, they are looking for information. Your product may seem to solve a particular problem but if you can't create trust, you don't stand a chance of making a sale.

People generally need time to build trust. Trust can only be created over time by consistently showing the customer you have the **knowledge, expertise and values** to solve their problem.

Any promotional information you send to a customer or prospect must do the following:

- Demonstrate how your product or service solves a particular problem
- Create trust by giving away something valuable for nothing
- Position you as an expert
- Require a minimal call-to-action

Creating trust will be difficult if you can't quickly demonstrate how your product or service solves a problem for

the prospect. This goes back to our discussion on delivering the right message to the right buyer persona.

A great way to start creating trust is to give something valuable to the prospect that helps them solve an issue that is important to them. This could be e.g. downloadable report, a free consultation, or a free service trial. By the way, when I say free, I mean it. No strings attached.

By default, whatever it is that you give away should help position you as an expert in your particular field. In addition, make sure it requires very little effort for the customer to redeem. If it's a complicated multi-step process, you will get few takers.

Use AIDA strategy

Create awareness – among the potential buyers

Develop Interest – Develop interest in buying the product

Kindling Desire – Create desire to buy the product

Stimulate Action – Push the transaction towards a sale

Modify promotion strategies through the product life cycle

Stages and promotion strategies employed

Introduction

When a product is new the organizations objective will be to inform the target audience of its entry. Television, radio, magazine, coupons etc may be used to push the product through the introduction stage of the lifecycle. Push and Pull Strategies will be used at this crucial stage.

Growth

As the product becomes accepted by the target market the organization at this stage of the lifecycle the organization works on the strategy of further increasing brand awareness to encourage loyalty.

Maturity

At this stage with increased competition the organization take persuasive tactics to encourage the consumers to purchase their product over their rivals. Any differential advantage will be clearly communicated to the target audience to inform of their benefit over their competitors.

Decline

As the product reaches the decline stage the organization will use the strategy of reminding people of the product to slow the predictable

Internet promotion

The development of the World Wide Web has changed the business environment forever. Dot com fever has taken the industry and stock markets by storm. The e-commerce revolution promises to deliver a more efficient way of conducting business. Shoppers can now purchase from the comfort of their home 24 hours a day 7 days a week.

Owning a website is a now a crucial ingredient to the marketing mix strategy of an organization. Consumers can

now obtain instant information on products or services to aid them in their crucial purchase decision.

Advertisers have now moved their money over to the internet as customers are on average spending more time online then watching TV. Popular ways to advertise seem to be with banners and pop ups.

Use PUSH or PULL strategy depending on the product

In dependence of the used medium, the communication can be either interactive or non-interactive.

For example, if the seller makes his promotion by television or radio, it's not possible for the buyer to interact with. On the other hand, if the communication is made by phone or internet, the buyer has possibilities to interact with the seller. In the first case information is just *"pushed*" toward the buyer, while in the second case it is possible for the buyer to *demand* the needed information according to his requirements.

Define VP – VALUE Preposition

VP stands for **Value Proposition** and it is critical to define what unique value you can bring to your customer. Simply put, if you don't find a way to stand out from the crowd, any marketing promotion strategy you define will be weak at best. You'll be wasting both your time and your money. Take some time to think about what your VP should be and how to effectively communicate it to the target market.

Highlight the B's and not the F's

Always try to highlight the benefits of the product and not the features of the product. The customer would prefer to know what would be the benefit of the product rather than knowing the features of the product. The customer would be ready to pay for the benefits derived from the product and not for the features

DON'T's in Promotions

Low Price - If your only differentiator is price, you're in for a tough time. Price is probably the worst way to attempt to differentiate your company. If your customer sees your company as just a discount shop, you'll lose out to competitors that are able to bring value-added services to the table. In addition, there will always be companies willing to sell at a price lower than yours. Do not get stuck in this trap. Making low pricing your Value Preposition is a mistake.

Quality Products - Quality products are not a differentiator, they are an expectation.

Service -Having good service is simply not a unique way to differentiate your business these days. You must find something else that separates you from your competition.

Your VP needs to focus on a unique way you do business. It can be the way your information is packaged, an incredible guarantee that no one else offers, or the way your product can transform people.

Once you have defined your value proposition, you must ensure that this message comes across clearly to your customers and prospects. An easy way to do this is to develop a business tag line based on your VP and to use this tag in all customer communications.

Suggestions:

- Innovative marketing - ***Be accessible*** in all forms - available & financially viable.

- ***Make it available and yet seem exclusive***. Gmail has used this to good advantage by making registration seem exclusive as it is subject to an invite from an existing member. This will delay the shift in perception from cool to uncool (only delay not stop)
- ***Crunch speed of adoption from innovators to laggards*** by enhancing awareness, word of mouth and PR. This makes everyone seem like they are getting onto something new & different. But the difference between innovators and laggards should not more than 6 months. This principle has been used by Apple on their iPod and iphone series very effectively.

Emotional marketing – is very simply the ability to communicate powerfully through the use of different techniques that evoke emotion.

"Emotional marketing doesn't mean much if the company's people; products and services don't back it up. Nike doesn't succeed because they make great commercials. Rather, Nike succeeds because its core belief-its brand promise, its love of the potential for the athlete inside everyone lives inside the people in Beaverton. When that love is manifested in their gear, consumers manifest it in their own lives." The result is not only an emotional connection but an individual one. Having a one-to-one relationship in today's marketplace is essential for market dominance

Other examples can be seemed with other top brands such as Starbucks, Porsche, and so on. These products and services make an emotional connection with the people they serve.

Congruity between celebrity and consumer - concept derived from psychology and used in the context of marketing communication. This principle may be applied when a company wants to change the attitudes of its consumers by using celebrity endorsers. Suppose a consumer hears likeable celebrity praise a brand that he or she dislikes, this principle holds that attitude change will take place in the direction of increasing the amount of congruity between the brand and the celebrity. This implies that a company can use the good image of celebrity to reduce some negative feelings toward a brand but in the process it might loose some esteem with respect to that celebrity. Therefore, celebrities should be used with some discretion.

Use social cause marketing - Social marketing campaigns are those that borrow from commercial marketing techniques for the purpose of social engagement influencing a target audience to change their social behaviors and to benefit society. Whether it is related to the environment, public health, safety, or community development, marketing for good is a methodology for creating change.

Crisis management advertisement – if there's a need - Crisis management advertisement is crucial when you're facing a PR nightmare. It is the process by which an organization deals with a major event that threatens to harm the organization, its stakeholders, or the general public. Three elements are common to most definitions of crisis: (a) a threat to the organization, (b) the element of surprise, and (c) a short decision time.

The first and foremost goal is protecting the integrity and reputation of the Company.

Never try to lie, deny or hide your involvement.

If you ignore the situation it will only get worse.

Don't let the lawyers make the decisions. While they are good intentioned it may cause the crisis to escalate

Objectives:

- To ascertain the DO's and DON'T's in promotions
- To identify the new ways of promoting products this will benefit the companies

- To prepare blueprint of pointers to the strategies worth implementation

It is necessary to understand

- Need for analyzing Do's and Don't's in promotions
- Knowledge of the DO's and Don't's
- Need to prepare and suggest appropriate promotion strategies for the current scenario

Possible Outcome

The exercise is likely to be an initiative to prepare a blue print for creating pointers to successfully tackle situations and promote product which in turn will bring business

The power of social media clout - a change and a challenge: an empirical study

Dr. Stephen D'Silva,
Director , Jamnalal Bajaj Institute of Management Studies,
Department , University of Mumbai
Dr. Bernadette D'Silva,
Director, Smt. K.G. Mittal Institute of Management & Research
Miss Roshni Bhuptani,
Lecturer, Smt. K.G. Mittal Institute of Management & Research

Abstract

With the growing importance of internet in day to day urban life, social media has gained rapid acceptance in the minds of youth. They have been recognized as a strong electronic medium in building social capital. Though, primarily social media has been perceived as a tool for networking and developing new contacts, today it has emerged as one of the most important components in marketing of products, brands and social causes. Considering the large number of people accessing these websites, most of the companies ensure to have their presence felt on social media websites to attract large number of potential customers. The basic objective of this paper is to understand the usage pattern of social media among youth in the city of Mumbai. The study also explores the preference of the youngsters regarding various social media websites and it also studies the impact of social media marketing tools on political and environmental aspects in the society. Results from the paper showed that social media do have positive impact not only on corporate brands and social issues, but also plays an important role in creating awareness among the masses towards the society and economy as whole.

Key words

social media, youth, brands, marketing, companies, usage, awareness etc.

Introduction

According to Kaplan and Haenlein (2010), Social media is the combination of various Internet based applications that are constructed with different ideology and advanced technology so as to enable the user to create and exchange information generated with help of these applications. In simple words, social media is fine culmination of technology with humane touch on it. On other hand social networking sites like Facebook, Orkut, and Twitter

etc can be identified as a common platform in sharing and exchanging media contents to large number of people. These sites have achieved tremendous popularity on basis of their regular usage by general public across the globe. In the world of Globalization, social media marketing has formed integral part of the companies' promotional strategy. This is due to the increasing number of people accessing these websites. Social media is more preferable both from marketers and customer's point of view. The most probable reason is its low cost investment. Customers are not required to go to any shop for getting the information on any product or brand. Just a One click can provide them with adequate information regarding that particular product or brand. Thus it saves time and money of the consumer. All the customer needs is to join that particular networking site that is absolutely free of cost. Similarly even companies can save lot of money by marketing their products through social media which is quite cheaper, affordable, accessible and convenient than traditional marketing techniques. It is true that Social media do have its own limitations and disadvantages, but if used in a strategic manner it can reap you with enormous benefits, thereby reducing the costs of your product and adding better value to the product which will attract maximum customers.

Literature Review:

Murdough (2009) have positively agreed on the potential of social media but like any other marketing tool it is difficult to gauge the kind of impact that it lays on the masses. According to Winterberg (2010), social media websites like Facebook, LinkedIn, and Twitter come with unbelievable techniques to communicate with family, colleagues and friends. Benson, Filippaios, & Morgan (2010) have studied the usage of social networks in career development of students and also building the relationship with their employers and have concluded on some better understanding of motivations as an effective application of these networks on businesses. Backer (2010) have investigated the usage pattern in adoption of new technologies like Facebook and Smart phones on students and found that such applications create a sense of motivation and responsibility as well as it enriches their learning experiences. Donna and Fodor (2010) have found out that instead of using companies' investment for calculation of returns on investment, managers must assess consumer motivations for using social media and measure customer's investments in calculation of ROI. Sara Tye (2010) have analysed the impact of advances in technology and how it transformed the traditional business procedures in communicating to their target audience. Chan & Prendergast (2007) have perceived Materialism and social comparison as important issues, amongst adolescents and found that Social comparison with friends and with media figures were both positive predictors of materialism.

RESEARCH METHODOLOGY

Research Objective:

The basic objective of the paper is to understand the usage pattern of social media among youth in the city of Mumbai. It also aims at assessing the influence of social media on the consumer buying behaviour. The study also explores the preference of the youngsters regarding various social media web sites and it also studies the impact of social media marketing tools on political and environmental aspects in the society

Data Collection:

Both Primary and Secondary data was used for purpose of research. Primary data was used to understand the usage pattern of youngsters for social networking sites whereas Secondary data was used to understand the influence of social media on the society.

Sample Size:

Primary research was done through distribution of structured questionnaires amongst 120 respondents in the city

of Mumbai. The questionnaire also included dichotomous as well as multiple choice questions. The period of research was from (Nov - Dec 2010)

Sample Composition:

The sample size comprises of 120 respondents out of which 65% are males and 35% are females. Nearly 53% of respondents are graduates and 46% are post graduates. Only one percent of the respondents have not completed their graduation. Again, Majority of respondents are not engaged in any kind of job and are pursuing higher studies. This is because most of respondents interviewed were teenagers in age group of 20 -25 years.

Research Design:

The data was analysed by using statistical packages like SPSS 16. Different statistical tests like Frequency Analysis, etc were performed on the data collected for the purpose of understanding impact on different groups in Indian society.

FINDINGS & ANALYSIS

1. Which mode of Communication do you prefer?

Table (1): Mode of Communication

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Internet	54	45.0	45.0	45.0
	Cell Phones	34	28.3	28.3	73.3
	Newspapers	13	10.8	10.8	84.2
	Television	17	14.2	14.2	98.3
	Radio	2	1.7	1.7	100.0
	Total	120	100.0	100.0	

Data Interpretation:

From the above analysis it is found that, there is high penetration of internet usage in urban areas. This means that people try to get maximum information through broadband connections. The frequency table also indicates that even cell phones are increasingly used as a preferred mode of communication. But people living in urban areas

use maximum internet services as it gives comprehensive and sometimes even pictorial information.

2. What can be probable reason behind opening an internet account on social media website?

Table (2): Reason for opening the account

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Educational Need	22	18.3	18.3	18.3
	For being in touch	94	78.3	78.3	96.7
	Peer Pressure	2	1.7	1.7	98.3
	Recruitments	2	1.7	1.7	100.0
	Total	120	100.0	100.0	

Data Interpretation:

It is clear that people living urban areas prefer to use internet as source for getting maximum information. The above analysis explores the reasons behind joining social networking sites. It has been found that nearly 78.3% of respondents have joined this websites to stay in touch with their family, friends and other peer groups. Very few respondents have stated that due to academic requirements could be the probable factor behind joining these sites. Nearly 1.7% of respondents have joined these sites for purpose of recruitments. Hence it can be said that social media sites is major tool to maintain and develop contacts for the people.

3. How frequently do you visit social media websites?

Table (3): Frequency of Visits

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Daily	80	66.7	66.7	66.7
	Weekly	33	27.5	27.5	94.2
	Fortnightly	4	3.3	3.3	97.5
	Monthly	3	2.5	2.5	100.0
	Total	120	100.0	100.0	

Data Interpretation:

The above analysis states that nearly 67% of respondents frequently visit these social media sites on daily basis. Nearly 27.5% of people would visit these sites at least once in a week. This means that there is rapid usage of internet on daily basis. It has been found that majority of people prefer to use internet to stay in touch with other. People living in urban areas have easy access to internet services therefore they can visit these sites on daily basis. Other reasons could be that these websites does not consume more time of the respondents and can quickly approach or contact the person through these social media websites on internet.

4. How long do you surf on these websites?

Table (4): Time

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	30 minutes	49	40.8	40.8	40.8
	1 Hour	46	38.3	38.3	79.2
	2 Hours	14	11.7	11.7	90.8
	More than 2 Hours	11	9.2	9.2	100.0
	Total	120	100.0	100.0	

Data Interpretation:

The above analysis states that nearly 41% of respondents surf these websites for nearly half an hour. 38% of respondents stay on these websites for nearly one hour whereas approximately 12% of the respondents surf these websites for nearly two hours. There are very few people i.e. nearly 10% of the respondents consume more than two hours on such websites. This means that people do take some time from their busy schedules to visit these websites on regular basis and also surf them for at least 30 minutes to fulfil their respective requirements for being part of these social media websites.

5. With whom do you communicate frequently on social media websites?

Table (5): Whom to communicate

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Family	10	8.3	8.3	8.3
	Friends	104	86.7	86.7	95.0
	Business Associates	4	3.3	3.3	98.3
	Unknowns	2	1.7	1.7	100.0
	Total	120	100.0	100.0	

Data Interpretation:

The above analysis states that approx. 87% of respondents are in contact with these social media websites to stay in touch with their friends and peer group. Nearly 8% is in touch with their family who are staying away from them. Very few respondents maintain contacts with Business Associates on these social media websites. Even there are respondents who surf these websites to maintain contacts with new and unknown people. Thus basically social media websites are medium to stay connected with their friends only

6. Are social media websites helpful in providing you the brand information?

Table (6): Brand Information

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	69	57.5	57.5	57.5
	No	51	42.5	42.5	100.0
	Total	120	100.0	100.0	

Data Interpretation:

The above analysis states that nearly 58% of respondents agree that social media websites are helpful in providing information regarding various brands. Companies have started understanding the importance of these websites for marketing their products. In order to make their presence felt among consumer, they have started using these websites as marketing tool for their products and brands. Thus these websites give lot of information regarding various corporate brands, thereby creating brand awareness among the customers. Nearly 43% of respondents did not agree that social media websites are helpful in providing information regarding various brands. The probable reason could be that social media marketing is still at infancy stage in India. Not all brands and products can afford to use social media for promoting their products. Hence it can happen that many respondents may not get the necessary information about their product.

7. Do you actually make purchase decisions of the products from social media websites?

Table (7): Actual buying decision

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	45	37.5	37.5	37.5
	No	75	62.5	62.5	100.0
	Total	120	100.0	100.0	

Data Interpretation:

It is true that social media websites are helpful in providing information regarding various brands and are successful in creating brand awareness among the customers. Hence nearly 38% of respondents do make purchase decision of the product after surfing these websites. Hence social media advertising has become effective marketing tool for the people living in urban areas. But still majority of people do not make buying decisions by surfing these websites. Hence companies are required to develop effective promotional tools on these websites so that more and more people get attracted towards their brands and can ultimately lead to buying decision for them.

8. Is Accessing internet affordable to you?

Table (8): Affordable Usage

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	100	83.3	83.3	83.3
	No	20	16.7	16.7	100.0
	Total	120	100.0	100.0	

Data Interpretation:

Cost is one of the major factors in selecting a particular mode of communication. Joining a social media website is absolutely free of cost for the respondents to stay in touch with their friends or to get any kind of necessary information. Hence this technology appeals to masses in general. The above analysis states that nearly 83% of respondents agree that social media websites are very affordable in providing them required information and is also regarded as most convenient option to stay connected with the friends and the society.

9. Which websites do you frequently visit?

Table (9): Preferred Websites

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Facebook	76	63.3	63.3	63.3
	Orkut	17	14.2	14.2	77.5
	My space	5	4.2	4.2	81.7
	Bharat student	4	3.3	3.3	85.0
	Twitter	7	5.8	5.8	90.8
	LinkedIn	5	4.2	4.2	95.0
	Youtube	6	5.0	5.0	100.0
	Total	120	100.0	100.0	

Data Interpretation:

The above analysis clearly interprets that Facebook is the most popular social media website preferred by the respondent, followed by Orkut (14.2%), Twitter (5.8%), YouTube (5.0%) and My Space & LinkedIn (4.2%) each. Websites like Orkut or twitter are use only perceived as a networking tool whereas LinkedIn is used mostly by professionals and YouTube is primarily used for downloading videos. One of the major reason behind the popularity of Facebook is not only it is effective tool in connecting the people but the website itself is designed in such a manner it also incorporates various networking software and applications as well as it effectively promotes various brands and products companies that conveniently makes the user of these website to get an idea about those products. Such kinds of features are commonly not found in other social media websites. Thus Facebook stands unique when compared to other websites and hence highly preferred by respondents, companies and customers.

Usage Of Social Media For The Benefit Of Society

Table (10): Social media & Political Awareness

Political Groups on Internet Websites	Number of Members	Aims & Objective f the Group
Bharat Uday Mission (Yahoo Groups)	4864	Bharat Uday Mission is committed to community and national service and its major aim is to strive for peace, prosperity and harmony, and for India. It also aims to eradicate the rotten social and political system completely.
True e-Governance (Yahoo Groups)	4802	True e-Governance focuses on Transparency, Integrity, gender equity, women empowerment, Processes, Security, Accountability, empowerment of rural masses and Accessibility
Indian Politics (Orkut Communities)	13,083	A community for discussing in depth matters related to both India and politics and are free to post their comments on it
Discourse analysis and racism (Orkut Communities)	1,282	This community is to discuss the influence of language in different countries with regard to topics like ethnic minorities, multicultural society, racism and discrimination.

Sources: facebook.com, yahoogroups.com, Orkut communities etc

Impact of social media on politics

There are many social media websites that has started various groups addressing different political issues. These groups are highly popular since it creates a sense of national integrity and unity amongst the masses. These groups have specific purpose and members in these groups try to educate the society regarding various political issues and developments in country. These groups discuss about the recent political changes that are present in the economy and try to recommend on the same. Their comments and recommendations can be easily accessed through these social media websites. These groups help the people to share their views and opinions on particular political issue and give comment on the same. Suggestions from the group members sometimes become very critical and their impact becomes so strong that it can even led to political revolution in the country. Everybody is recognizing the tremendous influence of this powerful medium and thus active participation of masses will facilitate two way communications between people and the Government. It has been found that more and more & more politicians actively use social media as a part of their public relations strategy so as to be in maximum vicinity with the masses. Through social media, the common can easily interact with prominent personalities, for example Rahul Gandhi on Facebook, and it gives the feeling to the masses that they are within the reach of the common man. There is no need for the people to take special appointments or wait for them at their offices in order to have a talk with them. It becomes easy for the politicians to understand the grievances and issues of the masses and can accordingly take necessary steps to solve their issues. It also increases their popularity and helps in creating positive image for them in the society.

Table (11): Social media & Conservation of Environment

Political Groups on Internet Websites	Number of Members	Aims & Objective f the Group
Stop Global Warming (Facebook Groups)	**3,701,000**	With more than 2,000,000 members worldwide, the Alliance is a unique non-profit, non-partisan organization that is committed to educating the global community about the urgency of implementing comprehensive solutions to the climate crisis.
Greenpeace International (Facebook Groups)	**294,291**	Greenpeace Fund, Inc.'s mission is to halt environmental destruction and to promote solutions for future generations though public education, grassroots lobbying and grants to other environmental organizations.
Care2.com	**14,859,494**	It aims at covering a broader area than just sustainability and environmental issues; Care2 also has a good sized section focusing upon Green Living.
Do the right Thing	2455 active people and 542 active companies,	It is Social networking site that allows people to share information about how socially and environmentally responsible businesses are.

Sources: facebook.com, yahoogroups.com, Orkut communities etc

Impact of social media on environment

In technologically fostered climate, social media can be considered as a potential mechanism to enhance engagement with the natural world, rather than an enemy with which nature must compete. Social media with its unique characteristics in appealing masses as a whole can really bring end to various environmental problems. It is quite possible that there are many people across the globes that are either ignorant or unaware about the dangers of not protecting the environment around them. Through social media, education and awareness could be spread regarding global warming or on energy depletion issues. For example through the unique features of Facebook

can be of great help in educating people about environment and issues related to it. For these, various energy conservatism campaigns and causes have been started on Facebook through which one can easily join the group and spread awareness about it to rest of the world.

Table (12): Social media & Other Social Causes

Political Groups on Internet Websites	Number of Members	Aims & Objective f the Group
Save the Indian Tiger (Facebook Groups)	**739,470**	Save the Indian tiger mission is to protect the endangered species of tigers and to stop their poaching for purpose of trade.
Stop Female Infanticide... Save The Girl Child (Facebook Groups)	**346,567**	Stop Female Infanticide... Save The Girl Child aim is to spread awareness and educating the masses about the issue. This is probably the best way to deal with this social evil as even though there are laws that prohibit this practice, preventing the practice is possible only when the attitude of the society is altered. Therefore, Join this movement, spread a word and become an active member of this cause.
Janshakti: Power of People (Yahoo Groups)	1158	It provides powerful platform for members and public to protect themselves against exploitation and injustice. It periodically conducts seminars and events and intervenes in matters of public interest and victimisation cases.
Wildlife Action Group (Yahoo Groups)	2028	This group aims at protection and preservation of wildlife and their environment by taking appropriate action against the offenders.

Sources: facebook.com, yahoogroups.com, Orkut communities etc

Impact of Social Media on Society

Social media marketing has been a boon in disguise for social cause marketing. Media websites like Facebook or Twitter or whether its Yahoo Groups or Orkut Communities, everyone in its own way have created huge impact on large number of people in supporting these social causes. Social media has really done a good work in making people aware about various atrocities that are done on females, children and old age people all around the world. Due to this many large and small nonprofit organisations are joining these social media causes to stop these enormous pain inflicted on these underprivileged groups. For example Facebook applications connect crores of people with common interests in humanitarian efforts. These applications can be used to access all types of social causes which include relief efforts, environmental causes, political causes, etc. For example, The Save the Indian Tiger cause has really created lot of awareness with regards to Tiger trade and its poaching for manufacturing of elicit Tiger wine. This cause has generated lot of donations by its effective exhibits on social media website. Thus these websites can really make a lot of difference in elimination of suffering and exploitation not only to the human beings but also to entire ecosystem as a whole.

Conclusions:

It is true that Social media has become an important part of our lifestyle. Results from the analysis reveal that maximum people prefer internet as an effective mode of communication for interaction. The basic purpose for many people joining the social media websites is only to stay in touch with family and friends. This is because theses websites are relatively cheaper and convenient to get connected with your colleagues and relatives. These websites gives the user the opportunity of expressing their views and opinions freely with each other on website.

People do not have to wait for the response since exchange of thoughts take place simultaneously through the common platform. These websites have become so integral part of common man's life that it compels the person to regularly visit the website for approximately half an hour in a day. These websites also creates lot of difference from the corporate perspective. Companies increasingly use these media tools for marketing and promotion of their brands and products. Each marketer wants to make their presence feel to customer on this media websites so that it will create brand awareness among the people and ultimately influence their buying decision.

Social media effective not only reap benefits in changing the lifestyle of the people but it has a tremendous influence on society as whole. It is not only companies who use social media has a marketing tool but is alarmingly used by politicians all around the world in developing the strategies for winning elections or bursting out with new issues in the country. But if this tool is used in a proper manner it can be of great help to country and economy as whole. Politicians can effectively use this strategy to keep themselves regarding various problems and issues that are prevalent in the country. It can help them in easy accessibility common people thereby resolving their issues. Social media is also useful in creating awareness regarding various environmental problems like global warming etc to awaken the people from their ignorance and negligence towards these problems. Moreover these websites also tremendously help the underprivileged groups by staring up various causes and campaigns on their websites. Through these campaigns, many people who do not have time to do anything for the society can join such causes and can really make a great difference for such people. It is true that social media has tremendous potential in changing the world but it is still at a very premature stage across the globe especially in developing countries like India. This is because India as a country does not have adequate broadband penetration in all regions especially the rural areas. Illiteracy and Poverty is another factor that stops this development. But the combined efforts of people, government and society can definitely bring India under the shadow of Generation Y.

References:

1. Biil Winterberg (2010) **"**Tools and Techniques to Leverage Social Media'**,** *Journal of Financial Planning,* May 2010
2. Benson, Vladlena, Filippaios, Fragkiskos & Morgan, Stephanie, (2010), 'Online Social Networks: Changing the Face of Business Education and Career Planning", *International Journal of e-Business Management*, vol. 4, no. 1, pp. 20-33. DOI 10 3316 / IJEBM 0401020.
3. Chris Murdough (2009), "Social Media Measurement: It's Not Impossible", *Journal of Interactive Advertising*, Vol. 2010, No1 (Fall 2009), pp 94-99
4. Donna L. Hoffman and Marek Fodor (2010), "Can You Measure the ROI of Your Social Media Marketing?", *MIT Sloan Management Review***,** Fall 2010, Vol.52, No.1
5. Elisa Backer (2010) "Using smart phones and Facebook in a major assessment: The Student Experience"*, E-Journal of Business Education & Scholarship of Teaching*, Vol. 4, No. 1, 2010, pp: 19-31.
6. Kaplan Andreas M & Michael Haenlein (2010), "Users of World, Unite! The Challenge and Opportunities of Social Media", Business Horizons, Vol. 53 (1), pp: 59 – 68
7. Kara Chan & Gerard Prendergast (2007), "Materialism and social comparison among adolescents"**,** *Journal of Social Behavior and Personality*, 2007, **35**(2), 213-228
8. Sara Tye (2010), "Communicating in the Social Media Age**",** *The British Journal of Administrative Management;* summer 2010; ABI/INFORM Global pg. 22

Impact of Wal-Mart – Bharti Alliance on Indian Organized and Unorganized Retail Market

Komal Chopra
Assistant Professor
Symbiosis Institute of Management Studies (Constituent of Symbiosis International University)
Range Hills Road, Khadki, Pune - 411020

Abstract

In January 2006, the Union Cabinet approved a major rationalization of the policy on FDI in retail to further simplify procedures for investing in India and to avoid multiple layers of approvals required in some activities. To facilitate easier FDI inflow, FDI up to 100% was allowed under the automatic route for cash and carry wholesale trading and export trading. However to protect the interests of Indian retailers, the FDI in retail was limited to 51 % in single brand retail only. Currently, the share of organized retail continues to remain at 6 %. India has limited presence of international retailers such as McDonalds, Pizza Hut, Dominos, Adidas and Nike to name a few. In 2007, Wal-Mart entered into a 50:50 joint venture with Bharti Retail to distribute products in India. The paper studies consumer perception relating to impact of Wal-Mart – Bharti alliance on organized and unorganized retail market in India. Consumers of different age groups and gender visiting organized and unorganized outlets in Pune have been surveyed. Questionnaire method was used for survey. Sample size of 100 respondents visiting various outlets (organized and unorganized) in Pune is expected to be covered. The survey is in progress and findings will be presented in final paper. The paper is significant to understand whether increasing presence of global retailers in India will change the market scenario or not?

Keywords :

Organized retail, Wal-Mart, Bharti Retail, market scenario, consumer perception

1. Introduction

Since liberalization in 1991, the Indian market has a limited presence of global retailers such as McDonalds, Landmark, Dominos, Pizza Hut and few others. In January 2006, the Union Cabinet approved the policy on foreign direct investment (FDI) in retail to further simplify procedures for investing in India and to avoid multiple layers of approvals required in some activities. To facilitate easier inflow, FDI up to 100 % was allowed under

the automatic route for cash and carry wholesale and export trading. However to protect the interests of Indian retailers, the FDI up to 51 % was permitted in single brand retail only. In 2006, Wal-Mart of US entered into a 50:50 joint venture with Indian retail major, Bharti Retail to foray into the wholesale business in India. The first Wal-Mart - Bharti store opened in Amritsar in late 2009. In the same year, A.T. Kearney's Global Retail Development Index (GRDI), ranked India as the most emerging destination for retail ahead of Russia and China. Global retailers like French based Carrefour and US based Starbucks were exploring opportunities in the Indian retail market while; Swedish retailer IKEA shelved its plans.

1.1 Organized Retail in India

Organized Retail in India refers to the modern retail formats like supermarkets and hypermarkets that have an organized structure, systems, people and processes. Currently, the share of organized retail continues to remain at 6 % (A.T. Kearney & CII, 2008). The drivers of organized retail in India include higher disposable incomes of consumers, change in consumer lifestyles, double income households, product variety and one stop solution for all needs coupled with shopping and entertainment.

1.2 Unorganized Retail in India:

Unorganized Retail in India is refers to kirana stores, street markets, kiosks and roadside peddlers. The term "unorganized retail" is better understood by the following characteristics:

1) Family-run stores

2) Lack of best practices when it comes to inventory control and supply-chain management

3) Lack of standardization

4) Essentially a sector populated by anyone who has something to sell

Major concentration of retail has been limited to the urban markets. This is because 44 % of total villages in India have population of less than 500 and only 33 % of total villages are connected by proper roads (McKinsey survey, 2007). The rural market is highly heterogeneous besides having lower per capita consumption making it impossible for the retailers to make higher profits. India has presence of global retailers such as McDonalds, Pizza Hut, Dominos, Adidas and Nike to name a few. Wal-Mart of US has been the latest entrant by opening its store in 2009 in collaboration with Bharti Retail of India.

2. Wal – Mart and Bharti Alliance

The retail chain Wal-Mart was established by Sam Walton in 1962 in the US. Over the years, the retail chain grew leaps and bounds to be the most successful retailer in the US. The retail chain operates in various formats such as discount stores, supercentres and warehouse clubs. Wal-Mart stores are huge stores with size varying from 42,000 sq. feet to more than 200,000 sq. feet. The business model of Wal-Mart is based on selling a wide variety of merchandize at "always low prices" often referred to as "everyday low prices". Wal-Mart successfully expanded its operations to 14 countries which included Mexico, UK, China, Argentina, Brazil, Canada, Chile, India and Puerto Rico. By 2010, the chain operated 2,980 stores outside the US. Wal-Mart also ranks the topmost global retailer in the world with revenues of more than $ 400 billion from worldwide operations in 2009.

Bharti Enterprises is an Indian business conglomerate established by Sunil Bharti Mittal. The group was founded in early 1990s. The group is involved in variety of businesses such as telecom, insurance, fresh foods, retail and realty. Outside India, the company has a presence in Bangladesh, Sri Lanka, Jersey, Guernsey and Seychelles. The group is in the process of establishing itself in countries like Burkina Faso, Chad, Congo Brazzaville, Democratic Republic of Congo, Gabon, Ghana, Kenya, Madagascar, Malawi, Niger, Nigeria, Sierra Leone, Tanzania,Uganda, and Zambia in the African sub-continent. The brand names "Airtel" and "Beetel" are household names in India.

Its revenues for the year 2009 were estimated at $ 10 billion.

After entering into discussions with Tesco of UK and Carrefour of France which did not materialize, Bharti Enterprises of India finally struck a deal with Wal-Mart of US in November 2006. According to the deal, Bharti would handle front end retail stores while Wal-Mart would act as a wholesale and back-end partner. However, Bharti would use the name "Wal-Mart" for its stores. The joint partnership planned to make investments in the retail sector to the tune of $100 millon which could go upto $1.46 billion. Wal-Mart was already procuring goods from various Indian companies to the tune of $1.5 billion. Industry observers say that the Wal-Mart would benefit from Bharti's experience in India while Bharti would benefit from Wal-Mart's experience in overseas markets. However, after tremendous opposition from local people and political parties, the first store opened in Amritsar in late 2009.

3. Wal-Mart's tale in three countries

3.1 Wal-Mart in Japan

Wal-Mart had acquired a majority stake in Japanese retail chain Seiyu and by early 2005 opened several big size outlets in busy streets of Japan. The global stores offered a wide variety of Japanese products. However, the initial poor decisions made by Wal-Mart put them in bad taste among Japanese consumers. The global retailer fired 25 percent of the staff which included 1,500 employees and managers of Seiyu. As mass firings are not common occurrences in Japan, the country as a whole felt offended. As a result, Wal-Mart received negative press publicity causing the retailer to lose customers. The unique proposition of Wal-Mart is to sell products at "everyday low price". This strategy helped Wal-Mart to achieve success in under-retailed markets such as Mexico and China. However, Japanese consumers equate low prices with inferior goods. They are willing to pay high prices for quality goods. Hence, failure to understand consumer behavior severely impacted sales. Industry observers in Japan believe that social harmony and a distaste of foreign control are heavily ingrained in the social and business environment of the country. Hence, American companies would always be far from ever achieving success in Japan.

3.2 Wal-Mart in Germany

In 1997, Wal-Mart acquired Wertkauf, a leading German retail chain. Later it acquired another leading retail major, Interspar in 1998. Wal-Mart stores are designed for customers who are willing to spend lots of time in shopping. But in Germany, the shopping hours are limited: Shops close by 5 PM on weekdays and no shopping on Sundays. This means that German customers are not in the habit of spending lots of time in a store - wandering around for the things they need. The German customers do not like to be assisted by Wal-Mart's friendly store assistants for shopping. They prefer to do their own search for bargains. Wal-Mart got its merchandise placement wrong: Germans like to see the advertised discount products upfront - without having to ask the store assistant. This implies that the discount products must be placed at the eye level. However, Wal-Mart followed its US style merchandise display strategy - where premium priced products are kept at eye level and discount products are kept at higher shelf or in the bottom racks. This irritated the German shoppers. Wal-Mart also got its store inventory wrong. Products like clothes, hardware, electronics and other non-food products were given much bigger floor space than food products. Germans shop in big outlets mainly for food products. Hence, other German retailers like Metro stock more of food products which constitute more than 75% of their revenue. As a result of consistent mistakes, Wal-Mart suffered consistent loses to the tune of $ 1bn and exit Germany in 2006 by selling its 85 stores to Metro.

3.3 Wal-Mart in South Korea

Wal-Mart ventured in South Korea in August 1998. Wal-Mart had relied on its proven business model and its strategy in offering low prices for products. However, "everyday low prices" alone were insufficient to make Wal-

Mart successful in South Korea. Similar to the United States, most Wal-Mart outlets in South Korea were placed outside city limits. South Koreans are used to easily accessible shopping facilities without the need to travel much. Some individuals felt that Wal-Mart should have been located in the center of the cities where consumers felt more comfortable with their shopping needs. South Koreans are visually-oriented customers, appreciating aesthetically pleasing displays and shopping environment. South Korean ladies did not like the warehouse-like atmosphere of Wal-Mart, which the American consumers seem not to mind since the products were still cheap. They preferred the department store-like, neat, clean, and sophisticated atmosphere. Wal-Mart stuck to Western marketing strategies that concentrated on dry goods, from electronics to clothing, while their local rivals' focused on food and beverages, the segment that attract South Koreans to hypermarkets. As a result, on May 22, 2006, Wal-Mart, added its name to a list of multinationals like Nokia, Nestlé, and Google that had failed to adjust to the taste of South Korean consumers.

4. Consumer Shopping Behavior in India

Consumers in the west are accustomed to shopping at organized formats while in India such formats are still evolving. Various researchers analyzing consumer shopping behavior in India made the following observations with respect to selection of stores by consumers:

1. *Traveling time :* If the desired products are available in the neighborhood store, consumers would not visit the far away supermarket or hypermarket.
2. *Range of products offered :* If the consumer shopping list is such that the required goods are not available in the neighborhood store, they would visit the supermarket or hypermarket.
3. *Services offered :* The neighborhood stores offer personalized services such as credit facilities, free home delivery service, sms service and extended working hours. The organized retail formats offer good ambience, promotional offers and a good shopping experience.
4. *Socio – Economic background :* The socio-economic background of consumers determine their lifestyles and the kind of stores they would be comfortable to shop. Initially, the lower income group was hesitant to shop at organized retail formats as they felt that such stores were for the elite. However, over a period of time, the retailers adopted steps to change the perception of such consumers.

5. Research Methodology

Secondary data for this study has been collected from various published reports on Indian retailing and research journals related to retailing and consumer behaviour. Primary data was collected through questionnaires from customers visiting organized retail outlets in Pune. Sample size of 110 respondents was collected using simple random sampling method. The respondents belonged to different age groups and gender. They were asked the following questions :

Exhibit 1

60 respondents were males and 50 respondents were females

Exhibit 2

35 respondents belonged to age group of 26 – 30 yrs, 35 respondents belonged to age group of 21 – 35 yrs and 35 respondents belonged to age group of 31 – 35 yrs.

Exhibit 3

Q1. Do you visit global retail outlets for shopping ?

Exhibit 4

Q2. Have you heard of Bharti – Wal-Mart alliance ?

Exhibit 5

Q3. What factors help you decide a global store ?

Exhibit 6

Q4. Do you think Wal-Mart and Bharti can capture the Indian market in future ?

Exhibit 7

Q5. Which brand name will influence you more Bharti or Wal-Mart ?

Exhibit 8

Q6. Do you think Wal-Mart – Bharti alliance will lead to closure of local store ?

6. Interpretation of Results

1. Exhibit 4 has shown that respondents have heard about Wal-Mart – Bharti alliance.
2. Exhibit 5 has shown that many of the consumers would visit a global retail store because of brand name. However Exhibit 7 has shown that both Wal-Mart and the Bharti brand name have equal influence on the consumers.
3. Exhibit 8 has shown that many of the consumers are of the opinion that Wal-Mart Bharti growth will not lead to closure of stores in organized sector.
4. Exhibit 6 has shown that many of the consumers do not feel that Wal-Mart – Bharti alliance can capture the entire retail market.

7. Conclusion

The failure of Wal-Mart in Japan, Germany and South Korea may be taken as a backdrop to analyze its failure or success in India. The results of the primary survey have shown that most consumers do not feel of the alliance capturing the entire market. The question is whether the global retailer will learn from its mistakes in Japan, Germany and South Korea. Wal-Mart has adopted a very cautious approach in India by partnering with Bharti Retail and leveraging on the Indian retailer's expertise. Consumer Behaviour experts are of the view that global retailers would have to understand shopping behavior in India and provide answers to "why should Indian's consistently shop at foreign retail outlets?" The success or failure of Wal-Mart will be seen in terms of how well the global retailer understands consumer shopping behaviour in India and customizes its format and strategy to meet the needs of Indian consumers.

8. Bibliography

1. Andreas Knorr, Alfons Lemper, Axel Sell, Karl Wohlmuth (2003), "Why did Wal-Mart fail in Germany?", Institute for World Economics and International Management, (June).
2. "A.T. Kearney Global Retail Development Index (2009)", AT Kearney.
3. Bhatia, P. & Sharma, A. (2008), "India's organized retail players rethinking strategy" ,The Economic Times, 27 (September).
4. "Bharti retail foray with Wal-Mart", The Financial Express, May 18, 2006.
5. "Neighbourhood stores go off the beaten track", Business Standard, June 29 , 2009.
6. "Opening a Big Box: Organized Retail Confronts the Challenges of Local Markets", IndiaKnowledge@Wharton, March 20, 2008.

7. "Organizing for organized retail in India", Ernst & Young, 2009.

8. "Organized retail to grow from 5 pc to 14-18 pc by 2015", Outlookindia.com, Sept 28, 2008.

9. "Retail : Market and Opportunities", India Brand Equity Foundation

10. "The Retail Opportunity in India 2009", UK Trade & Investment.

11. "Top global retailers say India is most sought-after market", The Economic Times,

12. April 12, 2008

13. "Trouble in Store: A Setback for India's Organized Retail Sector", IndiaKnowledge@Wharton , Feb 26, 2009.

14. William J. Holstein (2007), "Why Wal-Mart Can't Find Happiness in Japan," Fortune, 27 (July).

15. "Indian retail market likely to touch $720 bn by 2011 end", The Economic Times, Aug 13, 2009.

16. Gandolfi, Strach, (2009), "Retail internationalization: Gaining experience from Wal-Mart insights in South Korea", Review of International Comparative Management, Volume 10, Issue 1, (March) .

17. "The Bird of Gold: The Rise of India's Consumer Market", McKinsey Global Institute, 2007.

Factors affecting on purchasing in theThai automotive industry

Preecha Wararatchai*

Rajabhat Phanakorn Si Ayutthaya University, Thailand

Abstract

Now a day the importance of suppliers in the Thai automotive industry have on the success and progress of the industry in Thailand, very little empirical research has so far been performed to examine aspects of the suppliers. This research article is an attempt to investigate the relative importance of relevant factors in the supplier selection decisions. The results show that the relative importance of factor which have been found to affect supplier selection decisions, ranked in order of importance, are product quality, price, after-sales service, delivery time, and product information. In addition, the most influential departments in supplier selection were purchasing, top management, production, and finance.

Keywords:

Purchasing, Procurement, Logistics, Supply Chain, Thai Automotive Industry.

Rational for study and Background

In spite of the importance of supplier selection decisions, relatively few research studies have been conducted in Asia to investigate the topics of supplier selection attributes and relative influence of buying center members. A few exceptions are : a study by Mummalaneni et al. (1996) which examined six attributes frequently used as performance criteria by Chinese purchasing managers in the People's Republic of China to understand how these managers made their supplier choice decisions; a study of Lau et al. (1999) which investigated purchase- related factors and the structure of the buying center in Singapore; and a study of Millington et al.(2006) which interviewed senior and purchasing managers in the People's Republic of China regarding their perception of supplier performance evaluation and relationships. How ever, in the context of business firms in Thailand, no published empirical research dealing specifically with supply selection decisions is found, especially in the Thai automotive industry. This study is an attempt to fill this gap by studying six factors and their attributes used in supplier selection decisions and the relative influence of the persons involved in automotive firms' buying process in Thailand.

Review of the Literatures

Purchasing is considered a support activity in a value chain which is composed of primary and support activities that can lead to competitive advantage when configured and executed properly. Figure 1 illustrates a modified version of the extended value chain model. In the value chain, purchasing provides a service to a firm's internal customers and is the central link with outside suppliers that provide direct materials (Monczka et al., 2005).

Figure 1: The Extended Value Chain

Source: Monczka et al., 2005

In the automobile industry, the process of manufacturing cars involves selecting qualified and reliable suppliers. The materials, planning, and logistics for an automotive company are shown in Figure 2 which demonstrates the complexity of an automotive supply chain. The automotive company's supplier network includes thousands of firms that provide items ranging from raw materials, such as steel and plastics, to complex assemblies and subassemblies, such as transmissions, brakes, and engines (Monczka et al., 2005). Purchasing staff need to regularly communicate and coordinate with other functions in the company during the purchasing process for the acquisition of parts, components, and supplies of the company.

Figure2: An Automotive Supply Chain Source: Monczka et al., 2005

Development of the Proposed Model

Operationalization and Instrument Development

This part explains how the six constructs derived from previous research were integrated in the proposed model of supplier selection and how the research instruments were developed and operationalized. The dependent factor is the supplier selection decisions which are supposed to be affected by the six independent factors. The six important factors are (1) individual factors, (2) group factors, (3) organizational factors, (4) purchase-related factors, (5) seller factors, and (6) buyer-seller relationship factors.

Dependent Factor

Supplier selection decisions

These are the final decisions that business buyers make to select suppliers for new products/ services/ parts/ components which they need to use in their operation. In this study, the supplier selection decisions are assumed to be affected by the six factors as previously described.

Independent Factors

1. **Individual factors** Although groups are involved in most organizational choice processes, individual impact can dominate the process (Kauffman, 1996). Previous research confirms that many individuals are normally involved in making supplier selection and buying decisions, Jackson et al. (1984) pointed out that relative influence of participants varies across purchases of different products, buying class, and buying decisions, Kohli (1989) found that expert power or expertise of the individual was the most important determinant of individual influence in business buying decisions. Wilson and Woodside (1993) proposed that an individual was likely to be highly involved and influential in supplier selection when the purchase decision was perceived as related to his/her interest, expertise or status in the outcome. As pointed out by Johnston and Lewin (1996), individual buyer factors included education, motivation, perception, personality, perceives risk, and experience.

2. **Group factors** The "buying center" concept has long been used to identify the groups of individuals who collectively make purchase decisions for firms. The main research of investigation of this concept includes: composition and structure, membership, relative influence of the buying center members, and communication patterns in the buying center (Kauffman, 1996). Johnston and Lewin (1996) described group factors as size, structure, authority, group membership, experience, expectations, leadership, objectives, and background of all the participants in the buying center. Kohli (1989) defined size as the number of individuals involved in a buying center and familiarity as the extent to which members of a buying center were familiar with each other.

3. **Organizational factors** They are characteristics of the company that influence buying behavior and decisions (Dwyer and Tanner, 2002). Various organizational aspects have been addressed to determine the influence of organization on the buying and supplier selection decisions. These aspects include size of the company (small, medium, or large), structure of the company (centralized or decentralized), level of technology of the company, roles of individuals and functions, previous buying experience, profitability, corporate culture, organizational policy, and goals of the company (Johnston and Lewin,1996; Kauffman, 1996; Dwyer and Tanner,2002; Park and Bunn, 2003)

4. **Purchase-related factors** They refer to variables related to the specific purchase, and include buy task, product type, perceived risk, prior experience, product complexity, and time pressure (the extent to which a buying center member feels pressured to make a decision quickly) (Johnston and Lewin, 1996). Lau et al. (1999) studied the impact of the purchase-related factors on the buying center structure. They noted that product complexity can be characterized by four dimensions: the number of available alternatives, the degree of differences among the alternatives, the degree of difficulty in understanding alternatives, and the degree of difficulty in comparing alternatives.

5. **Seller factors** These refer to the characteristics of the selling firms that are used by the buying firms as the criteria or requirements that they use to choose selected suppliers. They include price, ability to meet

buyers' specifications, product quality, delivery time, and after-sale service (Johnston and Lewin, 1996). Scheuing (1989) suggested some criteria that most purchasers use to select suppliers. They are: the ability to handle the required level of demand (size, location and technology of the plant), production factories, labor's skill, supplier management's capability, prices, quality and terms of the items.

6. **Buyer-seller relationship factors** These refer to the interpersonal characteristics of relationships between buying and selling persons, The dyadic and network natures of organizational buying behavior have been recognized and accepted as important determinants of the purchase process. Johnston and Lewin (1996) indicated that organizational buying behavior within the buying company affects and was affected by buyer-seller relationships.

The Proposed Model

The proposed model of supplier selection (Figure 3) is simply a basic relational model which contains merely a dependent variable and some independent variables. The purpose of the proposed model is to simplify the factors that are believed to affect supplier selection decisions in the Thai automotive industry. Intervening variables are not included in the model so as not to complicate the research, in particular the data analysis parts and the survey questionnaire was designed to make it relatively easy and convenient for respondents to fill out. In addition, as the Spearman rank order technique is used to find out the relative attribute importance rankings of the six factors, it is not meant to examine any causal relationships between the six factors/their attributes and the supplier selection decisions.

RESEARCH METHODOLOGY

Figure 3

Sampling Design

For this study, the target population consists of 518 automotive firms, all of which are members of Thailand Automotive Institute (TAI) (Thailand Automotive Institute, 2004). Out of the 518 firms, 475firms or 92 percent are auto-parts producers and 43 firms or 8 percent are auto manufacturers. The sample group comprises 350 member firms of the TAI randomly selected from its list. Sekaran (2000) suggested that if the population size is 550, the sample size should be 226. Thus, the 350 sample firms in this study were appropriate. Two groups of managers of the 350 firms, purchasing and production, were the units of analysis in this study. These two groups were chosen

because previous research results show that they were among the most influential and involved in the organizational purchase and supplier selection (e.g. Erickson and Gross, 1980; Johnston and Bonoma, 1981; Jackson et al., 1984; Naumann et al., 1984; Lau et al., 1999).

Questionnaire Design

The questionnaire used in this study included both closed and open questions. The respondents were asked to respond to questions in a hypothetical new task buying situation in which they wanted to purchase a new product/ part/ component that their firms had never bought before. In Section 1, the questions were concerned with general information about their position and their firms. The major part of the questionnaire (Section 2) asked respondents to rank order the variables in each factor. It contained only relevant and necessary questions required to answer the research questions and to test the hypotheses. Section 3 of the survey instrument asked respondents to identify other factors/ attributes not included in Section 2, to rank the five most important factors/ attributes they deemed as most affecting the supplier selection, to chose the departments mostly involved in supplier selection in their firms, and to indicate only the make comment and/ or recommendations about supplier selection or the research. The language in the questionnaire mailed to the sample firms was in Thai.

Pretesting

Out of the target population of 518 automotive firms, a random sample of 30 firms from the sampling frame was chosen to help the pretesting. 518 firms consisted of 475 auto-parts producers and 43 auto manufacturers (Thailand Automotive Institute, 2004). The 30 firms were divided into 15 automotive manufacturers and 15 auto-parts producers randomly selected as these two groups were the major components of the Thai automotive industry, to obtain their feedback on the format, wording, and ordering of the questionnaires. One questionnaire was for a purchasing manager and the other was for the production manager to fill out. The purchasing and production managers of each firm were asked to answer all questions from their experience and then return the completed the questionnaires by self-addressed envelopes to the researcher.

Data Collection Method

After the completed questionnaires from the pretesting were returned, they were checked to find out whether the respondents filled them out accurately. Then, 700 questionnaires were sent to 350 sample firms for the study. Each firm received a cover letter and two sets of the same questionnaires, one for the purchasing manager and the other for the production manager. The purchasing manager and the production manager were chosen as respondents because they are among the most influential persons in the supplier selection process as found in previous research.

Each respondent was asked to answer three sections in the questionnaire. The first section of the questionnaire asked for the personal background of the respondent. In the second section, each respondent was asked to rank order the attributes of the six factors based on their experience in the firm. The scale items for ranking are between 6-11 attributes. In the third section each respondent indicated other variables that they deem are relevant, rank order the five most important variables, identified which departments in the firm are mostly involved and which one has the most influence in supplier selection decisions. The last section was open for their suggestions or comments about supplier selection or the study.

Reliability

In this study, test-retest reliability was applied by first mailing 60 questionnaires to the two groups of sample respondents (purchasing and production managers), and two weeks later 60 more questionnaires were sent to the same groups of 60 sample respondents. Cronbach's alpha is calculated to examine the internal consistency reli-

ability. Correlation coefficient of 0.9 is desired for this study.

Validity

The construct validity approach was used for this study. Construct validity is for measures with multiple indicators. It addresses the question of what construct or characteristic the scale is measuring, why the scale works and what deductions can be made regarding the underlying theory. All the attributes of the six factors were derived from previous research on organizational purchasing and supplier selection.

RESULTS AND DATA ANALYSIS

700 questionnaires were mailed to 350 automotive manufacturers and auto-parts producers in early August 2004. Only four were returned undelivered. 85 completed questionnaires were returned after the first mailing. In total, 198 completed questionnaires were returned and usable for the research purpose, representing a 28% response rate which is not much different from 20.1% in the study by Cooper et al.(1991) in the USA, 28.7% in the research by Patton (1996) in the work by Mummalaneni et al.(1996) in the People's Republic of China.

Description of Respondents

The respondents consisted of 123 purchasing managers (62.12%) and 75 production mangers (37.88%) and 149 (75.25%) respondents who worked for auto-parts producers, and 49 (24.75%) respondents who worked in car manufacturing firms. 68.18% were male and 31.82% were female, while the majority of respondents were between 20-30 years old (41.92%) and between 31-40 (40.91%), and most of them (64.14%) had a bachelor's degree. Most respondents (29.80% and 34.43%) had between 1-5 years of working experience involved in purchasing, while working between 1-2 years (26.26%) and 3-5 (31.31%) in their firms.

The results reveal some implications. First, the result that the majority of respondents (62.12%) were purchasing managers implies that they might be more interested in the topic of supplier selection than production managers were because the purchasing function is their direct responsibility. It is similar to two mail surveys in the research of Erickson and Gross (1980) that showed 64.3% and 65.5% of respondents worked in the purchasing function. In addition, the result that most of the respondents (74.24%) in the USA worked for auto-parts firms was in line with the information that auto-parts manufacturers comprise the majority (92%) of the Thai automotive industry. Second, male respondents (68.18%) seemed to dominate in the sample auto firms. This is similar to a study of Mummalaneni et al. (1996) in the People's Republic of China which had 46 men and 1 woman as respondents. Moreover, most respondents (82.83%) were quite young as 41.92% were aged between 20-30 years and 40.91% aged between 31-40 years. That is why most of them (64.14%) had only 1 to 5 years of work experience in the purchasing function. The work experience of the respondents was quite short compared to Patton's study (1997) which showed the buying experience of sample respondents at merely 14%, and 27% had 6-10 years of experience. Third, only 64.14% of respondents in this study had a bachelor's degree while 8% had a master's degree and27.28% had vocational or senior high school education

Results and Discussion

The major findings of the study are provided in this part and are divided into two groups of respondents; purchasing managers and production managers, as follows:

Individual Factors

These factors refer to the characteristics of each individual who is involved in the buying process of their firms. The following are results of attribute importance rankings divided into purchasing and production managers.Both

purchasing and production managers ranked buyers' experience and personal interest in the purchased items the highest two rankings. However, purchasing managers gave a much higher ranking (third) for buyers' risk preference than production managers did (seventh). This may imply that purchasing managers perceived risk preference of buyers as more important in selecting suppliers. As such, if buyers were risk-taking, they would be more willing to choose new suppliers; whereas if they were risk-averse, they would continue with existing suppliers. Patton found in his study (1997) that purchasing managers tended to be risk-averse in supplier selection decisions when selecting different suppliers. As for other attributes, the rankings of both groups were not much different.

Group Factors

These factors refer to the characteristics of all individuals involved in supplier selection and buying decision. The following are results of attribute importance rankings divided into purchasing and production managers. One surprising result was that production managers ranked education of participants in the buying process as the most important attribute while purchasing managers rated it as the sixth important. The reason may be that in a new buying situation, the production managers felt that those involved in the buying center need to have enough education to make supplier selection decisions.

Organizational Factors

These factors include the characteristics of the buying company that affect their supplier selection decisions. The following are results of attribute importance rankings divided into purchasing and production managers.The rankings for the attributes of these factors were not significantly different between purchasing and production managers. That is, they ranked all attributes in similar order of importance.

Purchase-related Factors

These are the characteristics of the purchase or product as perceived to affect supplier selection. The following are results of attribute importance rankings divided into purchasing and production managers. One striking result for these factors is the importance ranking given to the time pressure attribute. Purchasing managers ranked time pressure the second while production managers ranked it the fifth. This may mean that production managers felt less time pressured in making supplier selection decisions in a new buy in which they were not familiar with the new item to buy.

Seller Factors

These are the criteria that the buying firm uses to select their suppliers. In other words, they are characteristics of desirable suppliers. The following are results of attribute importance rankings divided into purchasing and production managers.The results indicate many attributes of these factors were ranked quite differently between purchasing and production managers. The four attributes which were ranked rather differently were: ability of suppliers to meet buyers' specifications, after-sales service, supplier's ability to manage production, and supplier's ability to meet required demand. This result reflects the different importance that purchasing and production managers perceived and gave to each of the four attributes.

Buyer-Seller Relationship Factors

These are the characteristics of the interpersonal relationships between the personnel involved in the buying and selling companies. The following are results of attribute importance rankings divided into purchasing and production managers.The findings reveal that purchasing and production managers perceived the relative importance of the attributes for these factors quite similarly. One slight difference is the seller's past behavior attribute, which

production managers ranked somewhat higher than purchasing managers did. This may be because, in general, purchasing managers are more familiar with available suppliers and know them better than production managers do.

Other Factors

The above results of other factors/ attributes given by both purchasing and production were surprisingly ranked in almost the same order of importance. However, they are similar to or the same as the attributes used in previous research (e.g. Matthyssens and Faes, 1985; Mummalaneni et al., 1996; Patton, 1996). It indicates that these attributes should be included in any future research which wants to examine important attributes of supplier evaluation and selection criteria in Thailan

Five Most Important Factors

The findings for this question indicate that both purchasing and production managers perceived they were the five most important factors when making supplier selection decisions. Although approximately half of the respondents of both groups (76 and 48) answered this question, it is surprisingly similar to the attributes used in prior studies (e.g. Mummalaneni et al., 1996; Patton, 1997)

Departments mostly involved in Supply Selection

The findings for this question are surprising in the respondents gave the same importance rankings to the same functions, even though purchasing and operations people were supposed to have different perceptions in this issue because of different job functions and experience. The result that purchasing was perceived as most involved in supplier selection process is in line with other previous research (e.g. Doyle et al., 1979; Erickson and Gross, 1980; Jackson et al., 1984; Naumann et al., 1984).

Five Most Influential Departments in Supplier Selection

The results, show that 120 purchasing and 74 production managers perceived top management as the most influential in the supplier selection decisions in the new buy situation, imply that the respondents might work in small firms where the owners or senior managers usually make important decisions.

Any Comments/ Suggestions ?

This part was open space for respondents to indicate their comments and/ or suggestions about supplier selection or this research. They are not listed in sequence of importance, as follows:

(1) New suppliers should present more product information than explain price lists and give trial products. In addition, salespersons should be trained more to present their products.

(2) Development of products and delivery are recommended.

(3) Supplier selection decisions are made after examining the products.

(4) Some companies have a policy to limit the number of suppliers.

(5) Selection criteria are decided before assessing each supplier.

(6) Good after-sales service is necessary.

(7) Companies should have a standardized system of selecting their salespersons.

The results are in line with previous research such as Doyle et al. (1979), Erickson and Gross (1980), Johnston and Bonoma (1981), Jackson et al. (1984), Naumann et al. (1984), Matthyssens and Faes (1985), Patton et al.

(1986). It is clear from the results above that both groups of respondents, purchasing and production managers, give the same rankings of attribute importance and close percentages for both the departments involved and the most influential departments in supplier selection decisions.

CONCLUSINOS

The importance of vendor or supplier selection has been recognized as a focal topic of research for more than two decades in western countries (e.g. Erickson and Gross, 1980; Jackson et al., 1984; Naumann et al., 1984; Patton, 1996). However, the topics of industrial purchasing, and in particular supplier selection, have received relatively little attention by academics in Thailand. This research project made an attempt to examine the six factors and attributes that have been found in previous studies to affect supplier selection decisions in the automotive industry. The overall results indicate that the six factors and their attributes were relevant for the sample automotive firms. Product quality, price, after-sales service, delivery time, and product information were ranked as the most important respectively by both purchasing and production managers in their supplier selection decisions.

Furthermore, purchasing, top management, and production were mostly involved in the supplier selection while top management, purchasing, and production were ranked as most influential in selection decisions by both purchasing and production managers. The results of this study are in line with those of previous research.

REFERENCES

1. Doyle, P., Woodside, A.G. and Michell, P. (1979), "Organizations Buyingin New Task and Rebuy Situations", Industrial Marketing Management, 8, pp.7-11.
2. Dwyer, F.R. and Tanner, J. (2002), Business Marketing: Connecting Strategy, Relationships, and Learning, McGraw-Hill, New York, NY.
3. Erickson, R.A. and Gross, A.C. (1980), "Generalizing Industrial Buying: A Longitudinal Study", Industrial Marketing Management, 9, pp.253-265.
4. Jackson, D.W., Keith, J.E. and Burdick, R.K, (1984) "Purchasing agents' perceptions of industrial buying center influence: a situational approach", Journal of Marketing, 48, 4, 75-83.
5. Johnston, W.J. and Bonoma, T.V., (1981), "The buying center: structure and interaction patterns", Journal of Marketing, 45, 3,143-56.
6. Johnston, W.J. and Lewin, J.E. (1981), "Organizational Buying Behavior: Toward an Integrative Framework", Journal of Business Research, 35, 1-15.
7. Kauffman, R.G. (1996), "Influences on organizational buying choice processes: future research directions", Journal of Business & Industrial Marketing, Vol.11 No.3/4, pp.94-107.
8. Kohli, A.K. (1989), "Determinants of Influence in Organizational Buying: A Contingency Approach", Journal of Marketing, 53, 50-65.
9. Lau, G.T., Goh, M. and Phua, S.L., (1999), "Purchase-related factors and buying center structure: an empirical assessment", Industrial Marketing Management, 28, 6, 573-87.
10. Matthyssens, P. and Faes, W. (1985), "OEM Buying Process for New Components: Purchasing and Marketing Implications", Industrial Marketing Management, 14, pp.145-157.
11. Millington, A., Eberhardt, M. and Wilkinson, B. (2006), "Supplier performance and selection in China", International Journal of Operations & Production Management, Vol.25 No.2, pp.185-201.
12. Monczka, R., Trent, R. and Handfield, R. (2005), Purchasing and Supplier Chain Management, 3rd ed., South-Western, Mason, Ohio.
13. Mummalaneni, V., Dubas, K.M. and Chao, C. (1996), "Chinese Purchasing Managers' Preferences and Trade-offs in Supplier Selection and Performance Evaluation", Industrial Marketing Management, 25, pp.115-124.
14. Naumann, E., Lincoln, D.J. and McWilliams, R.D. (1984), "The Purchase of Components: Functional Areas of Influence", Industrial Marketing Management, 13, pp.133-122.
15. Pappal, R. (2003), Globalization of Automotive Supply Chain, a presentation in Bangkok, June 13.
16. Park, J.E. and Bunn, M.D. (2003), "Organizational memory: a new perspective on the organizational buying process", Journal of Business & Industrial Marketing, Vol.18 No.3, pp.237-257.
17. Patton, W.E. (1996), "Use of Human Judgment Models in Industrial Buyers' Vendor Selection Decisions", Industrial Marketing Management, 25, 135-149.
18. Scheuing, E.E. (1989), Purchasing Management, Prentice Hall, New Jersey, USA.
19. Sheth, J.N.1973, "A Model of Industrial Buyer Behavior", Journal of Marketing, Vol.37, pp.50-56.
20. Sheth, J.N.(1996), "Organizational buying behavior: past performance and future expectations", Journal of Business & Industrial Marketing, No.3/4, pp.7-24.
21. Webster, F.E. and Wind, Y. (1972), "A General Model for Understanding Organizational Buying Behavior", Journal of Marketing, Vol.36, pp.12-19.
22. Wilson, E.J. and Woodside, A.G. (1993), "A Two-step model of influence in group purchasing decisions", International Journal of Physical Distribution & Logistics Management, Vol.24 No.5, pp.34-44.

E-Tailing – The new buzzword in Retailing

Dr. Prasanna Deshmukh.
Principal and Head, A. T. College and Research centre ,
University of Pune,
Bhor – Pune 412206
and
Sujay Madhukar Khadilkar.
Asst. Professor, KIT's IMER, Kolhapur (MAH)

Abstract

Purpose

The retail trade is the combination of products and services. It has four elements. They are wholesalers, small grocery shop keepers, hypermarkets and lastly customers. The research paper identifies and analyses the role of brand and it's relevance in grocery retailing and its impact on customer's buying decision. The article tries to assess various issues related with the brand of grocery for selected products and its significance for the customers. Retail trade in Kolhapur is going through sea change in last decade or so. Many hypermarkets are showing their presence in the city of Kolhapur. There is steady rise in the small grocery shops even.

Research Methodology

Research approach : Kolhapur city is taken for the study of e-retailing potential. Marketing principles used by hotels, foot wears, book stores, cloth centers are taken for the study.

Scope : The study is confined to hotels, foot wears, book stores, cloth centers mangers/owners.

Research Instrument : A Structured questionnaire is designed specifically to meet the objectives of the study. It contains questionnaires for hotel managers, foot waer owners, owners of music stores and book stalls and questionnaire for customers.

Population : Approximately Kolhapur city has 400 small grocery shop shops ,12 shopping malls, and 50 general stores.

Sample Size : 13 hotels, 3 foot wears, 3 book stores, 35 managers and 55 customers are taken for the study. Customers are in the age group of 30-35.

Managerial implications

In retailing, technology is important and upcoming trend. So, consumer opinion and corporate opinion needs to be assessed for further development of the strategic decisions.

Objectives of the research

1) To study the awareness of e-tailing practices amongst various businesses.
2) To study the customer opinion about e-tailing practices in Kolhapur.

Hypothesis

1) E – Retailing is not progressing in smaller cities.
2) Performance of retail business is independent of technology.

Transformation in conventional marketing –

The marketing is going through paradigm shift. The marketing practices product, prices promotion, people, physical evidence, process, place are present conventional marketing. The 7 p's in conventional marketing have different perceptions and implications in modern marketing.

In early 1970 and 80's the emphasis was provided on cost and flexibility while in late 90's and it was replaced by customer focus, speed and quality in the delivery and service respectively. Most of the retailing players in India are following the same pattern. Many researches conducted on changing shopping behaviors. Indian customers are studied and these researches suggest that the Indian customers are changing. Retailing practices in metropolitan cities have changed and in two tier cities also these changes are slowly imbibed in customers.

Customers also are slowly changing their behavior patterns related to shopping. Retailing slowly are started to lead on the minds of the Indian customers. Since 2000 the Indian consumers are confronted with new marketing practice called "Digital Marketing" where internet related technology started to appear on the management arena. The next shift is going in form of retailing to E-retailing.

E-Retailing is defined as the retailing function through internet. E-retailing has only one form of E-business in form of business to customers (B-C)

E-retailing Services –

Internet banking has been widely accepted in India the transactions are going on by the customers using the ATM and debit cards. Number of companies like HP used to give either to the internet customers even the co-operative banks are widely starting the E-banking facilities. E-Services are related with online banking system of transports, railways, aero plane. Given E-services are available on the hotel booking.

Advantages of online retailing are as follows –

An opportunity to move from physical space to cyber space

1. No location boundaries.
2. Wider spectrum customers.
3. Non-geometric buying habits of customers.

The new online retail categories –

The recent development of sending e-greetings has helped customers get into the habit of using internet. Another area of development is bill presentment. Retail banking and related services through the internet is also being promoted and a good deal of transactions takes place through the net. Shopping robots on the net help instant price comparisons to enable customers make purchase decisions.

Logistic and supply chain in online retailing –

The key success factor for online retailing is efficient logistics to ensure that the right product is delivered to the right customer at the right time. The supply chain network is triggered in an automatic fashion, meeting promised delivery dates. Alliances are critical in the areas of sourcing and vendor management, warehousing, transportation and couriering (effective order deliveries) Storing merchandise in satellite warehouses enables timely deliveries in operations that are spread over a wide area.

Promotion online : There is good scope for promoting on site products merchandised and sold online. The site itself can host links of products/ services offered by other companies for a fee. Banners, crawlers, browser buttons, URL links, etc. can be put on other non-competing sites. There is a lot of opportunity to create customer stickiness by constantly communicating with them through e-mail. Personalised offerings can be made to individual customers based on individual's shopping characteristics.

Pitfalls of e-Tailing

No Theatrical Ambience: The online retailing site does not have a theatrical ambience which can be felt by the customer.

No Emotional Experience: There is no emotional shopping experience that the customer can get in e-Tailing as he would in a brick-and-mortar environment.

Intangible Merchandise: The customer cannot hold, smell, feel or try the product.

Security Issues: Customers online are reluctant to part with their credit card details on the net, fearing they may be misused. Customers are not yet convinced that these methods are foolproof.

Impersonal customer Service: Indian customers are used to tangible personalized customer service which online retailing cannot provide. Some instances of Indian companies doing business on the net :

- Rediff.com does a good deal of merchandising on its site with innovative product offerings and prices.
- Indiatimes.com is a popular internet selling site with multi-faceted merchandise offerings.
- Bazee.com is a site very widely known in India for its "bidding sale".
- Fabmart.com does food retailing.
- PlayWin is an online lottery that is catching on with the masses.

Some organizations have tried to use the internet along with their brick-and-mortar operations. It is just a matter of time before online retailing picks up in India. If there is consistency in quality and delivery on time, certain convenience categories like o have to pay more in order to retain them. This again brings down the Indian retailers profit levels. Training the employees in delivering the better service to customer so that se/she becomes loyal to the company is also a challenge.

Traffic :

The gridlock of cars and other vehicles in the town will be reduced since the shopping centers find it difficult for parking areas and often the customers vehicles bring lot of traffic jam in peak hours.

Around 40 million people in India depend on the unorganized retail sector the trade union and traders fear these people's livelihoods will be ruined giants are permitted to enter India's retail market. The decreasing sales of fruit juice, sauce and bread items in small shops will stop the supply of these ready to eat products to the owner manned general stores which will affect the lively hood of 3.95 Cr. of the unorganized retail trade employees. So here arises challenge for government.

It is observed that the presence of big retailers like wal-mart depresses the wages of the employees at the bottom of the pyramid in the community. Some of the retail market giants who are going to print their foot in India are notorious for driving out the competition and slashing labor cost in other countries. Relience already started using two of the special economic zone as warehouse for their retail outlets. Farmers lost their livelihood as most of the area that acquired for this purpose are farm land. The promised compensation packages are often inadequate. Due to delay in processing and corrupted middle players of government employees it is not reaching to real farmers. At most of the places senior citizens are protesting against farm land acquisition and are arrested and imprisoned for several months. The great apprehension about these retail giants' styles of operation will bring law and order problems in the country.

The challenge would be sales tax laws as there are state tax laws and central tax laws and road tax law which boils down profits as it increased the cost of product procurement.

Objectives

1) To study the awareness of e-tailing practices amongst various businesses.
2) To study the customer opinion about e-tailing practices in Kolhapur.

Data methodology

Research approach : Kolhapur city is taken for the study of e-retailing potential. Marketing principles used by hotels, foot wears, book stores, cloth centers are taken for the study.

Scope : The study is confined to hotels, foot wears, book stores, cloth centers mangers/owners.

Research Instrument : A Structured questionnaire is designed specifically to meet the objectives of the study. It contains questionnaires for hotel managers, foot wear owners, owners of music stores and book stalls and questionnaire for customers.

Sample Size :

13 hotels, 3 foot wears, 3 book stores, 35 managers and 55 customers are taken for the study. Customers are in the age group of 30-35.

Data Analysis and findings

Tabulation for Hotel Business

1. Table showing awareness of E- retailing in hotel business

Particular	Sample	%
Known	13	100
Unknown	0	0
Total	13	100

2. Table showing awareness of internet amongs hotel managers

Particular	Sample	%
Surf on internet	13	100
Not Surfing	0	0
Total	13	100

3. Amount of time spend on the internet by hotel managers

Particular	**%**
Half hour.	0
1-2 hrs.	0
Above 2 hrs.	100
Total	100

4. Table showing the knowledge of managers about e-Retailing

Particular	Sample	%
Yes	13	100
No	0	0
Tota	13	100

5. Table showing the factors affecting E-retailing.

Particular	Sample (each out of 13)	%
Infrastructure	8	15.38
Availability of internet	5	7.69
Technology	5	0
Lack of customer awareness	16	46.15
Trust	13	61.53

6. Table showing the target customers of hotel business.

Particular	Sample	%
Student	0	0
Professional	13	100
Businessman	13	100
Other	4	30.76

7. Table Showing opinion of managers about threats in e-retailing –

Particular	Sample	%
Yes	4	30.76
No	9	69.24
Total	13	100

8. Table showing level of customer satisfaction

Particular	Sample	%
Highly satisfied	9	69.23
Satisfied	1	7.69
Neutral	3	23.07
Dissatisfied	0	0
Highly dissatisfied	0	0
Total	13	100

Analysis of opinions of Hotel Managers –

1) 61 % of hotel managers are not interested in business through internet.
2) Trust & lack of awareness are major reasons behind customers not using E- business.
3) The operations that the managers do through internet is 'Hotel Booking'
4) Businessman and professionals are only the customers using this way of business.
5) All the star2 and star3 hotels are having this facility –
    1. Hotel Victor Palace
    2. Panchashil
    3. International
    4. Ayodhya
    5. Rajat
    6. Opal
6) The medium class hotels are not using this practice as they don't feel the need of it because most of their rooms are always engaged .

Tabulation of opinions of business managers for 'Foot Wear'

1. Table Showing opinion of managers about the knowledge of internet –

Particular	Sample	%
Known	3	100
Unknown	0	0
Total	3	100

2. Table Showing opinion of managers about the surfing on internet –

Particular	Sample	%
Surf on internet	1	33.33
Not Surfing	2	66.67
Total	3	100

3. Table showing opinion of managers about time for which they surf on internet –

Particular	%
Half hour.	100
1-2 hrs.	0
Above 2 hrs.	0
Total	100

4. Table showing opinion of managers about the knowledge of retailing –

Particular	Sample	%
Yes	0	0
No	3	100
Total	3	100

5. Table showing opinion of managers about the business done on internet –

Particular	Sample	%
Known / Aware	1	33.33
Unknown / unaware	2	66.67
Total	3	100

6. Table showing interest of managers in doing business on internet –

Particular	Sample	%
Interested	0	0
Not interested	3	100
Total	3	100

7. Table showing reasons behind not carrying out the business through internet –

Particular	Sample	%
Infrastructure	2	66.67
Availability of internet	1	33.33
Technology	2	66.67
Lack of customer awareness	3	100
Trust	3	100

8. Table showing opinion of managers about target group of customers –

Particular	Sample	%
Student	3	100
Professional	1	33.33
Businessman	2	66.67
Other	0	0

9. Table Showing opinion of managers about threats in e-retailing –

Particular	Sample	%
Yes	3	100
No	0	0
Total	3	100

10. Tables showing opinion of managers about level of customer satisfaction –

Particular	Sample	%
Highly satisfied	0	0
Satisfied	0	0
Neutral	3	100
Dissatisfied	0	0
Highly dissatisfied	0	0
Total	3	100

Analysis of opinions of foot wear merchant –

1) Managers are of opinion that the "Kolhapuri Chappals" are famous but they are having direct orders from other area merchants.
2) No one using or providing e-retailing.
3) Merchants are of opinion that footwear shop are present in all the cities and the method is of no use. Also, we are not having large capital to spend on it.

Tabulation of opinions of business managers for 'Book Stores'

1. Table showing opinion of managers about the knowledge of internet –

Particular	**Sample**	**%**
Known	3	100
Unknown	0	0
Total	3	100

2. Table showing opinion of managers about the surfing on internet –

Particular	Sample	%
Surf on internet	2	66.67
Not Surfing	1	33.33
Total	3	100

3. Table showing opinion of managers about time for which they surf on internet –

Particular	Sample	%
Half hour.	1	33.33
1-2 hrs.	1	33.33
Above 2 hrs.	1	33.34
Total	3	100

4. Table showing opinion of managers about the knowledge of retailing –

Particular	Sample	%
Yes	3	100
No	0	0
Total	3	100

5. Table showing opinion of managers about the business done on internet –

Particular	Sample	%
Known / Aware	2	66.67
Unknown / unaware	1	33.33
Total	3	100

6. Table showing interest of managers in doing business on internet –

Particular	Sample	%
Interested	1	33.33
Not interested	2	66.67
Total	3	100

7. Table showing reasons behind not carrying out the business through internet –

Particular	Sample	%
Infrastructure	2	66.67
Availability of internet	0	0
Technology	2	66.67
Lack of customer awareness	2	66.67
Trust	1	33.33

8. Table showing opinion of managers about target group of customers –

Particular	**Sample**	**%**
Student	3	100
Professional	3	100
Businessman	3	100
Other	2	66.67

9. Table showing opinion of managers about threats in e-retailing –

Particular	Sample	%
Yes	3	100
No	0	0
Total	3	100

10. Tables showing opinion of managers about level of customer satisfaction –

Particular	Sample	%
Highly satisfied	2	66.67
Satisfied	0	0
Neutral	1	33.33
Dissatisfied	0	0
Highly dissatisfied	0	0
Total	3	100

Tabulation of opinions Cloth shop managers/owners

1. Table showing opinion of managers about the knowledge of internet –

Particular	Sample	%
Known	2	50
Unknown	2	50
Total	4	100

Marketing Management

2. Table Showing opinion of managers about the surfing on internet –

Particular	Sample	%
Surf on internet	1	25
Not Surfing	3	75
Total	4	100

3. Table showing opinion of managers about time for which they surf on internet –

Particular	Sample	%
Half hour.	4	100
1-2 hrs.	0	0
Above 2 hrs.	0	0
Total	4	100

4. Table showing opinion of managers about the knowledge of retailing –

Particular	Sample	%
Yes	2	50
No	2	50
Total	4	100

5. Table showing opinion of managers about the business done on internet –

Particular	Sample	%
Known / Aware	1	25
Unknown / unaware	3	75
Total	4	100

6. Table showing interest of managers in doing business on internet –

Particular	Sample	%
Interested	2	50
Not interested	2	50
Total	4	100

7. Table showing reasons behind not carrying out the business through internet –

Particular	Sample	%
Infrastructure	1	25
Availability of internet	1	25
Technology	0	0
Lack of customer awareness	1	25
Trust	1	25

8. Table showing opinion of managers about target group of customers –

Particular	Sample	%
Student	4	100

Professional	3	75
Businessman	2	50
Other	0	0

9. Table showing opinion of managers about threats in e-retailing –

Particular	Sample	%
Yes	3	75
No	1	25
Total	4	100

10. Table showing opinion of managers about level of customer satisfaction –

Particular	Sample	%
Highly satisfied	0	0
Satisfied	1	25
Neutral	3	75
Dissatisfied	0	0
Highly dissatisfied	0	0
Total	3	100

Analysis of opinions of cloth shop managers/owners –

1) 50 % managers know what is internet.
2) Only 'Cotton King' shop is having e-retailing facility.
3) 50 % managers / owners are not interested in having such facility.
4) One of the reason that the customers are not ready to shop online is that they don't get the feel of the product.

Tabulation of opinions of business managers

1. Table showing opinion of managers about the knowledge of internet –

Particular	Sample	%
Known	33	94.28
Unknown	2	5.72
Total	35	100

2. Table showing opinion of managers about the surfing on internet –

Particular	Sample	%
Surf on internet	27	77.14
Not Surfing	8	22.86
Total	35	100

3. Table Showing opinion of managers about time for which they surf on internet –

Particular	%
Half hour.	14.29
1-2 hrs.	11.43

Above 2 hrs.	54.29
No	19.99
Total	100

4. Table showing opinion of managers about the knowledge of retailing –

Particular	Sample	%
Yes	30	85.71
No	5	14.29
Total	35	100

5. Table showing opinion of managers about the business done on internet –

Particular	Sample	%
Known / Aware	25	71.43
Unknown / unaware	10	28.57
Total	35	100

6. Table showing interest of managers in doing business on internet –

Particular	Sample	%
Interested	15	42.88
Not interested	20	57.12
Total	35	100

7. Table showing reasons behind not carrying out the business through internet –

Particular	%
Infrastructure	22.88
Availability of internet	14.29
Technology	14.29
Lack of customer awareness	45.71
Trust	37.14

8. Table showing opinion of managers about target group of customers –

Particular	%
Student	48.57
Professional	80
Businessman	80
Other	34.29

9. Table showing opinion of managers about threats in e-retailing –

Particular	Sample	%
Yes	17	48.57
No	18	51.43
Total	35	100

10. Tables showing opinion of managers about level of customer satisfaction –

Particular	Sample	%
Highly satisfied	17	48.87
Satisfied	5	14.29
Neutral	13	38.14
Dissatisfied	0	0
Highly dissatisfied	0	0
Total	35	100

Analysis of Manager's opinion about E-retailing –

1) 95 % of shop managers (owners) know that managers in Kolhapur are aware about internet.
2) 77 % of shop managers / owners use to surf on internet. i.e. many managers access the computer daily.
3) 55 % of shop managers/owners spend their more than 2 hrs. daily on internet.

   20 % of shop managers spend less than half an hour to surf on internet.

   14 % of shop managers spend half an hour daily.

   11 % of shop managers spend 1 to 2 hours to surf on internet.
4) 86 % of shop managers/ owners know about retailing. Thus large no. of managers aware about retailing.
5) 72 % of shop managers know the business done on the internet. Thus almost 2/3rd of managers know that the business done on internet.
6) 58 % of managers are not interested in doing business on internet.
7) 42 % of managers are ready to do business online.
8) Impact of different factors on the non popularity of online business
   a) Lack of customer awareness - 46 % of managers have opine that the biggest hurdle for online business.
   b) Trust – After customer awareness, trust is the bigger hurdle for online business (38 %)
   c) Infrastructure – (22 %)
   d) Availability of internet (15 %)
   e) Technology (15 %)

   Also play the vital role for not carrying out online business.
9) 80 % of shop managers are targeting professionals & businessman for their business.

   48 % of shop managers are targeting students for their business.
10) Half of the shop managers are unaware about the threats which occur in E-Retailing. Thus we can say hat managers don't have deep knowledge of E-retailing.
11) Almost 49 % of shop managers say that E-Retailing will reach to the level of high satisfaction for the customers. 39 % of shop managers are neutral on the satisfaction issue.
12) According to many managers trust and lack of awareness in the customers are the main reasons due to which people are not ready to buy online. Sometimes people want to get the feel of shopping (cloths). Internet awareness & its faithfulness has not percolated to the society. That's why shop managers are not ready to start business on internet. Education, availability of technology also plays important role as

a hurdle in the e-retailing. Some businesses are depends on the location of firm and the local people so there is need of e-retailing.

Tabulation of customer's opinion of e-retailing –

1. Table showing the knowledge of customers about existence of internet

Particular	Sample	%
Yes	51	93
No	04	07
Total	55	100

2. Table showing the no. of customers surfing on the internet.

Particular	Sample	%
Yes	48	87
No	07	13
Total	55	100

3. Table showing regular time spent on internet.

Particular	%
Half hour.	29
1-2 hrs.	45
Above 2 hrs.	26
Total	100

4. Table showing the customers awareness about retailing process

Particular	Sample	%
Yes	41	75
No	14	25
Total	55	100

5. Table showing the customers awareness about business done on internet.

Particular	Sample	%
Yes	40	73
No	15	27
Total	55	100

6. Table showing the habit of customers of shopping online.

Particular	Sample	%
Yes	12	22
No	43	78
Total	55	100

7. Table showing interest of customers in doing business on internet

Particular	Sample	%
Yes	29	53
No	26	47
Total	55	100

8. Table showing types of goods which customers are ready to shop online (who are interested in doing business on internet)

Particular	Sample	%
Electronic Goods	14	25.35
Musical Instrument	13	24
Food	03	5.3
Grocery	0	0
Apparel	11	20
Biomedical Components	14	25.35
Total	55	100

9. Table showing factors due to which customers are not ready to shop online.

Particular	Sample	%
Infrastructure	3	05
Availability of internet	8	14
Technology	10	18
Lack of customer awareness	15	27
Trust	14	25
Total	55	100

10. Table showing the customers knowledge about threats in e-retailing

Particular	Sample	%
Yes	27	50
No	28	50
Total	55	100

11. Table showing the knowledge of customers about the websites dealt with their field

Particular	Sample	%
Yes	36	65
No	19	35
Total	55	100

12. Table showing customer opinion on feasibility of trading practices in e-retailing

Particular	Sample	%
Yes	27	50
No	28	50
Total	55	100

13. Table showing frequency of customers of online shopping

Particular	Sample	%
Yes	5	10
No	50	90
Total	55	100

14. Table showing frequency of customer shopping same product online

Particular	Sample	%
Yes	09	16
No	46	84
Total	55	100

Analysis of customers opinion about e-retailing –

1) 93 % customers know what is internet,
2) 87 % customers use to surf on internet.
3) 45 % customers spend 1-2 hours daily on internet.
4) 75 % customers know what is retailing.
5) 73 % customers are knowing about the business done on internet.
6) Only 22 % customers shop online.
7) 53 % customers are interested to do the business through internet, remaining (47 %) are not interested in such practice.
8) Customers are mostly prefer the products to buy through internet are electronic goods, musical instruments, bio-medical compounds, apparels (few of the customers). No customer is ready to purchase the grocery through internet/online.
9) The major factor/reason that the customers are not ready to shop online is lack of awareness and trust on such type of practices.
10) Half of the customers are of opinion that there is threat in e-rretailing.
11) 65 % of customers are having knowledge about their field websites.
12) Half of the customers are of opinion that the changing trading practices are good or feasible.
13) Only 10 % of the customers frequently shop online.
14) And 16 % customers out of those who are engaged in online shopping purchase the same product frequently.
15) Most of the customers are hesitating to give the answers of those questions based on internet. Customers have a threat in their mind about internet. So, they are not ready to trust on the internet. Inability to access and threat in mind are the biggest hurdles for customers to do e-retailing.

Findings –

From a macro perspective, the Internet revolution in India is quite real. With a whole array of knowledge-based skills and legacy to draw upon, India is very well suited to integrate Internet into its industry even musical stores, foot wear shops, hotels are no exception. Perhaps more so than any other country in Asia, Internet will have a profound impact on India's progress towards a more open and accessible business environment. However, the

potential of Internet in the corporate sense of profit making has being overstated, and many pure web-based Indian businesses are likely to fail. Indian society is not yet ready to adapt to the 'new economy' in a consumer sense.

Suggested Business Model of E-Tailing for class II cities –

The suggested business model for class II cities is given above. The inputs like planning, applying, reviewing and testing of the e-tailing strategy is important for the class II city like Kolhapur where even though the internet literacy is not significant, e-tailing tendency is very low. After P,A,R,T phase, the process of awareness generation of e-tailing needs to be done. From the research it can be concluded that there is a potential for e-tailing but retention (feedback) of the customers holds the key for the performance.

Bibliography –

1. S.A. Chunawalla, Brand Management published by Himalaya publishing House second edition 2006 p.p. (126 128)
2. S. Remesh Kumar "Managing Indian Brands "Marketing concepts and strategies "UBS publishers and second edition Distributions 2002 p.b. (81-131)
3. Satish Brtra and S.H.kozmi "consumer behavior text and closes" published by excel books new Delhii .First edition 2004 p.p. (171-181)
4. S.A. Chubawalla "Commentary on consumer behavior published by Himalaya publishing House Mumbai. First edition Reprint 2001. P.p (47-73)
5. S. Balchoridran "customer Nirvana services management" published by Response books sage publish on9 new Delhi second edition 2004.
6. Matin Khan "consumer Behaviors "published by New age international Ltd. New Delhi First edition 2001 p.p. -86-100.
7. G.C. Berri. "Marketing Research". Published by Tata. McGraw Hill New Delhi. Second edition 1993. P.P. -79-221.
8. Devid J. Luck and Ronaid S. Rubin "Marketing Research" Published By prentice Hall of India New Delhi- 7th edition. Page. (179-230)
9. Tull and Howkins "Marketing Research Measurement and method" published by prentice Hall of India New Delhi _ sixth edition p.p. (1993) (163-197).
10. Hair, Bush and ortinau "Marketing Research within. Changing information environment "published by Tata McGraw hill New Delhi (2005) 3rd edition p.p. (44-77)
11. Frand R. Kordes " consumer Behaviour and Managerial Decesion making published by practice hall publication New Delhi second edition-2002 p.p. 9 (50-77)

Analysis of Automotive Lubricant Market in India and Marketing Strategies for Rural Markets

Dr. Prafulla A. Pawar
Coordinator-Executive Education,
Department of Management Sciences (PUMBA)
University of Pune, Pune – 411 007

Rahul Khandelwal
Research Scholar, Department of Management Sciences (PUMBA)
University of Pune, Pune – 411 007

1) Introduction

Economic, political, and regulatory forces are reshaping the dynamics of lubricants supply and demand throughout the world, and opportunities to grow this business continue to emerge. India, in particular, has emerged as a key growth market, as well as a source of competitively priced lubricants. Strong growth in the Indian automotive, power and engineering sectors is creating new market opportunities for lubricants manufacturers.

In the automotive sector, consumers are migrating to better quality vehicles and increase in demand for four stroke motorbikes, tie ups with original equipment manufacturers using higher grade lubricants; this is benefiting multi-grade lubricant products with strong brand recognition and wide distribution. Whilst there are no restrictions on foreign lubricant manufacturers from establishing 100%-owned operations in India, many have chosen to partner with National companies. (Merger & Acquisition). The automotive lubricant market is estimated to have grown volumes by over 3% on the back of a strong economic performance. Increased motorcycle and car stock, growth in agricultural driven lubes consumption and a booming construction sector have been the primary factors to this.[1] The old generation truck market and the 2-stroke motorcycle lubes market, is projected to continue declining sharply in the short-term.

The trends highlighted above are expected to continue, Thus, lube consumption is projected to grow strongly in cars and 4-stroke bikes. [2] With the rapid growth in vehicle and infrastructure sector, the shape of the customer groups would be undergoing significant change in the future. Fleets, construction companies and large workshop groups would be forming an increasing percentage of the market. Another trend, which is rapidly catching up, is the emergence of organized retail chains. While the impact on lubricant sales at this juncture is minimal, these outlets could present opportunities for marketing in rural areas who are customers in the future. It is also expected that the rural growth of 4-stroke motorcycles will continue to outstrip urban demand in the foreseeable future. Penetration in rural and semi urban areas is extremely low and could provide opportunities for marketers. New entrants will have to deal with uncertainty of demand, different and involving customer needs, a relatively poor supplier base, a market crowded with competition and niche market specially in rural areas.

As part of strategy to focus on rural markets, the companies are now planning to increase the share of distribution infrastructure to reach out to an additional six lakh villages., currently the distribution reached between 5000 and 7000 towns and villages across the country, eventually the companies are aiming at taking its products to six lakh villages with a population of less than 5000.[3]

The evolving market forces in India present significant opportunities in rural areas to new and existing marketers and formulators of lubricant.

2) Overview of Indian Automotive Lubricant Industry

Lubricants

Lubricants are used to reduce friction between moving parts, thus resulting in lower wear and tear. In many machines, lubricants also play a role in cooling, rust prevention and help to avoid deposition of solids between closely fitting parts. Liquid lubricants are most commonly used. A lubricant is a blend of base oils and performance-enhancing additive as required by engine, gearbox and other applications areas [4.]

Indian Automotive Lubricant Industry

The Indian automotive lubricant market is the sixth largest in the world with the market value more than US $ 1 Billion. It is also one of the fastest growing retail markets in India. Total production of automotive lubricants in India is approximately 8 to 10 percent of global lube production[5].The lubricant sector in India is broadly divided into 3 major markets sectors: Automotive, Industrial and Marine & Energy applications. Liberalization in the early 1990's has brought a tremendous change in the Indian Lubricants scenario, the government decided to open the Indian market to foreign competition. No Government Controls on Import of lube oil Base stocks, Additives and finished lubricants. Pricing of base oil was deregulated basic custom duty on base oil stock was reduced from a peak of 85 percent to a level of 25 percent. All quantitative restrictions were also removed.[6]

Automotive lubricants are further divided into diesel lubes and petrol Lubes. Diesel lubes comprise 70 percent of the market and petrol based lubricants cover the rest. As diesel lubes are used by commercial vehicles, which have to cover greater distance so their market share is higher. CNG Gas is in emerging stage.

Market Share analysis

The industry is led by four major players, (Indian Oil, Bharat Petroleum, Hindustan Petroleum and Castrol India Ltd) who contribute to over 80% to the market, rest 20% is shared by several players like Gulf, Elf, Tide water company, Agip, Shell.

3) Review of key conceptual elements

The market is fragmented with over 22 big and small manufacturers and with the spate of merger and acquisitions only a handful of big companies enjoy a major market share Companies are adopting a more customer-oriented approach where they likely to focus on creating brand awareness through print and visual media .

Channel of Distribution

The marketing channels for automotive lubricants in India consist of the following,

- Petrol Stations
- Wholesale Distributors
- Lube Oil Shops
- Auto Spare Shops
- Authorized Service Stations
- Garages
- Rural & Agricultural dealers

Till recently, the Indian consumers linked filling of lubricants to that of petrol & diesel in petrol stations. With the advent of deregulated market scenario & fierce competition, efforts are being made to position lubricant as a high involvement consumer goods.

Market Trend

In the recent past, the Indian lubricant market has witnessed a phase of consolidation. Multinationals with better technology, brand name and finances have the power to launch themselves on their own in the market. However, with increasing number of competitors it is not possible for every one to carve a niche in the market. This sector has witnessed considerable amount of mergers and acquisitions. British Petroleum's recent acquisition of Castrol is one example. Elf lubricants acquisition with Total Lubricant. Merger of Pennzoil with Shell Lubricants. Companies find themselves fighting a tough battle for survival. In the OE sector also lubricant manufacturing, companies are entering into collaborations with vehicle manufactures. Maruti Udyog, Hyundai Motors, Hindustan Motors, TAFE, Toyota, and Skoda have entered into collaboration with IOC and Castrol for some of their models. Some companies like Bharat Petroleum and Tide water Company collaborated with Hero Honda and TVS.Trend of Retail marketing is getting established[7] ,accordingly some private players also have their outlet established i.e Castrol has Castrol point where every product range is available, and Castrol Bike Point where servicing of vehicle is done.[8] Servo has Servo Shoppe . Then trend is changing in retailing sector for retaining their position in the market and compete with the competitors.

Competitive Analysis

Recent deregulations in the lubricant market have promised many new opportunities for the private lubricant manufacturers. Private participants will also gain a presence in the market and hence there will be competition between participants that will ensure the growth of the sector. The monopoly of the public sector holding will no longer exist. Private player like Reliance, Essar, Sheel are also selling their products through petrol pumps. Companies like Gulf, Valvoline, Veedol, Elf, are also making their presence felt in the market . In the couple of years ,the industry is going to witness sea changes.

Chart : SWOT analysis of Automotive Lubricant Industry

Strength • Strong Distribution network. • Technology • R & D department. • Low cost of operations in PSU companies	**Weakness** • Bad Product positioning • Lack of trust with dealers • Failure in promotional activity • Improper distribution channel
Opportunity • Privatization prospect • Can enter new market • Untapped rural market • Expansion of shop stops	**Threats** • Entry of new player • Threat from existing players • Loss due to similar product • Rise in crude oil prices

4) Customer Buying Behavior

Factors affecting the buying behavior are presently as follows :

Brand Awareness:- With lubricants becoming a fast moving consumer good and the brand preference of the consumers witnessing a change, brand image plays a key role in affecting the consumer's decision to buy a Brand Awareness is a major issue in lubricant sector.

Price Sensitivity:- The transformation from the administered pricing mechanism to free pricing has increased the importance of providing cost effective product to the users. Thus product costing and competitive pricing are key factors affecting the market.

Purchase Locations :- Purchase form stockiest, dealers, distributors, mechanics, and retail stores offered to the storeowners and mechanics prompt them to purchase a particular brand.

Lube oil changing habits:- The period at which the lubricant is to be drain varies from customer to customer .

Technology awareness:- Very few customers are aware about the changing technology They are influenced by some advertisement, information from mechanics regarding using advanced technology lubricants.[9]

5) Conclusion

Analysis of the market dynamics reveals that automotive lubricants market is the competitive market with larger powers of the intermediaries on supply side. Evaluation of industry structure points to ever growing bargaining power of the suppliers. However, effective management of these competitive forces could lead to strategies for deeper penetration of reputed lubricants brands into rural markets. Further, analysis of consumer buying behaviour shows that there is a need to put efforts for spread of awareness amongst the consumers regarding product differentiation.

References

1. http://www.marketresearch.comhttp://www.marketresearch.com
2. Frost . Market report ,July 2005.
3. The Hindu Business line: castrol to increase rural footprint. Tuesday Jun,3,2010.

4. Automobile Lubrication by Nunney M.J. (Butterworth pub) 1985,pg 6

5. http:/www.marketresearch.com/indian-market/html

6. The Indian Lubricant Market: Survival for the Slickest by Pooja Verma Article published 25 Jul 2003

6. The Hindu Business line: castrol to increase rural footprint. Tuesday Jun,3,2010.

7. http://www.maklube.com/oem-tieups.

8. http/www.franchisebusiness.in/castrolbikezone.

9. http/www.rsuresh.com/challenges-oppour-in-india/html.

Role of modern CRM practices in enhancing Industry-Institute Interaction Programme: An exhaustive study of B-Schools of Pune with reference to Alumni and Industry as Customers.

Dr. Om Prakash Gupta
Director- Bharati Vidyapeeth Deemed University
Y. M. Institute of Management Karad – 415 539. (M.S.)

And

Prof. Shantilal. M. Jadhav
Director in Charge - Mandke Institute of Management and Research, Pune
Near Paud Phata Flyover Bride, Paud road, Kothrud
Pune - 411038.

Abstract

Industry-Institute Interaction Programme acts as a strong linkage and bridge between the educational institutions, especially B-Schools and business houses. It is a well established fact that former students, known as Alumni, play a vital role in developing and strengthening the relationship and bondage between the Industry and Institute.

In order to study the significance, role and importance of the alumni for the development of an institute, the researchers have decided to conduct an exhaustive study for applying modern Customer Relationship Practices to have perpetual and hormonal relationship with the passed out students of B-Schools.

The paper highlights the common modern practices of CRM and its applications to maintain the relationship with the passed out students and business houses. The objectives of the paper are -

- To give an overview of CRM practices in modern era of our complex business world.
- To highlight the effective application methods to implement CRM Practices to maintain strong relationship with students as customers.
- To apply CRM practices with the industrial houses who extend consultancy projects to B-Schools.
- To describe the problems, challenges and obstacles faced by B-Schools in involving, developing and maintaining CRM practices with alumni, business houses, other related organizations and enterprises.

- To suggest measures for enhancing CRM Practices by B-Schools.

In short, it can be stated that the presented Research Paper is a capsule description of CRM Practices applied by the business school to enhance its quality of education and maintaining creativity at the rate of obsolescence.

Key Words-

CRM Practices, Alumni, Consultancy, Industry-Institute Interaction, B-Schools

Introduction

The Management degree, perpetually a certain credential for progression is losing some of its luster. The reduced prospects of management courses result partly from the proliferation of management institutes in India, particularly in the State of Maharashtra. In recent years, since many management graduates have been unable to find suitable jobs, their interest in the management degree and enrollments have begun to decline.

There are entrance examinations conducted by various bodies for getting admissions in AICTE approved Institutions for MBA courses. The Directorate of Technical Education, Maharashtra, conducts MAH- MBA/ MMS-CET every year for admission to first year of the two-year full time MBA/MMS/PGDBM/PGDM Course. Generally all seats are filled after the 4th round of admission. But in year 2010 there were vacant seats. DTE decided to conduct a 5th round for admissions. Later on, they removed barrier of entrance test. In spite of these efforts, forty percent of the seats remained vacant. This was an alarming situation for management institutions.

These are challenging times for B-Schools and to compete successfully it is important to adopt best practices that can enable them to consistently interact with their diverse stakeholders in a highly personalized and professional manner. For B-schools, students and Industry are their customers. Even though CRM usage is widespread in the corporate sector, B-Schools are far behind with CRM implementation.

However these problems can be resolved by maintaining a good network of alumni who are actually messengers of B-schools to the outer world. Alumni are important catalysts for brand building of their institute. Currently, in the Indian context, very few institutes have strong alumni network. The use of technology for interaction and communication is missing. After completion of the course, the institute fails to keep in touch with alumni due to lack of proper channels and mechanism of interaction. This research investigates the new ways of networking alumni and their effective use in brand building of B-schools. It is not only students but also former employees, former members, industry delegates and other stakeholders of the institution can be considered as Alumni.

Alumni: As change agent for enhancing quality of Education, development and employment of B-Schools.

Alumnus and alumna both come from Latin. Alumnus is a masculine noun with plural alumni and alumna is a feminine noun with plural alumnae. Educational institutions usually use alumni for graduates of both sexes. The term is also given to an individual who takes pride in his/her alma mater by influencing in various programs that will enhance the development of his/her B-School. Many Management Institutions have extended this definition to include friends of B-Schools. These are individuals who offer consultancy projects and arrange campus interviews for B-School students. Aggressive creation of dynamic partnerships across the institutions wherever there is alumni involvement could be beneficial to the institutions.

Pre Alumni

Pre-alumni are current students who are tomorrow's alumni. It means to acknowledge the potential of those students who can later serve as the ambassadors of the institutions to the external world. It is critical for the B-School to have pre-alumni awareness. It is responsibility of the B-School to cultivate an interest in the alumni

relations while they are within reach of the B-Schools. During the period of two years of the course, the institute can demonstrate contributions made by the alumni. This will encourage pre-alumni to contribute after their management degree.

Benefits to Alumni

Good alumni relations will benefit the alumni, the institutions and society at large. After getting the management degree, the former students have a number of options including

- Seeking employment
- Starting business
- Further studies

Regardless of the path taken by the student, there is always opportunity to interact with the institutions where they have learnt.

- For job seekers, the institutions can provide their industry contacts for employment. Some organizations need only experienced employees. From the well maintained and updated database, the institutions can provide such experienced employees benefiting both alumni and industry.
- Alumni can also seek recommendation from faculties while facing problems during their jobs.
- Those who want to start their own business, institutions can help them by providing Human resources.
- For further studies is where there are often most interactions. The alumni may go to the same institutions where they went through for further studies, seek advice on opportunities, recommendations to enable them enter programmes of studies in other institutions or endorsement of their documents.

Further alumni have sustained contact with B-schools through letters, emails, and publications. They can trace old friends and fellow alumni.

Benefits to the Institutions

The alumni often have indoctrination regarding Institutions from their study experiences. They can therefore

- Act as B-School ambassadors.
- Provide feedback to the institutions on their programmes and therefore assist in the improvement of such programmes.
- Share knowledge and experience with pre-alumni.
- Serves as guest of honor and speakers at various student functions.
- Assist with job seeking of fresh graduates.
- Institutions can get greater student enrolments through promotional activities undertaken by alumni.
- The Institutions will be able to develop more relevant programmes through the involvement of the alumni in curriculum development and review.
- The institutions can get Turnkey Projects from alumni.

The society at large

The students spend only two years at management institutions, but they will spend the rest of their life contributing

to the society. Good alumni relations can act as social control through peer pressure and role modeling. They can contribute to more effective human resources base to support societal development by provision of good facilities for training,

Current Practices of Alumni Management in B-Schools

Before advent of cellular phones and the internet, B-schools were finding it difficult to have interaction with their alumni. The alumni management program was restricted to annual social gathering of the institution. Alumni, who have recently passed out from institutions, show an interest for couple of years. There was hardly any help taken from the alumni. Today, Alumni Management is assigned to a faculty member, who apart from his regular duties, handle alumni database. Some enthusiastic alumni form an Alumni club, but again it is limited to dinner and is not well organized. An alumnus who has current knowledge of market is de-motivated by faculties as they are not in touch with current scenario. Faculty is busy in telling others about alumni, how he was mischievous during his tenure in the institutions. This discourages alumni in participation of alumni networking. There is inferiority complex among alumni and faculty members of the institutions. This is not good for the health of the institutions. In fact alumni could be used as competitive edge over others with effective CRM practices.

Industry-Institute Interaction to Public-Private Partnership: A Journey to excellence

Due to globalization and opening up of Indian economy to the outside has created cut-throat competition among industries. Industry wants employees who can work right from day one in their core businesses. To solve their problems they are looking at management Institutions. Similarly, there is an urgent need to prepare management students for jobs in MNCs by exposing them to newer methods of management. These objectives can only be achieved well by bridging the gap between industry and the Management institute.

Management education is often criticized by

- B-Schools do little to produce future managers who are able to meet the challenges of the dynamic global business environment.
- MBAs are generally ill-prepared to cope with an increasingly diverse work force.
- Faculty members lack appropriate business experience, and is worried about syllabus of the University and not bothered to teach students what is applicable in real world environment.
- Students are examination oriented to get mere degree of MBA and not interested in acquisition of various skill-set required to perform a job.
- Considering the above situation, there is need of better interaction between institutions and industry. This will have great impact on the management education Curriculum, exposure of industrial atmosphere to management students and subsequent placement of young budding managers in industry across the country.
- To promote Industry- Institute Interaction following programs depicted below should be undertaken
- They should establish Industry- Institute partnership / interaction cell.
- Invite alumni or various dignitaries working in corporate sector as well as self employed professional to share their experiences.
- Placement is not job of placement department but it is job of every faculty and non faculty member. Management Institute must adopt holistic approach.
- Arrange visits of all faculty members to various industries and implement immediate changes

Industry- Institute Interaction program can be taken in various forms like problem solving, curriculum development, study visits, scholarship, apprenticeship training, and incubation center, faculty and staff exchange, short term training programs, onsite educational program etc. Such interaction is mutually beneficial.

Implementation of CRM practices for perpetual relationship in B-Schools, alumni as well client Industry.

Alumni Networking

Alumni networking means connecting with former students, former employees, former members and industry professionals to build professional relationships and gather information. According to a survey conducted by Crispin, G. & Mehler, M. (Feb 2009) 70 to 90% jobs are not posted and survey of 45 large organizations suggests that most positions are filled internally by referral source. This indicates an importance of alumni management. There is an urgent need of establishing a network of alumni; it need not be expensive and the return on your investment can be considerable.

Alumni associations may take various forms. In most cases, Institutions leave these alumni issues entirely on voluntary associations with minimal involvement. But this type of association fails as they are run by voluntary leaders who is employed elsewhere and may not be able to run it effectively. There is need of support from institutions to manage these associations. Effective alumni networking may help institutions in

- Watching career pathways of their former students and can demonstrate to pre-alumni. This will attract new potential students with increasing enrollment ratio.
- Track latest trends in their professional sphere and requirements of corporate sector.
- Continuous communication may be useful in getting corporate assignments.
- Institutions can make immediate changes in curriculum and get competitive advantage over others.

Alumni development

1. **Manage Database of Alumni**- Upload list of all alumni with all necessary details like Name, qualification, Email, contact number, Industry, and type of help he can provide to junior students or Institution etc. This data can be collected by phone, email, in person or through and web browser form. Allow alumni to create, register and update their own profile and records online. Then integrate and create custom fields as needed to meet your specific data requirement. Data integrity should be preserved and grant individual and or role based system access with granular permission settings for viewing or updating selected sets of records. The report should be generated and queries in real time.
2. **Communicate with Alumni**- First stage of communication with alumni is to determine the long term and short term goals. Then identify profile of target audience and what are their media habits. Then concentrate on message which should be closely tied with your goals and audience. The message should be relevant, showing importance, urgency or magnitude of goals. Personalize your messages using individual merge fields from your alumni records. Then track open rates, bounce rates, and click rates on email campaigns.
3. **Alumni networking**- Develop alumni network with the help of electronic media. As young generation is comfortable in responding emails, SMSs, use their habits judiciously. An alumni

newsletter is not the only way to communicate with alumni. Ask them for visiting lectures to share their experiences with pre-alumni. This will motivate them to be in contact with institutions. The current popularity of Facebook is remarkable. Engage alumni using Facebook.

4. **Manage Alumni Events**- Regular alumni events, whether big or small, must be arranged so the alumni also interact with each other and help the institute to achieve its goals. Also, the alumni can help the institute with their practical suggestions so that the alumni event is a success.

Recommendations-

- Establish separate cell in the institute to handle Institute- Industry Interaction program, Alumni Management along with the Placement cell. In fact all these three activities can be integrated in one department or cell.
- Communicate the role and purpose of new department of the institute to all alumni, faculty, staff members and other stakeholders.
- Implement new systems and processes for alumni networking and Industry- Institute Interaction program.
- Introduce additional activities apart from traditional activities. Also use various methods of communications.
- Identify areas for review in alumni relations provisions.
- Maintain high and measurable level of productivity and responsiveness.
- Invest more in its long term relations with alumni and pre-alumni.

Conclusion

Good dynamic relations with alumni, pre-alumni, Industry and other stakeholders may help management institutions in satisfying there students . CRM practises can be implementated effectively in B-Schools. CRM is not for teaching but also using it to enhance the quality of education and serving society at large. The activities like alumni management, Industry- Institute interaction program, and Placement cell if integrated in one Department can be useful and meaningful to the institutions. The quality of curriculum, employability ratio, and increase in enrollment is beneficial to the management institutions with the help of modern CRM practices.

References :

1. Agrawal, M. (2003). Customer Relationship Management (CRM) and Corporate Renaissance. Journal of Services Research .
2. Anderson, G. B. (2002). Customer Relationship Management:A Vision for Higher Education. Jossey-Bass, A Wiley Company.
3. Brouwers, L. (2007). Comminicating with your Alumni group. Belgium: Alumni Assotiation Belgium.
4. Communications, A. a. (September 2005). Alumni Relationship Management in Europe. Kraków: INTAL Special Interest Group of the EAIE.
5. Division, U. D. (May 2010). Review of the Role of Alumni Coordinators. Washington: Avar Consulting, Inc.
6. Dolbert, S. C. (October 2002). Future Trends in Alumni Relations. Hobart: 16th Australian International Education Conference.
7. Kotler, P. a. (1995). Marketing for Educational Institutions. Englewood. Prentice Hall.
8. Michelsen, P. D. (December 2008). "Sustainable Development as Strategy and Aim of Higher Education". Lüneburg: Leuphana University.
9. Reese, M. (Feb 2009). Assesing the future: E Portfolio trends, uses, and options in higher education. John Hoppkin University: Ceter of Applied Research.
10. Sutherland, K. (n.d.). PROFITABILITY, CUSTOMER RELATIONSHIP MANAGEMENT AND CONVERGENCE IN THE FINANCIAL INVESTMENT ARENA - WHERE ARE WE REALLY? AMIfs - Journal of Bank Cost and Management Accounting .
11. Technology, I. I. Alumni Engagement Plan. Institutional Self-study, Criterion Five, p. 96.
12. University, C. W. (2006). Alumni Relations/Alumni Association Strategic Plan 2006-2010. Washington: Central Washington University.
13. Wende, S. M. (September 2006). Globalisation and higher education. OECD.
14. XING. (August 29th 2006). Corporate Alumni Networks: Leveraging Intangible Assets. Rüschlikon, Zurich: XING.

Effectiveness of Product Placement in Hindi Movies

(Topic related to Advertising media)

Prof. Smita.V Harwani

SIPNA college of Engg. and Tech. Amravati.

Sipna's campus, in frount of Nemani godown, Badnera road, Amravati.

Ph: (0721) 2522341, 2522342, 2522343

Abstract

Media planners and brand marketers are looking for alternative media vehicles to reach at customers with a distinct message so that the memorability of the message increases and hence the brand name is popularised. A **product placement** is the inclusion of a product, package, signage, a brand name or the name of the firm in a movie or in a television programme for increasing memorability of the brand and instant recognition at the point of purchase. Placements can be in form of verbal mentions in dialogue, actual use by character, visual displays such as corporate logo on a vehicle or billboard, brands used as set decorations, or even snatches of actual radio or television commercials. This is a growing trend in Indian films for various reasons.

This paper highlights the basic reasons for placing products and brands in films with special reference to hindi films and the effectiveness of these placements as a tool for enhancing the recall value of the brands in the long run.

The paper proposes a category of placements that can be used by brand marketers to put their brands in the films and identifies the caveat for putting the brands in the films.

This paper suggests about the modality and plot connections in bringing congruity in the presentation so that the brand placement does not look out of context. It also focuses on how actually the product placement works and the procedures and people involved in the process .

This research paper has implications for both academicians and practitioners who include the advertising agency people, the media planners, the brand managers, film scriptwriters and producers for developing strategies to increase the use of product placement as a tool for brand communications. The paper also highlights the future research directions in this area for Indian brand managers and academicians.

Key Words:

Product Placement, Brand Recognition, Brand Recall, Brand Memory and Congruence

Introduction:

Product placement refers to the practice of including a brand name, product, package, signage or other trademark merchandise within a motion picture, television or other media vehicles for increasing the memorability of the brand and for instant recognition at the point of purchase. Product placements are commercial insertions within a particular media program intended to heighten the visibility of a brand, type of product or service. The common practice has been that advertising has been inserted within breaks, 30 seconds or 10 seconds commercial, but with increasing number of channels and media clutter, the target audience is not properly exposed to the message. The tendency of the audience is to change the channel whenever an advertisement appears. But by subtle placement of products in the settings of the Movie or a TV serial, the promotional message can be effectively put across the target audience These insertions are not meant to be commercial break ups rather an integral part of the medium so that the visibility of the brand increases.

Attempts are made for the viewer to read the product or the brand as a quality of the characters using and approving it. Scripts are tailor made for the desired brand so that when they are incorporated they look natural. It is done through special mention in the programs, placement of logo or may be a shot of that particular brand. Movies have been used as the most popular platform for product placement. Showman Subhash Ghai's *Yaadein* showcased brands like Pass-pass and coca-cola. But recall the Rishi Kapoor starrer *Karz* by the filmmaker, which had an entire song sequence with the Emami banner at the backdrop. Similarly time and again we have witnessed so many brands like ICICI, Yamaha, Pepsi, Lays in movies *Aakhein, Baghban, Dhoom, Khushi* and *Krissh* respectively.

Product placements are different than the celebrity endorsement advertisements in many ways. The celebrities endorse products and brands with commercial reasons,which normally comes in the breaks in television programs or in cinema halls. The phenomenon of zipping and change in the television usage behaviour due to surfing during commercial breaks has reduced the effectiveness of the television commercials. Similarly the commercials on cinema halls are found to be of low involvement as the audience takes them as blocks between the reasons of visiting the cinema hall and the time available to them for entertainment. So the brand communication and the entertainment products are viewed differently by the audience in both the media. Brand placement provides an opportunity where the involved audience gets exposure to the brands and products during the natural process of narration of the movie or television commercial.

We have taken the issue of the movie as area of research because compared to television, movies are found to be of higher involvement. The audience can undertake multitude of working while observing the television program at a home setting which may affect the degree of attention span of the audience and hence reduce the over all effectiveness of the medium for enhancing brand memory. Quite contrast to this is the movie going behaviour where the audience makes a voluntary choice for viewing (exposure) at a cost (financial, time and opportunity cost) for the purpose of entertainment. So he is more receptive to the information provided to him in the movie hall setting which also includes the dissemination of the product information. Further to this in a television viewing, the audience has a choice to shift the channel, as the programming is an involuntary exposure due to fixed schedules, content and timing. This involuntary exposure makes the audience to have a choice of voluntary viewing of the program of his choice and then he or she may switch to another channel. It has been observed from research that brand recall for commercials shown during the television programs with higher level of TRPs are very poor due to the channel switching behaviour (Fourier and Dolan 1997). High level of media clutter, similarity of programming across channels, channel switching behaviour are the factors responsible to generate sufficient level of research interest among researchers at the practice of brand placements in movies.

It is very important to expose the product only to the target audience. A good marketer should first identify the target market based on geographic segmentation and demographic variables or may be even both. Selection of the target audience is also done keeping the brand profile in mind. A target audience should also be able to identify with the product. The potential target audience should be able to identify themselves with the product. For instances products like Jewelries and Sarees are feminine products and rightly placed in soaps like *'Kyunki Saas Bhi kabhi Bahu Thi' and 'Kasauti Zindagi Ki'* which has a lot of female viewership. Therefore it's absolutely

important that the marketer should not pick up the wrong receiver, otherwise results can be fatal.

History:

Product placement is being used since long in bollywood industry, however it was not much known . With time the frequency as well as the awareness for this advertisement media have been increased. The earliest reference of a brand placement comes in the 1940 classic *Chalti Kaa naam Gadi* with the brand Coca Cola, followed by movie *bobby* endorsing rajdhoot by Rishi Kapoor. The movie *Dilwale Dulhanyiyan Le Jayenge* of the 1990s was a successful story of launching of Stroh bear in Indian market. Today, product placement is used as an often-used strategy for the advertisers in Hindi films.

However its even more important to know that HOW DOES IT ACTUALLY WORKS,

Basically Marketer pays to the Advertisement agency that decides and places specific brands strategically in films/TV shows. It is the job of the agency to maintain tie ups with prop suppliers/vendors and with set designers. Thus the agency plays the role of the mediater between the director/producer and the marketer. Suppliers get in touch with the production houses, which also look for props and some extra money as revenue. Subsequently the script is reviewed, edited and necessary changes are made in the script to place the brand appropriately to look like a natural phenomenon in the story.

A very best example of blending of a brand into the story of the movie is, a well famous brand of bikes Hayabusa in the movie *DHOOM*. The brand is used by almost all the actors in the movie, and the most important and noticeable part is that the whole story of the movie is encircled around it. It was a very well done promotional strategy, the craze of the bike in India was at its hights even long after the movie was out of the theaters. There are even more examples like Pepsi in *dil to pagal hai* and scooty pep in the movie *Sunday.*

The typical product placement starts up with publicity. Publicity attracts the viewers to cinema hall, which includes prospects of advertisers. In modern era of commercial news channels, number of viewers largely depend on positive publicity.

The number of viewers also depends on actors, production banners, popularity of music etc. Actual product placement process starts with four types of inputs, out of which the dialogues and way of presentation are controlled by the advertiser through proper coordination with the director while on the other hand viewer's attitude towards movie and actor are uncontrollable. Former two inputs almost depend on advertiser while later two on viewers.

Fig: Process of Product Placement.

Broadly analysing, there are three ways product placement can occur:

1. The placement simply happens : This placement occurs without any type of formal contractual agreement to place a particular product or brand. The likely scenario in this instance involves some member of the cast or crew selecting a product to use in a scene because it will enhance the scene though the product itself may not be seen or presented in a favourable light.

2. The placement is arranged and some of the product serves as compensation.
   This type of placement a particular product is shown in the Movie/ Serial and no extra amount is paid for that. The product itself serves as compensation

3. The placement is arranged and there is financial compensation.
   In this type of product placement the company has to pay for the placement apart from the product.

Basically Product placement can be categorized in various forms. The most popular forms are described below:

1. Product/Brand as a background:

This the most simplest form of product placement where hoardings of brand, company name, actual product or logo are placed in the scene. Sometimes packaging of the products are also placed. Here the brand is shown without any verbal reference. For instance, in the movie *Koi mil gaya*, boards of Nescafe and coca cola are seen in the background during the song *idhar chala me udhar chala*. Likewise in the movie *hero*, board of Yamaha rajdoot is seen in one of the song. Board of Virgin brand at the background in the movie *Kabhi alvida na kehna*.

2. Actors use the product:

Another popular idea for product placement is to show the use of the product by characters of the movie without verbal reference to brand name or benefit.

For example: In the movie kuch na kaho Abhishek Bacchan and Aishwaria Rai drink coke in one scene where camera is focused purposely on the bottle of the coke. Similarly in Taal, Aishwaria Rai and Akshay Khanna share coke from same bottle. Use of Reebok t-shirts by actor Jhon Abraham and Arshad Warsi in movie *Goal*.

3. Actors mention the product:

In this type of product placement, the product is integrated into the drama where the benefits/ attributes of the brand/product are mention by the main star without any visuals of the product.

For example: There is one sequence in movie *Koi mil gaya* where actor Hritik Roshan talrs about benefits of drinking Bournvita.

4. Actors mention and use the brand:

This style of product placement includes combination of above two method where characters use the product as well as mention the benefits/attributes of it.

For instance: in the movie *Chup chup ke* actor Rajpal Yadav is shown to use Tide detergent powder. Here the level of placement is so high that all the males in the movie are shown in wite clothes in most of the scenes. Also in movie *Krish* actress Priyanka Chopra is associated with Star tv.

5. Product as the part of the story (theme):

Sometimes the story is woven around a specific product or product category. This is extreme level of product placement. However, this trend is not very well developed in India. Very few films have adopted this type of product placement. For instance, In movie *Dhoom* high speed

bikes are the part of the story, also in move *hungama* starring Akshay Khanna is given the name Jitu Videocon Who owns the Videocon Showroom.

6. **Product in promos:**

This the relatively new trend where the product is tied up with the promo of the movie. The trend in India was started with *Kaante* where thumps up is associated with promo, similar example is of movie *Viruddh* which was associated with Max New York life insurance. However it is more seen in the television programs especially the reality shows.

This new media of Advertising is beneficial in many ways, firstly the exposure is to a large no of people as a big amount of people see movie each year and the most important ting is that this form of exposure is not subject to zapping, at least not in the theatre. And if in case the movie is hit this exposure can be repeated especially for those who like to watch the movie more then once. The source association also plays a major role. When consumers see their favourite star wearing polo sport, drinking coke or driving a Mercedes, this association may lead to a favourable Brand image. above all, the cost of placing the product in the movie is far less when compared it to the broadcast media, the CPM for this type of media can be very low owing the high volume of exposure it generates. Product placement also helps the marketers to bypass certain regulations, in many countries certain products are not permitted to advertise on television or to some specific market segments for instance, cigarettes and liquor. For the industries manufacturing such product this is a very effective media.

Even though product placement is beneficial, it has some other side too. In many movie s the advertiser has no say over when and how the product will be shown. There is the constant element of risk as there is no guarantee viewers will notice the product. The way the product is placed also has an impact . the appeal that can be made in this media form is limited. There is no potential for discussing product benefits or providing detail information regarding the product. Also certain scenes in the movie are disliked by the audience and if the product is used in those scenes it may create a negative impact on its image.

Comparison Of Product Placement Between Television And Films

High level of media clutter, channel switching behavior are some of the factors responsible for generating sufficient level of research interest at the practice of brand placements in movies. The basic objective of permitting product placements in movies is to cover up the possible level of production cost before the movie is released. There are number of examples of how the product's appearance in a movie resulted in an increase in brand performance in Hollywood movies. When agent James Bond made top secret calls on an Ericsson mobile phone in 1997 in the movie

Tomorrow Never Dies, the Ericsson trademark got a upward boost in visibility and market

share3. Big stars are available at a fraction of cost against the fee they charge for an independent advertisement. But this does not imply that the small screen stars are inferior to film stars. Television stars have become favorites with advertisers and enlisted their names for the second best option as brand endorsers.

There are many other parameters of distinction as well. In-serial brand integration is relatively cheaper than in-film placement of brands. Television has emerged as one of the largest medium of mass communication hence offering wide reach and easy accessibility than films. Target groups are in regular touch with television than films. Frequency of watching a serial is more than the frequency of watching a film.

In serial brand placement also offers the benefit of flexibility. This means, if a certain brand placement is not doing well, then the marketer has the liberty to change the strategy. This option however is not available in case of product placement in cinema.

One can even take an instance of in-serial promotion by the Hindi film industry. Hum Tum, a Yashraj production, was promoted in Sony TV's '*Jassi Jaisi Koi Nahin*'. The lead star Saif Ali Khan even did a cameo in.

Conclusion

Product placement is being done successfully now in the Indian films and the small screen. The marketers and brand endorsers are largely benefiting from this. The success of in-serial and film product placement depends upon the involvement of consumers in the serial as well as its popularity. From Georgio Armani's to Raymonds, ICICI Bank to Central Bank, BMW to Maruti or Coke to Pepsi everybody has realized the need of harnessing the power of the Big and the Small screen.

Reference:

1. Jaiswal M.M. (june 2007) A pradigm shift in brand communication: accentuating the perception of the youth of gujarat regarding product placement in hindi movies-. Indian journal of marketing.
2. G.E Belch and M.A. Belch, Advertising and promotion: An integrated marketing communication perspective.
3. Ashutosk K Kashyap IBS Hyderabad(Jan 2008), Product placement in Movies and TV serials- Scribd.com
4. Margaret Craig-Lees, , AUT University & Jane Scott, University of New South Wales ,What is and isn't product placement?
5. Www.businessstandard.com
6. cashing on brand bollywood.htm
7. valuecreation5.htm

Customer Relationship Management in Service Industry"

Abhishek Ashok Khadtare
Assistant Professor

and

Mrs. Meghna .A.Navale
(Assistant Professor)

Mr. Vasim Sardar Kalavant
(Assistant Professor)
Sinhgad Institute of Business Management, Kamlapur
Affiliated to Solapur University, Solapur.

INTRODUCTION

Customer focus and relationship management have become fundamental marketing and business philosophies for many companies seeking competitive advantage. Establishing, maintaining and enhancing customer relationships have always been an important aspect of business. Although CRM is considered to be a business philosophy closely related to relationship marketing, it is the linkage with technology that is particularly of great interest. Marketing academics have begun to explore and understand the linkage between CRM technology, relationship marketing and business relationships as providing opportunities for sustainable competitive advantage.

Due to rapid development of the Internet, e-commerce and self-service customer support, there are increased expectations from customers for improved, personalized service and immediacy. Marketing practitioners are now using technology to their advantage and working closely to deliver value to the organization and to the customer. This has prompted marketing practitioners to use technology to capture and use customer information in order to better meet customer demands. Customer relationships are considered superior to transactional exchange in their ability to create sustainable competitive advantage and superior business performance.

The service sector is receiving much deserved attention resulting from its inevitable role in a country's economic de-elopement. Despite all the efforts gaps such as the relationship between technological advances and service development are yet to be revealed from the perspective of new applications that organizations want to develop and implement.

OBJECTIVES OF THE STUDY

1) Comparative analysis of CRM strategies are used by Air Tel
2) To find out how Mobile Market (We Considered Air Tel as one Case Study) are using Information Technology (IT) application for relationship marketing.
3) To find out which facilities are need to give by Air Tel in order to delight their customers and employees.

RESEARCH METHODOLGY

Research design constitutes the blue print for the collection, measurement and analysis of data. In this research to understand CRM in Telecom industry we have taken Case Study on "Air Tel" who already adopted CRM in their business.

SOURCES OF DATA: -

A case Study on Air Tel has been selected for the purpose of conducting study.

Secondary Data:

Secondary data are those data, which are already published. It may be useful for many other people than the researcher who has published it. There are various sources of secondary data collection.

- Articles on CRM taken from journals, magazines published from time to time.
- Through internet.
- Magazines
- Library Records

Problems Faces & Reason Of Implementation

- When Bharti had started out operations (1995), the whole system was manual
- Only **40 percent** of the customer issues were getting resolved
- Were not meeting the customer's expectations
- Customer loyalty was a major concern.
- Had many local players (dealers, vendors etc)
- Had huge issues in meeting the demands of the growing customer base.
- Were not able to centralize the services and give a common brand experience.
- Was hard to service customers across sectors.
- The subscriber base was growing at a healthy 15-20%. Airtel crossed the 1 million mark in 2002.

Hindering Growth

- Not able to recharge amounts anywhere in India. One had to carry scratch cards.
- Not able to pay bills anywhere in India
- Low customer retention
- Hutch's (now Vodafone) customer service was rated far superior.

Existing System (Before 2003)

- Individual modules for each of the processes

1. Order processing
2. Project management
3. Billing
4. Customer details
5. Call center operations
6. Direct Marketing
7. Sales Management
8. Channel Management

Implementation

A Simple Thing Come In Mind How?

Three Step Program

- Evaluation:
  - Technology evaluation
  - Equipment and technical evaluation was done
  - GAP analysis
- Internal restructuring and reengineering
  - Analyze issues surrounding scalability,
  - Business growth
  - Market and regulatory environments

- Implementation
  - Pilot launched
  - Feedback received with problems and suggestions

- After reengineering user validation was sought
- All these were rolled into Airtel's Roadmap for CRM

ORACLE CRM

"As part of our vision, we intend to provide AirTel services anywhere and at any time. A customer should get the same quality of service no matter which of our call centers he contacts. This has been our vision, and because of that we have gone in for a centralized application like CRM, "- **Amrita Gangotra**, Group Chief, IT Solution Engagement.

What Is CRM

- Business approach that understands anticipates and manages the need of current and potential customer of an organization.
- Integrating People, Processes and Technology of an organization
- Effective use of Information about customer to maximize customer satisfaction as well as cost reduction and increased profitability for an organization

CRM Technology Architecture

It Is Bread & Butter

- Installed a WAN
- Multiple Leased lines on all major locations
- Initiated the process of setting up an extranet to reach out to vendors and dealers

ORACLE CRM

- Storage Area Network (SAN) was put in place
- The main data center is located at Gurgaon
- Oracle CRM went live in the first quarter of 2004
- Managed to overcome many technical problems
- Technology partners include Oracle, SUN Microsystems, IBM and HP.

- Voice services (IVR) are provided by Nortel which was integrated with Oracle CRM.

Two Sides Of Coin

- Operational CRM

1. Workflow
2. Day-to-day activities

- Analytical CRM

1. Customer information
2. Business development

Modules Used At Air Tel

- Marketing
- Planning
- Campaign Management
- Lead Management
- Sales
- Activity Management
- Knowledge Management (FAQs, How to guides)
- Call Center Support
- Opportunity Management

Issues Faced During Implementation

- Problem getting user community (employees) to accept it
- Users forced to work harder to create processes and re-engineer systems around the new implementation
- CRM Training for all related employees
- Even best in class products are known to fail because of poor training

Benefits Of ORACAL CRM

- Customer segmentation
- Cross selling and up selling of relevant schemes
- Market analytics like records of customer profiles, profile, payment history etc
- Generation of accurate leads and SMS bursts that target only the right customers based on their segmentation is possible
- First time resolution has increased from 40 % to more than 90 %.
- Customized and simplified bill formats, payment collection centers, network deployments, and the activation process was enabled
- Better value added services were provided
- It facilitated knowledge sharing amongst employees.
- Started e-billing
- Customized offers based on usage profiles.

1. Discounts on reaching threshold
2. Recharge offers to low worth users
3. Invitations to movie screenings and events
4. Up selling of services to select customers

- Online customer support on new system
- The customer gets the same level of service across India especially from call centers.
- Reduced cost of customer or customer acquisition cost
- System is highly scalable as the number of subscribers increase.
- Airtel reached the 50 million subscriber mark recently.
- Automatic escalation of problem to superior authority on breaching pre-set time limit.
- CRM automatically suggests products to customer when they announce to leave Airtel.
- Has resulted in savings because of fewer calls.

Issues Faced After Implementation

- Functional
  1. Monitoring how the customers interact with the organization using the various modules of the CRM
  2. Visibility of business transactions across India
- Operational
  1. Monitor SLAs
  2. Maintenance and modification
  3. Data flow
- Change Management
  1. Oversee enhancement
  2. Constantly improve customer experience
- Aligning CRM to Airtel's vision and growth objectives
- Finding the right CRM Managers has been a burning issue in India.

E- CRM Initiatives

- After implementation of the Oracle CRM, Airtel now implementing e-CRM.
- e-CRM implementation partner is IBM

Success Pyramid of Airtel

- Would provide a host of services now running on Oracle CRM
  1. Online customer support
  2. Customer profiling
  3. Web interface
  4. Sales management for vendors and partners

Gap Analysis of Airtel

Creating Perception & Value Delivery

Creating Perception & Delivering Value as per Gap Analysis

Air tel

Service Recovery At Air Tel

- Retention plans
- Loyalty Plans
- 100% bill accuracy guarantee.(Key driver)
- Offer of the day.
- World on finger tips

Feed Back

- Ensuring Feed Back from all in Airtel World.
- Ensuring Feedback on all calls from 121.
- Feedback survey done every week.
- Feedback from vendors.

Airtel's Success

Airtel

Road map – Wireless Market

	Current	Proposed
Presence	Operational in 22 circles of India on GSM technology. Launched Operations in Srilanka	Looking for options primarily in emerging markets.
Population Coverage	82% of population covering 5067 census towns and over 4 lakh non-census towns and villages.	• Poised to cover all census towns and majority of non-census towns and villages • Penetration wider and deeper into rural India
Network Rollout & Strength	• Hive off of passive infrastructure into a separate independent tower company • Largest GSM (900/1800 Mhz) network in India comprising of over 96,149 network sites • Strong partners: Ericsson; Nokia; Huawei; Alcatel Lucent	• Network sites – 100,000 + • Plan to get 3G license and spectrum.

19

Mobile Services | Telemedia Services| Enterprise Services

Airtel

Road map – Wireless Market

	Current	Proposed
Sales & Distribution Network	• One of the widest distribution network. • Following the FMCG company distribution model - Match Box Approach • Present in over a million PoP in India. • Tie-up with IFFCO, an edge over others to reach out to Rural India	• Continue distribution expansion, especially in rural areas
Customer Service	• Continuous improvement in CSAT scores • Multi pronged service strategy in place	• Focus on service through service training and employee sensitivity • Unified service backend for enhanced customer experience
Employee Engagement	• Significant improvement in employee engagement • Awarded "Great Work Place 2008" by Gallup	• Sustain employee engagement • Focus on employee capability development and leadership pipeline

20

Mobile Services | Telemedia Services| Enterprise Services

Airtel

Conclusion

With such a narrow window, we have to make sure we score every time. We use CRM analytics to generate accurate leads from a customer database. We're going to try and capitalize on information.

- The results so far have been promising
- Airtel has been presently riding on the telecom boom.
- CRM's effectiveness would be put to test during slump.
- Airtel chose the right implementation partners
- This model would be implemented across all group companies.

Suggestion

- The call centre should be more equipped to divulge more information.
- Increase in advertisement to compete against Vodafone.

References

1. *www.hcltech.com/retail.../customer-relationship-management/*
2. *www.crm-express.com/multi_connection.asp*
3. *www.impelcrm.in*
4. *www.crmtutorial.com*
5. *www.crminfoline.com*

Relevance of Luxury Branding in Current Marketing Scenario

Prof. Shilpa R. Kankonkar, Lecturer,
Padmashree Dr D Y Patil Institute of Management Studies (DYPIMS), Akurdi, Pune-411047

Abstract:

India's tryst with luxury brands has changed gears over the past decade. With high disposable incomes and a penchant for all things luxury amongst affluent Indians on the rise, the country is emerging as the next stopover for global luxury brands such as Gucci, Christian Dior and Versace. Luxury Branding is a new ball game from the consumer as well as marketer's point of View. However it's important to realize how it has to be amalgamated with regular goods marketing and new trends in luxury goods segment. The evolution of luxury marketing, from affluent and wealthy consumers to mass markets, raises new challenges for marketing strategists. The interdisciplinary nature of the product brand, reputation of service provider and price value relationship of the luxury brand have left imprints in the emerging luxury market of India.

Keywords:

Luxury Branding, Marketing, Product Brand, Brand Reputation, High Disposable Income.

Introduction:

Getting to know Luxury:

"Why do I need to know how the watch market is doing? I'm in the business of luxury",

Patrick Heiniger, CEO, Rolex.

Luxury brands have often been associated with the core competences of creativity, exclusivity, craftsmanship, precision, high quality, innovation and premium pricing. Luxury has never been something easy to define, yet this mystery concept is something highly desired by one and all alike. The luxury sector targets its products and services at consumers on the top-end of the wealth spectrum. These self-selected elite are more or less price insensitive and choose to spend their time and money on objects that are plainly opulence rather than necessities. For these reasons, luxury and prestige brands have for centuries commanded an unwavering and often illogical customer loyalty.

We look at delving deeper into this mystery of Luxury and how various researchers have tried to contribute the existing dimensions of luxury and aura of luxury to extra-added psychological benefits like esteem, prestige, sense of a high status as well as highlighting the characteristics of the luxury industry.

But before beginning with that, let's first attempt to understand some common terms associated in the world of high-end goods:

1. **Luxury and prestige brands** such as Rolex, Louis Vuitton and Cartier represent the high-est form of craftsmanship and command a staunch consumer loyalty that is not affected by trends. These brands create and set the seasonal trends and are also capable to pulling all of their consumers with them wherever they go.
2. **Premium brands** are those brands like Polo Ralph Lauren, Calvin Klein and Tommy Hilfiger that aspire to be luxury and prestige brands but their marketing mix strategies are more attuned to a mass market, albeit a luxury mass market. They are also termed as mass-premium brands or mass-luxury brands.
3. **Fashion brands** on the other hand are those that address the masses.

Review of Literature:

Vickers and Renand suggest that luxury and non-luxury goods can be conceptualized according to functional, experiential and dimensions. Luxury has traditionally been associated with exclusivity, status and quality. Luxury brands have always been exclusive with known brand Identity, enjoy high brand awareness, perceived quality, and retain sales levels and customer loyalty. Changes in contemporary consumer behavior in western societies have led to the emergence of a new meaning and perception of luxury. 'New luxury' has been defined as 'products and services that possess higher levels of quality, taste, and aspiration than other goods in the category but are not so expensive as to be out of reach'. New luxury has been defined as 'products and services that possess higher levels of Quality, taste, and aspiration than other goods in the category but are not so expensive as to be out of reach.

Within a broader context, observers have pointed to the trend of middle-market consumers trading up for products that meet their aspiration needs referred to as the luxurication of society.

Atwal and Khan discuss the significance of the rapid growth of the Indian middle class, who are no longer at a financial distance from luxury, and are trading up to meet their current aspirations.

A review of the literature reveals that social status is still an evident motivation of contemporary luxury consumption by people across the world.

A Jaguar enthusiast describes his driving experience as follows: ' I love the way that I catch people admiring the XJ-S as I blast past them and the way that people often give me right of way in traffic and then watch the car as it goes by '.

Current scenario of the Luxury market Luxury in India:

To be successful in India, it is both necessary to gauge the financial potential as well as the mindset of the Indian luxury consumer. This will help in bringing forth the right product offerings to the Indian consumer as well as targeting them better.

Qualitative Insights:

1. According to a study by American Express, 'Inside the Affluent Space', the mindset of the Indian consumer is a desire to prove that "I've Made It". This can be related to the luxury categorization which is based on the fact that luxury is seen as a reward, both for achievements in life as well as showcasing these achievements to others.

2. The Luxury Marketing Council Worldwide has established a chapter in India, with the aim of promoting luxury

in India. Their task will also be to build synergy between various luxury brands interested in India by way of sharing of consumer insights as well as best practices

4. Hindustan Times has been at the forefront of driving the luxury revolution in India by organizing for Indian Luxury Conferences in the last 8 years. To add to it, it also brings out a monthly supplement of luxury goods available in India, thereby creating awareness for the luxury brands.

Quantitative Insights:

1. As far as quantitative estimates are concerned, there will be 135,000 millionaires (in US dollar terms) in India by 2012

2. The affluent market is set to grow at a rate of 13% in India, and by 2010, there will be approximately 1.1 million affluent here in India.

3. The wealth potential of India's affluent is to the tune of US$ 203 billion as of 2005.

In a near virgin market, the rewards are almost instant - research conducted by the Foreign Investors' Chamber of Commerce and Industry (FICCI) found that Louis Vuitton was the most prestigious accessory brand, while Armani topped the charts in apparel category.

As signs of the times, the World Luxury Council has opened Indian operations with American Express as the founding member in India. (Luxury Marketing Council Worldwide (LMC) is an apex body for luxury goods and service providers across the globe.)Luxury is no longer to be worn or flaunted, it is now fast becoming an accessory from which you can eat, sleep or bathe. So, whether it is tableware, dinnerware, modular kitchens, furniture or bathroom products, high-end foreign brands are entering India in droves, running neck and neck with luxury.

With over 2 million new homes being built per annum and substantial construction in the commercial and retail sectors. Home interiors market is estimated to be about $ 5 billion & the pie is large enough for foreign brands to be in India. Whether it is tableware brands like Rosenthal, Villeroy and Boch, accessories from Lladro, furniture from Interiors Espania, modular kitchens from Veneta Cucine and Faber or bath products from Kohler, the list is growing by the month.

Spanish interior accessory brand Lladro was the first to set up shop in India when it opened its first showroom in Delhi in 2000. Lladro pieces are also retailed through exclusive boutiques in New Delhi, Mumbai, Chennai, Kolkata, Bangalore and Hyderabad.

India's luxury market is still small, an estimation of $100 mn at best as on 2007 (Chadha and Husband, 2007). Genesis Colours, popular for its high-end fashion label Satya Paul, is in advanced negotiations with Moet Hennessy-Louis Vuitton(LVMH) for bringing luxury apparel and perfume brand Kenzo to India. Currently norms in India permit only 51 per cent FDI in single-brand retail. Louis Vuitton and Fendi are two LVMH brands that had approached the Foreign Investment Promotion Board last year seeking its approval to pick up stake in Indian companies. LVMH Moët Hennessy • Louis Vuitton S.A. (Euronext: MC), usually shortened to LVMH, is a French holding company and the world's largest luxury goods conglomerate. It is the parent of around 60 subcompanies that each manages a small number of prestigious brands.

The Elite Indian Class:

In terms of the spread of Luxury Model, India is at the threshold, the emerging middle class is aspiring for quality of life, while a small elite segment indulges in luxury brands. This segment has been acquiring luxury goods internationally, and hence, they are the first customers of luxury brands in India.

India has evolved as one of the major destinations for luxury products. The Indian middle class with an income of around Rs. 10 lakhs household income per annum is the one which is highly under penetrated & will give the luxury market in India huge fill up. Indian Luxury market is currently estimated to be at 4.76 billion in USD and

has a latent demand of USD 3-3.5 billion, which is ready to be tapped.

Conclusion and Scope for Luxury Brands in India.

A recent CII – AT Kearney Report says that the luxury goods market in the country is set to touch a mark of USD 14.72 billion by 2015. The growth of India as a luxury goods market and its emerging potential can be gauged by the increasing number of premium luxury brands entering into India.

The top five reasons for the huge potential in India can be summarized as follows into:

1. Ready consumer market;
2. High growth in tier I, II and III cities with increasing disposable incomes;
3. Credit and leverage in finance available
4. Brand awareness
5. Role of government.

According to a study by luxury goods consultant Armando Branchini for the luxury goods association Altagamma, consumption of international luxury products and brands in India is expected to triple in the next five years. In 2005, the total market size for upscale and luxury products in India was estimated at $14.8 billion, and Branchini said he estimated a 14 percent annual growth rate of the market. By 2010, India is expected to have 150,000 families with an income level of $250,000 per year or higher.

The focus is now towards 'how soon' luxury brands will enter the market to gain a first mover advantage, which is of significant importance in India. Apart from how soon, we primarily focus on 'how will' luxury brands cater to the mainly aspirational needs of the Indian consumer.

A word of caution that goes for luxury marketers, irrespective of their brands and geographical presence – The luxury consumer is always looking for newer ways to satisfy his continuously changing needs. Hence, the need to keep a close tab through insightful research is of prime importance.

As far as India is concerned, given the rapidly accelerating affluence of the masses, the scenario is set to witness a boom. The ones who will be riding the wave will be the ones who've kept their ears open to each and every word of their each and every customer. After all, in the luxury business, no marketer can afford the luxury of treating its consumers as a loosely bunched segment.

Bibliography:

Research Articles:

1. Eight Things That Every Marketer Needs to Know about the New Luxury Market; Pam Danziger
2. The Changing Face of Luxury; Patricia Graham and Marcus Matthews
3. The Psychology of Travel – What is Luxury?; STAR Group
4. How to Build a 'New Luxury' Brand; Unity Marketing
5. The Unmistakable sign language of luxury; Hindu Business Line
6. What Becomes a Luxury Brand Most?; Chief Marketer.com
7. The marketing of luxury goods: An exploratory study – three conceptual dimensions. The Marketing Review- Vickers, S. J. and Renand, F. (2003)
8. 459 – 478. (Chadha and Husband, 2007).
9. Trading Up: The New American Luxury. New York: Penguin Group Silverstein, M. and Fiske, N. (2003).
10. Luxury brand Kenzo to make India debut ,Luxury brand Kenzo to make India debut March 29, 2007-Rediff.com » Business »
11. Luxury marketing in India: 'Because I' m worth it'. Admap , February: 36 – 38 Atwal , G . And Khan, S. (2008).
12. "Luxury brands entering Indian homes"VarunSoni, Hindustan Times
13. Email Author New Delhi, April 03, 2008
14. Indian luxury goods market to touch USD 14.72 billion by 2015.www.indiaretailing.com, posted on 08 Oct 2010.
15. www.ncaer.org/downloads/Reports/. "Caste in a different mould"- Pratap Bhanu Mehta President and Chief Executive, Centre for Policy Research.
16. Business Daily from THE HINDU group of publications, Friday, Oct 13, 2006, "Luxury Marketing Council launches India operations".
17. Atwal, G. and Khan, S (2008).Admap, February: Luxury marketing in India:'Because I 'm worth it 'Pg 36 – 38 .

Marketing Management

18. Women s wear daily, authored by Murphy, Robert Socha, Miles 4/9/2008, Vol. 195 Issue 76, p1-1.
19. WWD: Women's Wear Daily; 12/27/2006, Vol. 192 Issue 133, p2-2, 2/3p, authored by Zargani.

Books:

20. Let Them Eat Cake: Marketing Luxury to the Masses — as well as the Classes; Pam Danziger
21. THE CULT OF THE LUXURY BRAND; Radha Chadha and Paul Husband.

Websites:

22. Unitymarketing.com
23. Hindustantimes.com
24. Brandchannel.com
25. Britishluxurycouncil.com
26. Wikipedia.com
27. Brandnoise.com
28. www.ficci.org

A journey from Fraudulent to fair Corporate : A Steady Process

Prof. Abhay S Kinikar
Asst.Professor
Neville Wadia Institute of Management Studies & Research, Pune 1

Introduction :

Now a days frauds / misappropriations / embezzlements are so common, more so in Indian context, that the average Indian does not even bother to read and ponder over the issue. The steep rise in corporate frauds is responsible for up to 6 % of company's revenue loss. The quantum of such instances is growing day by day. We are assuming the revenue loss on the basis of the reported crimes, the percentage of the unreported cases would be even more.

The research article makes an attempt to compile the issues related with financial frauds , the reasons behind such instances and the importance of fraud analytics. The area of forensic accounting plays important role in the detection of cases as well as controlling the instances in future. When the modus operandi of the fraudster is studied carefully , a prevention mechanism can be thought of. This study would be incomplete without mentioning the legal provisions to detect the frauds. We are restricting ourselves to the financial frauds of a serious nature only. To study such cases we need to take in to accounts the frauds of large quantum w.r.t. Indian Corporate Scene. If the most recent fraud is to be considered then , the Satyam's fraud committed by Mr. Ramalinga Raju should be analysed. In January 2009 Mr Raju himself admitted the falcification of accounts , irregularities amounting to Rs. 12,000 crores. As per the pace of legal procedures, the investigatios and interrogations are still in progress. The real quantum may go up futher.

The fake stamp papers scam , where the prime accused Mr Abdul Karim Telgi used the fake stamps and sold the same to the innocent buyers. Mr Telgi's network was spread over about 14 states , 125 Banks and about 1000 employees. The height is, the initial estimate was Rs.30,000 crores , however it was stated later to be in the range of Rs.200 crores. The Ketan Parekh Scam , wherein Mr Parekh , a qualified Chartered Accountant took hugh positions in some elected shares, to do so, he heavily borrowed from the banks like Global Trust banks , Madhopura Bank , these banks went in to liquidation and the extent of the scam is quoted to be Rs 1,500 crores. The "Home Trade" scam , where some of the co operative banks were involved in gilt trading , the RBI became suspicious and the fraud was detected . The quantum of the fraud was reported to be Rs.200 crores. Besides this in early nineties Harshad Mehata (Big Bull) was responsible for a scam , amounting to be Rs 5,000 crores.

The fraud and scam can not be separated , we may say that , these are the two terminologies used to narrate an event , where financial irregularities and malafide intentions are detected which invariably results in siphoning of money. The detection of frauds and embezzlements could be accidental, many a times. Once the fraud is detected, then the re occurrence of the same should be prevented at every cost. The control aspect has following steps: The likelihood of the fraud need to be predicted and the prevention methods should be thought of and implemented.

Some of the prudent methods are

- Provision of "Anti fraud Training " to the staff as a routine training procedure. Such training needs to be provided by the professional agency , active in fraud analytics and detection.
- Use of business Intelligence systems, where the business data is linked / grouped with the intention of analysis for prediction of fraudulent practice.
- In built checks in the systems provided by the M I S.
- Rotating the staff periodically, so that over reliance on some individuals is nullified.
- Checking the credentials of the employees, before sensitive profiles are allotted to the individuals.
- Observing the ethical practices in the organization.
- The special audits to rule out the possibility of the potential frauds should be performed by the companies.
- Most importantly, no immunity should be granted to any employee or office bearer , irrespective of the rank an file. So that , if big fishes are involved in fraudulent practice, corrective action is possible.

The studies conducted and survey information compiled reveals the following reasons for the occurrences of frauds

A. Absolute lack of internal Control

B. Over riding of the existing controls
C. Lack of management Review
D. Poor tone at the top
E. Lack of competent persons in over sight roles
F. Lack of independent checks and audits
G. Lack of employee fraud education and
H. Lack of clear line of Authority

Besides these the compilation of research data also reveals that, the Computer hardware, software and the manufacturing industries are facing highest cases , amongst other industries. As well the, related party transaction also reflects the maximum instances of frauds. As a matter of routine surveillance such transactions need to be monitored very cautiously.

The fraud cluster, which is a systematic co relation between different entities responsible to precipitate the fraud these are

1. The abuse of Power (Position) and Corruption
2. Disclosure Fraud
3. Third party Fraud
4. Financial statement Manipulation
5. Misappropriation of Assets

The detailed analysis of above mentioned links would lead to clues for tracking and preventing the potential frauds. Many a times when the fraud analytics is harnessed two or three of the above links operate hand in hand which ultimately leads to a full blown fraud. The Anti Fraud and anti money laundering laws are very effective and there are provisions for Rigorous imprisonment as well as financial penalties. Unfortunately the conviction rate is abysmally low.

The relevant laws are

1. Prevention of money laundering Act ,2002.
2. SEBI Guidelines (W.r.t section 49).
3. Foreign Exchange Management Act 1999.
4. The Banking Regulations Act 1949.
5. Prevention of corruption Act 1988.
6. The I R D A Guidelines

While on global front , the legal frame work is as follows

1. The Sarbanes Oxley Act (Section 103 & 404)
2. SEC Regulation and Enforcement Policy
3. Foreign Corrupt Practice Act
4. U K Bribery Act and Companies Act 2004.
5. Financial Services Action Plan (FSAP) of European union.
6. The Canadian Criminal Code.
7. Statement of Auditing Standard (SAS 99) Consideration of fraud in financial Audit

Finally we may conclude that for Fraud Prevention the logical approach would be

Anti Fraud Policies include Fraud Identification, Fraud prevention detection, Fraud reporting.

On "People" Level : Code of Ethics , whistle Blower Policy, Online Hotline.

On "Technology" Level: IT general Control, Digital Forensic, IT Application Control.

The last word in prevention of fraud is

As far as possible, manage your own fund personally. When money management is delegated double check the credentials of the system and persons and appoint outside Auditing Agency.

Financial frauds are like mishaps , where human error plays significant role even though mishaps can not be avoided however same can be minimized. Same holds true for the Financial Frauds.

Reference & Bibliography:

Conference Papers – Institute of Forensic Accounting
Fraud and Forensic Conclave
Risk & Advisory Services- Fraud Risk Governance Jan 2011
Predictive Analytics & Fraud – James Taylors Decision Management

Can Indian indices bear the news of Indian Capital Market?

Dr. Abdul Aziz Ansari

Professor and Head of the Department of Commerce and Business Studies, Jamia Millia Islamia – A central university

and

Samiran Jana

Programme Manager of International Management Institute, New Delhi

Abstract

An index bears the news of a stock market or a country where it exists. So it is a barometer of a country's economy. It is also getting used as information source in many researches. But this could be properly happen if Indian market follow random walk hypothesis. This implies that price manipulation at Indian capital market will not be possible. But since its liberalisation and gloabalisation, Indian capital markets have experienced various kinds of price rigging. Sensex at Bomaby Stock Exchange and S&P CNX Nifty at National Stock Exchange are the main two indices at Indian stock market. Authors have analysed five years daily return (from 1st January 2004 to 31st December 2008) of S&P CNX Nifty and Sensex to check the price behaviour of these two indices. Various statistical tests do not give any definite conclusion about randomness of their return.

Key words: Indices, Run test, Serial correlation test, Augmented Dickey-Fuller test, Variance Ratio test and noise trader's risk.

Every stock price moves for two possible reasons: news about the company (e.g. a product launch, or the closure of a factory, etc.) or news about the country (e.g. explosion of nuclear bombs, or a budget announcement, etc.). The job of an index is to purely capture the second part, the movements of the stock market as a whole (i.e. news about the country). Definition of index says that by proper averaging a certain number very liquid stocks from various key economic sectors of a country, news about the company can be erased. Therefore this diversification helps to mitigate the unsystematic risk of individual stocks. Index also gets revised from time to time to remove illiquid stocks from it. Therefore at a certain point in time the value of an index should properly reflect the news of that stock market, where it exists and by comparing one's own portfolio with the index, an investor can get ideas about his own position. That is why index is a benchmark of fund manager's performance. It is also applied as information source in many economic researches. News is random hence the associate price will also be random. This is called random walk hypothesis. The probability distribution of random variables becomes normal when the amount of time separating them becomes large. Again canceling out of the effect of any information on contained stocks of an index is only possible if it is getting reflected purely and perfectly on these. Therefore the purpose of an index will be properly served if all contained stocks exist in a market, which follow random walk hypothesis. Theoretically it will not be possible to predict or manipulate the return of an index or its contained stocks.

Indian Market:-

Liberalisation was brought to Indian capital market in the beginning of 1990s. Security Exchange Board of India was given statutory power to regulate the capital market. Many new amendments were prescribed to control the price manipulation. The National Stock Exchange, set up in 1994, and the Over the Counter Exchange of India, set up in 1992. The National Securities Clearing Corporation (NSCC) and the National Securities Depository Limited (NSDL) were set up in April 1995 and November 1996 respectively for improved clearing and settlement of dematerialized trading. The Securities Contracts (Regulation) Act, 1956 was amended in 1995-96 for intro-

duction of options trading. Moreover, rolling settlement was introduced in January 1998 for the dematerialized segment of all companies. Technology brought radical changes in the trading mechanism. With automation and geographical spread, Indian stock market participation has increased in many folds. But in 1992 Harshad Mehta scam was one of the first black spot on libaralised and globalised Indian capital market. The consequence was so serious that Bombay Stock Exchange was closed for one month. M. S. Shoes case in 1995 rigged up prices of shares in a huge way and eventually leaded a crash. Once again the market was closed for three days. In December 1995 Bombay Stock Exchange stopped trading of Reliance share for its unfair and unexpected growth. The cases of C. R. Bansali, J. C. Prakash and Anand Rathi in 1997, 1998 and 2001 respectively prove that price manipulation is possible at Indian market. Very recent the case of Ketan Parekh and Satyam are also in this row. Ketan Parekh found out the loopholes of Indian market and hammered to investors. Satyam hided its unhealthy business situation from investors for long time and kept its share price in a very high position.

S&P CNX Nifty and Sensex are the two indices of two main stock markets of India i.e. National Stock Exchange (NSE) and Bombay Stock exchange (BSE) respectively and both of these were containing the stock of Reliance and Satyam since long time. Website of these two stock exchanges describe that these two indices bear the news of both the stock market and also serve as a barometer of Indian economy. This will be only possible if Indian market follow random walk hypotheses. But this will come in front of a question mark if price manipulation happens at Indian capital market. Through various statistical tests price behaviour of S&P CNX Nifty and Sensex has been checked and reasons in that regard has been identified in the current study.

Literature Review

Fama (1965) found that returns of American indices were negatively skewed: more observations were in the left hand (negative) tail than in the right hand tail. In addition the tails were flatter and the peak around the mean was higher than predicted by the normal distribution. This distribution is called "leptokurtic". Turner and Weigel (1990) and Peters (1996) got the same result by using daily S&P index returns from 1928 through 1990 and from January 1928 to December 1989 respectively. Niarchos and Alexarkis (2003) saw that the distributions of the index of banking and industrial sectors returns of Greek Stock Exchange are found to be skewed slightly to the left. Panas (2001), did a study on Athens Stock Market with 13 Greek stocks and saw that skewness and kurtosis were positive. Bera-Jarque (BJ) statistics also reject the null hypothesis of normality. Hasan (2004) used autocorrelation function, unit root test, variance Ratio test and BDS test on Bangladesh all share price index of Dhaka Stock Exchange. He considered data from January 1990 to December 2000 and concluded that price of Dhaka Stock Exchange is not random.

An efficient stock market must ensure rapid information access so that it can instantaneously process the information to reflect on security prices. This information transmission mechanism ensures that the stock returns across all days of the week are equal. No market participant can earn any extra normal profits. Fields (1934) examined Dow Jones Industrial Average (DJIA) for the period 1915-1930 and found that weekend prices were more than rest of the week days for 52 percent of the time, while they were lower only 36 percent of the time. French (1980) examined the calendar time hypotheses that the return generating process was continuous and the expected return for Mondays were three times than expected return for other days of the weeks. Indian market has also experienced anomalies. Using Kruskal-Wallise test on BSE sensitive index between June 1988 and January 1990 Chaudhuri (1991 a) saw that average returns on Mondays were negative and highest returns were on Fridays. With the same test Broca (1992) saw in BSE sensex between 1st April 1984 and 31st December 1989 that all Wednesday's returns were negative and Friday's returns were positive. Arumugam (1999) saw that there were significant negative returns on Mondays in bull phase and significant positive returns on same days in bear phase. Friday returns were positively significant only for the bear phase not for bull phase. He used closing prices of the Bombay Stock Exchange Sensitive Index of 30 scrips from April 4, 1979 to March 31 1997. All these researches prove that identical mean return is not possible for Indian stock investors.

Several authors have used run test and serial correlation test to check the randomness of data of Indian Capital Market. Ray (1976) studied seven daily index series and conducted runs test, serial correlation test and spectral

analysis for the period from January 1966 to July 1972 and found that the random walk model held only for iron and steel, and cement industries. Bombay, London and New York stock exchanges were compared by Sharma and Kennedy (1977). They used the runs test and spectral analysis techniques on the monthly data from 1963-73 and found that BSE stocks obey random-walk model. Gupta (1985) used 'week-end closing prices of 39 shares from January 1971 to March 1976 and tested the log random walk model, and found support for the weak form of efficiency using serial correlation and runs tests. Chaudhuri (1991b) using log random walk model, on daily price quotations of 93 actively traded shares for the period January 1988 to April 1990 found that 70 shares were significantly autocorrelated for 1 day lag and 17 shares showed the same behaviour for a lag of 2 days or more. Madhusoodanan (1998) applied varianace ratio test on both Indian individual stocks, BSE sensitive index and S&P CNX Nifty index and saw that data of Indian market was persistent. He concluded that short run prediction will be possible. Singh and Kumar (2009) used variance ratio test on S&P CNX nifty. They used 5 minutes, hourly and daily data from Jaunary 2008 to December 2008 and saw that the variance ratio show mean reversion tendency.

Data:

Daily closing price data of Sensex and S&P CNX Nifty from 1st January 2003 to 31st December 2008 has been used for analysis. Data have been collected from the website of Bomaby Stock Exchange and National Stock Exchange of India. Changes of log normal of the data or return have been taken for calculation. Economic time series are often analyzed after computing their logarithms or the changes in their logarithms. One reason for this is that many economic series, exhibit growth by a certain percentage per year on average; if so, the logarithm of the series tends to grow by a certain percentage per year on average; and the logarithm of the series generally grows approximately linearly. Another reason is that the standard deviation of many economic time series is approximately proportional to its level, that is, the standard deviation is well expressed as a percentage of the level of the series; if so, the standard deviation of the logarithm of the series is approximately constant. In either case, it is useful to transform the series so that changes in the transformed series are proportional (or percentage) changes in the original series, and this is achieved by taking the logarithm of the series.

Test of normality

Test of normality has been done through Jarque-Bera (JB) Test. The statistics is given by:-

$$JB = \frac{T-K}{6}\left[S^2 + \frac{(K-3)^2}{4}\right]$$

Where T is the number of observations, S is a measure of skewness, defined as :

$$S = \frac{\frac{1}{T}\sum_{t=1}^{T}(y_t - \bar{y})^3}{\sigma^3}$$

Skewness measures the amount of asymmetry in a distribution. If the skewnesss equals zero, the distribution is symmetric; the large the absolute size of the skewness statistics, the more asymmetric is the distribution. A large positive value indicates a long right tail and a large negative value indicates a long left tail. The skewness of a normal distribution which is a symmetrical distribution is zero. K is a measure of kurtosis, defined as:

$$K = \frac{\frac{1}{T}\sum_{t=1}^{T}(y_t - \bar{y})^4}{\sigma^4}$$

The kurtosis of a random variable is a measure of the thickness of the tail of its distribution relative to those of a normal distribution. A normal random variable has a kurtosis of 3; a kurtosis above 3 indicates fat tails or lepto-

kurtic; that is the distribution has more probability mass in the tails than the normal distribution, Under the null hypothesis of normality, the Jarque-Bera statistic is distributed χ^2, with 2 degrees of freedom if JB> $\chi^2_{(2)}$ then we reject the null hypothesis of normality.

If the computed p value of the JB statistics in an application is sufficiently low, which will happen if the value of the statistics is very different from zero, one can reject the hypothesis that the residuals are normally distributed. But if the p value is reasonably high, which will happen if the value of the statistics is close to zero, we do not reject the normality assumption.

Table 1 Result of the data of S&P CNX Nifty and Sensex

	Nifty	Sensex
Mean	0.000350	0.000392
Median	0.001393	0.001428
Maximum	0.079691	0.079311
Minimum	-0.130539	-0.118092
Standard Deviation	0.018725	0.018408
Skewness	-0.793465	-0.562272
Kurtosis	8.727671	7.648065
Jarque-Bera	1838.349	1190.147
Probability	0.000000	0.000000

Table 1, shows that in both the cases the skewness are not zero. It is negative. Therefore more data are in the left hand side of the distribution. Kurtosis is more then 3. Therefore it is leptokurtic and tail is fat. Probability of JB statistics is zero for both the indices. Therefore we can reject the null hypothesis of normal distribution of data in both the cases. Randomness of the data has been checked through run test and serial correlation test.

Run test

Mean: $E(k) = \frac{2n_1n_2}{n_1+n_2} + 1$ $\qquad \sigma_k^{\ 2} = \frac{2n_1n_2(2n_1n_2 - n_1 - n_2)}{(n_1+n_2)^2(n_1+n_2-1)}$

If the hypothesis of randomness is sustainable, we should expect k, the number of runs obtained in a problem, to lie between $E(k) \pm Z\sigma_k$. If number of obtained runs is R then

$$|Z| = \frac{R - E(k)}{\sigma_k}$$

$n =$ total number of observations $= n_1 + n_2$

$n_1 =$ number of + ve symbols (i.e., + residuals)

$n_2 =$ number of – ve symbols (i.e., - residuals)

$k =$ number of runs Gujarati (1995)

The null hypothesis i.e. randomness hypothesis will be rejected at 1, 5 and 10 percent level of significance in favor of alternative hypothesis (non-randomness hypothesis) if observed value of $|Z|$ is greater then 2.58, 1.96 and 1.65 respectively and vice versa.

Calculated Z value is less then the critical Z value in case of S&P CNX Nifty even at ten percent significance level (table 2). So data of S&P CNX nifty is random. But in case of sensex the calculated Z value is significant at five percent significance level. So run test is indicating that data of sensex is not random.

Table 2 Run test result:

Indices	$\lvert Z \rvert$ values	Expected number of runs	Actual number of runs	Standard Error
Sensex	2.498**	618.630	574	17.469
S&P CNX Nifty	1.473	618.653	593	17.413

** implies the significance at 5% level.

Nonparametric tests ignore a certain amount of information. They are unable to capture huge fluctuation in number. The estimate of an interval at the ninety five percent confidence level using a nonparametric test may be twice as large as the estimate using a parametric test. So parametric test has been used to get proper information. One of the parametric test is Serial Correlation Test.

Serial correlation test

Serial correlation coefficients provide a measure of relationship between value of a random variable (X_t) in time t and its value k periods earlier, where $k = 1, 2, 3, \ldots\ldots\ldots\ldots\ldots, n$. In the present study we have considered time lags of 12 days. The autocorrelation matrix is estimated by:

$$\rho_k = c_k / c_0$$

Wherein,

$$c_k = \frac{1}{n}\sum_{t=1}^{n-k}(X_t - \mu)(X_{t+k} - \mu)$$

$k = 1, 2, 3, \ldots\ldots\ldots\ldots\ldots, n$

$$\mu = \frac{1}{n}\sum_{t=1}^{n} X_t$$

Wherein,

c_0 = Variance of (X_t), and

n = number of observation.

The test of significance of ρ_k (against the null hypothesis of population ρ_k being equal to zero) can be carried out by computing z statistics given by

$$\lvert Z \rvert = \rho_k \sqrt{n}$$

If the estimated $\lvert Z \rvert \geq 1.96$, we can draw the inference that ρ_k is significantly different from zero at 5 per cent level, and, hence, price changes are not serially independent (or random).

Instead of testing the significance of any individual autocorrelation matrix, a joint hypothesis has been tested that all ρ_k upto certain lags are simultaneously equal to zero. This is obtained by using Q statistics developed by Box and Pierce (1970), and is defined as:

$$Q = n\sum_{k=1}^{m} \rho_k^{\,2}$$

Wherein,

ρ_k is autocorrelation coefficient at lag k,

n = sample size m = lag length

The Q statistics is often used as a test of whether a time series is white noise. In large samples, it is approximately distributed as a chi-square distribution with m degree of freedom. In case the computed Q exceeds its critical value on the chi-square distribution at a given significance level (0.01, 0.05), null hypothesis is rejected, that is all (true) ρ_k are nonzero; atleast some of them must be nonzero. For a large sample Lunge – Box statistics follows chi-square distribution with m degree of freedom:

$$\text{Lung-Box statistic} = n(n+2)\sum_{k=1}^{m}\left(\rho_k^{\,2}/n-k\right) \sim \chi^2 \text{m}$$

Table 3 Serial Correlation test result

	Sensex			S&P CNX Nifty		
Lags	Autocorrelations	Z values	Q Values	Autocorrelations	Z Values	Q Values
K=1	0.072	2.534**	6.4378 **	0.069	2.445**	5.9941 **
K=2	-0.066	-2.33**	11.900*	-0.064	-2.251**	11.078*
K=3	-0.004	-0.889	11.916*	-0.004	-0.144	11.099 **
K=4	-0.009	-1.751	12.028 **	0.000	0.002	11.099 **
K=5	-0.025	-0.889	12.821 **	-0.022	-0.749	11.732 **
K=6	-0.049	-1.751	15.895 **	-0.053	-1.887	15.305 **
K=7	0.008	0.283	15.975 **	0.013	0.459	15.517 **
K=8	0.061	2.145**	20.600*	0.054	1.896	19.131 **
K=9	-0.011	-0.379	20.743 **	-0.012	-0.436	19.322 **
K=10	0.019	0.682	21.210 **	0.020	0.713	19.831 **
K=11	-0.022	-0.793	21.840 **	-0.027	-0.960	20.754 **
K=12	0.012	0.413	22.012 **	0.005	0.171	20.784

* implies that the value is significant at 1 percent significance level and ** implies that the value is significant at 5 percent significance level. K is the lag length.

Calculated Z are significant at some lags of Sensex and S&P CNX Nifty (table 3). Same way calculated Q statistics is greater then critical values of χ^2 at various lags for both the indices. Some of them are significant at one percent confidence level. This implies that some ρ_k s are not zero. This test implies that data of both the indices are not random. Serial correlation test gives more perfect and concluding result then the run test. Serial correlation zero would imply that price changes in consecutive time periods are uncorrelated with each other viewed as a rejection of hypothesis that investors can learn about future price changes from past ones. This has happened in all lags except 1 and 2 in both the indices. Serial correlation in lag 1 is positive and statistical significant. This suggests that returns in this period are more likely to be positive (negative) if the prior period returns were positive (negative). Similarly, negative and statistically significant serial correlation in lag 2 could be evidence of price reversals and would be consistent with a market where positive returns were to follow negative returns and vice versa.

If data of indices are random and normally distributed then the probability distribution will not change overtime. This implies that data should be stationary. The random walk model is represented by a first order autoregressive process, i.e. AR(1):

$$\log P_t = \rho \log P_{t-1} + \varepsilon_t$$

Where P_t signifies the natural log of the price index series as a proxy of share prices: ε_t is a classical error-term. The random walk model hypothesis that $\rho = 1$. The autoregressive process is stationary if and only if $|\rho| < 1$. Stationarity has been checked using Augmented Dickey-Fuller unit root test. The results (table 4 and 5) indicate that, regardless of the lag length, the null hypothesis of a unit root can not be rejected for the logarithm variable, P. In contrast, similar results applied to the continuously compounded stock return series as measured by the logarithmic first difference of stock prices indicate that the null hypothesis of unit root is rejected at least at the 5% level. This implies that data series are non-stationary in level but not in the first difference form.

Table 4 Result of Augmented Dickey-Fuller Test on Sensex

	Level		First difference	
	t_μ	t_λ	t_μ	t_λ
K=0	-1.273	0.06632	-32.862*	-32.899*
K=1	-1.261	-0.181384	-25.818*	-25.870*
K=2	-1.237	0.07031	-20.663*	-20.725*
K=3	-1.267	0.0690	-18.069*	-18.139*
K=4	-1.257	0.1232	-16.460*	-16.532*
K=5	-1.206	0.1879	-15.627*	-15.711*
K=6	-1.1961	0.3543	-14.083*	-14.174*
K=7	-1.2103	0.3298	-12.386*	-12.474*
K=8	-1.2024	0.15323	-11.898*	-11.991*
K=9	-1.185	0.2192	-10.927*	-11.029*
K=10	-1.2298	0.1550	-10.743*	-10.860*
K=11	-1.2528	0.2862	-10.076*	-10.187*
K=12	-1.2208	0.2081	-9.134*	-9.254*

Table 5 Result of Augmented Dickey-Fuller Test on S&P CNX Nifty

	Level		First difference	
	t_μ	t_λ	t_μ	t_λ
K=0	-1.231	-0.303	-32.944*	-32.966*
K=1	-1.235	-.05440	-25.785*	-25.816*
K=2	-1.1967	-0.3139	-20.67118*	-20.711*
	Level		First difference	
K=3	-1.222	-0.3104	-17.8920*	-17.938*
K=4	-1.228	-0.2862	-16.3108*	-16.3575*
K=5	-1.1742	-0.2412	-15.557*	-15.6119*
K=6	-1.1550	-0.0732	-13.951*	-14.0127*
K=7	-1.1802	-0.1095	-12.382*	-12.442*
K=8	-1.1822	-0.2622	-11.883*	-11.946*

K=9	-1.1641	-0.2049	-10.9171*	-10.987*
K=10	-1.2084	-0.2670	-10.789*	-10.872*
K=11	-1.2272	-0.1160	-10.190*	-10.270*
K=12	-1.1996	-0.1734	-9.205*	-9.292*

t_μ and t_λ are the t statistics based on Augmented Dickey-Fuller regression with allowance for a constant and constant and trend respectively. K signifies the lag length of ADF regression. * implies the significance level at 5%.

Variance ratio test has a clear edge over ADF unit root test, because ADF test is one sided test. The interval estimated by ADF test is much higher than normal, this is called size limitation of ADF test and the power of ADF test depends on the time span not on sample. Persistency in the data has been checked through variance ratio test. It is given as:

$$R(q) = (1/q)[VarP_{t-q} - P_t] / Var(P_{t-1} - P_t)$$

$R = 1$ would suggest a random walk and $R > 1$ implies persistency and $R < 1$ is for mean reversion.

Table 6: Result of variance test ratio

	S&P CNX Nifty		Sensex	
Lag	log P	Δ log P or retrun	log P	Δ log P or return
K=1	1.000	1.000	1.000	1.000
K=2	1.071	0.572	1.073	0.501
K=3	1.052	0.360	1.054	0.384
K=4	1.042	0.269	1.044	0.271
K=5	1.036	0.220	1.035	0.218
K=6	1.026	0.189	1.020	0.185
K=7	1.003	0.152	0.996	0.163
K=8	0.989	0.130	0.980	0.135
K=9	0.991	0.122	0.980	0.113
K=10	0.991	0.106	0.980	0.110
K=11	0.994	0.090	0.983	0.097
K=12	0.993	0.090	0.983	0.093

Result in table 6 shows in case of Sensex and S&P CNX Nifty till 6th and 7th lag respectively are persistent and after that it is mean reversion. Though Log P are randomly distributed because variance ratios are not significantly different from 1 but it is not true in the case of Δ log P or return. This implies that short run prediction is possible in both the indices.

Concluding Remarks

Above tests results shows that data of Sensex and S&P CNX Nifty are not random. Based on free float market capitalization weight these two indices were made. This methodology has been followed to prepare most of the world indices. On any given day, there would be good stock-specific news for a few companies and bad stock-specific news for others. Theory says that free float market capitalization weighting methodology helps to cancel out stock specific news.

Human psychology says that Investor's behaviour may play a opposite role is this place. According to past expe-

riences, investors show cognitive biases on 'best' and 'worst' stocks. Investors will get negative shock if 'best' stocks are giving lower return than investor's expectations and positive shock comes if the 'worst' stocks are giving higher return. Psychology says that negative shocks have higher effects than positive shocks. Therefore investors will buy or sell more 'best' stocks than 'worst' ones. Optimism is another psychological bias and makes investors underestimate the probabilities of bad outcomes. The traders, whose mental process gets affected with biases, are termed as noise traders. Theory says that those, whose decision process is free from mental biases, are called rational traders. These noise traders will give more weight to such information, which have no relevance. This will be more common when information availability is not enough at a stock market. This is very common phenomenon at India. Hence noise traders will wait or follow each other's mistakes. Evil market makers take this opportunity and start price rigging. Classical finance theory says that rational traders will come in this time and start arbitrage and erase the effect of noise traders from ultimate price and random walk will exist at stock market. Financial psychology says that these mental biases also affect the decision process of rational traders because they are also human being. As a result arbitrage will not be always possible and market will not follow random walk.

Therefore free float market capitalization weight will not be helpful to mitigate fully the effect of news on content stocks of Indian indices and the purpose of making index at Indian market will not be served properly.

This study has considered only the daily closing price of S&P CNX Nifty and Sensex. Weekly, monthly and yearly return of these indices may follow randomwalk hypothesis. So future research on these areas may give clearer ideas.

A journey from Fraudulent to fair Corporate : A Steady Process

Prof. Abhay S Kinikar
Asst.Professor
Neville Wadia Institute of Management Studies & Research, Pune 1

Introduction :

Now a days frauds / misappropriations / embezzlements are so common, more so in Indian context, that the average Indian does not even bother to read and ponder over the issue. The steep rise in corporate frauds is responsible for up to 6 % of company's revenue loss. The quantum of such instances is growing day by day. We are assuming the revenue loss on the basis of the reported crimes, the percentage of the unreported cases would be even more.

The research article makes an attempt to compile the issues related with financial frauds , the reasons behind such instances and the importance of fraud analytics. The area of forensic accounting plays important role in the detection of cases as well as controlling the instances in future. When the modus operandi of the fraudster is studied carefully , a prevention mechanism can be thought of. This study would be incomplete without mentioning the legal provisions to detect the frauds. We are restricting ourselves to the financial frauds of a serious nature only. To study such cases we need to take in to accounts the frauds of large quantum w.r.t. Indian Corporate Scene. If the most recent fraud is to be considered then , the Satyam's fraud committed by Mr. Ramalinga Raju should be analysed. In January 2009 Mr Raju himself admitted the falcification of accounts , irregularities amounting to Rs. 12,000 crores. As per the pace of legal procedures, the investigatios and interrogations are still in progress. The real quantum may go up futher.

The fake stamp papers scam , where the prime accused Mr Abdul Karim Telgi used the fake stamps and sold the same to the innocent buyers. Mr Telgi's network was spread over about 14 states , 125 Banks and about 1000 employees. The height is, the initial estimate was Rs.30,000 crores , however it was stated later to be in the range of Rs.200 crores. The Ketan Parekh Scam , wherein Mr Parekh , a qualified Chartered Accountant took hugh positions in some elected shares, to do so, he heavily borrowed from the banks like Global Trust banks , Madhopura Bank , these banks went in to liquidation and the extent of the scam is quoted to be Rs 1,500 crores. The "Home Trade" scam , where some of the co operative banks were involved in gilt trading , the RBI became suspicious and the fraud was detected . The quantum of the fraud was reported to be Rs.200 crores. Besides this in early nineties Harshad Mehata (Big Bull) was responsible for a scam , amounting to be Rs 5,000 crores.

The fraud and scam can not be separated , we may say that , these are the two terminologies used to narrate an event , where financial irregularities and malafide intentions are detected which invariably results in siphoning of money. The detection of frauds and embezzlements could be accidental, many a times. Once the fraud is detected, then the re occurrence of the same should be prevented at every cost. The control aspect has following steps: The likelihood of the fraud need to be predicted and the prevention methods should be thought of and implemented.

Some of the prudent methods are

- Provision of "Anti fraud Training " to the staff as a routine training procedure. Such training needs to be provided by the professional agency , active in fraud analytics and detection.
- Use of business Intelligence systems, where the business data is linked / grouped with the intention of analysis for prediction of fraudulent practice.
- In built checks in the systems provided by the M I S.
- Rotating the staff periodically, so that over reliance on some individuals is nullified.
- Checking the credentials of the employees, before sensitive profiles are allotted to the individuals.
- Observing the ethical practices in the organization.
- The special audits to rule out the possibility of the potential frauds should be performed by the companies.
- Most importantly, no immunity should be granted to any employee or office bearer , irrespective of the rank an file. So that , if big fishes are involved in fraudulent practice, corrective action is possible.

The studies conducted and survey information compiled reveals the following reasons for the occurrences of frauds

A. Absolute lack of internal Control

B. Over riding of the existing controls
C. Lack of management Review
D. Poor tone at the top
E. Lack of competent persons in over sight roles
F. Lack of independent checks and audits
G. Lack of employee fraud education and
H. Lack of clear line of Authority

Besides these the compilation of research data also reveals that, the Computer hardware, software and the manufacturing industries are facing highest cases , amongst other industries. As well the, related party transaction also reflects the maximum instances of frauds. As a matter of routine surveillance such transactions need to be monitored very cautiously.

The fraud cluster, which is a systematic co relation between different entities responsible to precipitate the fraud these are

1. The abuse of Power (Position) and Corruption
2. Disclosure Fraud
3. Third party Fraud
4. Financial statement Manipulation
5. Misappropriation of Assets

The detailed analysis of above mentioned links would lead to clues for tracking and preventing the potential frauds. Many a times when the fraud analytics is harnessed two or three of the above links operate hand in hand which ultimately leads to a full blown fraud. The Anti Fraud and anti money laundering laws are very effective and there are provisions for Rigorous imprisonment as well as financial penalties. Unfortunately the conviction rate is abysmally low.

The relevant laws are

1. Prevention of money laundering Act ,2002.
2. SEBI Guidelines (W.r.t section 49).
3. Foreign Exchange Management Act 1999.
4. The Banking Regulations Act 1949.
5. Prevention of corruption Act 1988.
6. The I R D A Guidelines

While on global front , the legal frame work is as follows

1. The Sarbanes Oxley Act (Section 103 & 404)
2. SEC Regulation and Enforcement Policy
3. Foreign Corrupt Practice Act
4. U K Bribery Act and Companies Act 2004.
5. Financial Services Action Plan (FSAP) of European union.
6. The Canadian Criminal Code.
7. Statement of Auditing Standard (SAS 99) Consideration of fraud in financial Audit

Finally we may conclude that for Fraud Prevention the logical approach would be

Anti Fraud Policies include Fraud Identification, Fraud prevention detection, Fraud reporting.

On "People" Level : Code of Ethics , whistle Blower Policy, Online Hotline.

On "Technology" Level: IT general Control, Digital Forensic, IT Application Control.

The last word in prevention of fraud is

As far as possible, manage your own fund personally. When money management is delegated double check the credentials of the system and persons and appoint outside Auditing Agency.

Financial frauds are like mishaps , where human error plays significant role even though mishaps can not be avoided however same can be minimized. Same holds true for the Financial Frauds.

Reference & Bibliography:

Conference Papers – Institute of Forensic Accounting
Fraud and Forensic Conclave
Risk & Advisory Services- Fraud Risk Governance Jan 2011
Predictive Analytics & Fraud – James Taylors Decision Management

Can Indian indices bear the news of Indian Capital Market?

Dr. Abdul Aziz Ansari

Professor and Head of the Department of Commerce and Business Studies, Jamia Millia Islamia – A central university

and

Samiran Jana

Programme Manager of International Management Institute, New Delhi

Abstract

An index bears the news of a stock market or a country where it exists. So it is a barometer of a country's economy. It is also getting used as information source in many researches. But this could be properly happen if Indian market follow random walk hypothesis. This implies that price manipulation at Indian capital market will not be possible. But since its liberalisation and gloabalisation, Indian capital markets have experienced various kinds of price rigging. Sensex at Bomaby Stock Exchange and S&P CNX Nifty at National Stock Exchange are the main two indices at Indian stock market. Authors have analysed five years daily return (from 1st January 2004 to 31st December 2008) of S&P CNX Nifty and Sensex to check the price behaviour of these two indices. Various statistical tests do not give any definite conclusion about randomness of their return.

Key words: Indices, Run test, Serial correlation test, Augmented Dickey-Fuller test, Variance Ratio test and noise trader's risk.

Every stock price moves for two possible reasons: news about the company (e.g. a product launch, or the closure of a factory, etc.) or news about the country (e.g. explosion of nuclear bombs, or a budget announcement, etc.). The job of an index is to purely capture the second part, the movements of the stock market as a whole (i.e. news about the country). Definition of index says that by proper averaging a certain number very liquid stocks from various key economic sectors of a country, news about the company can be erased. Therefore this diversification helps to mitigate the unsystematic risk of individual stocks. Index also gets revised from time to time to remove illiquid stocks from it. Therefore at a certain point in time the value of an index should properly reflect the news of that stock market, where it exists and by comparing one's own portfolio with the index, an investor can get ideas about his own position. That is why index is a benchmark of fund manager's performance. It is also applied as information source in many economic researches. News is random hence the associate price will also be random. This is called random walk hypothesis. The probability distribution of random variables becomes normal when the amount of time separating them becomes large. Again canceling out of the effect of any information on contained stocks of an index is only possible if it is getting reflected purely and perfectly on these. Therefore the purpose of an index will be properly served if all contained stocks exist in a market, which follow random walk hypothesis. Theoretically it will not be possible to predict or manipulate the return of an index or its contained stocks.

Indian Market:-

Liberalisation was brought to Indian capital market in the beginning of 1990s. Security Exchange Board of India was given statutory power to regulate the capital market. Many new amendments were prescribed to control the price manipulation. The National Stock Exchange, set up in 1994, and the Over the Counter Exchange of India, set up in 1992. The National Securities Clearing Corporation (NSCC) and the National Securities Depository Limited (NSDL) were set up in April 1995 and November 1996 respectively for improved clearing and settlement of dematerialized trading. The Securities Contracts (Regulation) Act, 1956 was amended in 1995-96 for intro-

duction of options trading. Moreover, rolling settlement was introduced in January 1998 for the dematerialized segment of all companies. Technology brought radical changes in the trading mechanism. With automation and geographical spread, Indian stock market participation has increased in many folds. But in 1992 Harshad Mehta scam was one of the first black spot on libaralised and globalised Indian capital market. The consequence was so serious that Bombay Stock Exchange was closed for one month. M. S. Shoes case in 1995 rigged up prices of shares in a huge way and eventually leaded a crash. Once again the market was closed for three days. In December 1995 Bombay Stock Exchange stopped trading of Reliance share for its unfair and unexpected growth. The cases of C. R. Bansali, J. C. Prakash and Anand Rathi in 1997, 1998 and 2001 respectively prove that price manipulation is possible at Indian market. Very recent the case of Ketan Parekh and Satyam are also in this row. Ketan Parekh found out the loopholes of Indian market and hammered to investors. Satyam hided its unhealthy business situation from investors for long time and kept its share price in a very high position.

S&P CNX Nifty and Sensex are the two indices of two main stock markets of India i.e. National Stock Exchange (NSE) and Bombay Stock exchange (BSE) respectively and both of these were containing the stock of Reliance and Satyam since long time. Website of these two stock exchanges describe that these two indices bear the news of both the stock market and also serve as a barometer of Indian economy. This will be only possible if Indian market follow random walk hypotheses. But this will come in front of a question mark if price manipulation happens at Indian capital market. Through various statistical tests price behaviour of S&P CNX Nifty and Sensex has been checked and reasons in that regard has been identified in the current study.

Literature Review

Fama (1965) found that returns of American indices were negatively skewed: more observations were in the left hand (negative) tail than in the right hand tail. In addition the tails were flatter and the peak around the mean was higher than predicted by the normal distribution. This distribution is called "leptokurtic". Turner and Weigel (1990) and Peters (1996) got the same result by using daily S&P index returns from 1928 through 1990 and from January 1928 to December 1989 respectively. Niarchos and Alexarkis (2003) saw that the distributions of the index of banking and industrial sectors returns of Greek Stock Exchange are found to be skewed slightly to the left. Panas (2001), did a study on Athens Stock Market with 13 Greek stocks and saw that skewness and kurtosis were positive. Bera-Jarque (BJ) statistics also reject the null hypothesis of normality. Hasan (2004) used autocorrelation function, unit root test, variance Ratio test and BDS test on Bangladesh all share price index of Dhaka Stock Exchange. He considered data from January 1990 to December 2000 and concluded that price of Dhaka Stock Exchange is not random.

An efficient stock market must ensure rapid information access so that it can instantaneously process the information to reflect on security prices. This information transmission mechanism ensures that the stock returns across all days of the week are equal. No market participant can earn any extra normal profits. Fields (1934) examined Dow Jones Industrial Average (DJIA) for the period 1915-1930 and found that weekend prices were more than rest of the week days for 52 percent of the time, while they were lower only 36 percent of the time. French (1980) examined the calendar time hypotheses that the return generating process was continuous and the expected return for Mondays were three times than expected return for other days of the weeks. Indian market has also experienced anomalies. Using Kruskal-Wallise test on BSE sensitive index between June 1988 and January 1990 Chaudhuri (1991 a) saw that average returns on Mondays were negative and highest returns were on Fridays. With the same test Broca (1992) saw in BSE sensex between 1st April 1984 and 31st December 1989 that all Wednesday's returns were negative and Friday's returns were positive. Arumugam (1999) saw that there were significant negative returns on Mondays in bull phase and significant positive returns on same days in bear phase. Friday returns were positively significant only for the bear phase not for bull phase. He used closing prices of the Bombay Stock Exchange Sensitive Index of 30 scrips from April 4, 1979 to March 31 1997. All these researches prove that identical mean return is not possible for Indian stock investors.

Several authors have used run test and serial correlation test to check the randomness of data of Indian Capital Market. Ray (1976) studied seven daily index series and conducted runs test, serial correlation test and spectral

analysis for the period from January 1966 to July 1972 and found that the random walk model held only for iron and steel, and cement industries. Bombay, London and New York stock exchanges were compared by Sharma and Kennedy (1977). They used the runs test and spectral analysis techniques on the monthly data from 1963-73 and found that BSE stocks obey random-walk model. Gupta (1985) used 'week-end closing prices of 39 shares from January 1971 to March 1976 and tested the log random walk model, and found support for the weak form of efficiency using serial correlation and runs tests. Chaudhuri (1991b) using log random walk model, on daily price quotations of 93 actively traded shares for the period January 1988 to April 1990 found that 70 shares were significantly autocorrelated for 1 day lag and 17 shares showed the same behaviour for a lag of 2 days or more. Madhusoodanan (1998) applied varianace ratio test on both Indian individual stocks, BSE sensitive index and S&P CNX Nifty index and saw that data of Indian market was persistent. He concluded that short run prediction will be possible. Singh and Kumar (2009) used variance ratio test on S&P CNX nifty. They used 5 minutes, hourly and daily data from Jaunary 2008 to December 2008 and saw that the variance ratio show mean reversion tendency.

Data:

Daily closing price data of Sensex and S&P CNX Nifty from 1st January 2003 to 31st December 2008 has been used for analysis. Data have been collected from the website of Bomaby Stock Exchange and National Stock Exchange of India. Changes of log normal of the data or return have been taken for calculation. Economic time series are often analyzed after computing their logarithms or the changes in their logarithms. One reason for this is that many economic series, exhibit growth by a certain percentage per year on average; if so, the logarithm of the series tends to grow by a certain percentage per year on average; and the logarithm of the series generally grows approximately linearly. Another reason is that the standard deviation of many economic time series is approximately proportional to its level, that is, the standard deviation is well expressed as a percentage of the level of the series; if so, the standard deviation of the logarithm of the series is approximately constant. In either case, it is useful to transform the series so that changes in the transformed series are proportional (or percentage) changes in the original series, and this is achieved by taking the logarithm of the series.

Test of normality

Test of normality has been done through Jarque-Bera (JB) Test. The statistics is given by:-

$$JB = \frac{T-K}{6}\left[S^2 + \frac{(K-3)^2}{4}\right]$$

Where T is the number of observations, S is a measure of skewness, defined as :

$$S = \frac{\frac{1}{T}\sum_{t=1}^{T}(y_t - \bar{y})^3}{\sigma^3}$$

Skewness measures the amount of asymmetry in a distribution. If the skewnesss equals zero, the distribution is symmetric; the large the absolute size of the skewness statistics, the more asymmetric is the distribution. A large positive value indicates a long right tail and a large negative value indicates a long left tail. The skewness of a normal distribution which is a symmetrical distribution is zero. K is a measure of kurtosis, defined as:

$$K = \frac{\frac{1}{T}\sum_{t=1}^{T}(y_t - \bar{y})^4}{\sigma^4}$$

The kurtosis of a random variable is a measure of the thickness of the tail of its distribution relative to those of a normal distribution. A normal random variable has a kurtosis of 3; a kurtosis above 3 indicates fat tails or lepto-

kurtic; that is the distribution has more probability mass in the tails than the normal distribution, Under the null hypothesis of normality, the Jarque-Bera statistic is distributed χ^2, with 2 degrees of freedom if JB> $\chi^2_{(2)}$ then we reject the null hypothesis of normality.

If the computed p value of the JB statistics in an application is sufficiently low, which will happen if the value of the statistics is very different from zero, one can reject the hypothesis that the residuals are normally distributed. But if the p value is reasonably high, which will happen if the value of the statistics is close to zero, we do not reject the normality assumption.

Table 1 Result of the data of S&P CNX Nifty and Sensex

	Nifty	Sensex
Mean	0.000350	0.000392
Median	0.001393	0.001428
Maximum	0.079691	0.079311
Minimum	-0.130539	-0.118092
Standard Deviation	0.018725	0.018408
Skewness	-0.793465	-0.562272
Kurtosis	8.727671	7.648065
Jarque-Bera	1838.349	1190.147
Probability	0.000000	0.000000

Table 1, shows that in both the cases the skewness are not zero. It is negative. Therefore more data are in the left hand side of the distribution. Kurtosis is more then 3. Therefore it is leptokurtic and tail is fat. Probability of JB statistics is zero for both the indices. Therefore we can reject the null hypothesis of normal distribution of data in both the cases. Randomness of the data has been checked through run test and serial correlation test.

Run test

Mean: $E(k) = \frac{2n_1n_2}{n_1+n_2} + 1$ $\qquad \sigma_k^{\ 2} = \frac{2n_1n_2(2n_1n_2 - n_1 - n_2)}{(n_1+n_2)^2(n_1+n_2-1)}$

If the hypothesis of randomness is sustainable, we should expect k, the number of runs obtained in a problem, to lie between $E(k) \pm Z\sigma_k$. If number of obtained runs is R then

$$|Z| = \frac{R - E(k)}{\sigma_k}$$

$n =$ total number of observations $= n_1 + n_2$

$n_1 =$ number of + ve symbols (i.e., + residuals)

$n_2 =$ number of – ve symbols (i.e., - residuals)

$k =$ number of runs Gujarati (1995)

The null hypothesis i.e. randomness hypothesis will be rejected at 1, 5 and 10 percent level of significance in favor of alternative hypothesis (non-randomness hypothesis) if observed value of $|Z|$ is greater then 2.58, 1.96 and 1.65 respectively and vice versa.

Calculated Z value is less then the critical Z value in case of S&P CNX Nifty even at ten percent significance level (table 2). So data of S&P CNX nifty is random. But in case of sensex the calculated Z value is significant at five percent significance level. So run test is indicating that data of sensex is not random.

Table 2 Run test result:

Indices	$\lvert Z \rvert$ values	Expected number of runs	Actual number of runs	Standard Error
Sensex	2.498**	618.630	574	17.469
S&P CNX Nifty	1.473	618.653	593	17.413

** implies the significance at 5% level.

Nonparametric tests ignore a certain amount of information. They are unable to capture huge fluctuation in number. The estimate of an interval at the ninety five percent confidence level using a nonparametric test may be twice as large as the estimate using a parametric test. So parametric test has been used to get proper information. One of the parametric test is Serial Correlation Test.

Serial correlation test

Serial correlation coefficients provide a measure of relationship between value of a random variable (X_t) in time t and its value k periods earlier, where $k = 1, 2, 3, \ldots\ldots\ldots\ldots\ldots, n$. In the present study we have considered time lags of 12 days. The autocorrelation matrix is estimated by:

$$\rho_k = c_k / c_0$$

Wherein,

$$c_k = \frac{1}{n}\sum_{t=1}^{n-k}(X_t - \mu)(X_{t+k} - \mu)$$

$k = 1, 2, 3, \ldots\ldots\ldots\ldots\ldots, n$

$$\mu = \frac{1}{n}\sum_{t=1}^{n} X_t$$

Wherein,

c_0 = Variance of (X_t), and

n = number of observation.

The test of significance of ρ_k (against the null hypothesis of population ρ_k being equal to zero) can be carried out by computing z statistics given by

$$\lvert Z \rvert = \rho_k \sqrt{n}$$

If the estimated $\lvert Z \rvert \geq 1.96$, we can draw the inference that ρ_k is significantly different from zero at 5 per cent level, and, hence, price changes are not serially independent (or random).

Instead of testing the significance of any individual autocorrelation matrix, a joint hypothesis has been tested that all ρ_k upto certain lags are simultaneously equal to zero. This is obtained by using Q statistics developed by Box and Pierce (1970), and is defined as:

$$Q = n\sum_{k=1}^{m} \rho_k^{\,2}$$

Wherein,

ρ_k is autocorrelation coefficient at lag k,

n = sample size m = lag length

The Q statistics is often used as a test of whether a time series is white noise. In large samples, it is approximately distributed as a chi-square distribution with m degree of freedom. In case the computed Q exceeds its critical value on the chi-square distribution at a given significance level (0.01, 0.05), null hypothesis is rejected, that is all (true) ρ_k are nonzero; atleast some of them must be nonzero. For a large sample Lunge – Box statistics follows chi-square distribution with m degree of freedom:

$$\text{Lung-Box statistic} = n(n+2)\sum_{k=1}^{m}\left(\rho_k^{\,2}/n-k\right) \sim \chi^2 \text{m}$$

Table 3 Serial Correlation test result

	Sensex			S&P CNX Nifty		
Lags	Autocorrelations	Z values	Q Values	Autocorrelations	Z Values	Q Values
K=1	0.072	2.534**	6.4378 **	0.069	2.445**	5.9941 **
K=2	-0.066	-2.33**	11.900*	-0.064	-2.251**	11.078*
K=3	-0.004	-0.889	11.916*	-0.004	-0.144	11.099 **
K=4	-0.009	-1.751	12.028 **	0.000	0.002	11.099 **
K=5	-0.025	-0.889	12.821 **	-0.022	-0.749	11.732 **
K=6	-0.049	-1.751	15.895 **	-0.053	-1.887	15.305 **
K=7	0.008	0.283	15.975 **	0.013	0.459	15.517 **
K=8	0.061	2.145**	20.600*	0.054	1.896	19.131 **
K=9	-0.011	-0.379	20.743 **	-0.012	-0.436	19.322 **
K=10	0.019	0.682	21.210 **	0.020	0.713	19.831 **
K=11	-0.022	-0.793	21.840 **	-0.027	-0.960	20.754 **
K=12	0.012	0.413	22.012 **	0.005	0.171	20.784

* implies that the value is significant at 1 percent significance level and ** implies that the value is significant at 5 percent significance level. K is the lag length.

Calculated Z are significant at some lags of Sensex and S&P CNX Nifty (table 3). Same way calculated Q statistics is greater then critical values of χ^2 at various lags for both the indices. Some of them are significant at one percent confidence level. This implies that some ρ_k s are not zero. This test implies that data of both the indices are not random. Serial correlation test gives more perfect and concluding result then the run test. Serial correlation zero would imply that price changes in consecutive time periods are uncorrelated with each other viewed as a rejection of hypothesis that investors can learn about future price changes from past ones. This has happened in all lags except 1 and 2 in both the indices. Serial correlation in lag 1 is positive and statistical significant. This suggests that returns in this period are more likely to be positive (negative) if the prior period returns were positive (negative). Similarly, negative and statistically significant serial correlation in lag 2 could be evidence of price reversals and would be consistent with a market where positive returns were to follow negative returns and vice versa.

If data of indices are random and normally distributed then the probability distribution will not change overtime. This implies that data should be stationary. The random walk model is represented by a first order autoregressive process, i.e. AR(1):

$$\log P_t = \rho \log P_{t-1} + \varepsilon_t$$

Where P_t signifies the natural log of the price index series as a proxy of share prices: ε_t is a classical error-term. The random walk model hypothesis that $\rho = 1$. The autoregressive process is stationary if and only if $|\rho| < 1$. Stationarity has been checked using Augmented Dickey-Fuller unit root test. The results (table 4 and 5) indicate that, regardless of the lag length, the null hypothesis of a unit root can not be rejected for the logarithm variable, P. In contrast, similar results applied to the continuously compounded stock return series as measured by the logarithmic first difference of stock prices indicate that the null hypothesis of unit root is rejected at least at the 5% level. This implies that data series are non-stationary in level but not in the first difference form.

Table 4 Result of Augmented Dickey-Fuller Test on Sensex

	Level		First difference	
	t_μ	t_λ	t_μ	t_λ
K=0	-1.273	0.06632	-32.862*	-32.899*
K=1	-1.261	-0.181384	-25.818*	-25.870*
K=2	-1.237	0.07031	-20.663*	-20.725*
K=3	-1.267	0.0690	-18.069*	-18.139*
K=4	-1.257	0.1232	-16.460*	-16.532*
K=5	-1.206	0.1879	-15.627*	-15.711*
K=6	-1.1961	0.3543	-14.083*	-14.174*
K=7	-1.2103	0.3298	-12.386*	-12.474*
K=8	-1.2024	0.15323	-11.898*	-11.991*
K=9	-1.185	0.2192	-10.927*	-11.029*
K=10	-1.2298	0.1550	-10.743*	-10.860*
K=11	-1.2528	0.2862	-10.076*	-10.187*
K=12	-1.2208	0.2081	-9.134*	-9.254*

Table 5 Result of Augmented Dickey-Fuller Test on S&P CNX Nifty

	Level		First difference	
	t_μ	t_λ	t_μ	t_λ
K=0	-1.231	-0.303	-32.944*	-32.966*
K=1	-1.235	-.05440	-25.785*	-25.816*
K=2	-1.1967	-0.3139	-20.67118*	-20.711*
	Level		First difference	
K=3	-1.222	-0.3104	-17.8920*	-17.938*
K=4	-1.228	-0.2862	-16.3108*	-16.3575*
K=5	-1.1742	-0.2412	-15.557*	-15.6119*
K=6	-1.1550	-0.0732	-13.951*	-14.0127*
K=7	-1.1802	-0.1095	-12.382*	-12.442*
K=8	-1.1822	-0.2622	-11.883*	-11.946*

K=9	-1.1641	-0.2049	-10.9171*	-10.987*
K=10	-1.2084	-0.2670	-10.789*	-10.872*
K=11	-1.2272	-0.1160	-10.190*	-10.270*
K=12	-1.1996	-0.1734	-9.205*	-9.292*

t_μ and t_λ are the t statistics based on Augmented Dickey-Fuller regression with allowance for a constant and constant and trend respectively. K signifies the lag length of ADF regression. * implies the significance level at 5%.

Variance ratio test has a clear edge over ADF unit root test, because ADF test is one sided test. The interval estimated by ADF test is much higher than normal, this is called size limitation of ADF test and the power of ADF test depends on the time span not on sample. Persistency in the data has been checked through variance ratio test. It is given as:

$$R(q) = (1/q)[VarP_{t-q} - P_t] / Var(P_{t-1} - P_t)$$

$R = 1$ would suggest a random walk and $R > 1$ implies persistency and $R < 1$ is for mean reversion.

Table 6: Result of variance test ratio

	S&P CNX Nifty		Sensex	
Lag	log P	Δ log P or retrun	log P	Δ log P or return
K=1	1.000	1.000	1.000	1.000
K=2	1.071	0.572	1.073	0.501
K=3	1.052	0.360	1.054	0.384
K=4	1.042	0.269	1.044	0.271
K=5	1.036	0.220	1.035	0.218
K=6	1.026	0.189	1.020	0.185
K=7	1.003	0.152	0.996	0.163
K=8	0.989	0.130	0.980	0.135
K=9	0.991	0.122	0.980	0.113
K=10	0.991	0.106	0.980	0.110
K=11	0.994	0.090	0.983	0.097
K=12	0.993	0.090	0.983	0.093

Result in table 6 shows in case of Sensex and S&P CNX Nifty till 6th and 7th lag respectively are persistent and after that it is mean reversion. Though Log P are randomly distributed because variance ratios are not significantly different from 1 but it is not true in the case of Δ log P or return. This implies that short run prediction is possible in both the indices.

Concluding Remarks

Above tests results shows that data of Sensex and S&P CNX Nifty are not random. Based on free float market capitalization weight these two indices were made. This methodology has been followed to prepare most of the world indices. On any given day, there would be good stock-specific news for a few companies and bad stock-specific news for others. Theory says that free float market capitalization weighting methodology helps to cancel out stock specific news.

Human psychology says that Investor's behaviour may play a opposite role is this place. According to past expe-

riences, investors show cognitive biases on 'best' and 'worst' stocks. Investors will get negative shock if 'best' stocks are giving lower return than investor's expectations and positive shock comes if the 'worst' stocks are giving higher return. Psychology says that negative shocks have higher effects than positive shocks. Therefore investors will buy or sell more 'best' stocks than 'worst' ones. Optimism is another psychological bias and makes investors underestimate the probabilities of bad outcomes. The traders, whose mental process gets affected with biases, are termed as noise traders. Theory says that those, whose decision process is free from mental biases, are called rational traders. These noise traders will give more weight to such information, which have no relevance. This will be more common when information availability is not enough at a stock market. This is very common phenomenon at India. Hence noise traders will wait or follow each other's mistakes. Evil market makers take this opportunity and start price rigging. Classical finance theory says that rational traders will come in this time and start arbitrage and erase the effect of noise traders from ultimate price and random walk will exist at stock market. Financial psychology says that these mental biases also affect the decision process of rational traders because they are also human being. As a result arbitrage will not be always possible and market will not follow random walk.

Therefore free float market capitalization weight will not be helpful to mitigate fully the effect of news on content stocks of Indian indices and the purpose of making index at Indian market will not be served properly.

This study has considered only the daily closing price of S&P CNX Nifty and Sensex. Weekly, monthly and yearly return of these indices may follow randomwalk hypothesis. So future research on these areas may give clearer ideas.

A Concept Paper On Micro Finance In India

Dr Sorab Sadri And Dr Sharukh Tara
Faculties
Bharati Vidyapeeth's IMED

More than subsidies poor need access to credit. Absence of formal employment make them non `bankable'. This forces them to borrow from local moneylenders at exorbitant interest rates. Many innovative institutional mechanisms have been developed across the world to enhance credit to poor even in the absence of formal mortgage. The present paper discusses conceptual framework of a microfinance institution in India. The successes and failures of various microfinance institutions around the world have been evaluated and lessons learnt have been incorporated in a model microfinance institutional mechanism for India.

1. Micro-finance and Poverty Alleviation

Most poor people manage to mobilize resources to develop their enterprises and their dwellings slowly over time. Financial services could enable the poor to leverage their initiative, accelerating the process of building incomes, assets and economic security. However, conventional finance institutions seldom lend down-market to serve the needs of low-income families and women-headed households. They are very often denied access to credit for any purpose, making the discussion of the level of interest rate and other terms of finance irrelevant. Therefore the fundamental problem is not so much of unaffordable terms of loan as the lack of access to credit itself (Kim 1995).

The lack of access to credit for the poor is attributable to practical difficulties arising from the discrepancy between the mode of operation followed by financial institutions and the economic characteristics and financing needs of low-income households. For example, commercial lending institutions require that borrowers have a stable source of income out of which principal and interest can be paid back according to the agreed terms. However, the income of many self employed households is not stable, regardless of its size. A large number of small loans are needed to serve the poor, but lenders prefer dealing with large loans in small numbers to minimize administration costs. They also look for collateral with a clear title - which many low-income households do not have. In addition bankers tend to consider low income households a bad risk imposing exceedingly high information monitoring costs on operation.

Over the last ten years, however, successful experiences in providing finance to small entrepreneur and producers demonstrate that poor people, when given access to responsive and timely financial services at market rates, repay their loans and use the proceeds to increase their income and assets. This is not surprising since the only realistic alternative for them is to borrow from informal market at an interest much higher than market rates. Community banks, NGOs and grass root savings and credit groups around the world have shown that these microenterprise loans can be profitable for borrowers and for the lenders, making microfinance one of the most effective poverty reducing strategies.

To the extent that microfinance institutions become financially viable, self sustaining, and integral to the communities in which they operate, they have the potential to attract more resources and expand services to clients. Despite the success of microfinance institutions, only about 2% of world's roughly 500 million small entrepreneurs are estimated to have access to financial services (Barry et al. 1996). Although there is demand for credit by poor and women at market interest rates, the volume of financial transaction of microfinance institution must reach a certain level before their financial operation becomes self sustaining. In other words, although microfinance offers a promising institutional structure to provide access to credit to the poor, the scale problem needs to be resolved so that it can reach the vast majority of potential customers who demand access to credit at

market rates. The question then is how microenterprise lending geared to providing short term capital to small businesses in the informal sector can be sustained as an integral part of the financial sector and how their financial services can be further expanded using the principles, standards and modalities that have proven to be effective.

To be successful, financial intermediaries that provide services and generate domestic resources must have the capacity to meet high performance standards. They must achieve excellent repayments and provide access to clients. And they must build toward operating and financial self-sufficiency and expanding client reach. In order to do so, microfinance institutions need to find ways to cut down on their administrative costs and also to broaden their resource base. Cost reductions can be achieved through simplified and decentralized loan application, approval and collection processes, for instance, through group loans which give borrowers responsibilities for much of the loan application process, allow the loan officers to handle many more clients and hence reduce costs (Otero et al. 1994).

Microfinance institutions can broaden their resource base by mobilizing savings, accessing capital markets, loan funds and effective institutional development support. A logical way to tap capital market is securitization through a corporation that purchases loans made by microenterprise institutions with the funds raised through the bonds issuance on the capital market. There is atleast one pilot attempt to securitize microfinance portfolio along these lines in Ecuador. As an alternative, BancoSol of Bolivia issued a certificate of deposit which is traded in Bolivian stock exchange. In 1994, it also issued certificates of deposit in the U.S. (Churchill 1996). The Foundation for Cooperation and Development of Paraguay issued bonds to raise capital for microenterprise lending (Grameen Trust 1995).

Savings facilities make large scale lending operations possible. On the other hand, studies also show that the poor operating in the informal sector do save, although not in financial assets, and hence value access to client-friendly savings service at least as much access to credit. Savings mobilization also makes financial institutions accountable to local shareholders. Therefore, adequate savings facilities both serve the demand for financial services by the customers and fulfill an important requirement of financial sustainability to the lenders. Microfinance institutions can either provide savings services directly through deposit taking or make arrangements with other financial institutions to provide savings facilities to tap small savings in a flexible manner (Barry 1995).

Convenience of location, positive real rate of return, liquidity, and security of savings are essential ingredients of successful savings mobilization (Christen et al. 1994).

Once microfinance institutions are engaged in deposit taking in order to mobilize household savings, they become financial intermediaries. Consequently, prudential financial regulations become necessary to ensure the solvency and financial soundness of the institution and to protect the depositors. However, excessive regulations that do not consider the nature of microfinance institution and their operation can hamper their viability. In view of small loan size, microfinance institutions should be subjected to a minimum capital requirement which is lower than that applicable to commercial banks. On the other hand, a more stringent capital adequacy rate (the ratio between capital and risk assets) should be maintained because microfinance institutions provide uncollateralized loans.

Governments should provide an enabling legal and regulatory framework which encourages the development of a range of institutions and allows them to operate as recognized financial intermediaries subject to simple supervisory and reporting requirements. Usury laws should be repelled or relaxed and microfinance institutions should be given freedom of setting interest rates and fees in order to cover operating and finance costs from interest revenues within a reasonable amount of time. Government could also facilitate the process of transition to a sustainable level of operation by providing support to the lending institutions in their early stage of development through credit enhancement mechanisms or subsidies.

One way of expanding the successful operation of microfinance institutions in the informal sector is through strengthened linkages with their formal sector counterparts. A mutually beneficial partnership should be based on comparative strengths of each sectors. Informal sector microfinance institutions have comparative advantage in terms of small transaction costs achieved through adaptability and flexibility of operations (Ghate et al. 1992). They are better equipped to deal with credit assessment of the urban poor and hence to absorb the transaction costs associated with loan processing. On the other hand, formal sector institutions have access to broader resource-base and high leverage through deposit mobilization (Christen et al. 1994).

Therefore, formal sector finance institutions could form a joint venture with informal sector institutions in

which the former provide funds in the form of equity and the later extends savings and loan facilities to the urban poor. Another form of partnership can involve the formal sector institutions refinancing loans made by the informal sector lenders. Under these settings, the informal sector institutions are able to tap additional resources as well as having an incentive to exercise greater financial discipline in their management.

Microfinance institutions could also serve as intermediaries between borrowers and the formal financial sector and on-lend funds backed by a public sector guarantee (Phelps 1995). Business-like NGOs can offer commercial banks ways of funding micro-entrepreneurs at low cost and risk, for example, through leveraged bank-NGO-client credit lines. Under this arrangement, banks make one bulk loan to NGOs and the NGOs packages it into large number of small loans at market rates and recover them (Women's World Banking 1994). There are many on-going research on this line but context specific research is needed to identify the most appropriate model. With this in mind we discuss various possible alternatives of formal-informal sector linkages in India.

In this context, following strategic, institutional and connectivity issues related to micro-finance arise.

Strategic Issues

- Is there a prevailing paradigm for micro-finance?
- Are there clearly visible pattern across the country?
- Is there a clearly defined foundation building blocks such as organizing principles, gender preferences and operational imperatives?
- What are methodological issues?

Institutional Issues

- Is there a need for a new institution?
- Should it operate all India or in a state?
- Where should it be located?
- Who can lead an institution of this sort?
- What will its contextual interconnections be?
- Who will be its beneficiaries?

Connectivity Issues

- How should the Corporate Financial Sector be involved?
- What is the role of donor agencies?
- How should communities be involved?
- Are there political issues that should be explicitly considered?
- Are there government policy issues?

2. The Formal Sector Institutions :

Traditionally, the formal sector Banking Institutions in India have been serving only the needs of the commercial sector and providing loans for middle and upper income groups. Similarly, for housing the HFIs have generally not evolved a lending product to serve the needs of the Very LIG primarily because of the perceived risks of lending to this sector. Following risks are generally perceived by the formal sector financial institutions:

- Credit Risk
- High transaction and service cost
- Absence of land tenure for financing housing
- Irregular flow of income due to seasonality
- Lack of tangible proof for assessment of income
- Unacceptable collaterals such as crops, utensils and jewellery

As far as the formal financial institutions are concerned, there are Commercial Banks, Housing Finance Institutions (HFIs), NABARD, Rural Development Banks (RDBs), Land Development Banks Land Development Banks and Co-operative Banks (CBs).

As regards the Co-operative Structures, the Urban Co.op Banks (UCB) or Urban Credit Co.op Societies (UCCS) are the two primary co-operative financial institutions operating in the urban areas. There are about 1400

UCBs with over 3400 branches in India having 14 million members, Their total lending outstanding in 1990-91 has been reported at over Rs 80 billion with deposits worth Rs 101 billion.

Similarly there exist about 32000 credit co-op societies with over 15 million members with their total outstanding lending in 1990-91 being Rs 20 billion with deposits of Rs 12 billion.

Few of the UCCS also have external borrowings from the District Central Co.op Banks (DCCBs) at 18-19%. The loans given by the UCBs or the UCCS are for short term and unsecured except for few which are secured by personal guarantees. The most effective security being the group or the peer pressure.

The Government has taken several initiatives to strengthen the institutional rural credit system. The rural branch network of commercial banks have been expanded and certain policy prescriptions imposed in order to ensure greater flow of credit to agriculture and other preferred sectors. The commercial banks are required to ensure that 40% of total credit is provided to the priority sectors out of which 18% in the form of direct finance to agriculture and 25% to priority sector in favour of weaker sections besides maintaining a credit deposit ratio of 60% in rural and semi-urban branches. Further the IRDP introduced in 1979 ensures supply of credit and subsidies to weaker section beneficiaries. Although these measures have helped in widening the access of rural households to institutional credit, vast majority of the rural poor have still not been covered. Also, such lending done under the poverty alleviation schemes suffered high repayment defaults and left little sustainable impact on the economic condition of the beneficiaries.

3. The Existing Informal financial sources :

The informal financial sources generally include funds available from family sources or local money lenders. The local money lenders charge exorbitant rates, generally ranging from 36% to 60% interest due to their monopoly in the absence of any other source of credit for non-conventional needs. Chit Funds and Bishis are other forms of credit system operated by groups of people for their mutual benefit which however have their own limitations.

Lately, few of the NGOs engaged in activities related to community mobilization for their socio-economic development have initiated savings and credit programmes for their target groups. These Community based financial systems (CBFS) can broadly be categorized into two models: Group Based Financial Intermediary and the NGO Linked Financial Intermediary.

Most of the NGOs like SHARAN in Delhi, FEDERATION OF THRIFT AND CREDIT ASSOCIATION (FTCA) in Hyderabad or SPARC in Bombay have adopted the first model where they initiate the groups and provide the necessary management support. Others like SEWA in Ahmedabad or BARODA CITIZEN's COUNCIL in Baroda pertain to the second model.

The experience of these informal intermediaries shows that although the savings of group members, small in nature do not attract high returns, it is still practised due to security reasons and for getting loans at lower rates compared to that available from money lenders. These are short term loans meant for crisis, consumption and income generation needs of the members. The interest rates on such credit are not subsidised and generally range between 12 to 36%. Most of the loans are unsecured. In few cases personal or group guarantees or other collaterals like jewellery is offered as security.

While a census of NGOs in micro-finance is yet to be carried out, there are perhaps 250-300 NGOs, each with 50-100 Self Help Groups (SHG). Few of them, not more than 20-30 NGOs have started forming SHG Federations. There are also agencies which provide bulk funds to the system through NGOs. Thus organizations engaged in micro finance activities in India may be categorized as Wholesalers, NGOs supporting SHG Federations and NGOs directly retailing credit borrowers or groups of borrower.

The Wholesalers will include agencies like NABARD, Rashtriya Mahila Kosh-New Delhi and the Friends of Women's World Banking in Ahmedabad. Few of the NGOs supporting SHG Federations include MYRADA in Bangalore, SEWA in Ahmedabad, PRADAN in Tamilnadu and Bihar, ADITHI in Patna, SPARC in Mumbai, ASSEFA in Madras etc. While few of the NGOs directly retailing credit to Borrowers are SHARE in Hyderabad, ASA in Trichy, RDO Loyalam Bank in Manipur.

4. Mechanisms Adopted in Other South Asian Nations In Targeting Programmes for the Low Income Groups

The Grameen Bank in Bangladesh

Finance Management

The concept is the brainchild of Dr Muhammad Yunus of Chittagong University who felt concern at the pittance earned by landless women after a long arduous day's work labouring for other people. He reasoned that if these women could work for themselves instead of working for others they could retain much of the surplus generated by their labours, currently enjoyed by others.

Established in 1976, the Grameen Bank (GB) has over 1000 branches (a branch covers 25-30 villages, around 240 groups and 1200 borrowers) in every province of Bangladesh, borrowing groups in 28,000 villages, 12 lakh borrowers with over 90% being women. It has an annual growth rate of 20% in terms of its borrowers. The most important feature is the recovery rate of loans, which is as high as 98%. A still more interesting feature is the ingenious manner of advancing credit without any "collateral security".

The Grameen Bank lending system is simple but effective. To obtain loans, potential borrowers must form a group of five, gather once a week for loan repayment meetings, and to start with, learn the bond rules and "16 Decisions" which they chant at the start of their weekly session. These decisions incorporate a code of conduct that members are encouraged to follow in their daily life e.g. production of fruits and vegetables in kitchen gardens, investment for improvement of housing and education for children, use of latrines and safe drinking water for better health, rejection of dowry in marriages etc. Physical training and parades are held at weekly meetings for both men and women and the "16 Decisions" are chanted as slogans. Though according to the Grameen Bank management, observance of these decisions is not mandatory, in actual practice it has become a requirement for receiving a loan.

Number of groups in the same village is federated into a Centre. The organization of members in groups and centers serves a number of purposes. It gives individuals a measure of personal security and confidence to take risks and launch new initiatives.

The formation of the groups - the key unit in the credit programme - is the first necessary step to receive credit. Loans are initially made to two individuals in the group, who are then under pressure from the rest of the members to repay in good time. If the borrowers default, the other members of the group may forfeit their chance of a loan. The loan repayment is in weekly instalments spread over a year and simple interest of 20% is charged once at the year end.

The groups perform as an institution to ensure mutual accountability. The individual borrowing member is kept in line by considerable pressure from other group members. Credibility of the entire group and future benefits in terms of new loans are in jeopardy if any one of the group members defaults on repayment.

There have been occasions when the group has decided to fine or expel a member who has failed to attend weekly meetings or willfully defaulted on repayment of a loan. The members are free to leave the group before the loan is fully repaid; however, the responsibility to pay the balance falls on the remaining group members. In the event of default by the entire group, the responsibility for repayment falls on the centre.

The Grameen Bank has provided an inbuilt incentive for prompt and timely repayment by the borrower i.e. gradual increase in the borrowing eligibility of subsequent loans.

A survey has shown that about 42% of the members had no income earning occupation (though some may have been unpaid family workers in household enterprises) at the time of application of the first loan. Thus, the Grameen Bank has helped to generate new jobs for a large proportion of the members. Only insignificant portion of the loans (6 per cent) was diverted for consumption and other household needs.

About 50 per cent of the loans taken by male members were for the purpose of trading and shop keeping. 75 per cent of loans given to female members were utilized for livestock, poultry raising, processing and manufacturing activity.

Savings Programme

It is compulsory for every member to save one Taka per week which is accumulated in the Group Fund. This account is managed by the group on a consensual basis, thus providing the members with an essential experience in the collective management of finances. Amounts collected from fines imposed on members for breach of discipline is also put into this account. The amount in the Fund is deposited with Grameen Bank and earns interest. A member can borrow from this fund for consumption, sickness, social ceremony or even for investment (if allowed by all group members). Terms and conditions of such loans, which are normally granted interest free, are decided by the group.

Factors behind success of the Grameen Bank are : participatory process in every aspect of lending mechanism,

peer pressure of group members on each other, lending for activities which generate regular income, weekly collection of loans in small amount, intense interaction with borrowers through weekly meetings, strong central management, dedicated field staff, extensive staff training willingness to innovate, committed pragmatic leadership and decentralized as well as participatory style of working.

The Grameen Bank experience indicates the vital importance of credit as an entry point for upliftment programme for rural poor. If a programme is to have an appeal for people living in abject poverty, it must offer them clear and immediate prospects for economic improvement. Thereafter, it is easier to sell other interventions of social development, however unconventional they may appear, once improvements in standard of living are demonstrated.

The Grameen Bank clearly shows that lack of collateral secuirty should not stand in the way of providing credit to the poor. The poor can utilise loans and pay them if effective procedures for bank transactions with them can be established. In case of the Grameen Bank, formation of groups with a small group of likeminded rural poor has worked well, and group solidarity and peer pressure have substituted for collateral security.

Linking Banks with Self-Help Groups : A Pilot Project from Indonesia

In Indonesia, financial liberalization since 1988, disenchantment with traditional subsidized credit programs and an openness to innovative approaches led the Central Bank to support a pilot project in which 13 participating banks, with the assistance of 12 NGOs, have lent to about 420 self-help groups (SHGs) in the first phase, to be online to their members.

Some of the principles underlying the project and the guidelines that were issued to the implementing groups are listed below :

- The SHGs are to use part of their funds (almost 60%) for lending to their members and the rest for depositing in a bank to serve as the basis for refinancing from the bank.
- Savings are to come first: no credit will be granted by the SHG without savings by the individual members of the SHG. These savings are to serve as partial collateral for their loans.
- The joint and several liabilities of the members is to serve as a substitute for physical collateral for that part of loans to members in excess of their savings deposits.
- Credit decisions for on lending to members are to be taken by the group collectively.
- Central Bank refinance is to be at an interest rate equal to the interest rate at which the savings are mobilized.
- All the intermediaries (the Central Bank, banks, NGOs and SHGs) will charge an interest margin to cover their costs.
- Interest rates on savings and credit for members are to be market rates to be determined locally by the participating institutions.
- Instead of penalties for arrears, the banks may impose an extra incentive charge to be refunded in the case of timely repayments.
- The ratio of credit to savings will be contingent upon the creditworthiness of the group and the viability of the projects to be implemented, and is to increase over time with repayment performance.
- SHGs may levy an extra charge on the interest rate for internal fund generation (which would be self-imposed forced savings).

Within the first ten months of the implementation period, by March 1990, 7 private banks and 11 branches of government banks had made 229 group loans to SHGs, which had retailed them to about 3500 members. Loans totaling about $0.4 million had been disbursed , on an average of about $2000 per group and $118 per member. SHG savings deposits with the bank amounted to about $400 per group, giving a credit to savings ratio of about 5. NGOs have received loans from the banks at 22 to 24 per cent which is only slightly higher than the refinancing rate of large to small banks. Rates to end users have been between 30 to 44 per cent after the NGOs and SHGs have added their margins to cover costs and build funds to cover joint and several liability. Only one of the participating banks had sought a guarantee under the scheme from the Central Bank.

Pag IBIG Fund - Philippines

Pag IBIG Fund, is one of the most financially stable Government owned -and-controlled Corporations in Philippines

today. Pag - IBIG, is an acronym for Pagtulungan sa Kinabukasan (Partnership for the Future), Ikaw (You), Banko (Bank) Industriya (Industry) Gobyerno (Government). To date, it has a total of 1.2 million members with a fund base of US $ 800 million. The fund is a provident savings fund and a housing credit system for the wage earners.

To make the fund a better instrument for the National Shelter Program (NSP) a Presidential Decree was signed in December 1980 establishing the Home Development Mutual Fund (HDMF) as a separate entity to administer the provident fund for housing.

The main objectives of the HDMF are :

- To promote self-reliance and self-determination among workers through membership in an integrated nationwide savings system
- To invest the provident savings of its members taking into consideration the profitability and safety of the funds as a means of providing them provident benefits upon termination of their membership in the Fund.
- To promote home ownership through the establishment of an affordable and adequate housing credit system for its members
- To provide small and short loans and other benefits to its members.

For the effective working and success of the Fund it was decided to make membership to the Fund mandatory and it was also based on the conviction that people deserve higher incomes and in the process they themselves must be savers and as savers they themselves be the capital base of the nation. Waivers were granted to employers who prior to the creation of the Fund already had superior retirement and provident plans for their employees or employers whose plans are similar to those of the fund or who are incapable of paying counterpart contribution due to financial losses.

Savings and Housing are closely intertwined and the first step was to take care of the members basic need for housing. The Fund instituted a systematic, regular and easy savings system and tapped new groups of savers who could not be reached by commercial banks and became a major source of funds for developing the economy.

Membership to the fund was made voluntary in 1987. A member could withdraw his accumulated savings upon maturity of his membership after 20 years, permanent departure from the country, total disability, retirement or separation from service due to health.

Housing loans were the Fund's greatest attraction, for which reason, a Trust Fund Agreement with the National Housing Mortgage and Finance Corporation (NHMFC) was entered into . The agreement allows the Fund to direct its lending through the NHMFC Secondary Mortgage Market System, where mortgage instruments are traded by NHMFC. The Fund was guaranteed a fixed return making it possible for the Fund to lend to its members at 9% p.a. and declare dividends.

The Government also established the Housing and Urban Development Coordinating Council (HUDCC) as the sole authority and policy making body on housing, to take charge of identifying and redefining the mandates of housing agencies. The HUDCC was to act as the lead funding agency and extend funding commitments to financial institutions who could act as loan originators for the home buyers'.

To meet its major objective of assisting low and middle income families in meeting their housing requirements through the provision of appropriate and affordable housing loan packages, the HUDCC offers loan packages with interest rates ranging from 9% to 16% per annum depending upon the loan amount. Maximum loan amount per borrower is 46 times his monthly income, consisting of his monthly basic salary plus cost of living allowance plus the monthly equivalent of the weighted average of other income during the last three years. Maximum loan repayment period is 25 years but shall not go beyond the age of 70 for the principal borrower.

There was also an Appliance and Furniture Loan Programme (AFLP) that granted short term loans. The loan amount was computed based on the length of the membership and the applicant's salary. The 2 year loan carries an interest of 10.75% p.a. Later the AFLP was expanded into the Multi Purpose Loan Program (MPL) which covers various needs: educational, medical & hospitalization, livelihood, minor home improvement, purchase of appliances and furniture etc. To qualify for a Multi Purpose Loan, a member must have made at least 24 monthly contributions, must be an active Fund member and there must be a commitment from both employer and employee to continuously remit contributions at least for the term of the loan. The loan bears an interest of 10.75% p.a., paid in advance for the first year of the loan period. The second year interest is spread and paid equally over the 24 month term of the loan. The MPL continues to lend to members on a regular basis, it enables

a member to borrow again after 50% of the outstanding loan has been repaid.

Thus Pag-IBIG helps every Filipino to have his own house by pooling the savings of its members and channeling them for the long term financing requirement of housing. Urban Community Development Office of Thailand: The People's Bank

Urban Community Development Office (UCDO) was established in 1992 as a government sponsored organization with the mandate of enhancing the capacity of slum dwellers and urban poor, through credit provision process, to generate income on a stable basis and to obtain adequate housing with secure rights and improved living environment. UCDO facilitates the formation and strengthening of savings and credit organizations in urban poor communities through technical assistance and training on organization and management of the savings groups.

The office provides wholesale loans to these member organizations to on-lend to individuals to support community development. Therefore, it serves as a bank for urban poor. To be eligible for UCDO loan, the saving group must have been engaged in savings activities for at least three months and demonstrate a clear management structure. Credit is provided as a tool to unleash communities' potential for self improvement.

The credit from UCDO consists of general purpose revolving loans to meet immediate household or community needs with a maximum three year, income enhancement loans for up to five years to support equipment purchase and working capital, and housing loans of a maximum 15 year maturity to finance group housing projects including land purchase and non-project housing loans for up to 5 years. As of March 1996, $ 17.8 million of credit was disbursed to the benefit of about 3000 families in 62 communities. Housing loans accounted for $12.6 million, followed by income enhancement loans ($3.8 million) and general purpose loans ($1.4 million).

All committee members of a community group must sign their names as guarantors for a loan. In the case of housing projects, land titles or the housing may have to be put as collateral as well. The lending rate is set based on cost of funds and provision for bad debts and a markup for community organizations. Current rates are kept below commercial rates thanks to UCDO's access to low cost funds. The community can decide upon the loan amount and the repayment period within the prescribed maximum terms. The community or savings group may repay daily, weekly, fortnightly or monthly. The method of repayment is flexible and arraigned according to the needs and process decided by the community. The repayment rate stands at 98.7%.

5. Credit Mechanisms Adopted by HDFC (India) for Funding the Low Income Group Beneficiaries

HDFC has been making continuous and sustained efforts to reach the lower income groups of society, especially the economically weaker sections, thus enabling them to realize their dreams of possessing a house of their own.

HDFCs' response to the need for better housing and living environment for the poor, both, in the urban and rural sectors materialized in its collaboration with Kreditanstalt fur Wiederaufbau (KfW), a German Development bank. KfW sanctioned DM 55 million to HDFC for low cost housing projects in India. HDFCs' approach to low-income lending has been extremely professional and developmental in nature. Negating the concept of dependence, HDFCs' low cost housing schemes are marked by the emphasis on peoples participation and usage of self-help approach wherein the beneficiaries contribute both in terms of cash and labour for construction of their houses. HDFC also ensures that the newly constructed houses are within the affordability of the beneficiaries, and thus promotes the usage of innovative low cost technologies and locally available materials for construction of the houses.

For the purpose of actual implementation of the low cost housing projects, HDFC collaborates with organizations, both, Governmental and Non-Governmental. Such organizations act as co-coordinating agencies for the projects involving a collective of individuals belonging to the Economically Weaker Sections. The projects could be either in urban or rural areas.

The security for the loan is generally the mortgage of the property being financed.

The construction work is regularly monitored by the co-coordinating agencies and HDFC. The loans from HDFC are disbursed depending upon the stages of construction. To date, HDFC has experienced 100% recovery for the loans disbursed to various projects.

6. Strengths of Informal Sector

A synthesis that can be evolved out of the success of NGOs/CBOs engaged in microfinance is based on certain preconditions, institutional and facilitating factors.

Preconditions to Success:

Those NGOs/ CBOs have been successful that have instilled financial value/ discipline through savings and have demonstrated a matching value themselves before lending. A recovery system based on social intermediation and various options including non-financial mechanisms has proved to be effective. Another important feature has been the community governance. The communities in which households are direct stake holders have successfully demonstrated the success of programs. A precondition for success is to involve community directly in the program. Experience indicates that savings and credit are both critical for success and savings should precede credit. Chances of success more with women: Programs designed with women are more successful.

Operating Indicators :

The operating indicators show that programs which are designed taking into account the localized and geographical differences have been successful. Effective and responsive accounting and monitoring mechanisms have been an important and critical ingredient for the success of programs. The operational success has been more when interest rates are at or near market rates: The experience of NGOs/CBOs indicates that low income households are willing to pay market rates. The crucial problem is not the interest rates but access to finance. Eventually in absence of such programs households end up paying much higher rates when borrowing from informal markets. Some NGOs have experimented where members of community decide on interest rates. This is slightly different from Thailand experience where community decides on repayment terms and loan amount. A combination of the three i.e. interest rates, amount and repayment period if decided by community, the program is most likely to succeed. A program which is able to leverage maximum funds from formal market has been successful. Experience indicates that it is possible to leverage higher funds against deposits.

The spreads should be available to meet operational costs of NGOs. Most of the directed credit program in India like Kfw have a ceiling on the maximum interest rate and the spread available to NGOs. A flexible rate of interest scheme would indicate a wider spread for NGOs. Selected non-financial services, viz. business, marketing support services enhance success. Appropriate incentives for borrowing and proper graduation of credit has been essential component of success. A successful program cannot be generalized for all needs and geographical spread. The programs which are simple and replicable in similar contexts have contributed to success.

Betterment in quality of life through better housing or better economic opportunities is a tangible indicator of success. The programs which have been able to demonstrate on some measurable scale that the quality of life has improved have been successful. To be successful the program productivity with outreach should match. The credit mechanism should be flexible meeting multiple credit needs: The programs which have taken care of other needs such as consumption, marriage etc. besides the main shelter, infrastructure or economic needs are successful.

Facilitating Factor

Another factor that has contribiuted to the success is the broad environment. A facilitative environment and enabling regulatory regime contributes to the success. The NGOs/CBOs which have been able to leverage funds from formal programs have been successful. An essential factor for success is that all development programs should converge across sectors.

7. Weaknesses of Existing Microfinance Models

One of the most successful models discussed around the world is the Grameen type. The bank has successfully served the rural poor in Bangladesh with no physical collateral relying on group responsibility to replace the collateral requirements. This model, however, has some weaknesses. It involves too much of external subsidy which is not replicable Grameen bank has not oriented itself towards mobilizing peoples' resources. The repayment system of 50 weekly equal installments is not practical because poor do not have a stable job and have to migrate to other places for jobs. If the communities are agrarian during lean seasons it becomes impossible for them to repay the loan. Pressure for high repayment drives members to money lenders. Credit alone cannot alleviate poverty and the Grameen model is based only on credit. Micro-finance is time taking process. Haste can lead to

wrong selection of activities and beneficiaries.

Another model is Kerala model (Shreyas). The rules make it difficult to give adequate credit {only 40-50 percent of amount available for lending). In Nari Nidhi/Pradan system perhaps not reaching the very poor.

Most of the existing microfinance institutions are facing problems regarding skilled labour which is not available for local level accounting. Drop out of trained staff is very high. One alternative is automation which is not looked at as yet. Most of the models do not lend for agriculture. Agriculture lending has not been experimented.

- Risk Management : yield risk and price risk
- Insurance & Commodity Future Exchange could be explored

All the models lack in appropriate legal and financial structure. There is a need to have a sub-group to brainstorm on statutory structure/ ownership control/ management/ taxation aspects/ financial sector prudential norms. A forum/ network of micro-financier (self regulating organization) is desired.

8. A New Paradigm

A new paradigm that emerges is that it is very critical to link poor to formal financial system, whatever the mechanism may be, if the goal of poverty alleviation has to be achieved. NGOs and CBOs have been involved in community development for long and the experience shows that they have been able to improve the quality of life of poor, if this is an indicator of development. The strengths and weaknesses of existing NGOs/CBOs and microfinance institutions in India indicate that despite their best of efforts they have not been able to link themselves with formal systems. It is desired that an intermediary institution is required between formal financial markets and grass root. The intermediary should encompass the strengths of both formal financial systems and NGOs and CBOs and should be flexible to the needs of end users. There are, however, certain unresolved dilemmas regarding the nature of the intermediary institutions. There are arguments both for and against each structure. These dilemmas are very contextual and only strengthen the argument that no unique model is applicable for all situations. They have to be context specific.

Dilemmas

Community Based

- Community Managed
- Community (self) financed
- Integrated (social & finance)
- Non profit / mutual benefit
- Only for poor
- 'Self regulated'

Investor Owned

- Professionally managed
- Accepting outside funds for on-lending
- Minimalist (finance only)
- For profit
- For all under served clients
- Externally regulated

The four pillars of microfinance credit system (Fig. 1) are supply, demand for finance, intermediation and regulation. Whatever may the model of the intermediary institution, the end situation is accessibility of finance to poor. The following tables indicate the existing and desired situation for each component.

DEMAND

Existing Situation

- fragmented
- Undifferentiated
- Addicted, corrupted by capital & subsidies
- Communities not aware of rights and responsibilities

Desired Situation

- Organized
- Differentiated (for consumption, housing)
- Deducted from capital & subsidies
- Aware of rights and responsibilities

Finance Management

SUPPLY

Existing Situation	Desired Situation
• Grant based (Foreign/GOI)	• Regular fund sources (borrowings/deposits)
• Directed Credit - unwilling and corrupt	• Demand responsive
• Not linked with mainstream	• Part of mainstream (banks/FIs)
• Mainly focussed for credit	• Add savings and insurance
• Dominated	• Reduce dominance of informal, unregulated suppliers

INTERMEDIATION

Existing Situation	Desired Situation
• Non specialized	• Specialized in financial services
• Not oriented to financial analysis	• Thorough in financial analysis
• Non profit capital	• For profit
• Not linked to mainstream FIs	• Link up to FIs
• Not organized	• Self regulating

REGULATION

Existing Situation	Desired Situation
• Focused on formal service providers (informal not regulated)	• include/informal recognize e.g. SHGs
• regulating the wrong things e.g. interest rates	• Regulate rules of game
• Multiple and conflicting (FCRA, RBI, IT, ROC, MOF/FIPB, ROS/Commerce)	• Coherence and coordination across regulators
• Negatively oriented	• Enabling environment

9. Possible Alternatives/Options

The three options that emerge out of above discussion regarding structure of intermediary institution is discussed below.

Option-I

- One possible option is to increase the flow of funds to informal lenders to supplement their own funds. The formal sector will take advantage of the lower transaction costs and risk premia of the informal sector so as to reach the low income group borrowers beyond the profitable reach of the formal sector. As for the beneficiaries, inspite of the transaction cost of the formal and the informal sector being transferred on to them, the cost of borrowing will remain low as compared to what exists through money lenders.

  In addition, access to the formal sector funds could promote competition within the informal sector and check the exorbitant profits being made in this sector. It also promotes allocative efficiency by offering a broader choice for the productive use of savings by beneficiaries, irrespective of which sector they are mobilized by.

  Thus this approach of promoting linkages combines the strengths of both sectors to supplement the resources of the informal sector. Here it is imperative to avoid the pitfall of discouraging informal savings by substituting cheaper formal funds for informal lenders.

  The existing modes of borrowing for the low income group through the Co-operative Societies like Thrift and Credit Co-op Societies are already gaining momentum. The Formal Financial Institutions can establish linkages with these co-operative bodies. Funds could be channelised from the formal financial institutions at market rates to the low income group beneficiaries through the intermediaries like the co-operative bodies stated above. The credit worthiness of the intermediaries would be the basic security for the loans advanced by the formal financial institutions. However, the savings mobilized by the intermediaries from the informal sector could also be accepted as collaterals.

The intermediaries could then lend to groups of beneficiaries. The transaction cost of the formal sector would be transferred on to the intermediaries who would pass on the same to the beneficiaries.

In the process, the intermediaries would also charge additional fees to borrowers to cover their costs. It would also aid them in strengthening themselves. However, it would be aimed to make the funds reach the beneficiaries at applicable rates of the two institutions.

The intermediaries would accept the savings from groups as collaterals and would transfer the same to the formal sector for getting the deposits serviced better. Thus the two way flow of funds would benefit both the formal and informal sector.

The beneficiaries would benefit as the cost of borrowing would be low for them and their savings would be safe and would be serviced better.

An analysis of community-based finance systems highlights the high establishment costs of NGOs. They suggest that loan service costs are lower amongst co-operative societies, as compared to NGO-linked CBFIs, because of decentralized loan administration and availability of voluntary staff. The NGO-linked CBFI operations are generally supported by grants from national and international donor agencies.

NGO-linked CBFIs must aim at an adequate scale of operation and while it may be supported by grants to meet establishment costs in the initial period, dependency on such grants should be reduced over time. An adequate interest rate spread must be available to meet the transactions costs. CBFIs should be able to recover all costs through its financial operations, by building up their capacity for financial management, through training and interaction with the Formal sector institutions.

Option-II

- Since it is now being felt that the existing structures are inadequate to meet the housing and economic credit needs of the participating community, an Institution that would combine the strengths of an NGO and the expertise of a financial institution, with participation from the community will be appropriate.

  Thus, the concept of Development Association for Savings and Credit (DASC) could be utilised to address the issue of providing better access to housing finance and economic loans for the participating community in the project area. The DASC is built on the strength of the informal groups to create and improve access to skills, resources and markets. These Groups mobilize savings from their constituent members and other formal/informal sources. The funds mobilized are thus used for meeting the credit needs of the members. The DASC is proposed to be a registered company which will affiliate the Groups based on affiliation criteria and have community representation on its decision making body.

  The DASC will be initiated with the objective to create an alternate, self-sustainable, community based financial organization appropriate to meet the shelter development and livelihood needs of the weaker section belonging to the rural community.

  The long term perspective of DASC will include :

  Establishment of a resource centre for shelter and livelihood development for the weaker sections of the society.

  Demonstration of a viable community based credit system in operation where the communities have access to and control over financial resources based on their own strength.

  Developing group based approach as a sustainable development paradigm for community development.

Option-III

- As mentioned before, a review of the cooperatives and NGOs illustrates a wide variety of arrangements as well as different stages of development of community-based financial institutions. In all cases, the strength of the community based systems is their close rapport and linkages with the community and its members. The broad arrangement involves a bulk loan from the Formal Financial Institution to the Community Based Financial Institution (CBFI) with specified terms and conditions for lending to households. The CBFI will have the responsibility for loan origination and servicing and therefore would also bear the credit risk.

  In terms of specific arrangements, two forms of intermediation are envisaged by the strategy. The multi-tiered structure is one in which the bulk loans from the Formal Sector are routed through a Federation or Apex Agency or an NGO, which in turn lends to a primary CBFI. In the single-tiered structure, the Formal Sector

Institution deals directly with the CBFI. It is felt that the administrative costs incurred with lending through the multi-tiered model are much higher than under the single-tier model.

In promoting these linkages between the Formal Institutions and CBFIs, directly or through the NGO, it is important that basic financial principles are developed for giving bulk credit to community-based financial institutions. The purpose of the loan, credit terms and underwriting criteria should be clearly defined for the bulk credit that is provided to the CBFI.

It is essential that a delinquency risk fund (DRF) be placed as a deposit with the Formal Institution to cover delinquency risk which may draw against the DRF if the CBFI fails to make a regularly scheduled loan payment. In order to meet the DRF requirement, CBFIs should be encouraged to start a savings scheme. An appropriate legal status for the CBFI to be able to receive the bulk credit is essential. This may involve a simple registration under the Societies Act. The legal form should permit the receipt of bulk credit for on lending to the individual members.

10. Conclusion

Some valuable lessons can be drawn from the experience of successful Microfinance operation. First of all, the poor repay their loans and are willing to pay for higher interest rates than commercial banks provided that access to credit is provided. The solidarity group pressure and sequential lending provide strong repayment motivation and produce extremely low default rates. Secondly, the poor save and hence microfinance should provide both savings and loan facilities. These two findings imply that banking on the poor can be a profitable business. However, attaining financial viability and sustainability is the major institutional challenge. Deposit mobilization is the major means for microfinance institutions to expand outreach by leveraging equity (Sacay et al 1996). In order to be sustainable, microfinance lending should be grounded on market principles because large scale lending cannot be accomplished through subsidies.

A main conclusion of this paper is that microfinance can contribute to solving the problem of inadequate housing and urban services as an integral part of poverty alleviation programmes. The challenge lies in finding the level of flexibility in the credit instrument that could make it match the multiple credit requirements of the low income borrowers without imposing unbearably high cost of monitoring its end-use upon the lenders. A promising solution is to provide multi-purpose loans or composite credit for income generation, housing improvement and consumption support. Consumption loan is found to be especially important during the gestation period between commencing a new economic activity and deriving positive income. Careful research on demand for financing and savings behaviour of the potential borrowers and their participation in determining the mix of multi-purpose loans are essential in making the concept work (tall 1996).

Eventually it would be ideal to enhance the creditworthiness of the poor and to make them more "bankable" to financial institutions and enable them to qualify for long-term credit from the formal sector. Microfinance institutions have a lot to contribute to this by building financial discipline and educating borrowers about repayment requirements.

REFERENCES :

Barry, N.(1995), "The Missing Links: Financial System that Works for the Majority," Women's World Banking, New York.

Barry, Nancy, Armacost, Nicola and Kawas Celina (1996) "Putting Poor people's Economics at the Center of Urban Strategies," Women's World Banking, New York.

Chriseten, R.Peck Rhyne, Elisabeth and Vogel, Robert C (1994) "Maximizing the Outreach of Microenterprise Finance: The Emerging Lessons of Successful Programs," September IMCC, Arlington, Virginia.

Churchill, C.F. (1996)," An Introduction to Key Issues in Microfinance: Supervision and Regulation, Financing Sources, Expansion of Microfinance Institutions," Microfinance Network, Washington, D.C. February.

Ghate, P. et.al.(1992) Informal Finance: Some Findings from Asia, Oxford University Press, Hong Kong.

Grameen Trust (1995) Grameen Dialogue No.24, Dhaka, October.

Kim Kyung-Hwan (1995) "Access to Credit, Term of Housing Finance and Affordability of Housing," Housing Finance International 9(4), June 22-27.

Otero, M. and Rhyne, E.(1994) The New World of Micro-enterprise Finance -Building Healthy Financial Institutions for the Poor, Kumarian Press, West Harford, Connecticut.

Phelps, P.(1995) "Building Linkages Between the Microenterprise and Shelter Sectors: An Issues Paper," GEMINI, Betuesda, Maryland.

UNCHS and ILO (1995) Shelter Provision and Employment Generation, Geneva.

Women's World Banking (1994) "United Nations Expert Group on Women and Finance," New York.

Receivables Management of VIP Industries Ltd

Nayana V.Joshi
Department of Business Administration and Research,
S.S.G.M.C.E. Shegaon.

Nehal M. Gohel
Department of Business Administration and Research,
S.S.G.M.C.E. Shegaon.

Abstract

Working Capital Management plays vital role in keeping the wheels of business running. This paper deals with Working capital component i.e. receivables management of VIP Industries Ltd, Nashik. As VIP Industries is a large scale production unit it needs large Working Capital. So study of receivables management is relevant to this organisation as this is major component of working capital. This paper also measures the efficiency of the company by finding various ratios relating to receivables. The receivables policies of VIP Industries are studied and are compared with industry norms. It was found that receivables policies of VIP Industries are better than industry norms. VIP is able to collect the cash from its debtors in very less time period which is very distinct feature of VIP.

Company Profile

This paper deals with the study conducted at VIP Industries Ltd, which is situated at MIDC,Satpur, Nashik Maharashtra. The mission of the company is Building enriching partnerships, Pride of leadership and Delightful experiences through through innovation in all we do. The values they follow are Entrepreneurship, Innovation, Meritocracy, Youthfulness. Company is a manufacturing unit engages in luggage business and produces items like suitcase, sky bags etc. The objective of this paper is to study the receivables management policies of VIP Industries Ltd, Nashik.

Receivables Management

Accounts receivables constitute a significant portion of the total current assets of the business. They are direct consequence of **"Trade Credit"** which has become an essential marketing tool in modern business. Cash flow can be significantly enhanced if the amounts owing to a business are collected faster.

Accounts Receivables are the debtors or customers who have not yet made payment for the goods or services which the firm has provided. Almost all businesses are required to extend credit to their customers. The objectives of receivables management are to minimize the time gap between completion of sales and receipts of payments.

Debtors due over 90 days (unless within agreed credit terms) should generally demand immediate attention. As per the industrial norms receivables should be collected within 90 days from the date of transaction.

Purpose of receivables:

Achieving growth in sales
Increasing the profits
Meeting competition

The management of accounts receivables consists of followings:

Accounts receivables

Credit policies & terms of sale | credit analysis

Receivables Management in VIP industries.

VIP is large manufacturing unit, it sells its product on both on cash basis as well as on credit. Its most of the sales are on cash basis still it is making some sales on credit terms to increase its sales. It is having somewhat liberal credit policies to increase the sales revenue but it is in limited range.

VIP follows the following strategy:
Who owes them money?
How much is owed?
How long it is owing?
For what it is owed?

Credit policy and terms of sales of VIP Industries:

"Credit policy refers to Guidelines that spell out how to decide which customers are sold on open account, the exact payment terms, the limits set on outstanding balances and how to deal with delinquent accounts" it represents the basic criteria for extension of credit to customers. The credit terms refers to the terms under which a firm sells goods on credit to customers.

VIP also considers how much credit it is willing to extend to its customers and under what circumstances. There's no one-size-fits-all credit policy—VIP's policy is based on particular business and cash-flow circumstances, industry standards, current economic conditions, and the degree of risk involved. A credit policy of VIP addresses the following points:

Credit limits: It a limit of credit which is given to customers on the basis of their credit worthiness and the amount of transaction. The creditworthiness of the customers will be decided on the various factors such as analysis of financial status, reputation of customers, records of previous deal with company, quality and character of management.

Credit terms: Credit terms specify the repayments terms required of credit customers. It has three components:

- ✓ **Credit period:** It is the time for which trade credit is extended to customers in the case of credit sales. Normally, company allows credit period of 60 days.
- ✓ **Cash discount:** It is the incentive to customers to make early payments of sum due.
- ✓ **Cash discount period:** The duration of the period during which discount can be availed off.

Credit cards and personal checks: here bank is acts as a guarantor in case of default by customers and for setting the policies for acceptance of personal checks.

Customer information: Customers' database is maintained on the basis of 5 C's
CHARACTER- Reputation, Track Record
CAPACITY- Ability to repay(earning capacity)
CAPITAL- Financial Position of the customers.
COLLATERAL- The type and kind of assets pledged
CONDITIONS- Economic conditions & competitive factors that may affect the profitability of the customers

Documentation: Credit policy VIP is the design of invoices and statements. The invoice is the document that describes what the customer is being billed for; the statement is the follow-up document that indicates the status of the account. Company is also having documentation which includes sales agreement, credit applications, bill

of lading, delivery receipt.

Collection method: For collecting cash from debtors VIP usually takes Steps like Letters, including reminders Telephone call for personal contact Personal visit Help of collection agencies Legal action.

Data analysis: **Receivables**

Years	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**
Receivables (In Rs.)	**3,15,661**	**4,63,705**	**8,67,930**	**11,20,208**	**11,80,013**

Observations:

The above graph is depicting that there is increase in receivables.

Receivables are increasing because of increase in sales.

Receivables Turnover Ratio: It indicates relationship between net credit sales & receivables. It represents the number of times money owed to a firm on credit is fully collected throughout a year. It shows the efficiency to collect amount due from debtors. A concern may sell its goods on cash as well as on credit to increase its sales. Debtors are expected to be converted into cash within a short period so liquidity position of a concern also depends upon the quality of debtors. Two types of ratio can be calculated to evaluate the quality of debtors.

1 .Receivables Turnover Ratio 2.Average Collection Period

Receivables Turnover Ratio = Total sales\ Average Debtors

Years	2004-05	2005-06	2006-07	2007-08	2008-09
Sales	29,10,606	30,35,579	42,50,547	54,33,270	50,56,134
Receivables	3,15,661	4,63,705	8,67,930	11,20,208	11,80,013
Receivables Turnover Ratio	9.22	6.54	4.89	4.85	4.28

Observations:

Here the receivables turnover ratio is decreasing over the years. It indicates that business is carried out mostly on cash basis.

There is less credit sales.

Receivables Collection Period: It is a period over which debtors are collected. It shows rapidity or slowness with which money is collected from debtors. It measures the quality of debtors. Generally, shorter the average collection period the better is the quality of debtors as a short collection period implies quick payment by debtors. As industry norms for receivables collection period is 90 days.

Receivables Collection Period (In days) =No of working days\ Debtors Turnover Ratio

Years	2004-05	2005-06	2006-07	2007-08	2008-09
Days	365	365	365	365	365
Receivables Turnover Ratio	9.22	6.54	4.89	4.85	4.28
Average Collection Period	39.58	55.81	74.64	75.25	85.28

Observations:

Collection is made within the 90 days.

Here collection period is increasing over the years.

Findings

Receivables are increasing over the years as sales are increasing. But the proportion of increase in receivables is less than the proportion of increase in sales. Because Debtors of VIP in the form of dealers and these are limited in numbers.

Receivables turnover ratio is decreasing in spite of increase in sales. Receivables are increasing in terms of its volume not in terms of numbers.

Receivables collection period is increasing. But it is within the industry norms because VIP has strong recovery system for receivables. VIP follows the practices like system checks, monthly follow up, documentation and credit limit.

Because of limited credit sales company is able to reduce cost of maintaining debtors like capital cost which is the cost on the use of additional capital to support credit sales which alternatively could have been employed elsewhere and collection cost which is the administrative costs incurred in collecting the accounts receivable. Costs of additional steps to increase the chances for eventful payment.

As there is a limited credit sales and limited debtors so the chances of bad debts are less or negligible because

company is following strict and effective credit policies. Ultimately bad debt expenses are also reduced.

Conclusions:

Company is having efficient receivables management policies.

The framework of analysis of all decisions area in receivables management is to secure a trade-off between the costs and benefits off the measurable effects on the sales volume, capital costs due to change in investment in debtors, collection costs, bad debts and so on. The firm should select the alternative which has potentials of more benefits than the cost.

References:

Annual reports of VIP

Import Substitution" to "Export Promotion" — A Paradigm Shift

Prof. Dr. H.G. Abhyankar
HOD- International Business
and
Prof. Sonali Dharmadhikari,
Bharati Vidyapeeth Deemed University's
Institute of Management & Entrepreneurship Development. Pune.

1. Introduction:

The macro economic variables like Gross Domestic Product, National Income data, General Price level and Balance of Payment are the main parameters that form the basis to judge the performance of the economy.
Out of above, "General Price Level" and "Balance of Payment" are matter of real concern for the Indian economy. In fact, due to sustained rise in general price level, the Indian goods have become uncompetitive thereby making terms of trade unfavorable. Even though Exports are rising the percentage rise in Exports is uneven and Imports are rising at a faster rate resulting into deficit in Current Account.
The study undertaken therefore is an attempt to make a critical analysis of the BoP deficit which is really a chronic feature of Indian economy.

In view of this, objectives of the present research paper are as follows:

- To take an overview of trends in Balance of Payment and **to study Current trends in Exports and Imports of India.**
- To make a critical study of paradigm shift in Trade Policies i.e. **Import Substitution to Export Promotion** through incentives and promotional schemes for exporters.
- To analyze various **causes of inconsistent growth in exports and consistent rise in Imports.**
- To explore the possibility of rethinking of **Import curtailment as a supplementary measure to Export Promotion.**

1.2 The organization of research paper is as follows:

Part I : In this part initially the conceptual framework of Balance of Payment and literature reviewed is covered. In the later part emphasis is laid on the secondary data obtained from various publications of RBI and DGIC reports etc. and analysis thereof.

Part II : In this part, an attempt has been made to explore the possibility of offering some policy suggestions based on economic principles with an aim to improve the Balance of Payment.
The "Limitations of the study and Scope for further Research" has also been covered in the research framework.

2. Part-I
Conceptual framework of Balance of Payment:

2.1 According to Ellsworth, "Balance of Payment is a systematic record of all economic transactions that take place between residents of the reporting country and residents of some other countries." The balance of Payment

is conventionally classified into Current Account and Capital Account. The Current Account covers transactions pertaining to movement of merchandise i.e. Exports and imports and also Export and Import of services along with Investment income receipts and payments and unilateral transfers. The Current Account is treated as synonymous to the Trade Account. The Capital Account relates to changes in financial assets and liabilities. The "Basic Balance" comprises of Current Account and long term capital to which Net effect of short term capital transactions is given to arrive at overall balance which is also known as "Reserve Transaction Balance".
As a general working rule, credit items in the Balance of Payment reflects transactions that give rise to payment inward to the home country. The major items are Exports, Foreign investment inflows and receipts of interest and dividends by the home country from earlier investments abroad.
The debit items in the Balance of Payment reflect transactions that give rise to payment outwards from the home country. The major items are Imports, Investments made by domestic nationals in foreign country and payments of interest and dividends by the home country on earlier investments made in it by foreign investors.

2.2 The Current Account in the Balance of Payment is important because it essentially reflects sources and uses of National Income. Another way to view Current Account balance is to relate it to the Aggregate Income and Expenditure. The macro economic identity is---
Y= C+I+G+(X-M)
Where Y= Aggregate Income, C= Consumption spending, G= Governments' spending,
X= Exports and M=Imports.
Therefore, we can rearrange above equation as follows:
Y- (C+I+G) = X-M.
In the above, Y can be written as C+S+T i.e. Income can be used for the purpose of Consumption, Investment and Taxes.
C+I+G+(X-M) = C+S+T
Therefore X-M = S+ (T-G)-I where S+ (T-G) is total saving and I stands for Investment. Therefore Current Account balance is equal to difference between saving and Investment. From above, we can say that when Current Account is in deficit, it means savings are less than Investments and vice versa.

3. Review of literature:

The researcher has carried out an extensive review of literature comprising of following:

i. Articles on Current Account Deficit appeared in "Economic Times", "The Financial Express" and Reports published by RBI from time to time. (Refer bibliography)
ii. The relevant texts on Balance of Payment from readings in International Economics. (Refer bibliography)

The literature reviewed above, brought to light important facts as regards causes of the Current Account deficit and same are highlighted below:

3.1 India's **Current Account deficit has trebled** to a worrying $ 13.7 billion in the three months to June 2010 from $ 4.5 billion in the year earlier. The Finance Minister has expressed concern over this rising Current Account deficit.
Exports grew by 22.5% but Imports grew faster at 32.3%.

3.2 The following are the major reasons for widening Current account deficit:

I. Cheap money is sloshing around the globe is finding its way to Developing nations including India, pushing up local currency value. This leads to higher Imports. Rising Imports is an indication of strong demand.
II. There is consumer reluctance in the West to spend because of rising unemployment. So exports are stagnating.
III. Foreign funds flows are expected to be all time high $ 25 Billion pushing up stock prices, rupee is appreciating which is hurting exports earning and may shake the economy when overseas investors pull their money out.
IV. Rise in oil prices has increased the value of Imports. Oil balance (Imports – Exports) deteriorated to -5.4% in 2008-09 from -4.3% of GDP in 2007-08.

V. Services Exports fell due to slowdown in non- software services. It has decreased to 0.9% in 2009-10 from 1.4% of GDP in 2008-09.

VI. Government's aggressive push for higher domestic demand at a time when trend in exports has yet to be recovered fully. Low real interest rates and loose fiscal policy have pushed up domestic demand at a time when capacity creation was impacted by global credit crisis.

VII. Government's loose Fiscal Policy has pushed saving rate down and increased Saving Investment gap.

VIII. Sectors like Readymade garments, handlooms, handicrafts and carpets continuing to perform badly in Export market.

3.3 In the process of reviewing the literature, the researcher also came across articles published in various RBI journals and reports on the circumstances that led to shift in the policy from "Import Substitution" to "Export Promotion" along with ways and methods of "Import Substitution" and economic rationale for the shift. The relevant details thereof are highlighted below:

I. The Import substitution can be done by following ways:

iii) **Tariff** is levied on imports of specific goods.

iv) **Payment of Export subsidies:** When the government offers an export subsidy, shippers will export the goods up to the point where the domestic price exceeds the foreign price by the amount of the subsidy.

v) An **import quota** is a direct restriction on the quantity of some good that may be imported. The restriction is usually enforced by issuing licenses to some group of individuals or firms.

vi) **Export credit subsidies:** It takes the form of a subsidized loan to the buyer. The government institution provides subsidized loans to aid exports.

II . The most important economic argument for import substitution is the "Infant industry argument". According to which, industries always needs to be sheltered when they are in an infant stage. The Developing countries have a potential comparative advantage in manufacturing but such Infant industries in developing countries cannot initially compete with well established manufacturing industries in developed countries. Thus, government should temporarily support new industries. It is evident from the data, which shows that manufacturing sector has made a sizable contribution in Indian Exports. In the late 1980s a new conventional strategy stressed the virtues of free trade. Thus, the countries adopted trade liberalization as an 'Outward looking' policies instead of Import substitution as an Inward looking policy. In the early 90s, India adopted an import substitution policy since its independence. Since 1990, India has introduced wide ranging economic policy reforms and is moving towards market driven economies. This has resulted in consistent high economic growth over the last one and half decades, thereby making India the tenth largest economy in the world. At present India is the second fastest growing economy in the world. After 1990s, the focus of trade policy reforms in India has been on liberalization, openness and globalization with a basic thrust on outward oriented export promotion activity. To achieve this objective, there is removal of quantitative restrictions and improving competitiveness of the Indian industry to meet global market requirements.

III. Export promotion measures:

In conformity to the policy of "Import Substitution" to the "Export Promotion", various incentives have been given to the exporters.

The features are highlighted below:

The Foreign Trade Policy (2009-2014) of India has come out with various set of Export Promotional measures that will catalyze the growth of Exports.

The FTP had set two objectives:

(i) To double our percentage share of global merchandise trade within five years.

(ii) To use trade expansion as an effective instrument of economic growth and employment generation.

The short term objective is **to arrest and reverse the declining trend of Exports** and to provide additional support especially to those sectors which have been hit badly by recession in the Developed world.

To achieve this target, the Government would take support of three pillars.

- **Incentives** that will enhance market access across the world, technological up gradation.
- **Improvement in infrastructure** related to exports.
- Providing **full refund of all indirect taxes and levies.**

To sum up the literature reviewed so far brought to light various causes of Current Account deficit(X-M) and remedy that has been suggested is in the form of "Export Promotional Measures" initiated from time to time in line with paradigm shift in policy of "Import Substitution to Export Promotion". **It is observed that the literature reviewed so far mainly focuses on X component i.e. Export, while M component has taken a backseat particularly after shift in the policy from Import Substitution to Export Promotion.**
Hence, it is felt necessary to probe further to find out reasons for the persistence in Current account deficit in spite of such promotional measures covered in the literature reviewed. The novelty of the proposed Research Paper precisely lies in going into the root causes of the persistent deficit by focusing on Import component (M) of the BoP and stresses the need to have a relook into the policy of Import substitution and Export promotion for more effective results.
Against this background, the very purpose of the research and theme of the research revolves around analyzing of trends in Imports/ Exports initially and relooking into the policy of import curtailment and export enhancement later, as envisaged in the objectives stated above.
The further part of the research goes towards fulfillment of the objectives stated and exploring the remedial measures to cure deficit as implied in the organizational framework above.

4. An Overview of Balance of Payment position of India:

4.1 The researcher has studied the BoP position after liberalization i.e. after 1991. In terms of absolute figures, even though exports show rising trend still the rise is at decreasing rate. All this culminate into deficit in the Balance of Payment and it has become a chronic feature of Indian economy as is evident from the BoP data reproduced belo

Table 6.2 : Balance of Payments : Summary#

(in US $ million)

	1990-91	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	(April-Sept.)	
									2004-05	2005-06
1. Exports	18477	34298	37542	45452	44703	53774	66285	82150	36715	44761
2. Imports	27915	47544	55383	57912	56277	64464	80003	118779	51483	76396
Of which : POL	6028	6399	12611	15650	14000	17640	20569	29844	14578	20834
3. Trade balance	-9438	-13246	-17841	-12460	-11574	-10690	-13718	-36629	-14768	-31635
4. Invisibles (net)	-242	9208	13143	9794	14974	17035	27801	31229	14283	18679
Non-factor services	980	2165	4064	1692	3324	3643	10144	14199	5980	9512
Income	-3752	-3544	-3559	-5004	-4206	-3446	-4505	-3814	-1917	-3078
Pvt. transfers	2069	10280	12256	12854	15398	16387	21608	20253	9968	12043
Official transfers	461	307	382	252	458	451	554	591	252	202
5. Current Account Balance	-9680	-4038	-4698	-2666	3400	6345	14083	-5400	-485	-12956
6. External assistance (net)	2204	799	891	410	1117	-3128	-2858	1923	346	436
7. Commercial borrowing (net)@	2254	4367	333	4303	-1585	-1692	-2925	5040	1526	2752
8. IMF (net)	1214	-393	-260	-26	0	0	0	0	0	0
9. NR deposits (net)	1536	961	1540	2316	2754	2978	3642	-964	-1334	174
10. Rupee debt service	-1192	-802	-711	-617	-519	-474	-376	-417	-279	-142
11. Foreign investment (net)	101	2312	5117	5862	6686	4161	13744	12147	2490	7411
of which :										
(i) FDI (net)	96	2380	2093	3272	4734	3217	2388	3240	1979	2304
(ii) FIIs	0	-390	2135	1847	1505	377	10918	8280	339	4227
(iii)Euro equities & others	5	322	889	743	447	567	438	627	172	880
12. Other flows (net)+	2284	623	3930	-3739	-96	8795	6111	13830	4672	8827
13. Capital account total (net)	8401	7867	10840	8509	8357	10640	17338	31559	7421	19458
14. Reserve use (- increase)	1279	-3829	-6142	-5842	-11757	-16985	-31421	-26159	-6936	-6502

Actuals.
@ Figures include receipts on account of India Development Bonds in 1991-92, Resurgent India Bonds in 1998-99 and India Millennium Deposits in 2000-01 and related repayments, if any, in the subsequent years.
+ Include, among others, delayed export receipts and errors & omissions.
Source : Reserve Bank of India.

4.2 From the above data it is observed that:

i) Barring few years, i.e. from 2001 to 2004, Current Account deficit continues.

ii) Though there has been growth in exports, there has also been corresponding rise in imports too resulting chronic deficit as a feature of Indian economy.

iii) Current Account deficit is not fully financed by Capital account and necessitates drawing down on reserves.

The observations made above and analysis of the data led researcher to probe further into the causes of chronic deficit against the background of Export Promotion measures announced by the Government from time to time. **It is pointed out that there has been uneven growth of exports and even percentage rise is at decreasing rate. Hence, it is follows that either export promotion measures appears to be inadequate or the benefits accrued in the form of earning foreign exchange are offset by corresponding rise in imports.**

5. Current Trends in Exports and Imports:

5.1 The subprime crisis in the US housing mortgage market in 2007 has disturbed general equilibrium and has emerged as a global financial crisis, leading to global economic recession thereby affecting external sector of many developing economies including India. The crisis has impacted India's foreign trade in a great magnitude. In order to make trend analysis more meaningful, the researcher thought it fit to consider the period of two years 2008-09 and 2009-10 and has studied the impact on Exports, Imports and Current Account deficit. The following chart displays Percentage growth in Exports, Imports and Trade Balance.

Source: RBI Report.

5.2 From the above chart, it is observed that:

i. The percentage rise in Imports more than offsets percentage rise in exports (barring April 2008.)

ii. The Trade Account continues to be in deficit.

6. Analysis of causes of uneven export growth:

The uneven Export growth is attributed to specific factors like:

(a) Due to globalisation, the international market has become increasingly competitive and exporters are unable to sell the products at internationally competitive prices.

(b) The exporters are not well conversant with the various promotional schemes launched by Government authorities.

(c) The fluctuations in exchange rates have an adverse impact on Indian exports. This was particularly observed

when appreciation of rupee occurred in the year 2006-07.

(d) Other factors like social aspects, marketing of Indian products, and lack of entrepreneurship skills play an important role towards taking up export activity.

(e) Cost of availing finance plays a crucial role in initiating export activity and setting the competitive price of the products.

(f) Indian exporters are not well conversant with International hygiene standards resulting exports of agriculture goods has suffered considerably and there have been several instances of consignments being rejected. Recently, (May 2010) the consignments of grape exporters were rejected by the European authorities due to the presence of chlormacvat, a chemical residues.

7. Analysis of causes of growth in Imports:

(a) In Developing economies including India**,** local currency values are pushing up. This leads to higher imports.

(b) There is strong demand in the country which leads to rising Imports.

(c) There is continuous rise in oil prices which increases the value of Imports.

(d) Government's aggressive push for higher domestic demand, low real interest rates and loose fiscal policy have pushed up domestic demand which leads to rise in Imports.

8. To explore the possibility of Import curtailment as a supplementary measure to Export Promotion.

8.1 The literature reviewed on "Import Substitution" discussed the circumstances that led to shift in the external Trade Policy. Apart from Infant Industry Argument the economic reasoning put forward for shift in policy was to be in line with changing economic scenario i.e. globalization and accordingly the relaxation was made in removing exchange controls on Import and Export and Outward/Inward remittances. The relaxation in Imports was further justified in view of relatively comfortable foreign currency reserve position. The relaxation in imports were mainly in the form of removal of License Raj and increasing the list of commodities to be included in the Open General License. Apart from this, relaxations are also being made on Capital Account and Indian rupee is almost convertible on Current Account. As a part of liberalization measures, various incentives are given in the current Foreign Trade Policy to the exporters. However, the researcher felt that in spite of all these promotional measures (particularly given to the existing as well as prospective exporters) the results are not up to the desired level and same is evidenced from the interpretation of data on BoP that clearly indicates that though liberalization has helped in promoting exports, the Exports are rising at decreasing rates and Imports are continuously rising thereby offsetting benefits of Exports. The resultant effect is irrespective of policy measures, the BoP continues to be in red. Hence, the researcher felt it necessary to have a relook into the policy of Import Substitution and Export Promotion.

As stated above since the growth of Exports is at decreasing rate the researcher has focused on Import component of the BoP. Therefore in the further part, the researcher has analyzed the composition of Imports by applying the **technique of elasticity** so as to identify demand elasticity of Imported commodities with the help of **"Total Outlay Method"** discussed in traditional economic literature.

In order to calculate the total outlay so as to identify and list out the commodities with different elasticity of demand, the following methodology has been adopted:

i) The collection of data of principal commodities imported is taken for the period from 2006 to 2009. (Refer table 8.2)

ii) The selection of commodities is based on its composition in the total Imports of India. (Refer table 8.2)

iii) The total expenditure with respect to commodities selected has been worked out for the period under consideration and is compared with corresponding change in price to determine elasticity. (Refer table 8.3)

8.2 Composition of Indian Imports

India's Imports of Principal Commodities				
Commodity	2006-07	2007-08	2007-08	2008-09
1. Petroleum, crude and	30.8	31.7	32.6	32.8
Products				
2. Capital goods	25.3	28.2	24.4	22
3. Gold and silver	7.9	7.1	7.6	6.8
4. Organic and inorganic				
Chemicals	4.2	3.9	4.2	4.3
5. Coal, coke and				
briquettes, etc.	2.5	2.6	2.7	3.6
6. Fertilisers	1.7	2.2	2.4	5.1
7. Metalliferrous ores,				
metal scrap, etc.	4.5	3.1	3.3	2.9
8. Iron and steel	3.5	3.5	3.7	3.3
9. Pearls, precious and semiprecious				
Stones	4	3.2	3.4	4.9
10. Others	19.6	18.7	20.1	19.6
Total Imports	100	100	100	100

Source: DGCI&S.

8.3 Total outlay of Indian Imports

		APRIL 2008 TO JAN 2009			APRIL 2009 TO JAN 2010		
COMMODITIES	UNIT	QUANTITY	VALUE	PRICE	QUANTITY	VALUE	PRICE
PETROLEUM, CRUDE & PRODUCTS	TON	130560115	37952161	0.2907	146824491	33347590	0.2271
COAL,COKE & BRIQUITTES ETC.	TON	49901695	3983133	0.0798	61014387	3456889	0.0567
TEA	KGS	22307710	17160	0.0008	28514524	23403	0.0008
IRON & STEEL	TON	5926595	3635877	0.6135	7272247	3020574	0.4154
CEMENT	TON	811123	29542	0.0364	1844111	48609	0.0264
FERTILEZERS MANUFACTURED	TON	15289181	5204761	0.3404	13829790	2491256	0.1801
GOLD			8848177			10401312	
SILVER			939080			282701	
SUGAR	TON	117381	19156	0.1632	1810192	388124	0.2144
FERTILIZERS,CRUDE	TON	4186382	419022	0.1001	4105010	246591	0.0601

Observations:

i) It is observed that:

a) POL products have inelastic demand as total outlay (Value) has increased with increase in price so is the case with Iron & Steel and sugar as well as fertilizer.

b) In respect of cement, with the fall in the price, there has been sharp rise in expenditure and therefore demand is highly elastic.

9. Conclusions:

In the research undertaken, the attempt has been made to make a critical study of the BoP position and it is ob-

served that BoP continues to be in red. The researcher has probed deeper to know the causes for chronic deficit in spite of export promotional measures taken up by policy makers in conformity to paradigm shift from Import substitution to Export promotion since the Globalization.

The further study brought to light an important fact that the favorable impact of Exports is wiped out by corresponding increase in Imports resulting into sustained deficit in BoP. The study also revealed that while pursuing the policy of Import Substitution to Export Promotion, the Imports have taken a backseat and the need of hour is to focus on import component rather than Export. Therefore the researcher collected the data for the current period and made a scientific analysis of the data with the help of economic principles of "Demand Elasticity". It was observed that in respect of POL products, Iron & Steel etc. the Demand elasticity is low while it is high in respect of commodities like Cement which led researcher to suggest that for commodities having high elasticity, Tariff and Quota measures should be applied, while those commodities having low elasticity of demand the researcher proposes extensive innovative methods to develop substitute products in the Home Country e.g. POL items having highest component to the tune of 30% almost, an innovation of substitute source of fuel energy coupled with stringent restriction on its availability would go long way in saving the valuable foreign exchange that can be utilized for the import of goods having inelastic demand. It is also felt that like incentives to the exporters, the policy should be in giving high subsidy to industries promoting such innovative products.

Thus, the critical analysis of the India's Balance of Payment led us to the fact that apart from Export Promotion, the Import Innovation is a real challenge ahead. Hence, to conclude, the punch line to be promoted by Policy Makers should be **"Import Replacement through Innovation coupled with Export Promotion."**

10. Scope for Further Research:

a) The centre theme of the present research work revolves around the "Elasticity of demand" for the components of imports without probing into the reasons why elasticity is low or high for particular commodity. Thus, there is a sufficient scope to investigate further in finding out causes of low or high elasticity and suggest suitable measures so as to reduce the component of inelastic goods in composition of imports.
b) The whole research focuses on import products assuming enough has been done for exports but analysis of supply elasticity of exports would shed more light on improving BoP position.

11. Limitations of study:

a) The fluctuations in exchange rate, general price level and its impact on elasticity is not considered.
b) The whole research has been carried out by considering Current Account of the Bop and impact of capital flows on the domestic currency which in turn affects the BoP is beyond the scope of study.

12. References:

1. "Charles W. L Hill", "*International business*" University of Washington, Tata McGraw-Hill Publication Fifth Edition
2. "The Crisis Down Under" by Joseph E Stiglitz, Article from The Economic Times, 14th August, 2010.
3. "Current Account Deficit Trebles" News from The Financial Express, 1st October, 2010.
4. "A Current Account Deficit too Wide" by Chetan Ahya, The Economic Times, 20th September, 2010
5. Apte P.G. "*International financial management"* Tata McGraw-Hill Publication, Third edition
6. Growth and Development with special reference to developing economies, Seventh edition, A.P. Thirlwall
7. International Economics, Eighth edition Kindleberger
8. International Economics Theory and Policy, sixth edition, Paul Krugman
9. International Business, Second edition, Justin Paul
10. International Business Competing in global marketplace, Charles WL Hill University of Washington
11. http://www.indiabusiness.nic.in
12. http://www.rbi.org.in
13. DGCI&S.

Emerging Trends in Indian Capital Market

Miss. Kiran Gangwani

Introduction:

Capital Market plays a crucial and effective role in the economic development of a nation. It provides the financial resources needed for the long term and sustainable development of the different sectors of the economy. The Zone of the activities in the capital market is dependent partly on the savings and investment in the economy and partly on the performance of the industry and the economic in general. During pre-seventies the average Indian investor used to put all his/her savings in bank and unit Trust of India only the rich and the daring invested in the market.

Capital market were quite inactive in sixties and seventies and the private corporate sector dependent on their retained earnings and loan funds from the government owned financial and investment institutions for their expansion and growth. In the early independent era, the capital market virtually remained passive players in the process of economic development and was unable to mobilize the financial resources of the nation in required volume. It was in the late 1970s that the average Indian thought of risking his money in the stock market.

The recent years witnessed significant reforms in the capital market. it is well known that trading platform has become automatic, electronic, anonymous, order driven, nation widened screen based. Uniform settlement cycle of Monday to Friday are on all stock exchanges which was recommended by the SEBI and also inform listing procedures were adopted and coordinated by an all Indian Listing Authority since 2004.

What is Capital Market :

The Indian securities market consists of primary (new issues) as well as secondary (stock) market in both equity and debt. The primary market provides the channel for sale of new securities, while the secondary market deals in trading of securities previously issued. The issuers of securities issue (create and sell) new securities in the primary market to raise funds for investment. They do so either through public issues or private placement. There are two major types of issuers who issue securities. The corporate entities issue mainly debt and equity instruments (shares, debentures, etc.), while the governments (central and state governments) issue debt securities (dated securities, treasury bills). The secondary market enables participants who hold securities to adjust their holdings in response to changes in their assessment of risk and return. A variant of secondary market is the forward market, where securities are traded for future delivery and payment in the form of futures and options. The futures and options can be on individual stocks or basket of stocks like index. Two exchanges, namely National Stock Exchange (NSE) and the Stock Exchange, Mumbai (BSE) provide trading of derivatives in single stock futures, index futures, single stock options and index options. Derivatives trading commenced in India in June 2000

A capital market is a market for securities (debt or equity), where business enterprises (companies) and governments can raise long-term funds. It is defined as a market in which money is provided for periods longer than a year, as the raising of short-term funds takes place on other markets (e.g., the money market). The capital market includes the stock market (equity securities) and the bond market (debt).

Capital markets may be classified as primary markets and secondary markets. In primary markets, new stock or bond issues are sold to investors via a mechanism known as underwriting. In the secondary markets, existing securities are sold and bought among investors or traders, usually on a securities exchange, over-the-counter, or elsewhere.

The capital market has two interdependent and inseparable segments the new issue market (primary market) and the stock market (secondary market). The primary market provide the channel for creation and sale of new securities while the secondary market deals in securities previously issued.

The securities issued in the primary market are issued by public limited companies or by government agencies. The resources in this kind of market are mobilized either through the public issue or through private placement route. It is a public issue if anybody and everybody can subscribe for it whereas if the issue is made available to select group of persons it is termed as private placement. There are two types of major issuer of securities the corporate entities who issue mainly debt and equity instrument and the government (central as well as state) who issue debt securities and treasury bills.

The secondary market or the stock exchange enables participants who hold securities to adjust their holding in response to changes in their assessment of risk and returns. Once the new securities are issued in the primary market they are traded in the stock market or the secondary market. The secondary markets operates through two mediums namely the over the counter (OTC) market and the exchange traded markets. Most of the trades in the government securities are in the OTC markets. All the spot trades where securities are traded for immediate delivery and payment take place in the OTC market. The other option is to trade using the infrastructure provided by the stock exchange.

The market has essentially three categories of participant's viz. the issuer of securities, the investor in the securities and the intermediaries:-

1) The issuer is the borrowers who issue securities to raise funds.
2) The investors who are surplus savers deploy their savings by subscribing to these securities.
3) The intermediaries are the agents who match the needs of users and suppliers of funds for a commission.

There are a large variety and number of intermediaries providing various services in the Indian securities market. This process of mobilization of resources is carried out under the supervision and over view of the regulators.

Recent Trends in Indian Capital Market :

The recent years witnessed significant reforms in the capital market. it is well known that trading platform has become automatic, electronic, anonymous, order driven, nation wideand screen based. Shouting and gesticulations have yielded place to punching & clicking. speed & efficiency are the hallmark of the current system. Weekly settlement system was enforced on all stock exchanges uniformly which was followed by Daily Rollover System in selected scrips from 1999. Trade guarantee fund and investor protection fund were maintained in many stock exchanges. Enforcement of a code of corporate governments, quarterly publications of results and better disclosures were insisted upon the listed companies. Uniform settlement cycle of Monday to Friday are on all stock exchanges was also recommended by the SEBI and inform listing procedures were adopted and coordinated by an all Indian Listing Authority since 2004.

BSE went over to electronic trading system in January 1995, called BOLT, BOLT System was enlarged and more centers in India got connected for internet trading. NSE has also planned for overseas centers for trading purposes. Badla system was streamlined and strengthened with better surveillance in selected scrips. Volumes of trading and liquidity had increased due to electronic trading. This trend was facilitated by Demat form holding shares, quicker weekly settlements and clearing supported by a powerful regulatory system, operated by SEBI.

There have been significant changes in the securities market in India as well as the international arena during

the last one year, this is mainly due to the reforms/ initiative taken by the government and the regulators, in the arena of clearing and settlement reforms in the payment system have been initiated by RBI viz. real time gross settlement (RTGS) has been introduce by RBI to settle inter bank transactions online at real time mode. The development in the securities market provides the necessary imputes for growth and development and thereby strengthens the emerging market economy in India. The objective of recent trends in the securities market is as follows:-

1) To improve market efficiency.
2) To enhance transparency.
3) To prevent unfair trade practices.
4) To bring the Indian capital market upto the international standard.

The recent trends that have taken place in the Indian capital market during the recent years can be summarized as follows:-

1. Repeal of capital issue control act:-

Capital issues control act 1947 was repealed and the office of controller of capital issue (CCI) was abolished with effect from May 29, 1992. Companies are now free to approach to capital market after clearance by SEBI. Today SEBI's main stress is to provide self regulatory systems in capital markets. It has issued guidelines for free pricing of securities for certain categories of company by virtue of which companies can ask for any amount of premium.

SEBI guidelines intend to give only direction and certain requirements with reference to disclosure and investor protection. SEBI has advised that premium based on CCI formulate should be given in the prospectus. The philosophy of free pricing guidelines of SEBI is that the issues can price their shares according to their wish. But they have to give a justification as to the price and give sufficient disclosure in the prospectus. With the abolishment of CCI act in May 1992, government's control over issue of capital, pricing of the issue, fixing of premium and rates of interest on debentures etc.ceased.

2. Rolling Settlement System:-

The recent reform of SEBI with regards to stock market includes interalia, the strengthening of the rolling settlement system which was done during 2000-01. Bulk of reforms during 1996 to 2000 encompasses the electronic trading system, clearance and settlement system. Uniform trading cycle, clearance an settlement through Demat system, without the need for physical certificates, weekly settlement and T+2 settlement, setting up of trade guarantee funds for ensuring settlements, customer protection funds, quicker settlements, internet trading, broker website trading, etc. are some of the examples of the recent stock market reforms, affected by SEBI.

3. Trading Cycle:-

An investor today need not wait, with his fingers crossed, for a fortnight or more, for getting crossed cheques or crisp notes for the sale proceeds of his securities. The trading cycle has been shortened progressively from T+5 to T+2 days with effect from April 1, 2003. This shortening of the cycle has been done in a phased manner but in a rapid succession – from T+5 to T+3 to T+2, all in a matter of two years.

4. CDSL: Central Depositary Services Limited :-

The CDSL is promoted by Bombay Stock Exchange. The SEBI has mandated that the major stock like NSE, Delhi, Ahemdabad and Calcutta should be connected to CDSL. The clearing member of this exchanges should open account with CDSL to facilitates settlement of trade in DEMAT form. This is in addition to NSDL, setup mainly by NSE

5. Demat Form Of Trading (Demutualization):-

Majority of scrips are put in a Demat form trading in a last few months during 1999 to 2004.nearly 90% of the trade is already in Demat form, with nearly 600 scrips in compulsory Demat trading as at end may 2000. By 2005 all scrips which are traded are in Demat form of trading with T + 2 settlements. . Inconvenience of physical custody and transfer, medium of intimating change of address and problems of bad delivery, late delivery, non delivery and the risks of forgery and frauds have virtually disappeared – or shall I say - have been dematerialised! The benefit is relished but not the cost. We should bear in mind the maxim – no cost, no benefit. There is no free lunch in this world. Still, there is no denying the fact that there could be a possibility

for reduction in the cost; such possibilities are explored.

6. **Globalization of the capital market:-**
   Indian capital market is getting increasingly integrated with the rest of the world .Indian companies have been permitted to raise resources from abroad through issue of (ADRS) American Depository Receipts, Global Depository Receipts (GDRS), and Foreign Currency Convertible Bond (FCCBS). Further foreign companies are allowed to tap the domestic stock market; Indian companies are permitted to list their securities on foreign stock exchange by sponsoring ADR/GDR issues. NRIS and overseas corporate bodies (OCBS) are allowed to invest in Indian companies. The investment by foreign institutional investors (FIIS) enjoys full capital account convertibility. Finally the trading platform of Indian exchanges is now accessed through the internet from anywhere in the world.
7. **Electronic Form Of Trading :-**
   Globalization of stock exchange is now on way. The electronic age has come to the stock market. Nearly 100% of all transaction is executed through electronic media online trading system. There are 23 exchanges in India and all of them follow a systematic settlement period. The number of cities covered by NSE and BSE electronic network would have crossed 1000 mark, by end 2000. More and more brokers and sub-brokers are getting into the internet trading system. Corporate bonds and Government Securities used to be traded via telephone exchange. A beginning has been made for their trading on the stock exchange now. As is natural, the weaning takes time!
8. **Internet Trading (e-trading)**
   The SEBI have allowed e-trading and brokers would rush to the web-sites and trading through web sites would increase. On the internet, one would be able to trade instantly and transparently from any part of the world. Today, a trading member need not wend his way to the Tower in Dalal Street, Mumbai or to any stock exchange building elsewhere; he can comfortably sit at his computer terminal and execute the order. Laptops, palmtops and hand mobiles, in fact, challenge the relevance of the brick and mortar.
9. **Electronic Funds Collection**
   Under this system, the broker get their fund directly credited to their account and the client can in turn get their accounts credited or debited for the net fund to flow across the country. This facilitates quicker payments, improves the liquidity position of brokers and gets funds one day after the pay out day to obviate possible defaults or cash-out positions of brokers and sub-brokers.
   The other facility include basket trading, trading in index fund, voting and non voting share, tracker share and portfolio tracker. Tracker shares refer to the separate division shares of a company such I.T. Divisions WIPRO or TATAs. Portfolio trackers for valuation website, company analysis and M.I.S. on the companies in one's portfolio are presented through the website. There will be automatic borrowing and leading facilities, institutionalized security leading, automatic financing or margin buying and a host of other facilities on the stock exchanges.
10. **Foreign listing**
    As the country open upto foreign operations many more Indian companies got listed on foreign stock market of London, New York, NASDAQ, etc. Internet and online trading facility is created and selected foreign centers. The regional stock exchanges and local trading became gradually redundant in the context of global trading. Slowly foreign companies would be listed on the Indian Exchanges and trading would take place in such foreign shares in India.
    Indian capital account controls are slowly getting dismantled and liberalized. Free flow of FDI funds into India and liberal borrowing facilities for Indian Companies abroad tended to globalize Indian markets. Indian Mutual Funds are allowed to invest in foreign securities up to a limit. The GDRs (Global depository receipts) and ADRs (American depository receipts) of Indian companies are well received in foreign market and are traded freely in foreign stock markets.
11. **Preference for Mutual Fund :-**
    Many public sector banks, LIC & GIC came out with their mutual funds which have helped the new issue market as well as secondary market. In addition to the UTI these mutual fund started mobilizing funds for investment in the capital market since 1987. it appears that more & more people prefer mutual fund as their investment vehicle. This change in investor behaviour is induced by the evolution of a regulatory framework

for mutual funds, tax concession offered by government and preference of investor towards mutual fund. **SEBI** has now facilitated transaction in Mutual Fund through stock exchange for getting benefit of investing in Mutual Fund through stock exchange.

12. QIP: Qualified Institutional Placement

Qualified institutional placement (QIP) is a capital raising tool, primarily used in India, whereby a listed company can issue equity shares, fully and partly convertible debentures, or any securities other than warrants which are convertible to equity shares to a Qualified Institutional Buyer (QIB).

The Securities and Exchange Board of India (SEBI) introduced the QIP process through a circular issued on May 8, 2006, to prevent listed companies in India from developing an excessive dependence on foreign capital.

The corporate governance and corporate performance do reflect and get reflected in the conditions of capital market. As a market regulator and protector, SEBI is concerned with corporate governance practice on an ongoing basis. According to the Economic Intelligence Unit Survey of 2003 regarding corporate governance across the countries, "Top of the country class, as might be expected, was Singapore followed by Hong Kong and, somewhat surprisingly, India." It is significant to note that Singapore and Hong Kong claiming the top positions, was not a matter of surprise, but India coming as third, surprised the world! It shall be our collective endeavour to eliminate the "surprise element". As part of its endeavour towards continual improvement, SEBI has got corporate governance code and practice reviewed, by Narayana Murthy Committee. The Committee's recommendations for refinement were evolved through consultative process, transparent deliberations and democratic approach.

13. Initial Public Offering (IPO)

Initial Public Offerings (IPOs) or Initial Issues refers to Issue of shares for the first time to the public, either after incorporation or conversion of private limited company to public limited company. In other words, an offer by unlimited company to the public for the first time to get listed its securities in stock exchange.

Recent Trends (Impact of recession on IPOs)

In the last quarter of FY 2007-08, several large equity offerings, including those from reputable business houses, have struggled to hit their targets. India's stock markets have been volatile, reacting to fears of a widening global credit crunch and fears of a U.S. recession. Let's have a glance of IPOs in the Indian primary market during Q1'07 & Q1'08 in India.

Table 2: IPOs during Q1'07 & Q1'08 in India:

Period	IPOs Numbers	IPOs Amount (Rs. In Crores)
Q1'07		
April	4	703
May	6	456
June	10	11,914
Total	20	13,073
Q1'08		
April	1	14
May	4	307
June	8	1,572
Total	13	1,509

(Source: www.epwrf.res.in/upload/Current_Statistics/c10822-13.xls)

IPOs witnessed a sharp decline in collections during the June 2008 quarter. Corporate raised just over Rs 1,509 crore from IPOs, indicating a fall of 88.45% from the year-ago levels. The data on number of IPOs that were issued are not encouraging either.

Fund raising by Indian companies has seen a sharp drop in the last quarter of financial year 2007-08. This is evident from an analysis of data presented in the above table.

Impact on global financial assets

The full fallout \ recession from the credit market volatility of 2007 remains to be seen. But over the longer term, the volume of global financial assets (the value of all bank deposits, government debt securities, corporate debt securities, and equity securities) will continue to expand. Over the past 25 years. This source of growth was shaky by 2007.

Conclusion :

The recent years witnessed significant reforms in the capital market. It is well known that trading platform has become automatic, electronic, anonymous, order driven, nation wideand screen based. In terms of different parameters such as operational and systematic risk management, settlement system, disclosure norms and accounting standards the Indian capital market is at par with the best in the world. Following the implementation of reforms in the securities market during the last decade Indian stock market has stood out in the world, ranking as well as in the developed and emerging markets. The development of the capital market continuous coupled with an effective regulatory framework and thus the capital market has come up to global standards. Some are given below:-

The transaction has become user friendly.

The rolling settlement system which was done during 2000-01.

It reduces the trading cycle T+2.

Demat form of trading has reduced the cost & time.

The volume of trading & liquidity has increased because of dematerialization of shares.

After the crunch of U.S. Recession, IPOs witnessed a sharp decline in collections during the June 2008 quarter.

References:

V.A.Avadhani (2008), investment management, Himalaya Publishing House, 7th revised edition.

V.A.Avadhani (2009), securities Analysis & Portfolio Management, Himalaya Publishing House.

B. Bhatia (1976), new issue market in India, Vora Publication, Bombay 1st edition.

Bharati V. Pathak (2009), the Indian Financial System, second Edition.

National Stock exchange of India Limited, vol VIII 2005.

http://www.sebi.govt.in/chairmanspeech/trends.html, dated 20/01/2011

http://en.wikipedia.org/wiki/Capital_market, dated 19/01/2011

http://www.articlesbase.com/marketing-articles/recent-trends-in-indian-and-global-capital market-691800.html#ixzz4xDOh36XG,dated 23/01/2011

Management Of Working Capital

Ms. Sonali Shrotri
and
Ms.Smriti Pathak
Faculties
JSPM

Introduction

India is the most preferred destination for automobile industry today. Indian automotive industry is one of the largest in the world and one of the fastest growing globally. It has emerged as a 'sunrise sector' in our economy within 15 years of its libralisation. India manufactures over 11 million 2 and 4-wheeled vehicles and exports about 1.5 million every year . It is the world's 2nd largest manufacturer of motorcycles and 11th largest manufacturer of passenger car and 13th in commercial vehicles . Several Indian automobile manufacturers such as Tata Motors, Maruti Suzuki,Mahindra and Mahindra have spread their operations in the international market.

The industry also includes a large number of small and medium auto components enterprises. These enterprises play a vital role in the growth of economy. According to the national Auto industry policy for 2006-2016, India's GDP is expected to grow to almost US$ 1400 billion in 2016 and in this GDP, the auto component industry is expected to contribute to almost US$ 150 by then. As per this policy, the GDP of India will have a contribution of around 10% from the automotive industry. This shows that industry has strong outlook and one can foresee enormous growth opportunities lying ahead. Therefore the paper studies the two major giants of the Indian automobile industry. It tries to establish the role of working capital in company's performance.

Working capital management involves managing the relationship between a firm's short-term assets and its short-term liabilities. The goal of Working Capital Management is to ensure that the firm is able to continue its operations and that it has sufficient cash flow to satisfy both maturing short-term debt and upcoming operational expenses. The management of working capital involves managing inventories, accounts receivable and payable, and cash. The management of the working capital is equally important as the management of long-term financial investment. Every running business needs working capital. Even a business which is fully equipped with all types of fixed assets required is bound to collapse without (i) adequate supply of raw materials for processing; (ii) cash to pay for wages, power and other costs; (iii) creating a stock of finished goods to feed the market demand regularly; and, (iv) the ability to grant credit to its customers. Working capital is thus like the lifeblood of a business. The business will not be able to carry on day-to-day activities without the availability of adequate working capital.

To understand the importance of working capital the paper talks about the current profiles of both Tata Motors and Mahindra & Mahindra.

Tata Motors Ltd.:- The company was established in 1945 and the new venture by the name was functional from 1954. More than 5.9 million Tata vehicles play on Indian roads. Over the years Tata Motors' has evolved from a truck manufacturer to becoming India's only fully integrated automobile manufacturer with a product range designed to meet India's transportation needs. Tata has given wide variety of brands such as Nano, Indica, Indica Vista, Indigo, Indigo Manza, Indigo CS, Sumo, Safari, Xenon, Aria.

Mahindra & Mahindra Ltd. (M & M):- The origins of Mahindra Group can be traced back to October 2, 1945. Mahindra Group is the market leader in utility vehicles in India since beginning and one of the leading tractor brands in the world. M&M's automotive division makes a wide range of vehicles including utility vehicles, light commercial vehicles and three wheelers. It offers over 20 models. Some of the famous automobile brands of Mahindra are: Scorpio, Xylo, Axe , Major and Bolero.

The companies are having good profile and are truly giants of auto motives. The question is which is better managed in terms of capital and short term liabilities? To answer the question let me formulate a few Objectives:-

The study is divided in to two parts:

- Study the structure of working capital including its composition for the above 2 companies.
- Study Working Capital Management of small and medium scale automobile industries

Now, The objectives need to be defined, estimated and proved therefore the Research Methodology followed is : - The companies Tata Motors Ltd and M&M Ltd have been selected on the basis of their dominance in automobile sector. The research methodology employed qualitative and quantitative analysis of the financial statements. These statements were extracted from annual reports of Tata Motors Ltd. and M&M Ltd from the year 2005 to 2010. Analysis of the company's financial statement has been carried out in order to verify my findings. For analysis, both financial and statistical techniques were applied. Data of small and medium scale automobile industries is collected through personal interview of related persons.

Analysis and Discussion

Method of analysis is Comparative Analysis of working capital management of M&M & Tata Motors. Analysis is divided in three parts as

- Size wize analysis including discussion on composition of Working Capital,
- Ratio analysis related to working Capital and
- t-test analysis.

Size wize analysis (including discussion on composition of Working Capital) :

It includes the study of working capital structure of both M&M & Tata Motors. The concept of gross working capital and net working capital is used through the study. Working capital comprises of inventories, debtors, cash and bank, loans and advances, other assets and current liabilities.

Working capital: The gross working capital of M&M showed an increasing trend every year except in 2008. It increased to 3747.73 crores in the year 2007 from 2299.49 crores in 2005. Declined in 2008 by 92.36 crores and again increased to 5062.93 and 6042.39 in 2009 and 2010 respectively. Whereas net working capital showed increasing trend till 2007 (i.e. from 539.79 crore to 1082.08 crore) and thereafter declined to 404.36 and 265.17 crore in 2008 and 2009 respectively. Again increased in 2010 to 845.85 crores. On an average it stood at 641.02 crore with standard deviation 273.44 and a high coefficient of variation of 42.66%.

In case of Tata Motors the gross working capital showed an increasing trend every year. It increased from 7086.03 crores to 11537.98 crores in six years. Whereas net working capital showed increasing trend till 2007 (i.e. from 545.36 crore to 2784.05 crore) and thereafter showed negative trend in next three years. It was -272.85 crores in 2008 which increased to -5834.64 crores in 2010. On an average it stood at -1368.77 crore with standard deviation 1732.74 and a very high coefficient of variation of 759.55%.

Inventories: For M&M Ltd. the inventories increased from 759.97 crores in 2005 to 878.88 crore in 2006. In 2008 increased to 1084.11 crores with slight decrease in 2007. In 2009 declined by 23.44 crores and again increased to 1188.78 crores in 2010. On an average inventories stood at 975.14 crores with standard deviation 147.06 and a low variation rate of 15.08%. Inventories were 26.43% of GWC on an average.

In case of Tata Motors Ltd. the inventories increased from 1601.36 crores in 2005 to 2500.95 crore in 2007. They decreased to 2421.83 and 2229.81 crores in 2008 & 2009 respectively. In 2010 they rose to 2935.59 crores. On an average inventories stood at 2283.63 crores with standard deviation 415.04 and a low variation rate of 18.17%. Inventories were 23.23% of GWC on an average.

Debtors: Debtors of M&M Ltd. showed increasing trend every year. It increased from 511.52 crores in 2005 to 1258.08 crores in 2010. On an average it stood at 859.44 crores with standard deviation 261.2. Variation rate is slightly high i.e. 30.39%. They comprised 22.16% of GWC.

In case of Tata Motors Ltd. also Debtors showed increasing trend every year except in 2006. It was 798.58 crores

in 2005 which declined to 715.78 in 2006. Thereafter it increased to 2391.92 crores in 2010. On an average it stood at 1170.73 crores with standard deviation 575.97 and a high variation rate of 49.20%. They covered only 11.73% of GWC.

Cash and Bank: For M&M Ltd. it increased from 623.98 crores in 2005 to 1326.07 crore in 2007. In 2008 it decreased to 861.23 crores and again climbed up to 1743.23 crores in 2010. The average amounted to 1143.21 crores with standard deviation 427.98 indicating high variation rate of 37.44%. They form 28.74% portion of GWC.

Cash and Bank balance in case of Tata Motors Ltd. was 2005.04 crores which came down in next two years. It was 1119.43 and 826.76 crores in 2006 and 2007 respectively. In 2008 increased from 826.76 crores to 2397.31 crores. Decreased to 1141.82 crores in 2009 and again increased to 1753.26 crores in 2010. On an average amounted to 1540.60 crores with standard deviation 553.9 indicating high variation rate of 35.95%. It occupied 16.33% portion of GWC.

Loans and Advances: From 2005 to 2007 it has shown rising trend. In 2005 it was 401.88 crore which increased to 839.42 Cr. in 2007. It reduced to 691.88 Cr in 2008. It rose to 1382.62 Cr. and 1801.43 Cr in 2009 and 2010 respectively. Ordinarily it it stood at 938.08 crores with standard deviation 497.17 and very high variation rate of 53%. On an average it covered 22.41% of GWC.

Tata motors has shown fluctuating trend. In 2005 it was 2674.93 crore which increased to 6396.22 crores in 2007. It reduced to 4433.05 crores in 2008. It rose to 4962.99 crores and declined by 505.89 crores in 2009 and 2010 respectively. Ordinarily it stood at 4788.67 crores with standard deviation 1180.21 and variation rate of 24.65%. On an average it covered major portion i.e. 48.68% of GWC.

Other current assets: These constitute very small portion of GWC of both the companies with very high variation rate.

Current Liabilities: Current liabilities of M&M Ltd. showed an increasing trend. It continuously increased from 1759.7 crores in 2005 to 5196.54 crores in 2010. They represented an average of 3287.27 crores with variation rate of 39.61%.

Same in the case of Tata Motors Ltd.. Current liabilities have shown increasing trend throughout the study period. It was 6540.67 crore in 2005 which increased to 17372.59 crores in 2010. They illustrated average of Rs.10015.03. Coefficient of variation rate is 36.62%.

Ratio Analysis :

The various ratios used for the study include Current Ratio (CR), Quick Ratio (QR), Absolute Cash Ratio (ACR), Working Capital Turnover Ratio (WCTR), Inventory Turnover Ratio (ITR), Debtors Turnover Ratio (DTR), Cash Turnover Ratio (CTR), Inventory Conversion Period (ICP) and Debtors Collection Period (DCP). All turnover ratios are calculated in relation to net sales.

Mahindra & Mahindra Ltd.: CR was in between 1.06:1 to 1.41:1 over the period of study with an average of1.24 which is below standard ratio of 2:1. QR was 0.25:1 to 1.23:1 through out the period with an average ratio of 0.68:1 which is below standard ratio of 1:1. ACR was below standard norm with a mean ratio of 0.36:1. Least WCTR was 8.88:1 and highest was 47.70:1 with an average ratio of 21.33:1. ITR decreased from 19 times to 17 times in 2006. Thereafter it increased to 29 times in 2010 giving a mean of 20.10 times. ICP increased from 27 days to 30 days in 2006. In 2007 it was 28 days which rose to 29 days in 2008 and again declined to 26 days and 19 days in 2009 and 2010 respectively. Average ICP was 26 days. DTR was 13, 13, 14 times in 2005, 2006 and 2007 respectively. It declined to 11 times in 2008 and again reached to 14 times in 2010 depicting average DTR of 12.70 times. DCP was same for 2005 and 2006 i.e. 29 days. It declined to 27 days in 2007 and again climbed up to 34 days with diminishing trend in subsequent two years. It stood at average of 29 days. CTR was fluctuating through out the period and gave an average of 10 times.

Tata Motors Ltd.: CR was below standard ratio of 2:1 over the period of study with an average of1.05:1. It started with 1.08:1 rose to 1.36:1 and fell down to 0.66:1 in 2010. QR was 0.50:1 to 1.08:1 through out the period with an average ratio of 0.82:1 which is below standard ratio of 1:1. ACR was in between 0.10:1 and 0.31:1 giving mean ratio of 0.17:1 which is very less than the standard norm of 0.50:1. WCTR placed from (105.30):1 to 32.25:1 showing an average ratio of (13.94):1. ITR decreased from 24 times to 21 times in 2008. it remained same in 2009 and increased to 25 times in 2010. On an average it stood at 22.57 times. ICP increased from 22 days to 25 days in 2008. In 2009 and 2010 it fell down to 24 and 21 days respectively. Mean ICP was 23.57 days. DTR rose to 35

times in 2007 from 22 times in 2005 and then declined continuously to 15 times in 2010. Average DTR was of 25 times. DCP was 17 days in 2005 which reduced to 10 days in 2007. It climbed up to 25 days in 2010. It averaged at 16 days. CTR increased to 33 times in 2007 from 9 times. Then it showed fluctuating trend in last 3 years and offered an average of 19.23 times.

t-test Analysis :

t-test was performed at 5% significance level to check whether significant difference exist in the working capital of both the companies. Result showed that there is no significant difference between two.

Findings and Conclusions:

It was observed that M&M Ltd has shown good liquidity position as it has revealed positive and adequate net working capital compare to Tata Motors . Result showed by Tata Motors was positive in first three years but from 2008 to 2010 it has revealed increasingly negative working capital. It portrayed very high variation rate of (759) due to high amount of negative working capital in one year and positive in one year. It requires urgent action to be taken for improvement as it illustrated poor liquidity position.

Composition of current assets disclosed that investment of M&M ltd. in inventories, debtors, Loans and advances and cash and bank is near about same ranging from 22.41% to 28.74%. It showed that they have managed composition of current assets properly. However Tata Motors have invested huge fund i.e.48.68% of current assets in loans and advances. While investment in debtors is comparatively low. Proportion of cash and bank balance is only 16.33%.

The analysis of current liabilities of M&M showed lower amounts than total current assets resulting positive net working capital every year. In case of Tata Motors amount of current liabilities for first three years was in control but in next three years it exceeded the limit of total current assets representing negative trend in net working capital.

On an average Current ratio, Quick ratio and Absolute cash ratio of both the companies was below standard of 2:1, 1:1 and 0.50:1 respectively. When compared with each other result disclosed that liquidity position of M&M is better. M&M revealed good working capital turnover ratio as it has revealed positive working capital every year. However in case of Tata Motors due to negative working capital, average working capital turnover ratio showed bad results.

Cash turnover ratio of Tata Motors was comparatively higher than Mahindra & Mahindra.

Debtors turnover ratio for Mahindra & Mahindra is 12.70 times and debtors get converted into cash after 29 days whereas for Tata Motors debtors turnover was near about double i.e. 24.65 times and period required for conversion was only 16 days. Result showed that compare to M&M Tata Motors can raise cash easily from debtors in shorter period.

Inventory turnover ratio of both the companies was pretty high with high conversion period. It indicated that both the companies are managing their inventories efficiently.

After this comparative study it may be concluded that though Tata Motors is still leader in the market as far as management of working capital is concerned, Mahindra and Mahindra has performed better.

In case of SMIs: Investigation revealed that Tata Motors, M&M, Bajaj Auto, DANA India and Spicer these are the major clients for them. For 50% of the SMIs under study raw material is supplied by the client as and when required. So no problem of inventory arises for them. Few SMIs they follow just in time technique. Where as few were not aware about it and impact of poor inventory management. Regarding debtors again their suppliers are their clients so no major problem for few but for remaining 50% they some times face the problem in collection. Overall SMIs study showed that though few companies are managing working capital properly few are not aware of it. Due to which they are facing problems to raise funds from banks, to avail credit facilities from suppliers, etc.

Suggestions:

Though working capital structure of M&M has shown better results, it has to take steps to improve its liquidity position to meet the future growth requirements in global market. In case of Tata Motors huge fund of gross working capital is captured by loans and advances which indicates that now they have to take more efforts for recovery of the same. Exceeding amount of current liabilities demonstrate that part of fixed assets are financed from short term sources. Company has to focus on liquidity problem and increase efficiency in utilization of fixed

assets.

They have already taken benefit of it's goodwill in the market for last three years now its time to take corrective action and improve liquidity position to sustain its present status. In case of SMIs they have to understand the importance of working capital mainly inventory and debtors management for early growth.

According to Automotive Mission Plan 2006-2016 next few years will be the crucial period for growth of Indian automotive industry in global stage. All large as well as small and medium scale industries have to manage their working capital efficiently and effectively to scale newer heights in years to come.

Working Tables:

Table 1

Working Capital Structure: Mahindra and Mahindra ltd. (Rs. In Crores)

Year	2010	2009	2008	2007	2006	2005	Total	Mean	S.D.	C.V.
Current Assets, Loans Inventories	1188.78	1060.67	1084.11	878.41	878.88	759.97	5850.82	975.14	147.06	15.08
% GWC	19.67	20.95	29.66	23.44	31.82	33.05		26.43		
Debtors	1258.08	1043.65	1004.88	700.52	637.96	511.52	5156.61	859.44	261.2	30.39
% GWC	20.82	20.61	27.49	18.69	23.10	22.24		22.16		
Cash and Bank Balances	1743.23	1574.43	861.23	1326.07	730.31	623.98	6859.25	1,143.21	427.98	37.44
% GWC	28.85	31.10	23.56	35.38	26.44	27.14		28.74		
Loans and Advances	1801.43	1382.62	691.88	839.42	511.23	401.88	5628.46	938.08	497.17	53.00
% GWC	29.81	27.31	18.93	22.40	18.51	17.48		22.41		
Other Current Assets	50.87	1.56	13.27	3.31	3.46	2.14	74.61	12.44	17.64	141.86
% GWC	0.84	0.03	0.36	0.09	0.13	0.09		0.26		

Year	2010	2009	2008	2007	2006	2005	Total	Mean	S.D.	C.V.
Gross Working Capital (GWC)	6042.39	5062.93	3655.37	3747.73	2761.84	2299.49	23569.75	3,928.29	1283.1	32.66
Current Liabilities And Provisions :	5196.54	4797.76	3251.01	2665.65	2052.98	1759.7	19723.64	3,287.27	1302.02	39.61
Net Working Capital (NWC)	845.85	265.17	404.36	1082.08	708.86	539.79	3846.11	641.02	273.44	42.66

Table 2

Working Capital Structure: Tata Motors Ltd. (Rs. In Crores)

Year	2010	2009	2008	2007	2006	2005	Total	Mean	S.D.	C.V
Current Assets, Loans And Inventories	2935.59	2229.81	2421.83	2500.95	2012.24	1601.36	13701.78	2,283.63	415.04	18.17
% GWC	25.44	23.37	23.32	23.79	20.83	22.60		23.23		

Sundry Debtors	2391.92	1205.52	1130.73	782.18	715.78	798.58	7024.71	1,170.79	575.97	49.20
% GWC	20.73	12.64	10.89	7.44	7.41	11.27		11.73		
Cash And Bank Balances	1753.26	1141.82	2397.31	826.76	1119.43	2005.04	9243.62	1,540.60	553.9	35.95
% GWC	15.20	11.97	23.09	7.86	11.59	28.30		16.33		
Loans And Advances	4457.1	4962.99	4433.05	6396.22	5807.7	2674.93	28731.99	4,788.67	1180.21	24.65
% GWC	38.63	52.02	42.69	60.85	60.11	37.75		48.68		
Other Current Assets	0.11	0.11	0.86	5.94	6.16	6.12	19.3	3.22	2.87	89.22
% GWC	0.00	0.00	0.01	0.06	0.06	0.09		0.04		

Table 2 (cont.)

Working Capital Structure: Tata Motors Ltd. **(Rs. In Crores)**

Year	2010	2009	2008	2007	2006	2005	Total	Mean	S.D.	C.V
Gross Working Capital (GWC)	11537.98	9540.25	10383.78	10512.05	9661.31	7086.03	58721.4	9,786.90	1373.54	14.03
Current Liabilities And Provisions :	17372.59	10676.92	10656.63	7728	7115.36	6540.67	60090.17	10,015.03	3667.27	36.62
Net Working Capital (NWC)	5834.61	1136.67	272.85	2784.05	2545.95	545.36	1368.77	228.13	1732.74	759.55

Tables of Ratios:

Table 3

Working capital Ratios of Mahindra and Mahindra ltd

Year	ITR (Times)	ICP (Days)	DTR (Times)	DCP (Days)	CTR (Times)	WTR (Times)	CR (Times)	QR (Times)	ACR (Times)
2010	29	19	14	25	10	21.33	1.16	0.71	0.34
2009	20	26	12	30	8	47.70	1.06	0.25	0.33
2008	18	29	11	34	13	26.72	1.12	0.37	0.26
2007	18	28	14	27	7	8.88	1.41	1.23	0.50
2006	17	30	13	29	11	11.27	1.35	0.81	0.36
2005	19	27	13	29	10	12.10	1.31	0.71	0.35

Total	121	158	76	174	rised60	127.99	7.41	4.08	2.14
Mean	20.10	26.30	12.70	28.99	9.93	21.33	1.24	0.68	0.36

Table 4

Working capital Ratios of Tata Motors Ltd

Year	ITR (Times)	ICP (Days)	DTR (Times)	DCP (Days)	CTR (Times)	WTR (Times)	CR (Times)	QR (Times)	ACR (Times)
2010	25	21	15	25	20	(6.10)	0.66	0.50	0.10
2009	21	24	21	17	22	(22.55)	0.89	0.68	0.11
2008	21	25	25	14	12	(105.30)	0.97	0.75	0.22
2007	22	24	35	10	33	9.87	1.36	1.04	0.11
2006	23	24	29	13	19	8.21	1.36	1.08	0.16
2005	24	22	22	17	9	32.25	1.08	0.84	0.31
Total	135	141	148	96	115	(83.63)	6.32	4.89	1.01
Mean	22.57	23.51	24.65	15.92	19.23	(13.94)	1.05	0.82	0.17

t-test:

H0 : No significant difference exist in the working capital of M&M Ltd. and Tata Motors Ltd.

H1 : Significant difference exist in the working capital of M&M Ltd. and Tata Motors Ltd.

Table 5

Net Working Capital (Rs. in Crores)

Year	M&M Ltd.	T M Ltd.
2010	845.85	(5,834.61)
2009	265.17	(1,136.67)
2008	404.36	(272.85)
2007	1082.08	2784.05
2006	708.86	2545.95
2005	539.79	545.36

Degree of freedom = n1+n2-2= 6+6-2=10

t at 5% i.e. t0.05 significance level for degree of freedom 10 = 2.228

tcal = 0.6747

As t0.05 > tcal , The null hypothesis (H0) is accepted.

Bibliography

Books:

1. R. P. Rustagi: Financial Management
2. Ravi Kishore: Financial Management
3. Dr. Vasant Desai: Small Scale Industries and Entrepreneurship
4. C.R. Kothari: Research Methodology-Methods and Techniques

References:

- Annual Reports: 2005 to 2010.
- SMI visit data
- Automotive Mission Plan 2006-2016- www.siamindia.com
- Deloitte Touche Tohmatsu India
- The Economic Times
- www.bizresearchpapers.com
- www.icmrindia.org
- www.iif.edu
- www.acmainfo.com
- www.economywatch.com
- www.in.kpmg.com

Taxation Reforms

Lect. Tushar Rathore
Lecturer
Matrix School of Management Studies Pune

Introduction

The tax reform has undergone significant changes over the years in keeping with the changing perception of the role of the state. With the change in the development strategy in favour of market determined resource allocation, the traditional approach of raising revenues to finance a large public sector without much regard to economic effects has been given up.

The approaches to reform lay emphasis on minimizing distortions in tax policy to keep the economy competitive. Minimizing distortions implies reducing the marginal rates of both direct and indirect taxes. This also calls for reducing differentiation in tax rates to reduce unintended distortions in relative prices. To achieve this, the approach suggests broadening of the tax bases. Thus, over the years, emphasis has shifted from vertical equity in which both direct and indirect taxes are subject to high marginal rates with minute differentiation in rates, to horizontal equity in which, the taxes are broad-based, simple and transparent, and subject to low and less differentiated rates. Equity in general, is taken to mean improving the living conditions of the poor. This has to be achieved mainly through expenditure policy and human resource development rather than reducing the incomes of the rich as was in the 1950s and 1960s. The best practice approach has attempted to make the tax systems comprehensive, simple and transparent. As mentioned earlier, the general pattern of these reforms has been to broaden the base of taxes, reduce the tax rates and lower the rate differentiation both in direct and indirect taxes. A broader base requires lower rates to be levied to generate a given amount of revenues.

Lower marginal rates not only reduce disincentives to work, save and invest, but also help to improve tax compliance. More importantly, broadening the tax base helps to ensure horizontal equity, is desirable from the political economy point of view as it reduces the influence of special interest groups on tax policy, and reduces administrative costs. In the case of indirect taxation, the reform agenda includes the levy of a broad- based VAT with minimal exemptions and supplemented by a few luxury excises.

As regards import duties, quantitative restrictions should be replaced by tariffs, export taxes eliminated, and dispersion in tariffs should be minimized. Personal income tax too is to be levied on all but a small number of persons with income levels less than twice the per capita income of the country. Much of the direct taxes should be collected by withholding, but for the "Hard- to-Tax" groups, presumptive taxation is to be applied. Emphasis on horizontal equity also implies emphasis on strengthening the administration and enforcement of the tax and the development of proper information systems and automation.

Objective of the Research Paper

1. To assesses the introduction of new forms of direct and indirect taxes, their revenue and equity implications and the successes achieved in their implementation in the context of Indian Economy in 21st Century.

2. To Understand the evolution of tax system reforms, alternative paradigms employed in reform exercises in different countries and the best practice approaches to reform are described to provide a framework for analysing

the Indian tax reform experience until the comprehensive tax reform exercise were taken up in 1991.

3. To list of measures Suggested for the comprehensive growth in developing the tax system in India.

Research Methodology

The research methodology used for this study is both exploratory and descriptive. The Secondary Data was collected from Various Reports, Articles and the Books which had the Aspect of "Tax Reform in India."

India Tax System prior 1991

The trends in tax revenues show three distinct phases. In the first, right from the 1970s to mid-1980s, there has been a steady increase in the tax-GDP ratio in keeping with the buoyant economic conditions and acceleration in the growth rate of the economy. The tax ratio, which was about 11% in 1970-71, increased steadily to 14.6 % in 1980-81.

The ratio continued to increase steadily during the early 1980sIn addition to the economy attaining a higher growth path, the buoyancy in tax revenues was fuelled by the progressive substitution of quantitative restrictions with tariffs following initial attempts at economic liberalization in the 1980s. The economic recession following the severe drought of 1987 resulted in stagnation in revenues in the second phase until1992-93.Following the economic crisis of 1991 and the subsequent reforms in the tax system, particularly reduction in tariffs actually caused a decline in the tax ratio. Overall, it is seen that the tax ratio which reached the peak of about 17 % in 1987-88, declined thereafter to 13.9 per cent in 1993-94 and gradually recovered to 14.6% in 1997-98.
Overall, the level of tax revenues, although reasonable as compared to the average tax level in developing countries, is clearly inadequate from the viewpoint of resource requirements of the economy.
In terms of composition of tax revenue, there has been a steady decline in the share of direct taxes from 21% in 1970-71 to about 14 % in 1990-91. After the introduction of tax reforms in 1992, the revenue from direct taxes has grown faster than revenue from other taxes as well as GDP and consequently, the share of direct taxes increased by almost ten percentage points to 24 % on 1997-98. An increase was seen in both corporate income and individual income taxes though, taxes on agricultural land and incomes have continued to decline. In fact, although the agricultural sector contributes over 30 % of GDP, its contribution to tax revenues is just about half a per cent. The fastest growth of revenues was in respect of customs during the period from 1970 until 1992-93, when import duties were significantly reduced. Some observers attribute this lopsided development of the tax system to the perverse incentives arising from the constitutional arrangement of devolving revenue from personal income tax and union excise duties to states. It is also seen that even after reforms were initiated in 1992-93, although the share of revenue from import duties has declined due to reduction in tariffs, the decline in the share of revenue from union excise duties has been much faster.
In the Indian federal polity, both central and state governments exercise revenue powers and the latter raise about 37 % of total revenues. The Seventh Schedule to the Constitution specifies revenue sources of the centre and the states respectively in the union and state lists.

Impact of Reform since 1991

Tax reform since 1991 was initiated as a part of the structural reform process, following the economic crisis of 1991. In keeping with the best practice approaches, the TRC adopted an approach of combining economic principles with conventional wisdom in recommending comprehensive tax system reforms. There are three parts in the report. In the first interim report, the Committee set out the guiding principles of tax reform and applied them to important taxes namely, taxes on income and wealth, tariffs and taxes on domestic consumption. The first part of the final report was concerned mainly with the much- neglected aspect of reforms in administration and enforcement of both direct and indirect taxes.
The second part of the report dealt with restructuring the tariff structure. In keeping with the structural adjustment of the economy, the basic principles taken in the recommendations were to broaden the base, lower marginal tax

rates, reduce rate differentiation, and undertake measures to make the administration and enforcement of the tax system more effective. The reforms were to be calibrated to bring about revenue neutrality in the short term and to enhance revenue productivity of the tax system in the medium and long term. The overall thrust of the TRC was to (i) decrease the share of trade taxes in total tax revenue; (ii) increase the share of domestic consumption taxes by transforming the domestic excises into VAT and (iii) increase the relative contribution of direct taxes. The important proposals put forward by the TRC included reduction in the rates of all major taxes, viz. customs, individual and corporate income taxes and excises to reasonable levels, maintain progressively but not such as to induce evasion.

Implementation of Reform since 1991(Tax Reform Committee) TRC

The government accepted the recommendations of the TRC and has implemented them in phases. Although it did not entirely follow the recommendations and is yet to implement many of the measures to strengthen the administration and enforcement machinery, most of the recommendations have been implemented. It must also be noted that the pace and content of reforms have not been exactly true to TRC recommendations. As regards the personal income taxes, the most drastic and visible changes have been seen in the reduction in personal and corporate income tax rates. In the case of personal income taxes, besides exemption, the number of tax rates has been reduced to three and the tax rates were drastically reduced to 10%, 20% and 30 %. At the same time, the exemption limit was raised in stages to Rs 50,000. Combined with the standard deduction, a salaried taxpayer up to an income of Rs 75,000 need not pay any tax. In addition, saving incentives were given by exempting investment in small savings and provident funds up to a specified limit.

Attempts have also been made to bring in the self-employed income earners into the tax net. Every individual living in large cities covered under any of the specified conditions (ownership of house, cars, membership of a club, ownership of credit card, foreign travel) is necessarily required to file a tax return. Empirical evidence shows that this drastic reduction in the marginal tax rates has improved the compliance index significantly. Thus, revenues from personal and corporate income taxes have shown appreciable increases after the reforms were initiated in spite of the fact that the rates of tax have been reduced significantly. Voluntary disclosure scheme to allow a one time amnesty to tax defaulters by paying the necessary tax was introduced in 1997-98.

In the case of corporate income taxes, the rates were progressively reduced on both domestic and foreign companies to 35 per cent and 48 per cent respectively.The dividend tax at the individual income tax level has been abolished. However, very little has been done in terms of broadening the base of corporation tax. In fact, besides depreciation allowances and exemptions for the exporters, generous tax holidays and preferences are given for investment in various activities (housing, medical equipment, tourism, infrastructure, oil refining, free trade zones, software development, telecommunication, sports etc.). Consequently, the tax base has not grown in proportion to the growth of corporate profits. As many corporate entities took generous advantage of all these tax preferences, there were a number of "zero-tax" companies.

To ensure minimum tax payments by them, a Minimum Alternative Tax (MAT) was introduced in 1997-98.In the case of tariffs, there has been a drastic reduction in both the average and peak tariff rates. In 1990-91, the unweighted average nominal tariff was 125 % cent and peak rate was 355 per cent. These were progressively reduced over the years. The peak rate of import duty in 1997-98 was 40 % and the average rate of tariff is just about 25 per cent. It is proposed to reduce the tariffs further to the levels prevailing in the South-East Asian countries in the next five years. In terms of rate differentiation, the number of tax rates continues to remain high. While in the initial years, there was an attempt to reduce the rate differentiation, in more recent years, the variations have, in fact, increased. Again, the pattern of tariffs with the rates varying with the stage of processing has resulted in very high incentives given to the assembly of consumer durables and luxury items of consumption.

There has been a considerable simplification and rationalization of union excise duties as well. Besides reduction in the number of rates, the tax has been progressively converted from a specific into *ad valorem* levy in respect of the majority of commodities. The facility of providing credit on input taxes under the MODVAT too has been progressively extended to a larger number of commodities. As of now almost 80 per cent of the goods covered under excise duties are provided with the MODVAT facility. The base of the tax was broadened by removing the exemptions and levying excise duty at the lowest rate 8%.

There has also been a simplification of the tax on the small-scale sector. As the government realized that there was considerable misuse, availability of MODVAT credit was reduced to 95% instead of 100 %. Another important change that has been brought about since 1991 is the introduction of a selective tax on services.
The constitution does not assign this tax base specifically either to the centre or the states. However, the central government by invoking residuary powers has introduced a tax on services since 1994-95. Beginning with three services (telephones, non-life insurance and stock brokerage), the base of the tax has been broadened to cover a large number of services such as transporters, car rentals, air travel agents, architects, interior designers, management consultants, chartered accountants, cost accountants, company secretaries, credit rating agencies, market research agencies, underwriters, private security /detectives, real estate agencies and mechanized slaughter houses. There have been significant attempts to improve the administration and enforcement of the tax as well, though progress in actual implementation has not been commensurate. Besides amnesties given from time to time, efforts have been made to reduce arrears by introducing simplified assessment procedures. A large number of pending cases in courts have been decided through out of court settlements. There have also been attempts to establish special tax courts to deal exclusively with tax disputes. With the assistance of the Canadian International Development Agency (CIDA), the government has started an ambitious programme of computerising tax returns and building a management information system.

Some Quantitative and institutional features of Main Taxes
India has a tax structure with a three-tier federal structure (the union government, the state governments and the urban/rural local bodies). The power to levy taxes and duties is distributed between the union government and the state governments in accordance with the provisions of the Indian Constitution. The state government may delegate any of its fiscal powers to local authorities that do not have any constitutionally reserved powers of taxation. The main taxes/duties that the union government is empowered to levy are: income tax (except tax on agricultural income, which the state governments can levy), customs duties, excise duties (except on alcoholic liquors or narcotics), sales tax and service tax.

The principal taxes levied by the state governments are sales tax (tax on intra-state sale of goods), stamp duty (duty on transfer of property), state excise (duty on manufacture of alcohol), land revenue (levy on land used for agricultural/non-agricultural purposes), duty on entertainment and tax on professions & callings. The local bodies are empowered to levy tax on properties (buildings, etc.), Octroi (tax on entry of goods for use/consumption within areas of the local bodies), tax on markets and tax/user charges for utilities like water supply, drainage, etc.

1. **Direct Taxes**

Income Tax

Income tax is charged under the Indian Income Tax Act, 1961. It is an annual tax on income of both individuals and companies5 levied by the union government.
Every person (individuals, Hindu undivided families, companies, firms, association of persons or bodies of individuals and all other artificial juridical persons), whose total income exceeds the maximum exemption limit, is chargeable to the income tax at the rates prescribed in the Finance Act passed each year by the parliament. The income tax is paid on the total income of an individual, determined on the basis of her/his residential status in

India. The tax is charged in respect of the income of the previous year - that is the financial year, beginning on 1st April and ending on 31st March -and the same is chargeable in the assessment year - that is the next financial year. In the taxable income are included the following heads: salaries; income from house property (determined by reference to the annual value of property); profits and gains of business or profession; capital gains; income from other sources (included interest). The basis of taxation is the gross receipts after deducting the related expenses incurred in connection with earning such receipts. Such deductions, determined according to rules varying from head to head of income, are allowed from the aggregate of income and are in the nature of incentive provisions of different kinds.

The main deductions are the following:-

- Standard deduction – available to certain taxpayers receiving salary or pension.
- Entertainment allowance – provided to government employees that may claim a deduction up to 20 percent of their salaries or 5,000 rupees, whichever is lower, for certain entertainment allowances granted by the employer.
- Tax – for any sum paid by an employee on account of state or municipal tax on employment.
- Annuity and insurance payment – up to 10,000 rupees per annum for payments made in respect of an annuity contract in order to receive a pension.
- Repayment of loan – deduction of up to 40,000 rupees per annum for the repayment, interest, of loans used to finance higher education (available for eight assessment years); deduction of up to 150,000 rupees in respect of interest on capital borrowed to purchase or construct owner-occupied residential property;
- Donation – to charities approved for tax purposes up to the limit prescribed by the tax.
- Investment income – up to 9,000 rupees per annum in respect of interest received from certain specified investment, including dividends from cooperative societies and interest on bank deposits; up to 3,000 per annum for interest received from government securities.
- Permanent physical disability – up to 40,000 rupees for a permanent physical disability (occurred in the previous year) certified by a competent person. Other deductions are granted as tax incentives: for example, new export-oriented undertakings are entitled to an exemption from income tax; new industrial undertakings that fulfill certain conditions are entitled to a deduction (25 percent or 30 percent) of the profits for a period of 10 consecutive assessment years (or 12 for a co-operative society); a deduction of 50 percent of profits is available to hotels in hilly/rural areas. Centers (except Calcutta, Madras, Delhi and Mumbai), and so forth. After reducing the gross total income by the amount of deductions, what is left is the total income that is the basis for taxation. If the total income is below the basic exemption limit, no tax is chargeable. All receipts having the character of income are taxable unless they are specifically exempt from taxation.

2. Wealth Tax

Wealth tax is charged under the Indian Wealth Tax Act, 1957 and the union government levies it. The tax is charged on individuals, Hindu Undivided Families (HUF) and companies respect of the net wealth held by them during the assessment year. Indian citizens, resident companies and HUF are charged in respect of their worldwide assets, whereas non-resident is charged in respect of assets located in India. Net wealth is the aggregate of the assets owned by the taxpayer10, less the debts owned by her/him relative to the taxable assets. From the computation of net wealth some assets excluded (for example, the value of one house or plot of land for an individual or a HUF). Among the assets subject to wealth tax there are, for example: buildings, or land belonging with them, used for residential or commercial purposes or as a guest house or farm house, within 25 km of the local limits or cantonment board; motor cars (other than those used in a business car-hire or which are stock-in-trade); jewels or precious metals (unless they are stock-in-trade); yachts, boats and aircraft (unless used for commercial purposes); urban land (with some exclusion); cash in hand in excess of Rs. 50,000.

3. Other taxes on capital and property

Other taxes on capital and property are levied by the states and the local authorities. The states impose: - a land

tax on the value of land (the methods of valuation and the rates vary from states to states); - a tax on motor vehicles, whose yield is used for the development and the maintenance of state roads.
The local authorities impose: - land cesses in the form of a surcharge on land revenue; - a tax on land and buildings, generally based on the annual rental value; - betterment taxes, based on increases of land value caused by town planning and town improvement; - taxes on the transfer of immovable property, based on the value of the property and in addition to state stamp duty.

4. Expenditure Tax

The expenditure tax is charged under the Indian Expenditure-tax Act, 198711 and it is by the union government. The tax is charged at the rate of 10 percent on any chargeable expenditure incurred in a hotel wherein the room charges12 for any unit of residential accommodation are three thousand rupees or more per day. The expenditure tax is collected by the person who carries on the business of such hotel. The tax collected during any calendar month is paid to the credit of the union government by the 10th of the month immediately following the said calendar month. Any person responsible for collecting the expenditure tax who fails to collect it shall pay, in addition to paying the tax, a sum equal to the amount of tax that s/he failed to collect. From the 1st October, 1991 to the 31st May, 1992 a tax at the rate of 15 percent of the chargeable expenditure incurred in a restaurant was levied.

Indirect Taxes

1. Customs Duties

The Constitution has given to the union the right to legislate and collect duties on goods imported into or exported from India. The Customs Act, 1962 is the basic Statute, effective from 1st February 1963. The categories of items and the rates of duties which are leviable have been specified in two schedules to the Customs Tariff Act, 1975. The first schedule specifies the various categories of import items, in accordance with an international scheme of classifications of internationally traded goods (Harmonized System of Nomenclature (HSN), established by the World Customs Organization). All goods are classified into categories, called "Headings" and "subheadings"; for each sub-heading, a specific rate of duty is prescribed. The duties are levied both on specific and *ad-valorem* basis, while there are few cases where at times specific-cum-*ad valorem* duties are also collected on imported items. Where *advalorem* duties are collected, the value of the goods has to be determined for customs duty purposes according to WTO Valuation Agreement.

Under the Custom Tariff Act, 1975 and other laws, there are the following types of duties that are leviable:-

• *Basic Customs Duty* - that is duty specified against each heading or sub-heading in the first schedule. There are different rates of duty for different commodities and there are preferential rates for goods imported from certain countries in accordance with bilateral agreements with such countries. The duty may be *ad valorem* or specific.
• *Surcharge* - that is levied at the rate of 10% of the Basic Customs Duty on imported goods, unless exempted by a notification.
• *Additional duty of customs* - equivalent to the excise duty leviable on goods produced manufactured in India. Generally it is on *ad valorem* basis, though specific rates are prescribed for some items. For imported goods to be used as inputs for manufacture of other goods, it is generally eligible for a credit (called CENVAT credit) equal to the additional duty of customs paid on the imported goods. This credit can be used for paying central excise duties.
• *Special additional duty* – whose amount is computed by applying the specified rate13 on the total of the assessable value, the basic customs duty and the additional duty of customs described above.
There are also additional levies on particular items and other levies which are specific to the country of origin. Among the later there are *anti-dumping duty*, on specified goods imported from specified countries to protect indigenous industry, and *safeguard duty*, applicable on certain goods for specified periods in order to check their excessive imports which may damage the Indian industry. The rates vary and are based on official notification.

The custom duty on exports is levied on items listed in the second schedule to Customs Tariff Act, 1975. Currently, the rates vary from 10 to 60 percent and they are either *ad valorem*, specific or a combination of both. Very few items are subject to customs duties on their export. In order to make the exports more competitive, it is provided a duty exemption scheme for registered exporters so that they may import the inputs required for export production at international prices and free from duty. Imported items that are exempt from customs duty are raw materials, components and consumables.

2. Central Excise Duties

Central excise duties are charged under the Central Excise Act, 1944 at the rates specified in the schedules to the Central Excise Tariff Act, 1985. They are an indirect tax levied on goods produced or manufactured in India, excluding those produced or manufactured in special economic zones. There are several types of duties which become payable at the time of clearance of such goods.

These duties are:-

• *Basic excise duty* (specified against each sub-heading in the First Schedule to the Central Excise Tariff Act, 1985) actually called the "Central Value Added Tax (CENVAT)

• *Special excise duty* (leviable only on a few items, in addition to CENVAT, at the rate specified under the Second Schedule to the Central Excise Tariff Act, 1985).

• *Additional duties of excise* (leviable on various commodities, as specified textiles and textile articles, or on sugar, tobacco products in lieu of sales tax).

Service Tax

Service tax was introduced in India for the first time in 1994. It extends to whole of India except the state of Jammu and Kashmir. It is levied, collected and appropriated by the union Government. Service tax is levied on specified taxable services and the responsibility of payment of the tax is cast on the service provider. The Finance Act 2001 introduced self assessment for service tax returns, which are expected to be filled half yearly and by the 25th of the month following the half-year15. This is in replacement of the monthly/quarterly returns prescribed earlier.

Initially the service tax was imposed on the following services: telephone, stockbroker, general insurance. Over the years it was extended to other services, as advertising agencies and courier agencies. At present the total number of services on which service tax is levied has gone up to 58, despite withdrawal of certain services from the tax net or grant of exemptions.

In the budget 2003-04 more services16 have been added to the tax net and the levy of service tax on these services is effective from July 1st, 2003. Service tax is levied on the gross or aggregate amount charged by the service provider on the receiver; only in particular cases the tax is permitted to be paid on the value received.

To reduce the cascading impact of tax on tax and to help restoring competitiveness of service sector, a credit of the service tax paid on the input-service is allowed since 2002. At present the assesses can avail of input credit in respect of any of the categories of the services and utilize the said service tax credit for payment of service tax on any of the output services.

Sales Tax

Sales tax is charged under the Central Sales Tax Act, 1956. It is levied on the sale or purchase of goods. There are two kinds of sales tax: 1) Central Sales Tax (CST), imposed by the union government; 2) Sales tax, imposed by each state. Central sales tax is generally payable on the sale of all goods by a dealer in the course of inter-state trade and commerce and it is levied in the state where the movement of goods commences. Although the tax is imposed by the central government, the revenue is administered by the state in which it is levied.

Analysis Strength and Economic Impact on Tax System

In this section, the observed trends in different central and state taxes are explained in greater detail and the possible efficiency and equity implications of different taxes are analyzed. Specifically, the analysis seeks to

answer a number of questions. Has tax compliance improved over the years in response to reductions in marginal tax rates? What other factors influence revenue productivity of the tax system? What are the efficiency and equity implications of the tax system? The increase in revenue productivity of the personal income tax is attributed to the improvement in tax compliance arising from the sharp reduction in marginal tax rates in 1991–92 and 1996–97. This is also the period when the growth of GDP itself had decelerated. The apparent stimulus of declining marginal tax rates is reflected in the negative correlation between effective tax rates and the ratio of income tax collections to GDP, While it is clearly difficult to attribute the increase in revenue productivity solely or even mainly to reduction in marginal tax rates, To draw a tentative but important conclusion capturing improvement in overall performance of the tax system. Similarly, analyzes sixteen different structural, administrative, and institutional indicators, and concludes that the performance of the tax system has shown improvement: tax compliance indeed improved with the reduction in marginal tax rates. In a more recent analysis, Economist Bhalla estimates the aggregate revenue elasticity at –1.43 percent and concludes that the 1996–97 tax cut was a huge success in increasing revenues.Bhalla provides an estimate of compliance by comparing the data published by the income tax department, the coverage of which itself is narrow, with those from other sources, particularly the National Council of Applied Economic Research to establish that the number of people recording incomes within any given bracket for income tax purposes, is significantly lower than the numbers recorded by other surveys. This approach has problems, however, especially for proprietary firms and individual businesses where it can be hard to distinguish between expenditures of the firm and expenditures of the individual for personal needs.

Nevertheless, the paper helps to focus on the need for some informed debate and analysis in area. The important point is that improvement in revenue productivity of the personal income since 1996–97 cannot be attributed solely or even mainly to reduction in the marginal rate. The information shows that the main reason for the increase in revenues is the administrative arrangement extending the scope of tax deductions at source— an arrangement whereby the employer withholds the tax due on the income paid to the employees and directly remits the same to the government exchequer. The proportion of tax deducted at source (TDS) to total revenue collections actually declined from 42 percent in 1990–91 to 22 percent in 1994–95. It increased to 50 percent following the expansion in the scope of TDS in 1996–97 and to 67 percent in 2001–02 before declining marginally to 64 percent in 2003–04. As a proportion of GDP, the ratio of collections from TDS increased by 0.67 percentage points over the period considered. When compared with the increase of 0.56 percentage points in the ratio of personal income tax collections to GDP, the improved compliance appears to result largely if not solely from improved coverage or greater effectiveness of TDS as a tool for collecting taxes.

Interestingly, although it is tempting to attribute this observed trend to extension of TDS to interest, dividends, payments to contractors, and insurance commissions, the increase has come about mainly in TDS in salaries. The TDS in salaries in 1992–93 constituted only 25 percent of total TDS, increased to 50 percent in 1999–2000 and thereafter declined to 41 percent, as TDS from payments to nonresidents and others and payments to contractors increased substantially. Even after the refunds are adjusted, the share of TDS in total receipts continues to remain high and increasing. This implies that the contribution of TDS to incremental revenue is increasing as well. The increase in the tax revenue thus has more to do with the rapid growth of the organized sector, expansion in the interaction of the financial sector with the rest of the economy, and administrative measures extending the TDS than with improved compliance arising from the reduction in marginal rates of tax.

The extension of permanent account numbers to cover a larger number of potential taxpayers and the expansion of the tax information system (TIN) are expected to advance this cause further, by generating an The increase in the number of taxpayers indicates improvement in horizontal equity since more people with similar incomes now possibly pay the tax, and the fact that a larger proportion of incomes are now subject to tax represents improvement in Vertical equity as well.

Suggestion / Recommendations

To create excellent systems of government, it is important that certain high standard principles are established and adhered to. Such principles should be used as solid guidelines for creating systems of taxation as well. Not very

much attention has been paid in any country to establish such important guidelines for taxation and the result has been that no excellent systems of taxation exist in India or any other country.

The following 10 sound principles are largely ignored by all systems of Taxation in existence and also by most tax reform proposals.

The first 4 principles of taxation are by Adam Smith (1776 Wealth of Nations). Adam Smith can be regarded as the "Godfather" of economics. The additional 6 principles of taxation are by Alf Temme (author of Automatic-Tax 2005 and other economics related topics such as www.Universal Demand Law.com1975)

1. The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state.
2. The tax which each individual is bound to pay ought to be certain, and not arbitrary.
3. Every tax ought to be levied at the time, or in the manner, in which it is most likely to be convenient for the contributor to pay it.
4. Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the state.
5. A tax should not be used to give favorable tax treatment to different people or businesses for any reason or purpose no matter how well intentioned. Any reduction in taxes to some will necessarily increase the rate of taxation to all other taxpayers. There has been always great sentimental debate and implementation of lower or no taxes for people on the lowest rungs of the socio economic ladder. This is, and always has been one of the greatest mistakes and it most often amounts only to shameless vote buying by politicians. The fact is that the paying of taxes by "the poor" gives them the equal dignity of all other taxpayers who contribute equally to the running of their government. The equal paying of taxes does not create the class strife that has been created by the politicians who pretend to care for the poor and the under-classes they are identifying in their election campaigns and whose votes they endeavor to "buy" with money they "steal" from all the rest of the taxpayers by indirectly increasing their tax rates in the process.
   The "poor" do not benefit from favorable tax treatment because the ironic reality is that their "take home" wages gradually decline by the amount they otherwise would have paid in taxes.
6. A tax should be as broad based as possible, resulting in a low percentage rate that offers little incentive for tax evasion and tax avoidance and all the unproductive activities people engage in to lower their taxes.
7. A tax code must be formulated in simple language easily understood by all who are subject to it and not be a document of 65,000 pages (like the shameful United States income tax code) that cannot possibly be known and understood by the average tax payer and will be subject to many interpretations.
8. To keep a tax system as simple and clear as possible, it must have as few as possible exemptions or special provisions. Instead of exemptions or special provisions in the tax code, a government can have refund provisions or bestow grants rather than use favorable tax treatment as a political tool or for social engineering.
9. An optimum tax replacement must be able to be phased in very incrementally to create as little economic and political disruption as possible. People and their politicians are very risk adverse and will not easily accept a proposal that will create sudden drastic economic and political changes over a short span of time.
10. The optimum tax replacement proposal must be attractive enough to be accepted as optimal by multiple countries. The fact that all major countries have totally different tax systems serves as proof that none of them as yet has found or implemented an excellent tax system that many other countries would like to copy.

Conclusion

As we embark upon the year 2011, the country is expectantly looking at the largest and most radical reform in Tax Systems. The industry expects that it would be a much simpler regime, where hopefully taxes will not impact the business decisions.

References

1 . "India's tax reform: a progress report", Economic and Political Weekly, vol. XXIX, BY - Bagchi, A, 1994.
2. "Administrative dimension of tax reform in developing countries", in Malcolm Gillis Tax Reform in Developing Countries (London, Duke University Press). Bird, R.M., 1989
3. "Tax reform in India", Economic and Political Weekly, vol. XXVIII, 11 December, 1993.
4. "Tax reform in India", Working Paper No. 45, STICERD, Burgess, Robin and Nicholas Stern, London School of Economics.
5. Incentives and Institutional Reform in Tax Enforcement (Oxford University Press). Dasgupta, Arindam and Dilip Mookherjee, 1998.

Reports

6. Government of India. 1953. Report of the Taxation Enquiry Commission. New Delhi.
7. Indian Tax Reform. New Delhi: Ministry of Finance. 1956.
8. Direct Taxes Enquiry Committee: Final Report. New Delhi: Ministry of Finance. 1971
9. Report of the Indirect Taxation Enquiry Committee. New Delhi: - Ministry of Finance. 1977.
10. Long Term Fiscal Policy. New Delhi: Ministry of Finance. 1985.
11. Tax Reforms Committee, Interim Report. New Delhi: Ministry of Finance. 1991

Global IT Management

Anuradha Sarkar
Asst.Professor
Neville Wadia Institute of Management Studies & Research,Pune 1

Abstract :

While the eighties and the nineties witnessed global business and global IT expansion, the issues in global information technology management have now reached a new level of interest and maturity. As other trends in IS have come and gone, global IT is not a trend – the global issues are real, permanent, and irreversible. The changes in the world economies, the opening of the borders, and the seamless transfer of work across geographical boundaries made possible by high band□width telecommunication networks (e.g., the Internet) have made revolutionary changes in ways "work" is conducted. Irrespective of its origination, almost any work can now be conducted anywhere or anytime facilitated by information technology. These far□reaching changes have profound impacts on organizations, their suppliers and customers, and people in general. The management issues are enormous and need to be carefully evaluated if we wish to reap the full benefits of the global revolution. Carefully crafted investments in global information technology offer firms an opportunity to increase control and enhance coordination, while opening access to new global markets and businesses. But engineering such global systems presents numerous challenges to management.

Keywords:

Global Management, Global IT Management, Management Information Systems Issues, Global IT Framework

Introduction

Global Management

The new environment, arising out of competitive global economy is highly fluid and uncertain. It is governed by entirely new dynamics. Availability of global capital and technology along with mobility of talents has facilitated development of business. On the other hand, customers' expectations are constantly increasing. The markets are highly demanding. The key issues which a globalizing firm today has to tackle relate to:

- Access to open markets
- Demanding customers
- Sustained performance improvement
- Need for rapid, flexible decision making and communication
- Constant growth in technological innovation
- Critical importance of relationship management
- Diversity and complexity

- Managing regulatory and social environment

As the process of globalization evolves, the organizational structure and forms also change. By and large most of the globalizing firms evolve into a Transnational Corporation which acquires competitive edge by developing capabilities. These capabilities include knowledge and skills relating to managing across national frontiers, retaining and leveraging local and head quarter's culture to achieve global integration.

Global IT Management

International dimensions have become a vital part of managing a business enterprise in the internet worked global economies and markets of today. Properly designed and managed information systems using appropriate information technologies are a key ingredient in international business, providing vital information resources needed to support business activities in global markets. Organizations are facing increased global competition, economic uncertainties, and changing markets. Technology is changing the way we conduct business and manage information. Interest and research in global information technology (IT) are relatively recent. Palvia, identified three components of global IT, (1) information systems and technology that are global in scope, (2) information systems and technology in different cultures and countries, and (3) IT products and services that are built in one country and used in another. We examine the key issues and challenges faced by executives in managing IT in different parts of the world.

Objectives:

1. To study the issues of Global IT Management.
2. To propose a frame work for Global IT Management.
3. Finally to highlight how organizations cope with Global IT management issues.

Reasons for shifting to Global IT Management

a) Global scale efficiency and competitiveness in technology.

b) National level responsiveness and flexibility in technology.

c) Cross market capacity to leverage learning on worldwide basis.

Issues in Global IT Management (GITM)

Several researches to study the top issues in information systems management have continually appeared in a stream of articles in various countries like US, Canada, Australia, Hong Kong, India, Taiwan, Europe etc. Accordingly some of the issues are listed in Appendix A. The author points out some vital issues in GITM.

Cultural, Political, and Geo-economics Issue:

Global IT management does not exist in a vacuum. Global IT management must focus on developing global e-business IT strategies and managing global e-business application portfolios, Internet technologies, platforms, databases, and systems development projects. Managers must also take into account the cultural, political, and geographic differences that exist when doing business internationally.

Political Challenge:-

Political challenges facing global business and IT managers include:

1. Many countries have rules regulating or prohibiting transfer of data across their national boundaries (transborder data flows), especially information such as personnel records.
2. Restrict, tax, or prohibit imports of hardware and software.
3. Local content laws that specify the portion of the value of a product that must be added in that country if it is to be sold there.
4. Reciprocal trade agreements that require a business to spend part of the revenue they earn in the country in that nation's economy.

Geo-economics Challenge :

Geo-economics challenges in global business and IT refer to the effects of geography on the economic realities of international business activities. These challenges include:

1. Physical distances involved are still a major problem
2. World's 24 time zones contribute to communications problems
3. Lack of telecommunications capabilities in some countries
4. Lack of specialized job skills in some countries, or enticing specialists from other countries to live and work there
5. Cost of living and labor costs in various countries.

Cultural Challenges

Cultural challenges facing global business and IT managers include:

1. Differences in languages, cultural interests, religions, customs, social attitudes, and political philosophies.
2. Differences in work styles and business relationships.

Global Data Access Challenge:

Global data access issues have been a subject of political controversy and technology barriers in global business operations for many years. Important global data issues involve:

- Transborder data flows (TDF), in which business data flows across international borders over the telecommunications networks of global information systems.
- Many countries view transborder data flows as violating their national sovereignty because TDF avoids custom duties and regulations for the import and export of goods and services.
- Other countries may view TDF as a violation of privacy legislation when data about individuals is moved out of a country without stringent privacy safeguards.
- Others view TDF as violating local laws made to protect local IT industry from competition, or labor regulations for protecting local jobs.
- Other important data issues are concerned with global data management and standardization of data. Common data definitions are necessary for sharing data among the parts of an international business. Differences in language, culture, and technology platforms can make global data standardization quite difficult.

Global Systems Development:

Reaching agreement on systems requirements is always difficult, but becomes many times more difficult when the users and developers are in different countries. Some of these issues involve:

Information Technology

- Conflicts over local versus global system requirements, and difficulties in agreeing on common features such as multilingual user interfaces and flexible design standards.
- Agreements on global systems must take place in an environment that promotes involvement and "ownership" of a system by local end users.
- Disturbances can arise from systems implementation and maintenance activities.
- Trade-offs must be made between developing one system that can run on multiple computer and operating platforms, by letting each local site customize the software for its own platform.

Frame work of Global IT Management

Conclusion

Most of the issues discussed above have been persistent over the years. IT management in organizations have evolved and grown barring the hurdles, IT professionals in the past have seen themselves as mere technicians performing their jobs in a limited scope. Today it has become a necessity that IT professionals are forced to increase their knowledge and skills to stay competitive in the global village. The frame work shows that to be leaders in GITM (Global IT Management) firms should adopt the variables listed in the framework

References

Textual :
Binder Jean., 'Global Project Management: Communication, Collaboration and Management Across Borders' (Gower, UK), 2007
Edberg D, Fritz H.Grupe and William Kuechler, "Practical Issues in Global IT Management : Many Problems a few solutions", Information System Management, 2001
Ives Blake., and Jarvenpaa Sirkka, "Application of Global Information Technology : Key issues for Management", MIS Quarterly, Vol.15, No. 1,1991
Palvia Prashant., and Wang Pien, "An Expanded Global Information Technology Issues Model : An Addition of Newly Industralized Countries", Journal of Information Technology Management, Vol IV, Number 2, 1995
Palvia, P.C. "Research Issues in Global Information Technology Management." Information Resources Management Journal. Vol. 11, No 2, Spring 1998, pp. 27-36.
Prashant C. Palviaa, et. al, "Global information technology: a meta analysis of key issues", Information & Management 39 (2002) 403–414
Wisma Michael "Global Business Management : Current Trends and Practices", Journal of Applied Business and Economics.
Websites :

www.expresscomputeronline.com
www.scribd.com
www.jstor.org

Appendix A

Key issues in information systems management, USA, 1994–1995

Rank	Description of issue
1	Building a responsive IT infrastructure
2	Facilitating and managing business process redesign
3	Developing and managing distributed systems
4	Developing and implementing an information architecture
5	Planning and managing communication networks
6	Improving and effectiveness of software development
7	Making effective use of the data resource
8	Aligning the IS organization within the enterprise
9	Recruiting and developing is human resources
10	Improving IS strategic planning
11A	Managing the existing portfolio of legacy applications
11B	Measuring IS effectiveness and productivity
13	Increasing understanding of IS role and contribution
14	Facilitating organizational learning
15	Managing the existing portfolio of legacy applications
16	Facilitating and managing EUC
17	Using information systems for competitive advantage
18	Planning and integrating multivendor open systems
19	Developing and managing electronic data interchange
20	Outsourcing selected information services

Source: [MIS Quaterly 1996].

Key issues in information systems management, India, 1992

Rank	Description of the issue
1	Understanding/awareness of MIS contribution
2	Human resources/personnel for MIS
3	Quality of input data
4	Educating senior managers about MIS
5	User friendliness of systems
6	Continuing training and education of MIS staff
7A	Maintenance of software
7B	Standards in hardware and software (tie)
9	Data security
10A	Packaged applications software availability
10B	Cultural and style barriers (tie)
12	Maintenance of hardware
13	Aligning of MIS with organization
14	Need for external/environmental data
15	MIS productivity/effectiveness
16	Applications portfolio
17	Computer hardware
18	MIS strategic planning
19	Effect of country political climate
20	Telecommunications

Source: [International Information system 1992].

Key issues in information systems management, Taiwan, 1994

Rank	Description of issue
1	Communication between the IS department and end users
2	Top management support
3	IS Strategic planning
4	Competitive advantage
5	Goal alignment
6	Computerization of routine work
7	IT infrastructure
8	System integration
9	Software development productivity
10	System friendliness
11	Security and control
12A	Software development quality
12B	IS standards (tie)
14	Data resource
15	IS funding level
16	IS role and contribution
17	User participation
18	Recruit, train, and promote IS staff
19	Information architecture
20	Placement of IS department

Source [The Journal of Information Technology Management, 1995]

Security Issues In Cloud Computing And Their Solutions

Mr. Vinod K. Lalbeg
Lecturer (Management), NWIMSR, Pune-1
&
Ms. Anjali S. Mulik
Lecturer (Management), NWIMSR, Pune-1

ABSTRACT

Cloud Computing offers many benefits to organizations, such as reduced capital and operating costs and as-needed scalability. So why aren't more businesses taking advantage of the on-demand computing resources services collectively known as 'the cloud'? Security concern is obviously the main concern in deploying the cloud. Although no form of computing is entirely risk-free all the time, cloud computing isn't necessarily any more or less secure than non-virtualized or non-cloud environments. Fortunately, many service providers and others in the cloud computing industry are collaborating to provide ever-greater security, visibility and control to consumers of cloud services. And there are plenty of things enterprises can do to take advantage of cloud computing benefits without compromising security. In the present study, we the researchers have tried to explain cloud computing and its benefits. The researchers also intend to study the security issues and find out what the service providers in the cloud computing industry are doing to overcome the security issues.

Key Words

Cloud, Computing, Software as a Service (SaaS), Infrastructure-as-a-Service (IaaS), Platform-as-a-Service (PaaS), interoperability, line-of-business(LOB), portal, mobility, buffer, IP spoofing, RIP attacks, ARP poisoning (spoofing), DNS poisoning.

Background

Cloud computing has evolved through a number of phases which includes grid and utility computing, application service provision (ASP), and Software as a Service (SaaS).

The idea of an "intergalactic computer network" was introduced by J.C.R. Licklider in 1969. Some of the experts believe that the concept of Cloud Computing was contributed by the computer scientist John McCarthy who proposed the idea of computation being delivered as a public utility. But due to limited Internet bandwidth, the idea could not materialize.

One of the first milestones for cloud computing was the arrival of Salesforce.com in 1999, which pioneered the concept of delivering enterprise applications via a simple website. The services firm paved the way for both

specialist and mainstream software firms to deliver applications over the internet.

The next development was Amazon Web Services in 2002, which provided a suite of cloud-based services including storage, computation and even human intelligence through the Amazon Mechanical Turk.

Then in 2006, Amazon launched its Elastic Compute cloud (EC2) as a commercial web service that allowed small companies and individuals to rent computers on which to run their own computer applications. It was the first widely accessible cloud computing infrastructure service which provided its SaaS online video platform to UK TV stations and newspapers.

Another big milestone came in 2009 with the introduction of Web 2.0, while Google and others started to offer browser-based enterprise applications, though services such as Google Apps. The leading technology giants such as Microsoft and Google contributed to cloud computing by introducing "killer apps". These companies provided reliable and easy to consume IT services.

Factors like high-speed bandwidth, maturing of virtualisation technology, universal software interoperability standards and slowdown in global economy were the key factors that enabled Cloud Computing to grow across the world.

Introduction:

Definition: Cloud computing is a general term for anything that involves delivering hosted services over the Internet. These services are broadly divided into three categories: Infrastructure-as-a-Service (IaaS), Platform-as-a-Service (PaaS) and Software-as-a-Service (SaaS). The name cloud computing was inspired by the cloud symbol that's often used to represent the Internet in flowcharts and diagrams.

There are two types of services namely public and private. A Public Cloud sells services to anyone on the Internet. E.g. Amazon Web Services (EC2). Whereas a Private Cloud is a proprietary network or a data center that supplies hosted services to a limited number of people. e.g. Google (GOOG) – Apps Engine, Salesforce.com (CRM) etc. When a service provider uses public cloud resources to create their private cloud, the result is called a virtual private cloud. Private or public, the goal of cloud computing is to provide easy, scalable access to computing resources and IT services.

The three categories of Cloud Computing are:

Infrastructure-as-a-Service like Amazon Web Services provides virtual server instances with unique IP addresses and blocks of storage on demand. Customers use the provider's application program interface (API) to start, stop, access and configure their virtual servers and storage. In the enterprise, cloud computing allows a company to pay for only as much capacity as is needed, and bring more online as soon as required. Because this pay-for-what-you-use model resembles the way electricity, fuel and water are consumed; it's also referred to as utility computing.

Platform-as-a-service in the cloud is defined as a set of software and product development tools hosted on the provider's infrastructure. Developers create applications on the provider's platform over the Internet. PaaS providers may use APIs, website portals or gateway software installed on the customer's computer. Force.com and GoogleApps are examples of PaaS.

In the software-as-a-service cloud model, the vendor supplies the hardware infrastructure, the software product and interacts with the user through a front-end portal. SaaS services can be anything from Web-based email to inventory control and database processing. As the service provider hosts both the application and the data, the end user is free to use the service from anywhere.

Objectives

- To study the benefits of Cloud Computing

- To study security issues concerning Cloud Computing
- Finally to highlight steps taken by various service providers to overcome the security issues

BENEFITS OF CLOUD COMPUTING

Cloud Computing offers various benefits that organizations would like to take advantage of. In one of the survey conducted by IDC of 244 IT executives/CIOs and their line-of- business(LOB) colleagues about their companies' use of , and views about IT Cloud Services reveals that the key benefits of Cloud Computing are as follows:

Easy and fast deployment

The slow pace of IT development and deployment of business systems has forced the executives of different companies to approach cloud computing. Service providers like Salesforce, Zoho, Salesboom and CRMForecast are getting huge demands for SaaS CRM software. Thus users see cloud services as an important answer to the need for speed in their business, and consequently in the IT that supports their businesses.

Reduce Cost (improving business economy)

Migrating to a cloud-computing model has rendered significant cost savings for many organizations. Instead of investing in costly infrastructure and building out their own communications room, organizations can outsource that infrastructure to a third-party and manage all of their data and applications from a simple Web address on the Internet. New and smaller scale companies can particularly benefit from this model, as they typically do not have a surplus of upfront capital to invest in their own infrastructures or IT staffs. Organizations can store more data than on private computer systems. This again helps in reducing cost on storage.

Offer latest functionalities

Organizations can take advantage of the latest available technologies and techniques. The latest applications of cloud computing technology includes hosted email, online data backup, software-as-a-service (SaaS), offer built-in disaster recovery functionality and hosted IP based phone service (hosted VoIP).

More mobility

Cloud computing allows users to connect even without their own computers, meaning you can do your work from anywhere in the world as long as you have an internet connection and a computer access. So you can take your work with you where ever you go on vacations. Employees can access information wherever they are, rather than having to remain at their desks.

Allows IT to Shift Focus

No longer having to worry about constant server updates and other computing issues, employees are free to concentrate on innovation and other important activities in their organizations.

Despite of all the above mentioned advantages, customers are still reluctant to venture into it. The reason being various issues like security, lack of control, transparency and performance.

Security threats in Cloud Computing:

Account or service hijacking is not new. Attack methods such as phishing, fraud, and exploitation of software

vulnerabilities still achieve results. Credentials and passwords are often reused, which amplifies the impact of such attacks. Cloud solutions add a new threat to the landscape. Some of the security treats in cloud computing are :

Web application vulnerabilities, such as cross-site scripting and sql injection which are symptomatic of poor field input validation, buffer overflow; as well as default configurations or mis-configured applications.

Accessibility vulnerabilities, which are vulnerabilities inherent to the TCP/IP stack and the operating systems, such as denial of service and distributed denial of services.

Authentication of the respondent device or devices. IP spoofing, RIP attacks, ARP poisoning (spoofing), and DNS poisoning are all too common on the Internet. TCP/IP has some "unfixable flaws" such as "trusted machine" status of machines that have been in contact with each other, and tacit assumption that routing tables on routers will not be maliciously altered.

Data Verification, tampering, loss and theft, while on a local machine, while in transit, while at rest at the unknown third-party device, or devices, and during remote back-ups.

Physical access issues, both the issue of an organization's staff not having physical access to the machines storing and processing a data, and the issue of unknown third parties having physical access to the machines.

Privacy and control issues stemming from third parties having physical control of a data is an issue for all outsourced networked applications and storage, but cloud architectures have some specific issues that are distinct from the usual issues. All virtual machines are brought into existence clean, when in reality a compromised hypervisor can spawn compromised VMs, or all VM operating systems are known and available for audit, when in reality the Windows source-code, among others, is not available for audit.

Security Solutions provided by CSA:

Various groups are developing standards and security solution for cloud computing. Cloud Security Alliance (CSA) gathered solution providers, non-profits and individuals to enter into discussion about the current and future best practices for information assurance in the cloud. The Cloud Standards web site has collected and coordinated information about cloud-related standards.

The Open Web Application Security Project (OWASP) maintains a "top 10" list of vulnerabilities to cloud-based or Software as a Service deployment models which is updated as the threat landscape changes ("OWASP," 2010). The Open Grid Forum publishes documents to containing security and infrastructural specifications and information for grid computing developers and researchers ("Open Grid Forum," 2010).

Web Application Solutions

The best security solution for web applications is to develop a development framework that takes care of authentication, authorization and proper designing.

Accessibility Solutions

Solution to accessibility vulnerabilities is to stop unused services, keep applications and patches updated, and reduce permissions and access rights of applications and users.

Authentication Solutions

To avoid IP spoofing encrypted protocols must be used wherever possible. It is also suggested to avoid ARP poisoning by requiring root access to change ARP tables; using static, rather than dynamic ARP tables; or at least make sure changes to the ARP tables are logged.

Data Verification, Tampering, Loss and Theft Solutions

Resource isolation can help to ensure security of data during processing, by isolating the processor caches in virtual machines, and isolating those virtual caches from the Hypervisor cache.

Privacy and Control Solutions

Allowing a third-party service to take custody of personal documents raises awkward questions about control and ownership: If you move to a competing service provider, can you take a data with you? Could you lose access to a documents if you fail to pay a bill? The issues of privacy and control cannot be solved, but merely assured with tight service-level agreements (SLAs) or by keeping the cloud itself private.

Physical access solutions

One simple solution, which Milne states to be a widely used is to simply use in-house "private clouds"

Conclusion:

After studying the benefits and security issues in Cloud Computing, we noticed that lots need to be still done to make the customers feel the urge of implementing Cloud in their organization. Even though many service providers are available and eager to provide cloud computing, it is very difficult to say whether they will be able to take care of all the problems which are arising in cloud computing. If we search for cloud computing service providers on the Google Search engine we find thousands of service providers with various offers on cloud computing. But the major concern remains whether these service providers really have enough funds, infrastructure, and technical staff to handle the various challenges faced by cloud computing. During the research we found that Cloud Security Alliance (CSA) is working hard to address the various issues / challenges evolved while implementing cloud. We are of the opinion that more researchers should do thorough research and come up with new & innovative solutions to the various challenges faced in Cloud Computing.

References:

1. www.kurzweilai.net
2. www.computerweekly.com
3. www.guardian.co.uk/technology/2008/sep/29/cloud.computing.richard.stallman
4. www.cloudsecurityalliance.org
5. Document provided by Cloud Security Alliance (CSA) – security best practices for cloud computing – 2009 & CloudStandards – 2010.
6. http://cloud-standards.org

The next generation of computing – A walk through the clouds Cloud Computing

Dr. Joe.Lopez
Associate Professor
Matrix School of Management Studies Pune
&
Mr.Sameer Kshirsagar
Project Manager
SAS eSourcing

Objective

This paper endeavors to dwell, understand and highlight the advantage of Cloud Computing in the current era of Globalization, in the highly challenging and competitive IT industry.

Introduction to Cloud Computing

Cloud Computing, the long-held dream of computing as a utility, has the potential to transform a large part of the IT industry, making software even more attractive as a service and shaping the way IT hardware is designed and purchased. Developers with innovative ideas for new Internet services no longer require the large capital outlays in hardware to deploy their service or the human expense to operate it. They need not be concerned about over-provisioning for a service whose popularity does not meet their predictions, thus wasting costly resources, or under-provisioning for one that becomes wildly popular, thus missing potential customers and revenue. Moreover, companies with large batch-oriented tasks can get results as quickly as their programs can scale, since using 1000 servers for one hour costs no more than using one server for 1000 hours. This elasticity of resources, without paying a premium for large scale, is unprecedented in the history of IT. Cloud Computing refers to both the applications delivered as services over the Internet and the hardware and systems software in the datacenters that provide those services. The services themselves have long been referred to as Software as a Service (SaaS). The datacenter hardware and software is what we will call a Cloud. When a Cloud is made available in a pay-as-you-go manner to the general public, we call it a Public Cloud; the service being sold is Utility Computing. We use the term Private Cloud to refer to internal datacenters of a business or other organization, not made available to the general public. Thus, Cloud Computing is the sum of SaaS and Utility Computing, but does not include Private Clouds. People can be users or providers of SaaS, or users or providers of Utility Computing.

What is Cloud Computing?

Cloud Computing refers to both the applications delivered as services over the Internet and the hardware and systems software in the datacenters that provide those services. The datacenter hardware and software is what we will call a Cloud. When a Cloud is made available in a pay-as-you-go manner to the public, we call it a Public Cloud; the service being sold is Utility Computing. Current examples of public Utility Computing include AmazonWeb Services, Google AppEngine, and Microsoft Azure. We use the term Private Cloud to refer to internal datacenters of a business or other organization that are not made available to the public. Thus, Cloud Computing is the sum of SaaS and Utility Computing, but does not normally include Private Clouds. We'll generally use Cloud Computing, replacing it with one of the other terms only when clarity demands it. Figure 1 shows the roles of the people as users or providers of these layers of Cloud Computing, and we'll use those terms to help make our arguments clear.

The advantages of SaaS to both end users and service providers are well understood. Service providers enjoy greatly simplified software installation and maintenance and centralized control over versioning; end users can access the service "anytime, anywhere", share data and collaborate more easily, and keep their data stored safely in the infrastructure. Cloud Computing does not change these arguments, but it does give more application providers the choice of deploying their product as SaaS without provisioning a datacenter: just as the emergence of semiconductor foundries gave chip companies the opportunity to design and sell chips without owning a fab, Cloud Computing allows deploying SaaS—and scaling on demand—without building or provisioning a datacenter. Analogously to how SaaS allows the user to offload some problems to the SaaS provider, the SaaS provider can now offload some of his problems to the Cloud Computing provider. From now on, we will focus on issues related to the potential SaaS Provider (Cloud User) and to the Cloud Providers, which have received less attention.

We will eschew terminology such as "X as a service (XaaS)"; values of X we have seen in print include Infrastructure, Hardware, and Platform, but we were unable to agree even among ourselves what the precise differences among them might be.1 (We are using Endnotes instead of footnotes. Go to page 20 at the end of paper to read the notes, which have more details.) Instead, we present a simple classification of Utility Computing services in Section 5 that focuses on the tradeoffs among programmer convenience, flexibility, and portability, from both the cloud provider's and the cloud user's point of view.

From a hardware point of view, three aspects are new in Cloud Computing

1. The illusion of infinite computing resources available on demand, thereby eliminating the need for Cloud Computing users to plan far ahead for provisioning
2. The elimination of an up-front commitment by Cloud users, thereby allowing companies to start small and increase hardware resources only when there is an increase in their needs
3. The ability to pay for use of computing resources on a short-term basis as needed (e.g., processors by the hour and storage by the day) and release them as needed, thereby rewarding conservation by letting machines and storage go when they are no longer useful.

What does Cloud Computing comprise of ?

Cloud computing can be visualized as a pyramid consisting of three sections:

1. Cloud Application

This is the apex of the cloud pyramid, where applications are run and interacted with via a web browser, hosted desktop or remote client. A hallmark of commercial cloud computing applications is that users never need to purchase expensive software licenses themselves. Instead, the cost is incorporated into the subscription fee. A cloud

application eliminates the need to install and run the application on the customer's own computer, thus removing the burden of software maintenance, ongoing operation and support.

2. Cloud Platform

The middle layer of the cloud pyramid, which provides a computing platform or framework as a service. A cloud computing platform dynamically provisions, configures, reconfigures and de-provisions servers as needed to cope with increases or decreases in demand. This in reality is a distributed computing model, where many services pull together to deliver an application or infrastructure request.

3. Cloud Infrastructure

The foundation of the cloud pyramid is the delivery of IT infrastructure through virtualization. Virtualization allows the splitting of a single physical piece of hardware into independent, self governed environments, which can be scaled in terms of CPU, RAM, Disk and other elements. The infrastructure includes servers, networks and other hardware appliances delivered as either Infrastructure "Web Services", "farms" or "cloud centers". These are then interlinked with others for resilience and additional capacity.

Types of Cloud Computing

Public Cloud

Public cloud (also referred to as 'external' cloud) describes the conventional meaning of cloud computing: scalable, dynamically provisioned, often virtualized resources available over the Internet from an off-site third-party provider, which divides up resources and bills its customers on a 'utility' basis. An example is ThinkGrid, a company that provides a multi-tenant architecture for supplying services such as Hosted Desktops, Software as a Service and Platform as a Service. Other popular cloud vendors include Salesforce.com, Amazon EC2 and Flexiscale.

Private Cloud

Private cloud (also referred to as 'corporate' or 'internal' cloud) is a term used to denote a proprietary computing architecture providing hosted services on private networks. This type of cloud computing is generally used by large companies, and allows their corporate network and data centre administrators to effectively become in-house 'service providers' catering to 'customers' within the corporation. However, it negates many of the benefits of cloud computing, as organizations still need to purchase, set up and manage their own clouds.

Hybrid Cloud

It has been suggested that a hybrid cloud environment combining resources from both internal and external providers will become the most popular choice for enterprises. For example, a company could choose to use a public cloud service for general computing, but store its business-critical data within its own data centre. This may be because larger organizations are likely to have already invested heavily in the infrastructure required to provide resources in-house – or they may be concerned about the security of public clouds (see page 9 for more on this subject).

Characteristics of a Cloud: A Cloud should have at least the following characteristics:

- Clouds should be uniquely identifiable so that they can be individually managed even when combined with other clouds. This will be necessary to distinguish and harmonize cloud business and infrastructure policies

in- force.

- The cloud should be dynamically configurable: configuration should be automatable in varying and unpredictable, possibly even event-driven conditions.
- Systems management technologies for clouds must integrate constraints on business with constraints on infrastructure to make them manageable in aggregate.
- The cloud should be able to dynamically provision itself and optimize its own construction and resource consumption over time.
- The cloud must be able to recover from routine and extraordinary events that might cause some or all of its parts to malfunction.
- The cloud must be aware of the contexts in which it is used so that cloud contents can behave accordingly.
    - *For example,* if clouds are composted, policy will have to be harmonized across cloud boundaries; when in multi-tenant mode, service level agreements may be used to determine priority access to physical resources. Application platforms today are unaware of their usage context, but business functionality in next-generation platforms will have to be managed with context in mind.
- A cloud must be secure, and it must be able to secure itself.

What services can be used in the cloud ?

There are numerous services that can be delivered through cloud computing, taking advantage of the distributed cloud model. Here are some brief descriptions of a few of the most popular cloud-based IT solutions:

1. Hosted Desktops

Hosted desktops remove the need for traditional desktop PCs in the office environment, and reduce the cost of providing the services that you need. A hosted desktop looks and behaves like a regular desktop PC, but the software and data customers use are housed in remote, highly secure data centers, rather than on their own machines. Users can simply access their hosted desktops via an internet connection from anywhere in the world, using either an existing PC or laptop or, for maximum cost efficiency, a specialized device called a thin client.

2. Hosted Email

As more organizations look for a secure, reliable email solution that will not cost the earth, they are increasingly turning to hosted Microsoft Exchange® email plans. Using the world's premier email platform, this service lets organizations both large and small reap the benefits of using MS Exchange® accounts without having to invest in the costly infrastructure themselves. Email is stored centrally on managed servers, providing redundancy and fast connectivity from any location. This allows users to access their email, calendar, contacts and shared files by a variety of means, including Outlook®, Outlook Mobile Access (OMA) and Outlook Web Access (OWA).

3. Hosted Telephony (VOIP)

VOIP (Voice Over IP) is a means of carrying phone calls and services across digital internet networks. In terms of basic usage and functionality, VOIP is no different to traditional telephony, and a VOIP-enabled telephone works exactly like a 'normal' one, but it has distinct cost advantages. A hosted VOIP system replaces expensive phone systems, installation, handsets, BT lines and numbers with a simple, cost-efficient alternative that is available to use on a monthly subscription basis. Typically, a pre-configured handset just needs to be plugged into your broadband or office network to allow you to access features such as voicemail, IVR and more.

4. Cloud Storage

Cloud storage is growing in popularity due to the benefits it provides, such as simple, CapEx-free costs, anywhere access and the removal of the burden of in-house maintenance and management. It is basically the delivery of data storage as a service, from a third party provider, with access via the internet and billing calculated on capacity used in a certain period (e.g. per month).

5. Dynamic Servers

Dynamic servers are the next generation of server environment, replacing the conventional concept of the dedicated server. A provider like ThinkGrid gives its customers access to resources that look and feel exactly like a dedicated server, but that are fully scalable. You can directly control the amount of processing power and space you use, meaning you don't have to pay for hardware you don't need. Typically, you can make changes to your dynamic server at any time, on the fly, without the costs associated with moving from one server to another.

Preview of Top 10 Obstacles and Opportunities in Cloud Computing:

Sr.No	Obstacles	Opportunities
1	Availability of Service	Use Multiple Cloud Providers; Use Elasticity to Prevent DDOS
2	Data Lock-In	Standardize APIs; Compatible SW to enable Surge Computing
3	Data Confidentiality and Auditability	Deploy Encryption, VLANs, Firewalls; Geographical Data Storage
4	Data Transfer Bottlenecks	Fed-Exing Disks; Data Backup/Archival; Higher BW Switches
5	Performance Unpredictability	Improved VM Support; Flash Memory; Gang Schedule VMs
6	Scalable Storage	Invent Scalable Store
7	Bugs in Large Distributed Systems	Invent Debugger that relies on Distributed VMs
8	Scaling Quickly	Invent Auto-Scaler that relies on ML; Snapshots for Conservation
9	Reputation Fate Sharing	Offer reputation-guarding services like those for email
10	Software Licensing	Pay-for-use licenses; Bulk use sales

Cloud Value Preposition:

Cloud computing value prepositions is reduction in total cost of ownership, translation of the fixed to variable cost, improvement of business agility and the ability to build systems of a global class. The cost model allows the business to free up budgets on infrastructure and the platform allows using them for delivering innovation services quickly. Cloud computing can bring about strategic, transformational, and even revolutionary benefits fundamental to future enterprise computing, but it also offers immediate and pragmatic opportunities to improve efficiencies today while cost effectively and systematically setting the stage for strategic change.

And in many cases, the technology supporting cloud offerings serves to facilitate the design of a migration path that reduces initial investment and accelerates returns from each stage. For organizations with significant invest-

ment in traditional software and hardware infrastructure, migration to the cloud will occur systematically and over time, as with any other significant technology transition. For other less-constrained organizations or those with infrastructure nearing end-of-life, technology re-architectures and adoption may be more.

Cloud Computing as a part of IT Strategy:

Reduce Cost	Reduction in the total cost of ownership by optimally using the software and hardware licenses Ability to scale with the demand for peak loads and seasonal variations thus optimizing the cost model
De-Risk	Investment are translated form the upfront Capital Expense (CAPEX) to Operational Expense (OpEx) for consuming IT services. Further investments can be put based on the success of the initiative . Alternate sourcing strategy for IT services provides primary and fallbacks options
Agility	The infrastructure can be provisioned quickly therefore improves the time to market
Global Scale	Massively scalable engines allows building highly scalable services for customers and partners. Infrastructure scale with demand for peak loads and seasonal variations

Cloud Computing Maturity Model

The establishment of a cloud computing maturity model (CCMM) provides a framework for successful implementation. A phased approach to the CCMM, encompassing five key

Components.

• Consolidation

• Virtualization

• Automation

• Utility

• Cloud

Consolidation

An organization's migration towards cloud computing begins with the consolidation of server, storage, and network resources, which works to reduce redundancy, decrease wasted space,

and increase equipment usage, all through the measured planning of both architecture and process. Consolidation is achieved primarily through virtualization but can also be approached by the use of denser computing hardware or even high performance computing. By boosting the speed of critical processes and enabling greater flexibility, the consolidation of data centers and desktops allows agencies to do more with fewer resources a significant concern in today's economic environment. Moreover, the shift to a unified fabric provides both physical and virtual access to the storage area network (SAN), creating greater efficiency and cost savings by allowing more storage to be consolidated in the SAN Network and application modernization is also an important initial step in enabling the transition to a cloud computing environment. A viable alternative to replacing infrastructure components or rewriting critical applications, modernization promotes communication between older systems and newer solutions, all while preserving the value in existing IT systems. Freed from the bonds of a mainframe environment,

critical applications modernized through a service-oriented architecture provide agencies with the increased ability to leverage newer technologies. As for security concerns surrounding cloud computing, modernization actually works to enhance the security of sensitive information stored on critical applications. When established

properly, the cloud platform provides security of all data in motion, traveling between the cloud and the desktop, and all data at rest in cloud storage.

Virtualization

Virtualization forms a solid foundation for all cloud architectures. It enables the abstraction and aggregation of all data center resources, thereby creating a unified resource that can be shared

by all application loads. Hardware such as servers, storage devices, and other components are treated as a pool of resources rather than a discrete system, thereby allowing the allocation of

resources on demand. By decoupling the physical IT infrastructure from the applications and services being hosted, virtualization allows greater efficiency and flexibility, without any effect on system administration productivity or tools and processes. By separating the workload from the underlying OS and hardware, virtualization allows extreme portability. When extended to every system component, desktop, network, storage, and servers – it enables the mobility of applications and data, not only across servers and storage arrays, but also across data centers and networks. Moreover, through consolidation – one of the critical applications of virtualization – agencies can regain control of their distributed resources by creating shared pools of

standardized resources that enable centralized management, speeding up service provisioning and reducing unplanned down time. Ultimately, the result is increased use of assets and simplified lifecycle management through the mobility of applications and data.

Although many agencies turn to virtualization to improve resource usage and decrease both capital and operating costs, the ultimate goal in cloud computing is the use of the abstraction between applications and infrastructure to manage IT as a Service (IaaS) in a true cloud environment.

Automation

In this stage, automation optimizes an agency's virtualized IT resources. Through a transformative procedure, the infrastructure is automated, and critical IT processes become more dynamic and greater control is achieved by trusted policies. With automation, data centers can systematically removed manual labor requirements for run-time operations. Among the various forms of automation in practice today, provisioning automation is perhaps the best known and most often implemented .Rather than managing underlying infrastructure, agencies in pursuit of cloud computing need to move toward managing service levels based on what is appropriate for the application users, whether it's minimum tolerable application latency or the availability level of an application – whatever are deemed critical factors. In this regard, automation becomes an essential element. With centralized IT and self-service for end users, automation helps agencies to disentangle themselves from the burden

of repetitive management procedures, all while enabling end users to quickly access what they require. Ultimately, automation can help agencies to reduce their operating expenses by:

- Reallocating computing resources on-demand
- Establishing run-time responses to capacity demands
- Automating trouble-ticket responses (or eliminating trouble tickets for most automated response scenarios)
- Integrating system management and measurement

Utility

In addition to automation, both self-service and metering -- feedback about the cost of the resources allocated are necessary requirements in creating a cloud service. With breakthrough capabilities for end users and agencies, self-service and metering facilitate not only better IT management but the further extension of the user

experience. In the cloud, there is no intermediary between the user of a resource and the processes for acquiring and allocating resources for critical mission needs and initiatives. Since the user initiates the service requests, IT becomes an on-demand service and the costs of operation drop significantly, because costs are incurred only when the service is used and fewer dollars are spent attending to the needs of the infrastructure. Essential to IT administration is the question of how to maintain service delivery in a fully virtualized, multi-tenancy environment while at the same time providing the highest levels of security.

Cloud

Through cloud internetworking federation, disparate cloud systems can be linked in such a way as to accommodate both the particular nature of cloud computing and the running of IT workloads. This federation allows the sharing of a range of IT resources and capabilities – including capacity, monitoring, and management – and the movement of application loads between clouds. Moreover, since federation can occur across data center and agency boundaries, it enables such processes as unified metering and billing and one-stop self-service provisioning. With cloud computing, communication increases significantly, as data sharing between previously separate systems is fully enabled – and collaboration within and between government agencies grows exponentially. Ultimately, rather than each agency operating in isolation, constricted by the boundaries of its own data center, not only can services be shared among groups, but also costs can be shared and lessened.

Why switch from traditional IT to the cloud?

There are many reasons why organizations of all sizes and types are adopting this model of IT. It provides a way to increase capacity or add capabilities on the fly without investing in new infrastructure, training new personnel, or licensing new software. Ultimately, it can save companies a considerable amount of money.

Removal / reduction of capital expenditure

Customers can avoid spending large amounts of capital on purchasing and installing their IT infrastructure or applications by moving to the cloud model. Capital expenditure on IT reduces available working capital for other critical operations and business investments. Cloud computing offers a simple operational expense that is easier to budget for month-by-month, and prevents money being wasted on depreciating assets. Additionally, customers do not need to pay for excess resource capacity in-house to meet fluctuating demand.

Reduced administration costs

IT solutions can be deployed extremely quickly and managed, maintained, patched and upgraded remotely by your service provider. Technical support is provided round the clock by Cloud service providers at no extra charge, reducing the burden on IT staff. This means that they are free to focus on business-critical tasks, and businesses can avoid incurring additional manpower and training costs. IT giant IBM has pointed out that cloud computing allows organizations to streamline procurement processes, and eliminates the need to duplicate certain computer administrative skills related to setup, configuration, and support.

Improved resource utilization

Combining resources into large clouds reduces costs and maximizes utilization by delivering resources only when they are needed. Businesses needn't worry about over-provisioning for a service whose use does not meet their predictions, or under-provisioning for one that becomes unexpectedly popular. Moving more and more applications, infrastructure, and even support into the cloud can free up precious time, effort and budgets to concentrate on the real job of exploiting technology to improve the mission of the company. It really comes down to

making better use of your time – focusing on your business and allowing cloud providers to manage the resources to get you to where you need to go. Sharing computing power among multiple tenants can improve utilization rates, as servers are not left idle, which can reduce costs significantly while increasing the speed of application development. A side effect of this approach is that computer capacity rises dramatically, as customers do not have to engineer for peak loads.

Economies of scale

Cloud computing customers can benefit from the economies of scale enjoyed by providers, who typically use very large-scale data centres operating at much higher efficiency levels, and multi-tenant architecture to share resources between many different customers. This model of IT provision allows them to pass on savings to their customers.

Scalability on demand

Scalability and flexibility are highly valuable advantages offered by cloud computing, allowing customers to react quickly to changing IT needs, adding or subtracting capacity and users as and when required and responding to real rather than projected requirements. Even better, because cloud-computing follows a utility model in which service costs are based on actual consumption, you only pay for what you use. Customers benefit from greater elasticity of resources, without paying a premium for large scale.

Quick and easy implementation

Without the need to purchase hardware, software licenses or implementation services, a company can get its cloud-computing arrangement off the ground in minutes.

Helps smaller businesses compete

Historically, there has been a huge disparity between the IT resources available to small businesses and to enterprises. Cloud computing has made it possible for smaller companies to compete on an even playing field with much bigger competitors. 'Renting' IT services instead of investing in hardware and software makes them much more affordable, and means that capital can instead be used for other vital projects. Cloud Service providers take enterprise technology and offer SMBs services that would otherwise cost hundreds of thousands of pounds for a low monthly fee.

Quality of service

Your selected vendor should offer 24/7 customer support and an immediate response to emergency situations.

Guaranteed uptime, SLAs.

Always ask a prospective provider about reliability and guaranteed service levels – ensure your applications and/or services are always online and accessible.

Anywhere Access

Cloud-based IT services let you access your applications and data securely from any location via an internet connection. It's easier to collaborate too; with both the application and the data stored in the cloud, multiple users can work together on the same project, share calendars and contacts etc. It has been pointed out that if your

internet connection fails, you will not be able to access your data. However, due to the 'anywhere access' nature of the cloud, users can simply connect from a different location – so if your office connection fails and you have no redundancy, you can access your data from home or the nearest Wi-Fi enabled point. Because of this, flexible / remote working is easily enabled, allowing you to cut overheads, meet new working regulations and keep your staff happy!

Technical Support

A good cloud computing provider will offer round the clock technical support. ThinkGrid customers, for instance, are assigned one of our support pods, and all subsequent contact is then handled by the same small group of skilled engineers, who are available 24/7. This type of support model allows a provider to build a better understanding of your business requirements, effectively becoming an extension of your team.

Disaster recovery / backup

Recent research has indicated that around 90% of businesses do not have adequate disaster recovery or business continuity plans, leaving them vulnerable to any disruptions that might occur. Cloud computing providers can provide an array of disaster recovery services, from cloud backup (allowing you to store important files from your desktop or office network within their data centres) to having ready-to-go desktops and services in case your business is hit by problems. Hosted Desktops (or Hosted VDI) for example, mean you don't have to worry about worry about data backup or disaster recovery, as this is taken care of as part of the service. Files are stored twice at different remote locations to ensure that there's always a copy available 24 hours a day, 7 days per week.

Security Concerns on the Cloud

Many companies that are considering adopting cloud computing raise concerns over the security of data being stored and accessed via the internet. Cloud computing providers adhere to strict privacy policies and sophisticated security measures, with data encryption being one example of this. Companies can choose to encrypt data before even storing it on a third-party provider's servers. As a result, many cloud-computing vendors offer greater data security and confidentiality than companies that choose to store their data in-house. However, not all vendors will offer the same level of security. It is recommended that anyone with concerns over security and access should research vendors' policies before using their services.

Technology analyst and consulting firm Gartner lists some security issues to bear in mind when considering a particular vendor's services:

- Privileged user access—enquire about who has access to data and about the hiring and management of such administrators
- Regulatory compliance—make sure a vendor is willing to undergo external audits and/or security certifications
- Data location—ask if a provider allows for any control over the location of data
- Data segregation—make sure that encryption is available at all stages and that these "encryption schemes were designed and tested by experienced professionals"
- Recovery—find out what will happen to data in the case of a disaster; do they offer complete restoration and, if so, how long that would take
- Investigative Support—inquire whether a vendor has the ability to investigate any inappropriate or illegal activity

- Long-term viability—ask what will happen to data if the company goes out of business; how will data be returned and in what format

Best practice for companies in the cloud

- Inquire about exception monitoring systems
- Be vigilant around updates and making sure that staff don't suddenly gain access privileges they're not supposed to.
- Ask where the data is kept and inquire as to the details of data protection laws in the relevant jurisdictions.
- Seek an independent security audit of the host
- Find out which third parties the company deals with and whether they are able to access your data
- Be careful to develop good policies around passwords; how they are created, protected and changed.
- Look into availability guarantees and penalties.
- Find out whether the cloud provider will accommodate your own security policies

Generally speaking, however, security is usually improved by keeping data in one centralized location. In high security data centers security is typically as good as or better than traditional systems, in part because providers are able to devote resources to solving security issues that many customers cannot afford.

Moving from Traditional IT to Cloud Computing

Architectural planning, simplification, and transformation –

Moving IT platforms to the clouds represents the next logical step in a service oriented world, and Build v. Buy v. Lease is the new decision framework in service selection within this context. Understanding the level of cloud and internal company maturity will guide decisions such as How and When to leverage cloud services to support core as well as non-core business capabilities, and how software assets should interoperate to provision business functionality. It is also critical in this step to give explicit focus to policy-based architectures that support agility and innovation.

Policy-oriented business and risk management –

Policy within and across organization boundaries has traditionally been embedded within enterprise IT platforms and applications. However scaling businesses globally will require implementing new ways to combine and harmonize policies within and across external process networks and value chains.

It will become increasingly critical for companies to establish clear and explicit definitions of governance, policy (regulatory, security, privacy, etc) and SLAs if they are to operate effectively with diverse entities in the cloud.

Cloud composition -

The ability of one cloud to participate in managing another will become critical to scaling a cloud. It will provide a means for a private cloud to temporarily use the resources of a public cloud as part of an elastic resource capacity strategy. It also will make it possible to more immediately share functionality, information, and computing resources. One real-life example of a composite cloud is Skype. While Skype may be considered to be just a p2p application, it actually is a global mesh network of managed network elements (servers, routers, switches, encoders/decoders, etc.) that provisions a global VoIP network with voice endpoints that are laptop/desktop computers or handheld devices that run Skype's client application at the edge of the Skype cloud. When the Skype application is not running on a laptop/desktop/handheld device, VoIP calls are not conducted through it. But when the application is running and calls can be conducted, the Skype cloud expands to use the laptop/desktop/handheld device to route traffic and manage network exceptions if needed.

Information Technology

Cloud management –

To conduct business within a cloud (recognizing what is available today), it is important for cloud consumers and Providers to align on graduated SLAs and corresponding pricing models. Maturing cloud capabilities into more advanced offerings, such as virtual supply chains, requires support for fully abstracted, policy-driven interactions across clouds. This is a big jump, and it will become a major challenge for the cloud providers to adequately model, expose and extend policies in order to provide integrated services across distributed and heterogeneous business processes and infrastructure. The data associated with these business processes and infrastructure will need to be managed appropriately to address and mitigate various risks from a security, privacy, and regulatory compliance perspective. This is

particularly important as intellectual property, customer, employee, and business partner data flows across clouds and along virtual supply chains.

Cloud Computing: Applicability

Not everyone agrees, but McKinsey has concluded1 as follows. "Clouds already make sense for many small and medium-size businesses, but technical, operational and financial hurdles will need to be overcome before clouds will be used extensively by large public and private enterprises. Rather than create unrealizable expectations for "internal clouds", CIOs should focus now on the immediate benefits of virtualizing server storage, network operations, and other critical building blocks". They recommend that users should develop an overall strategy based on solid business cases not "cloud for the sake of cloud"; use modular design in all new software to minimize costs when it comes time to migrate to the cloud; and set up a Cloud CIO Council to advise industry.

Example of Cloud Applicability: Pharmaceutical Industry

In the pharmaceutical sector, where large amounts of sensitive data are currently kept behind protective firewalls, security is a real concern, as is policing individual researchers' access to the cloud. Nevertheless, chemin-formatics vendors are starting to look at cloud options, especially in terms of Software as a Service (SaaS) and hosted informatics. In bioinformatics and number-crunching, the cloud has distinct advantages. EC2 billing is typically hours times number of cpus, so, as an over-generalization, the cost for 1 CPU for 1000 hours is the same as the cost of 1000 cpus for 1 hour. This makes cloud computing appealing for speedy answers to complex calculations. Over the past two years, new DNA sequencing technology has emerged allowing a much more comprehensive view of biological systems at the genetic level. This so-called next-generation sequencing has increased by orders of magnitude the already daunting deluge of laboratory data, resulting in an immense IT challenge. Could the cloud provide a solution

Cloud Computing: New Application Opportunities

While we have yet to see fundamentally new types of applications enabled by Cloud Computing, we believe that several important classes of existing applications will become even more compelling with Cloud Computing and contribute further to its momentum. When Jim Gray examined technological trends in 2003 , he concluded that economic necessity mandates putting the data near the application, since the cost of wide-area networking has fallen more slowly (and remains relatively higher) than all other IT hardware costs. Although hardware costs have changed since Gray's analysis, his idea of this "breakeven point" has not. Although we defer a more thorough discussion of Cloud Computing economics to Section 6, we use Gray's insight in examining what kinds of applications represent particularly good opportunities and drivers for Cloud Computing.

Mobile interactive application:.

Tim O'Reilly believes that "the future belongs to services that respond in real time to information provided either by their users or by nonhuman sensors. Such services will be attracted to the cloud not only because they must be highly available, but also because these services generally rely on large datasets that are most conveniently hosted in large datacenters. This is especially the case for services that combine two or more data sources or other services, e.g., mash-ups. While not all mobile devices enjoy connectivity to the cloud 100% of the time, the chal-

lenge of disconnected operation has been addressed successfully in specific application domains,2 so we do not see this as a significant obstacle to the appeal of mobile applications.

Parallel batch processing:

Although thus far we have concentrated on using Cloud Computing for interactive SaaS, Cloud Computing presents a unique opportunity for batch-processing and analytics jobs that analyze terabytes of data and can take hours to finish. If there is enough data parallelism in the application, users can take advantage of the cloud's new "cost associatively": using hundreds of computers for a short time costs the same as using a few computers for a long time. For example, Peter Harkins, a Senior Engineer at The Washington Post, used 200 EC2 instances (1,407 server hours) to convert 17,481 pages of Hillary Clinton's travel documents into a form more friendly to use on the WWW within nine hours after they were released. Programming abstractions such as Google's MapReduce and its open-source counterpart Hadoop allow programmers to express such tasks while hiding the operational complexity of choreographing parallel execution across hundreds of Cloud Computing servers. Indeed, Cloudera is pursuing commercial opportunities in this space. Again, using Gray's insight, the cost/benefit analysis must weigh the cost of moving large datasets into the cloud against the benefit of potential speedup in the data analysis. When we return to economic models later, we speculate that part of Amazon's motivation to host large public datasets for free may be to mitigate the cost side of this analysis and thereby attract users to purchase Cloud Computing cycles near this data.

The rise of analytics:

A special case of compute-intensive batch processing is business analytics. While the large database industry was originally dominated by transaction processing, that demand is leveling off. A growing share of computing resources is now spent on understanding customers, supply chains, buying habits, ranking, and so on.Hence, while online transaction volumes will continue to grow slowly, decision support is growing rapidly, shifting the resource balance in database processing from transactions to business analytics.

Extension of compute-intensive desktop applications:

The latest versions of the mathematics software packages Matlab and Mathematica are capable of using Cloud Computing to perform expensive evaluations. Other desktop applications might similarly benet from seamless extension into the cloud. Again, a reasonable test is comparing the cost of computing in the Cloud plus the cost of moving data in and out of the Cloud to the time savings from using the Cloud. Symbolic mathematics involves a great deal of computing per unit of data, making it a domain worth investigating. An interesting alternative model might be to keep the data in the cloud and rely on having sufficient bandwidth to enable suitable visualization and a responsive GUI back to the human user. Offline image rendering or 3Danimation might be a similar example: given a compact description of the objects in a 3D scene and the characteristics of the lighting sources, rendering the image is an embarrassingly parallel task with a high computation-to-bytes ratio.

"Earthbound" applications:

Some applications that would otherwise be good candidates for the cloud's elasticity and parallelism may be thwarted by data movement costs, the fundamental latency limits of getting into and out of the cloud, or both. For example, while the analytics associated with making long-term financial decisions are appropriate for the Cloud, stock trading that requires microsecond precision is not. Until the cost (and possibly latency) of wide area data transfer decrease, such applications may be less obvious candidates for the cloud.

Cloud Computing: Economics

In this section we make some observations about Cloud Computing economic models:

- In deciding whether hosting a service in the cloud makes sense over the long term, we argue that the fine grained economic models enabled by Cloud Computing make tradeoff decisions more fluid, and in particular the elasticity offered by clouds serves to transfer risk.

- As well, although hardware resource costs continue to decline, they do so at variable rates; for example, computing and storage costs are falling faster than WAN costs. Cloud Computing can track these changes and potentially pass them through to the customer—more effectively than building one's own datacenter, resulting in a closer match of expenditure to actual resource usage.
- In making the decision about whether to move an existing service to the cloud, one must additionally examine the expected average and peak resource utilization, especially if the application may have highly variable spikes in resource demand; the practical limits on real-world utilization of purchased equipment; and various operational costs that vary depending on the type of cloud environment being considered.

Cap-Ex vs. Op-Ex

Although the economic appeal of Cloud Computing is often described as "converting capital expenses to operating expenses" (CapEx to OpEx), we believe the phrase "pay as you go" more directly captures the economic benefit to the buyer. Hours purchased via Cloud Computing can be distributed non-uniformly in time (e.g., use 100 server-hours today and no server-hours tomorrow, and still pay only for what you use); in the networking community, this way of selling bandwidth is already known as usage-based pricing. 3 In addition, the absence of up-front capital expense allows capital to be redirected to core business investment. Therefore, even though Amazon's pay-as-you-go pricing (for example) could be more expensive than buying and depreciating a comparable server over the same period, we argue that the cost is outweighed by the extremely important Cloud Computing economic benefits of elasticity and transference of risk, especially the risks of over provisioning (underutilization) and under provisioning (saturation).

Benefits of moving to the Cloud

Whereas the previous section tried to quantify the economic value of specific Cloud Computing benefits such as elasticity, this section tackles an equally important but larger question: Is it more economical to move my existing datacenter-hosted service to the cloud, or to keep it in a datacenter. While computing costs have improved the most in 5 years, the ability to use the extra computing power is based on the assumption that programs can utilize all the cores on both sockets in the computer. This assumption is likely more true for Utility Computing, with many Virtual Machines serving thousands to millions of customers, than it is for programs inside the datacenter of a single company.

Pay separately per resource:

Most applications do not make equal use of computation, storage, and network bandwidth; some are CPU-bound, others network-bound, and so on, and may saturate one resource while under utilizing others. Pay-as-you-go Cloud Computing can charge the application separately for each type of resource, reducing the waste of underutilization. While the exact savings depends on the application, suppose the CPU is only 50% utilized while the network is at capacity; then in a datacenter you are effectively paying for double the number of CPU cycles actually being used. So rather than saying it costs $2.56 to rent only $1 worth of CPU, it would be more accurate to say it costs $2.56 to rent $2 worth of CPU. As a side note, AWS's prices for wide-area networking are actually more competitive than what a medium-sized company would pay for the same bandwidth.

Power, cooling and physical plant costs:

The costs of power, cooling, and the amortized cost of the building are missing from our simple analyses so far. Hamilton estimates that the costs of CPU, storage and bandwidth roughly double when those costs are amortized over the building's lifetime [23, 26]. Using this estimate, buying 128 hours of CPU in 2008 really costs $2 rather than $1, compared to $2.56 on EC2. Similarly, 10 GB of disk space costs $2 rather than $1, compared to $1.20–$1.50 per month on S3. Lastly, S3 actually replicates the data at least 3 times for durability and performance, ensure durability, and will replicate it further for performance is there is high demand for the data. That means the costs are $6.00 when purchasing vs. $1.20 to $1.50 per month on S3.

Operations costs:

Today, hardware operations costs are very low—rebooting servers is easy (e.g., IP addressable power strips, separate out of band controllers, and so on) and minimally trained staff can replace broken components at the rack or server level. On one hand, since Utility Computing uses virtual machines instead of physical machines, from the cloud user's point of view these tasks are shifted to the cloud provider. On the other hand, depending on the level of virtualization, much of the software management costs may remain—upgrades, applying patches, and so on. Returning to the "managed vs. unmanaged" discussion of Section 5, we believe these costs will be lower for managed environments (e.g. Microsoft Azure, Google AppEngine, Force.com) than for hardware-level utility computing (e.g. Amazon EC2).

Conclusion

With its convenient, on-demand model for network access to a shared pool of configurable computing resources, cloud computing is rapidly emerging as a viable alternative to traditional approaches and is carrying a host of proven benefits to government agencies. Costs are being significantly reduced, along with personnel time spent on computing issues. Storage availability increases, high automation eliminates worries about keeping applications up to date, and flexibility and mobility are heightened, allowing workers to access information anytime, anywhere. Cloud computing can be rapidly provisioned and released with minimal management effort or service provider interaction.

Ultimately, with its offering of scalable, real-time, internet-based information technology services and resources, the cloud can satisfy the computing needs of a universe of users, without the users incurring the costs of maintaining the underlying infrastructure.

Cloud computing as we see it emerging today is somewhat amorphously defined, making it difficult to form a point of view about the capabilities of currently available cloud computing instances to manage next century platforms. While it is clear that they can manage today's common platforms, we see architectural challenges for the future that we believe will be difficult to address using current cloud architectures and architecture styles. We identify technical challenges including architecture style, user and access control management, the need to have externally managed business and infrastructure policies through interaction containers, and the need for Utility Computing capabilities that must be addressed to meet future architecture requirements. Aiming at implementation of an ecosystem platform will take us beyond the management capabilities of current cloud offerings. Adding architecture components like the interaction container and externalized policy engine will improve cloud capabilities, but until these become fundamental components in cloud architecture, it is unlikely that a cloud will be able to manage the concerns of a service grid. It is interesting to note, however, that the construct of a service grid enables it to manage the concerns of a cloud. A service grid, as an autonomic architecture We see, in this paper, that cloud computing can be used to address tactical problems with which IT continually deals, like resource availability and reliability, data center costs, and operational process standardization. These near-term objectives represent sufficient justification for companies to use cloud computing technologies even when they have no need to improve their platforms or practices. But there are longer-term business imperatives as well, like the need for a company to be agile in combining their capabilities with those of their partners by creating a distributed platform that will drive aggressively toward cloud and service grid computing. We believe that clouds, service grids, and service-oriented architectures are technologies that will be fundamental to twenty-first-century corporations' successfully navigating the changes that they now face.

References

1. Cloudera, Hadoop training and support [online]. Available from: http://www.cloudera.com/
2. TC3 Health Case Study: Amazon Web Services [online]. Available from: http://aws.amazon.com/solutions/case-studies/tc3-health/.
3. Amazon.com CEO Jeff Bezos on Animoto [online]. April 2008. Available from: http://blog.animoto.com/2008/04/21/amazon-ceo-jeff-bezos-on-animoto/.

4. Black Friday traffic takes down Sears.com. Associated Press (November 2008).

5. ABRAMSON, D., BUYYA, R., AND GIDDY, J. A computational economy for grid computing and its implementation in the Nimrod-G resource broker. Future Generation Computer Systems 18, 8 (2002), 1061–1074.

6. AMAZON AWS. Public Data Sets on AWS [online]. 2008. Available from: http://aws.amazon.com/ publicdatasets/.

7. BARROSO, L. A., AND HOLZLE, U. The Case for Energy-Proportional Computing. IEEE Computer 40, 12 (December 2007).

8. BECHTOLSHEIM, A. Cloud Computing and Cloud Networking. talk at UC Berkeley, December 2008.

9. BIALECKI, A., CAFARELLA, M., CUTTING, D., AND O'MALLEY, O. Hadoop: a framework for running applications on large clusters built of commodity hardware. Wiki at http://lucene. apache. org/hadoop.

10. BRODKIN, J. Loss of customer data spurs closure of online storage service 'The Linkup'. Network World (August 2008).

11. CARR, N. Rough Type [online]. 2008. Available from: http://www.roughtype.com.

Cloud computing

Ms.Sarika Yadav
Faculty
I.M.S.S.R. Pune

Traditional business applications have always been very complicated and expensive. The amount and variety of hardware and software required to run them are daunting. You need a whole team of experts to install, configure, test, run, secure, and update them.

When you multiply this effort across dozens or hundreds of apps, it's easy to see why the biggest companies with the best IT departments aren't getting the apps they need. Small and mid-sized businesses don't stand a chance.

Cloud computing is a term used to describe both a platform and type of application. A cloud computing platform dynamically provisions, configures, reconfigures, and deprovisions servers as needed.

Servers in the cloud can be physical machines or virtual machines. Advanced clouds typically include other computing resources such as storage area networks (SANs), network

equipment, firewall and other security devices.

Cloud computing also describes applications that are extended to be accessible through the Internet. These cloud applications use large data centers and powerful servers that host Web applications and Web services. Anyone with a suitable Internet connection and a standard browser can access a cloud application.

1.0 Definition

A cloud is a pool of virtualized computer resources. A cloud can:

- Host a variety of different workloads, including batch-style back-end jobs and interactive, user-facing applications
- Allow workloads to be deployed and scaled-out quickly through the rapid provisioning of virtual machines or physical machines
- Support redundant, self-recovering, highly scalable programming models that allow workloads to recover from many unavoidable hardware/software failures
- Monitor resource use in real time to enable rebalancing of allocations when needed Cloud computing environments support grid computing by quickly providing physical and virtual servers on which the grid applications can run.
- Clouds also support nongrid environments, such as a three-tier Web architecture running Standard or Web 2.0 applications. A cloud is more than a collection of computer resources because a cloud provides a mechanism to manage those resources.
- Management includes provisioning, change requests, reimaging, workload rebalancing, deprovisioning, and monitoring.

2.0 Cloud computing concept

Cloud computing conceptual diagram

Cloud computing is location independent computing, whereby shared servers provide resources, software, and data to computers and other devices on demand, as with the electricity grid. Cloud computing is a natural evolution of the widespread adoption of virtualization, service-oriented architecture and utility computing. Details are abstracted from consumers, who no longer have need for expertise in, or control over, the technology infrastructure "in the cloud" that supports them.

Cloud computing describes a new supplement, consumption, and delivery model for IT services based on the Internet, and it typically involves over-the-Internet provision of dynamically scalable and often virtualized resources.

The National Institute of Standards and Technology (NIST) provides a somewhat more objective and specific definition here. The term "cloud" is used as a metaphor for the Internet, based on the cloud drawing used in the past to represent the telephone network, and later to depict the Internet in computer network diagrams as an abstraction of the underlying infrastructure it represents. Typical cloud computing providers deliver common business applications online that are accessed from another Web service or software like a Web browser, while the software and data are stored on servers.

Most cloud computing infrastructures consist of services delivered through common centers and built on servers. The major cloud service providers include Amazon, Rackspace Cloud, Salesforce, Skytap, Microsoft and Google. Some of the larger IT firms that are actively involved in cloud computing are Huawei, Cisco, Fujitsu, Dell, Red Hat, Hewlett Packard, IBM, VMware, Hitachi and NetApp.

3.0 Benefits

- Cloud computing is an example of an ultimately virtualized system, and a natural evolution for data centers that employ automated systems management, workload balancing, and virtualization technologies.
- A cloud infrastructure can be a cost efficient model for delivering information services, reducing IT management complexity, promoting innovation, and increasing responsiveness through realtime workload balancing.
- The Cloud makes it possible to launch Web 2.0 applications quickly and to scale up applications as much as needed when needed. The platform supports traditional Java™ and Linux, Apache, MySQL, PHP (LAMP) stack-based applications as well as new architectures such as MapReduce and the Google File System, which provide a means to scale applications across thousands ofservers instantly.

4.0 Characteristics

The fundamental concept of cloud computing is that the computing is "in the cloud" i.e. the processing (and the

related data) is not in a specified, known or static place(s). This is in opposition to where the processing takes place in one or more specific servers that are known.

Generally, cloud computing customers do not own the physical infrastructure, instead avoiding capital expenditure by renting usage from a third-party provider. They consume resources as a service and pay only for resources that they use. Sharing "perishable and intangible" computing power among multiple tenants can improve utilization rates, as servers are not unnecessarily left idle, which can reduce costs significantly while increasing the speed of application development.

5.0 Economics

Cloud computing users avoid capital expenditure (CapEx) on hardware, software, and services when they pay a provider only for what they use. Consumption is usually billed on a utility (resources consumed, like electricity) or subscription (time-based, like a newspaper) basis with little or no upfront cost. Other benefits of this approach are low barriers to entry, shared infrastructure and costs, low management overhead, and immediate access to a broad range of applications.

According to Nicholas Carr, the strategic importance of information technology is diminishing as it becomes standardized and less expensive. He argues that the cloud computing paradigm shift is similar to the displacement of frozen water trade by electricity generators early in the 20th century.

Among the items that some cloud hosts charge for are instances (often with extra charges for high-memory or high-CPU instances), data transfer in and out, storage (measured by the GB-month), I/O requests, PUT requests and GET requests, IP addresses, and load balancing. In some cases, users can bid on instances, with pricing dependent on demand for available instances.

6.0 Architecture

Cloud computing sample architecture

Cloud architecture, the systems architecture of the software systems involved in the delivery of cloud computing, typically involves multiple cloud components communicating with each other over application programming interfaces, usually web services.

The two most significant components of cloud computing architecture are known as the front end and the back end. The front end is the part seen by the client, i.e. the computer user. This includes the client's network (or computer) and the applications used to access the cloud via a user interface such as a web browser. The back end of the cloud computing architecture is the 'cloud' itself, comprising various computers, servers and data storage devices.

7.0 History

The underlying concept of cloud computing dates back to the 1960s, when John McCarthy opined that "computation

may someday be organized as a public utility." Almost all the modern-day characteristics of cloud computing (elastic provision, provided as a utility, online, illusion of infinite supply), the comparison to the electricity industry and the use of public, private, government and community forms was thoroughly explored in Douglas Parkhill's 1966 book, The Challenge of the Computer Utility.

The actual term "cloud" borrows from telephony in that telecommunications companies, who until the 1990s primarily offered dedicated point-to-point data circuits, began offering Virtual Private Network (VPN) services with comparable quality of service but at a much lower cost. The cloud symbol was used to denote the demarcation point between that which was the responsibility of the provider from that of the user. Cloud computing extends this boundary to cover servers as well as the network infrastructure. The first scholarly use of the term "cloud computing" was in a 1997 lecture by Ramnath Chellappa.

Amazon played a key role in the development of cloud computing by modernizing their data centers after the dot-com bubble, which like most computer networks. Amazon initiated a new product development effort to provide cloud computing to external customers, and launched Amazon Web Service (AWS) on a utility computing basis in 2006.

In 2007, Google, IBM and a number of universities embarked on a large scale cloud computing research project. In early 2008, Eucalyptus became the first open source AWS API compatible platform for deploying private clouds. In early 2008, Open Nebula, enhanced in the RESERVOIR European Commission funded project, became the first open source software for deploying private and hybrid clouds and for the federation of clouds [. By mid-2008, Gartner saw an opportunity for cloud computing "to shape the relationship among consumers of IT services, those who use IT services and those who sell them" and observed that "Organizations are switching from company-owned hardware and software assets to per-use service-based models" so that the "projected shift to cloud computing ... will result in dramatic growth in IT products in some areas and significant reductions in other areas."

8.0 Key features

Ability improves with users' ability to rapidly and inexpensively re-provision technological infrastructure resources.

Application Programming Interface (API) accessibility to software that enables machines to interact with cloud software in the same way the user interface facilitates interaction between humans and computers. Cloud Computing systems typically use REST based APIs.

Cost is claimed to be greatly reduced and capital expenditure is converted to operational expenditure. This ostensibly lowers barriers to entry, as infrastructure is typically provided by a third-party and does not need to be purchased for one-time or infrequent intensive computing tasks. Pricing on a utility computing basis is fine-grained with usage-based options and fewer IT skills are required for implementation (in-house).

Reliability is improved if multiple redundant sites are used, which makes well designed cloud computing suitable for business continuity and disaster recovery. Nonetheless, many major cloud computing services have suffered outages, and IT and business managers can at times do little when they are affected.

Scalability via dynamic ("on-demand") provisioning of resources on a fine-grained, self-service basis near real-time, without users having to engineer for peak loads. Performance is monitored, and consistent and loosely coupled architectures are constructed using web services as the system interface.[One of the most important new methods for overcoming performance bottlenecks for a large class of applications is data parallel programming on a distributed data grid.[

Security could improve due to centralization of data, increased security-focused resources, etc Security is often as good as or better than under traditional systems, in part because providers are able to devote resources to solving security issues that many customers cannot afford. Providers typically log accesses, but accessing the audit logs themselves can be difficult or impossible.

Maintenance of cloud computing applications is easier, since they don't have to be installed on each user's computer. They are easier to support and to improve since the changes reach the clients instantly.

Metering means that cloud computing resources usage should be measurable and should be metered per client and application on a daily, weekly, monthly, and yearly basis.

9.0 Layers

As described in OSI Model once an Internet connection is established among several computers It is possible to share services within any one of the following layers i.e. Client, Application, Platform, Infrastructure & Server.

Client :- A cloud client consists of computer hardware and/or computer software that is used for application delivery, or that is specifically designed for delivery of cloud services It includes computers, phones and other devices, operating systems and browsers.

Application :- Cloud application services or "Software as a Service (SaaS)" deliver software as a service over the Internet, eliminating the need to install and run the application on the customer's own computers and simplifying maintenance and support.

Platform:- Cloud platform services or "Platform as a Service (PaaS)" deliver a computing platform and/or solution stack as a service, often consuming cloud infrastructure and sustaining cloud applications. It facilitates deployment of applications without the cost and complexity of buying and managing the underlying hardware and software layers.

Infrastructure:- Cloud infrastructure services, also known as "Infrastructure as a Service (IaaS)", delivers computer infrastructure - typically a platform virtualization environment - as a service. Rather than purchasing servers, software, data-center space or network equipment, clients instead buy those resources as a fully outsourced service. Suppliers typically bill such services on a utility computing basis and amount of resources consumed (and therefore the cost) will typically reflect the level of activity. IaaS evolved from virtual private server offerings. Cloud infrastructure often takes the form of a tier 3 data center with many tier 4 attributes, assembled from hundreds of virtual machines.

Server:- The servers layer consists of computer hardware and/or computer software products that are specifically designed for the delivery of cloud services, including multi-core processors, cloud-specific operating systems and combined offerings.

10.0 Deployment models

Cloud computing types

Public cloud /External cloud :- Public cloud or external cloud describes cloud computing in the traditional main stream sense, whereby resources are dynamically provisioned on a fine-grained, self-service basis over the Internet, via web applications/web services, from an off-site third-party provider who bills on a fine-grained utility computing basis.

Community cloud :-A community cloud may be established where several organizations have similar requirements and seek to share infrastructure so as to realize some of the benefits of cloud computing. With the costs spread over fewer users than a public cloud (but more than a single tenant) this option is more expensive but may offer a higher level of privacy, security and/or policy compliance. Examples of community cloud include Google's "Gov Cloud".

Hybrid cloud :- The most correct definition of the term "Hybrid Cloud" is probably the use of physical hardware and virtualized cloud server instances together to provide a single common service. Two clouds that have been joined together are more correctly called a "combined cloud".

Private cloud:-Douglas Parkhill first described the concept of a "Private Computer Utility" in his 1966 book The Challenge of the Computer Utility. The idea was based upon direct comparison with other industries (e.g. the electricity industry) and the extensive use of hybrid supply models to balance and mitigate risks.

11.0 Cloud engineering

Cloud engineering is also known as cloud service engineering. Cloud engineering is the application of a systematic, disciplined, quantifiable, and interdisciplinary approach to the ideation, conceptualization, development, operation, and maintenance of cloud computing, as well as the study and applied research of the approach, i.e., the application of engineering to cloud.

12.0 Cloud storage

Cloud Storage is a model of networked computer data storage where data is stored on multiple virtual servers, generally hosted by third parties, rather than being hosted on dedicated servers. Hosting companies operate large data centers; and people who require their data to be hosted buy or lease storage capacity from them and use it for their storage needs. The data center operators, in the background, virtualized the resources according to the requirements of the customer and expose them as virtual servers, which the customers can themselves manage. Physically, the resource may span across multiple servers.

13.0 Issues

1. Privacy

The Cloud model has been criticized by privacy advocates for the greater ease in which the companies hosting the Cloud services control, and thus, can monitor at will, lawfully or unlawfully, the communication and data stored between the user and the host company.."

2. Compliance

In order to obtain compliance with regulations including FISMA, HIPAA and SOX in the United States, the Data Protection Directive in the EU and the credit card industry's PCI DSS, users may have to adopt community or hybrid deployment modes which are typically more expensive and may offer restricted benefits. This is how Google is able to "manage and meet additional government policy requirements beyond FISMA" and Rack space Cloud are able to claim PCI compliance. Customers in the EU contracting with Cloud Providers established outside the EU/EEA have to adhere to the EU regulations on export of personal data.

3. Legal

In March 2007, Dell applied to trademark the term "cloud computing" (U.S. Trademark 77,139,082) in the United States. The "Notice of Allowance" the company received in July 2008 was canceled in August, resulting in a formal rejection of the trademark application less than a week later. Since 2007, the number of trademark filings covering cloud computing brands, goods and services has increased at an almost exponential rate. As companies sought to better position themselves for cloud computing branding and marketing efforts, cloud computing trademark filings increased by 483% between 2008 and 2009. In 2009, 116 cloud computing trademarks were filed, and trademark analysts predict that over 500 such marks could be filed during 2010.

4. Open source

Open source software has provided the foundation for many cloud computing implementations. In November 2007, the Free Software Foundation released the Affero General Public License, a version of GPLv3 intended to close a perceived legal loophole associated with free software designed to be run over a network.

5. Open standards

Most cloud providers expose APIs which are typically well-documented (often under a Creative Commons license) but also unique to their implementation and thus not interoperable. Some vendors have adopted others' APIs and there are a number of open standards under development, including the OGF's Open Cloud Computing Interface. The Open Cloud Consortium (OCC) is working to develop consensus on early cloud computing standards and practices.

6. Security

Security Issues barring the adoption of cloud computing is due in large part to the private and public sectors unease surrounding the external management of security based services. It is the very nature of cloud computing based services, private or public, that promote external management of provided services.

12.0 Research

A number of universities, vendors and government organizations are investing in research around the topic of cloud computing. Joint government, academic and vendor collaborative research projects include the IBM/Google Academic Cloud Computing Initiative (ACCI). In October 2007 IBM and Google announced the multi- university project designed to enhance students' technical knowledge to address the challenges of cloud computing. In April 2009, the National Science Foundation joined the ACCI and awarded approximately $5 million in grants to 14 academic institutions.

In July 2008, HP, Intel Corporation and Yahoo! announced the creation of a global, multi-data center, open source test bed, called Open Cirrus, designed to encourage research into all aspects of cloud computing, service and data center management.

In July 2010, HP Labs India announced a new cloud-based technology designed to simplify taking content and making it mobile-enabled, even from low-end devices. Called SiteonMobile, the new technology is designed for emerging markets where people are more likely to access the internet via mobile phones rather than computers. In Nov. 2010, HP formally opened its Government Cloud Theatre, located at the HP Labs site in Bristol, England. The demonstration facility highlights high-security, highly flexible cloud computing based on intellectual property developed at HP Labs. The aim of the facility is to lessen fears about the security of the cloud. HP Labs Bristol is HP's second-largest central research location and currently is responsible for researching cloud computing .

13.0 Conclusion

In today's global competitive market, companies must innovate and get the most from its resources to succeed. This requires enabling its employees, business partners, and users with the platforms and collaboration tools that

promote innovation.

Cloud computing infrastructures are next generation platforms that can provide tremendous value to companies of any size. They can help companies achieve more efficient use of their IT hardware and software investments and provide a means to accelerate the adoption of innovations. Cloud computing increases profitability by improving resource utilization. Costs are driven down by delivering appropriate resources only for the time those resources are needed. Cloud computing has enabled teams and organizations to streamline lengthy procurement processes.

Cloud computing enables innovation by alleviating the need of innovators to find resources to develop, test, and make their innovations available to the user community. Innovators are free to focus on the innovation rather than the logistics of finding and managing resources that enable the innovation.

BIBLIOGRAPHY

1. Cloud computing insights from110 implementation projects
   IBM Academy of Technology Survey.
2. IBM - Cloud computing by Greg Boss, Padma Malladi, Dennis Quan, Linda Legregni,
   Harold Hall. Web Site www.ibm.com/developerworks/websphere/zones/hipods/
3. Towards Trusted Cloud Computing Nuno Santos Krishna P. Gummadi Rodrigo Rodrigues MPI-SWS
4. IDC EXECUTIVE BRIEF(IDC EB)Cloud Computing in the Midmarket :
   Assessing the Options.
5. Cloud Computing Defined 17 July 2010. Retrieved 26 July 2010.
6. "The Internet Cloud". Thestandard.com. http://www.thestandard.com/article/0,1902,5466,00.html. Retrieved 2010-08-22.
7. Buyya, Rajkumar; Chee Shin Yeo, Srikumar Venugopal (PDF). Market-Oriented Cloud Computing: Vision, Hype, and Reality for Delivering IT Services as Computing Utilities. Department of Computer Science and Software Engineering, University of Melbourne, Australia. pp. 9. http://www.gridBus.org/~raj/papers/hpcc2008_keynote_cloudcomputing.pdf. Retrieved 2008-07-31.
8. ""The Rise of Cloud Computing." Michael Otey. April 2010". windowsITpro.com. 2010-04-26. http://www.windowsitpro.com/article/cloud-computing2/The-Rise-of-Cloud-Computing/2.aspx. Retrieved 2010-08-22.
9. http://en.wikipedia.org/wiki/cloud computing-cite_note 117

Information Technology In Education: A Critical Study

Hemchandra Padalikar
&
Kirti Mahajan
Faculties
Bharati Vidyapeeth's IMED, Pune

Abstract:

The computer is the 'teaching-machine' corresponding to the fifth generation of education (i.e. e-Learning). Its essence is its universality, and its power to simulate. Because it can take on a thousand forms and can serve a thousand functions (through respective software), it can appeal to a thousand tastes. This enables the proliferation of digital technology in education environment due to the interests shown by the parents, students, governing authorities, and educators.

But there is mysticism involved about the practical applications of computers in education environment. Sometimes the tsunami of advancements in technology hijacks the issues corresponding to there implementation in education domain. Also the practical advantages of Information Technology in education get unnoticed in the midst of technological details.

This paper discusses the fifth generation of education characterized by the introduction of Information Technology in education process. It also discusses the factors responsible for the increasing adoption of e-Learning and provides advantages behind them in concrete terms.

Generations of education environments:

The Indian culture has a rich educational tradition. The origin and growth of Indian Education System progressed through five generations [20] – namely;

- Pre-Vedic system of education: oral experience sharing (1500 BC – 1000 BC)
- Post-Vedic system of education: formal education system (Gurukul system) (1000 BC – 200 BC)
- Buddhist system of education: mass education through educational institutions (e.g. Takshashila, Nalanda) (200 BC – 1000 AD)
- Islamic system of education: education proliferation through books (1000 AD – 1700 AD)
- British system of education: Western education system (1700 AD onwards)

While it is an important area for consideration, it will be seen that the western education system overlaps on traditional Indian education system. Also the western education system has global presence. Hence, this research is oriented towards western education environments.

The origin and growth of western education system has also progressed through five distinct generations [5]. Prior to writing, books and schools, learning was essentially experiential (the first generation of learning). The individual learned by doing. The cave paintings and hieroglyphics of the ancients were to instruct future

generations about what had been learnt by their ancestors.

The formal education process was developed in the 5th century B.C. in Athens with the advent of the Socratic-method based on deduction. Until that time learning was very much a process of everyday experience. The idea of learning in an abstract setting (rather than experience) constitutes the first formal education process (the second generation of education) that eventually gave rise to today's educational system.

The learning process tilted even more towards formal education in the third generation, with the academies founded by Aristotle and Plato in 4th century B.C. These early academies for many years relied on the oral tradition of the teacher reciting from memory, while students memorized the recitation. Faculty and students then engaged in a dialogue to discover the truth. The origination of symbol systems eventually led to the formal writing of codified knowledge in documents known as books. The first books were extremely rare, and writers were severely criticized for introducing them into the education system. In this early period, books were the exclusive domain of faculty. Instead of reciting lectures from memory, faculty read to students from handcrafted manuscripts. For reasons of economics and ideology, students didn't have access to such books. This era formed the latter part of third generation.

The invention of the printing press erased the economic argument against students' having access to books. The wide availability of books eventually ushered in the fourth generation of learning, which has persisted until this time. The advent of the book and the printing press added a major level of productivity enhancement towards the proliferation of education.

The emergence of digital technology started the fifth generation. Its multidimensional approach is changing our traditional perceptions towards management of education environment, transfer of instructional resources and teaching-learning process itself.

These five generations of education can be summarized as;

- **first generation:** experience sharing (through auditory, cave paintings, and hieroglyphics)
- **second generation:** formal education, 5th century B.C.
- **third generation:** formal institutions of higher education, 4th century B.C.
- **fourth generation:** printing press enabled students' access to the books, 15th century
- **fifth generation:** digital technology enhanced the educational environment, 20th century

Computers are used in education environment following different approaches; to manage education institutions, to provide virtual learning environments (VLE), and to provide instructional resources.

The first is the extension of the current procedures. It represents the same activities using a new tool (through adaptation of digital technology to suit present setup). The second and third approach introduces a catalyst in the form of a computer, in educational environment. It proposes the use of computers in teaching-learning process to assist teacher and learner. It is also proven that they together enhance the teaching-learning process.

Fifth generation of education environment:

Fifth generation education environment is tightly bound to the advent of digital technology and its advancement throughout the 20th century into 21st century. Table 1 provides a brief trace-out of its origin and progress.

Table 1: A brief chronology of digital technology in education

1927	The first 'teaching-machine' was introduced by S. L. Pressey [13].
1940's	Introduction of first operational computers; MARK 1 (1944), Harvard (1946), and ENIAC (1946); initiated the early use of computers in education. It was primarily in mathematics, science, and engineering as a mathematical problem-solving tool [15].

1959	The first formal project for the use of computers in education, PLATO, was introduced by Donald Bitier [10].
1963	Time-sharing system and easy-to-use computer language, BASIC, was introduced by John Kemeny and Thomas Kurtz [18]. This system spread rapidly and was used for the creation of text oriented computer-based instructional materials by the teachers themselves.
1963	Patric Suppes and Richard Atkinson introduced the concept of Computer-Assisted-Instruction (CAI) [22], to free the students from group-paced instruction and to develop individualized instructional strategies. Here the computer-based instruction approach was teacher-centric.
1971	The learner-centric paradigm shift in learning environments resulted in the introduction of Computer-Assisted-Learning (CAL) [23]. Seymour Papert introduced LOGO language following the philosophy that; ' One should not teach mathematics, but should teach children to be mathematicians' [26].
1973	Growing interest in Artificial Intelligence (AI) domain introduced procedural knowledge based approach resulting in Intelligent-CAI (ICAI) systems. SOPHIE, GUIDON and GEORGE were the examples of this approach [21].
1975	First micro-computer systems were introduced, enabling a shift in computer-based learning from mainframe and mini-computer centric domain to microcomputer centric domain. Contributing to the expanding microcomputer base, computer-based learning software became a software category in itself starting mass production of educational packages. This resulted in economically feasible computer based learning approach [6].
1990's	Introduction and proliferation of the Internet introduced distributed model which gave rise to virtual learning environments [4].
Current status	Internet based distributed model is redefining education environment through e-Learning paradigm [17].

Digital technology in education environment:

The computer is the 'teaching-machine' of fifth generation [5]. Its essence is its universality, and its power to simulate. Because it can take on a thousand forms and can serve a thousand functions (through respective software), it can appeal to a thousand tastes [11]. This enables the proliferation of digital technology in education environment due to the interests shown by the parents, students, governing authorities, and educators.

The parents themselves are demanding computers in educational institutions. Middle class parents in particular seem to feel that their children are receiving an inferior education unless computers are available. This reflects the fact that society sees computers as magical devices, ones people hope will solve the major social problems. Parents also see computer skills as valuable for future jobs [2].

Information and communication technologies (ICTs)—which include radio and television, as well as newer digital technologies such as computers and the Internet—have been touted as potentially powerful enabling tools for educational change and reform.

The Students show high enthusiasm about working with computers which improves their academic motivation [24] [9] [14]. Also, students project feelings, intentions, and psychology onto the computer which supplements this [3].

E-learning encompasses learning at all levels, both formal and non-formal, that uses an information network—the Internet, an intranet (LAN) or extranet (WAN)—whether wholly or in part, for course delivery, interaction and/or facilitation. Others prefer the term online learning. Web-based learning is a subset of E-learning and refers to learning using an Internet browser (such as Netscape or Internet Explorer).

The governing authorities are supporting and sometimes sponsoring the use of digital technology in education

at multiple levels. In India, 'country classroom' project initiated by University Grants Commission (UGC), the Satellite Instructional Television Experiment (SITE), government's initiative to interlink all technical education institutes with the Anna University of Technology in Chennai, UGC's INFLIBNET which was setup to connect university libraries throughout India, UGC's proposal to link 5000 colleges in the country through an information network system to ensure uniformity in access to teaching material, Indian Space Research Organization's (ISRO) EDUSAT satellite to take the teaching expertise of expert educators to remote areas and Computer Literacy at Secondary School (CLASS) project are instances of such trend [20].

India's 10th Five Year Plan (2002-07) states, '8.52: During the Tenth Plan it is proposed to provide computer connectivity to 140 government senior secondary schools through Vidya Vahini Programme and upgrade the IT infrastructure at Delhi University through Gyan Vahini Programme. Later, efforts would be made to replicate these programmes in other schools and colleges by involving private sector' [28]. This underlines the positive approach of governing authorities towards this paradigm.

Radio and television have been used widely as educational tools since the 1920s and the 1950s, respectively.

There are three general approaches to the use of radio and TV broadcasting in education:[30]

- **direct class teaching,** where broadcast programming substitutes for teachers on a temporary basis;
- **school broadcasting,** where broadcast programming provides complementary teaching and learning resources not otherwise available; and
- **General educational programming** over community, national and international stations which provide general and informal educational opportunities.

Educators are encouraging the use of computers in education following their proven advantages in education setup. Teachers are not only interested in use of computers in education but they also have positive feelings toward them [12].

It is proven that use of computers as teaching-machine is at least as effective as traditional instruction and may actually lead to significant improvements in some subject areas. It is found that when computers are used the students learn instructional materials at a faster rate – in some cases up to 40 percent faster [14][1][27][8]. In particular, when used to present certain kinds of material graphically rather than textually, the computer can help a majority of learners comprehend some aspects of that material faster and more accurately [16]. Thus computer-based instruction results in significant reductions of instructional time.

One hour per day with a computer can theoretically provide a student with more interaction than he or she would receive in a day in a regular classroom [25] [14] [9]. It also produces favorable attitudes towards computers by students [7].

It is also discussed that to cope up with the accelerating change computer is necessary in education system. Thus making it the fourth aspect of education (along with reading, writing, and arithmetic) [19].

Researchers have conducted a number of meta-analyses (analyses of the previous research studies) to determine the impact of digital technology on student achievement (Table 2) [29]. These meta-analyses were conducted independently by different researchers, focused on the different uses of computers and multimedia technologies with different populations, and differed in terms of the methodology used to identify studies and analyze results. Nevertheless each meta-analysis concluded that instructional programs that included technology show a positive impact on student achievement.

Table 2: Meta-analyses involving technology and achievement

Meta-analysis	Grade level	Type of technology	Number of studies involved in the meta-analysis
Bangert-Downs, Kulik, & Kulik (1985)	Secondary	CBI, CMI, CEI	51

Burns & Bozeman (1981)	Elementary & secondary	Drill, tutorial	44
Hartley (1978)	Elementary & secondary math	Drill, tutorial	33
Kulik & Kulik (1986)	College	CBI, CMI, CEI	119
Kulik & Kulik (1991)	Kindergarten to higher education	CBI, CMI, CEI	254
Kulik, Kulik & Bangert-Downs (1985)	Elementary	CBI, CMI, CEI	44
Niemiec & Walberg (1985)	Elementary	Drill, tutorial, CMI, problem solving	48
Roblyer (1986)	Elementary to higher education	CAI, CMI, CEI	82
Ryan (1991)	Elementary to higher education	CAI, CMI, CEI	40
Sivin-Kachela & Bialo (1996)	Preschool through higher education	CAI, CMI, CEI	176
Note: CAI = computer-assisted instruction, CBI = computer-based instruction, CEI = computer-enriched instruction, CMI = computer-managed instruction			

Advantages of Information Technology in Education:

Following this discussion, the discussed advantages of computers in education can be summarized as [2];

Learners enjoy using computers:

The computer has very high motivational value. People of all ages hear about computers constantly through news-papers, television, and films. Although the computer is not always pictured favorably, for most learners, particularly most young ones, it is presented as an exciting new device. So students are prepared for computers, even eager to have contact with them.

Individualization:

Most learning-theorists agree with comment that learning is a very individualized process. Students have quite different backgrounds and abilities, and they probably differ, from the standpoint of learning, in many ways unknown at present. The time required for learning may also differ from student to student. A central problem in any educational system is how to reach the individual student effectively. This problem is seldom addressed adequately in current educational systems. With good material available, computers can allow individualization responsive to student needs.

Faster learning:

Results suggest that curriculum based on computer-based learning can cut 30 percent from the time students need to learn something. The major advantage comes from individualization. That is, students do not have to spend much time on a subject they know when using good computer-based learning modules.

Visualization:

Graphics are very extremely important in the learning process, as suggested by the brain research and by common educational practices. Hence the fact that computers today can provide a remarkable range of pictorial capabilities is important for learning.

Interaction:

Most learning psychologists would agree upon another factor with respect to learning: Active learning works better than passive learning. One of the computer's main advantages in education is its capability to provide an interactive learning experience.

Communications:

Interaction with other students – peer interaction – is very valuable in the learning process; computers can serve well in encouraging peer learning in a variety of ways.

Conclusion:

Thus it is clear that the fifth generation of education is here to stay. It provides concrete reasons for its adoption and proliferation. The involved entities, i.e. teachers, students, management, and parents, are counting on the phenomenon of e-Learning with expectations. The research conducted it this domain also supports them. The benefits of e-Learning can be realized through more entertaining form of education, individual attention towards the students, self-paced learning, decreased complexity through improved visualization aids, active involvement of the students in the learning process, and improved interaction among the peers.

References:

1. 'India's Five Year Plans: Complete Documents', Academic Foundation, 2003
2. 'Informational Technology and It's Impact on American Education', Office of Technology Assessment, U. S. Congress, 1982, p 128-133
3. Atieh, S., 'How to Get A College Degree Via The Internet', Magna Books, 2004
4. Bork., A., 'Personal Computers for Education', Harper and Row Publishers, 1985
5. Brown, J. S., 'Uses of Artificial Intelligence and Advanced Computer Technology in Education', Academic Press Inc., 1977
6. Fischer, G., 'Where CAI Is Effective: A Survey of The Research', Electronic Learning, November-December 1983
7. Gleason, G. T., 'Microcomputers in Education: The State of The Art', Educational Technology, March 1981
8. Hofmeister, A. M., 'Microcomputers in Perspective', Exceptional Children, October 1983
9. Homes, G., 'Computer-Assisted Instruction: A Discussion of Some of The Issues for would-be Implementers', Education Technology, September 1982
10. Ingersoll, G. M., Smith, C. B., and Elliot, P., 'Microcomputers in American Public Schools: A National Survey', Educational Computer, October 1983
11. Kemeny, J. C., and Kurtz, T., 'Dartmouth Time Sharing', Science, October 1968
12. Levien, R. E., 'The Emerging Technology: Instructional Uses of The Computer in Higher Education', McGraw-Hill, 1972
13. Merton, A., 'Computers in The Classroom', Technology in The Classroom, September 1983
14. Molnar, A. R., 'Viable Goals for New Educational Technology Efforts: Science Education and The New Technological Revolution', Educational Technology, September 1975
15. Oliver, R. W., 'e-Learning: Fifth Generation Learning and It's Impact on Management Education', as in 'E-Service: New Directions in Theory and Practice', Roland, R., and Kannan, P. K. (eds.), Sharpe, 2002
16. Orlansky, J., 'Effectiveness of CAI: A Different Finding', Electronics Learning, September 1983
17. Papert, S., 'Mindstorms: Children, Computers and Powerful Ideas', Basic Books, 1980
18. Papert, S., 'The Children's Machine: Rethinking School in The Age of The Computer', Basic Books, 1993
19. Pressey, S. L., 'A Simple Apparatus Which Gives Tests and Scores – and Teaches', School and Society, May 1927
20. Raghavan, S. S., 'Microcomputers in School Education', Prentice-Hall of India, 1990 p 4
21. Ramaiah, Y. R. 'Distance Education and Open Learning', Mittal Publications, 2001, p 153-187
22. Ramchandran, P., and Ramkumar, V., 'Education in India', National Book Trust, 2005, p 1-104
23. Roblyer, J. D., 'Measuring The Impact of Computers in Instruction: A Non-Technical Review of Research for Educators', AEDS, 1985
24. Smith, P. R., 'CAL-85: A Symposium in Advances in Computer Assisted Learning', Pergamon Press, 1986
25. Spencer, M., and Baskin, L., 'Computers in The Classroom', Childhood Education, March-April 1983
26. Taylor, R. P., and Cunniff, N., 'Moving Computing and Education Beyond Rhetoric', College Record, 1988
27. Taylor, R. T., 'The Computer in The School: Tutor, Tool, Tutee', Teachers College Press, 1980, p 213-260
28. Turkle, S., 'The Second Self: Computers and The Human Spirit', Simon and Schuster, 1984
29. Valdez, G., 'Computer-based Technology and Learning: Evolving Uses and Expectations', North Central Regional Educational Lab, 2000
30. 21 Perraton, H. and C. Creed,"Applying New Technologies and Cost-Effective Delivery Systems in Basic Education

Customer Perception Of Adoption Of Net-Banking Services: A Business Strategy Adopted By Indian Banks

Prof. Jitendra Madhukar Hude
Assistant professor,
Shri Khanderai Pratishthan's, Dnyansagar Institute of Management and Research,
S. No. 4/2, 4/3, Mitcon-Balewadi Road, Balewadi, Pune – 411 045.
and
Prof. Pushpraj Rajaram Wagh
Lecturer,
Shri Khanderai Pratishthan's, Dnyansagar Institute of Management and Research,
S. No. 4/2, 4/3, Mitcon-Balewadi Road, Balewadi, Pune – 411 045.

Abstract

The information revolution and the communication revolution have made banking sector to go for "i-banking" or "Net banking", where customers can perform their financial transactions electronically over the internet through their personal computer or laptop, 24 hours at their convenience, without visiting the branch office.

Though number of internet users in India is increasing, people are reluctant to go for net-banking for various reasons.

The present paper depicts customer perception of adoption of net-banking services. A structured questionnaire was used to collect information based on 7 factors from 100 respondents of Scheduled commercial banks (SBI & AXIS). The focus of this study is on the causes to the problem and some suggestions to solve them so as to increase the number of net-banking customers, which will give justice to the strategies followed by Indian banks in India regarding net-banking.

Key Words:

Net banking, adoption of net banking, barriers, factors influencing

Introduction

The use of Internet Technology has removed the constraints of time, distance and communication, making the World Global village. The economic and educational development of the customers in India has influenced the banking sector to upgrade the technology, and adopt e-banking provide the services to the clients over internet.

Information Technology

This allows the customers banking from anywhere and anytime with minimum time, money and efforts.

The scope of e-banking includes internet banking (also called as i-banking, online banking or net-banking), ATMs, Credit cards and debit cards shopping, mobile banking. The most successful and popular out of these is ATM. The focus of this study is online banking/internet banking/i-banking/online banking/net-banking. Henceforth is referred as net-banking, where customers can perform their financial transactions electronically over the internet through their personal computer or laptop 24 hours at their convenience, without visiting the branch office. Customer can perform transactions online, namely viewing account balance and transaction histories, paying bills, transferring funds between accounts, ordering cheques books, managing investments and stock Trading.

India's Internet population currently stands at 1.16 billion (Dec. 31, 2009, as per the statistics by http://www.internetworldstats.com). Though number of internet users in India is increasing, and though the banks provide net-banking services to their customers, a general trend shows non-acceptance of these services for various reasons. The basic concern is the weak internet-ready telecommunication infrastructure, less PC penetration, customer literacy leading to customer attitude.

The net-banking facility promises reduction in transaction cost, Time and efforts of the customer as well as by limiting overheads associated with staff members of the bank. And better services to customers who increasingly desire 24 hour banking, even bank's competitive position and image.

Background Of The Subject And Review Of Literature

Net-banking banking in India- The Reserve Bank of India constituted a working group on Internet Banking. The group divided the internet banking products in India into three types based on the levels of access granted. They are: Information Only System, Electronic Information Transfer System, and Fully Electronic Transactional System.

Services through e-banking- well all know the e-banking by ATMs. This is the well accepted service offered by the e-banking. The other services through e-banking are bill payment service, fund transfer, Credit card, railway pass, investing through Internet banking, recharging your prepaid phone, shopping. The table 1 shows number of branches & ATMs of Scheduled Commercial Banks in India.

Literature Review

User acceptance is the biggest barrier in the success of new technology. Technology Acceptance Model -TAM was suggested by Davis in 1989. The model suggested that the adoption of a new technology depends on how easy or hard the technology is to use and how much it is useful to the user. TAM provides the bases for the impact of external factors on internal factors of human being as belief, attitude and intension. The study goes to the explanation of user behavior across end-user computing technologies and user populations. The study was further referred and supported by many researchers. The model specifies the casual linkages between Perceived Usefulness (PU) and Perceived Ease of Use (PEOU), and also users' attitudes, intention and adoption behaviour (Davis, et al., 1989).

Figure 1. Technology Acceptance Model **Source: Davis, 1989**

There are various external variables that decide the usefulness and ease of use of a system. In this context Perceived Usefulness (PU) is the extent to which an individual finds using the system will enhance her/his job performance. At the same time there are certain external variables that decide Ease of Use of a system. A person believes that using a system will be free of effort, i.e. Perceived Ease of Use (PEOU). Extensive research has proved the significant effect of PU and PEOU on behavior, attitude and intention.

TAM supports that the two related beliefs PU and PEOU could be generalized across different settings. TAM was designed for modeling the uptake of technology in the workplace. Researchers have identified various factors/ variables that influence the PU and PEOU. And have tried to correlate the effect of these factors.

Al-Somali, Roya, Ben (2008) conducted a study on 'Internet Banking Acceptance in the Context of Developing Countries: An Extension of the Technology Acceptance Model'. The findings of the study indicate that the security, quality of the Internet connection and awareness about Internet banking and its benefits have significant effects on the PU and PEOU of net-banking acceptance. It was revealed that the effects of education and trust also have significant impact on the attitude towards the acceptance net-banking. Lai , Li (2005) conducted a study on 'Technology acceptance model for internet banking: an invariance analysis'. The reliability and invariance analyses supported the validity of TAM instrument for evaluating Internet banking acceptance. The relationships between PEOU, PU, Attitude Towards Use, and Intension To Use were positive and highly significant. Alsajjan, Charles (2006), conducted a study on 'The Impact of Trust on Acceptance of Online Banking'. The study shows that a positive significance of intension, attitude on PU and PEOU on PU, Trust and Attitude etc. The study had framed a conceptual framework where trust was integrated into TAM model. Adesina, Ayo (2010), conducted a study on 'An Empirical Investigation of the Level of Users' Acceptance of E-Banking in Nigeria'. TAM was employed as a conceptual framework to investigate the factors that influence users' acceptance and intention to use electronic banking. The findings shows that Banks' customers who are active users of e-Banking system use it because it is convenient, easy to use, time saving and appropriate for their transaction needs. Also the network security and the security of the system in terms of privacy are the major concerns of the users.

Other researchers also have studied the net-users intension to adapt the net-banking. Singhal, Padhmanabhan (2008) conducted a study on 'A Study on Customer Perception Towards Internet Banking: Identifying Major Contributing Factors'. The focus of study was demographic variables like occupation, age. Kaleem, Saima (2008) conducted a study on 'Bankers' Perceptions of Electronic Banking in Pakistan'. The study was aimed at the perception of the bank employees about net-banking. The demographic variables like working experience, position and qualification were studied. Other factors cost, time, convenience, efficiency, service quality, reliability, security were studied. Qureshi, Zafar and Khan (2008) conducted a study on 'Customer Acceptance of Online Banking in Developing Economies'. Almost 50% of the clients shifted from traditional banking to online banking system. The core reason of this transfer is perceived usefulness, security and privacy provided by online banking. The variables included were, perceived usefulness, perceived ease of use, perceived enjoyment, security and privacy, quality of internet connection. Haque, Ismail and Daraz (2009), conducted a study on 'Issues of E-Banking Transactions: An Empirical Investigation on Malaysian Customers Perception'. The variable security, service quality and regularity framework were studied. Dixit and Datta (2010), conducted a study on 'Acceptance of E-banking among Adult Customers: An Empirical Investigation in India'. The study indicated level of concern regarding security and privacy issues in Indian context.

Research Issues related to net-banking adoption

Factors affecting customer acceptance or adoption of Internet banking have been investigated in many countries such as the US, Europe, Australasia, Pakistan, China, Mauritius, Saudi Arabia, South Africa, Singapore etc. The researchers have studied the factors that have influenced customer behavior to adopt or use net-banking. The study in India has been done by IAMAI (Internet & Mobile Association of India) and other researchers but their focus gives the statistics about demographic and geographic profile of the users. The need to study the factors that influence the customer tendency to adapt or ignore net-banking facility has not been studied in detail. Some researchers have focused on the quality of the bank-website also.

The various factors that may influence the adoption process are procedural barrier, language barrier, social reasons, training needs, infrastructural needs, security, manual comfort etc.

i) ***Procedural:*** In different banks, there are different procedures the customer should go through which may induce customers to avoid net banking. The 1-touch-device, cell-phone-for-SMS, net-banking-passwords, need-to-visit-the-branch-office-for-several-reasons etc. could be categorized as procedural barriers.

ii) ***Language:*** The customers who are not much familiar with English avoid transacting through net banking. The websites of the banks are in English language. And this could be one of the reasons for non acceptance of net-banking.

iii) ***Social:*** While transacting online, the personal interaction is missing. The customers who are habituated to manual transactions may find it difficult. Some category of customers, for example, the retired persons go to the bank where they meet their old colleagues and friends, they enjoy the bank visit.

iv) ***Training needs:*** Many customers are computer literate but still are not using the net-banking. The formal training of the net-banking could be one of the reasons.

v) ***Infrastructural needs:*** The availability of PC & Internet connection has high impact on the usage of internet and then net-banking.

vi) ***Security of transaction:*** Customers read the various happening about the issues in the newspapers and without going into the detail they make their opinion about the fraud of internet transactions. This could be the reason for the customers to avoid net-banking.

vii) ***Manual comfort:*** Some customers are happy with manual transactions because of less transactions and proximity of the branch.

Objectives And Hypothesis

Objectives:

1. To identify the factors influencing net-banking adoption.

2. To analyze the impact of security-awareness on net-banking adoption.

Hypothesis:

I: there exists language barrier in adoption of the net-banking by the customers

English being the business language and its global impact, and its development in IT has made it a language of internet. In India English being the global language is being learnt. But being the second or third language in their educational system is not as successful as the regional languages are. A need arises to see if language is a barrier for net-banking adoption.

II: Awareness of security has positive impact on net-banking adoption.

The security is most sensitive as per as the money transactions are concerned. People read in the news-papers about hacking in the net-world and make their opinions without going into the deeper of the subject. The awareness of the security aspect is one of the reasons which need to be studied.

III: there exists procedural barrier in adoption of the net-banking by the customers

Banks are well aware of these issues and are providing the security to their websites. These websites are well secured with SSL. VeriSign-one of the agencies provides Secure Sockets Layer (SSL) Certificates to the e-commerce websites. But apart from this, other precautions are to be taken so as to be more secure about your net-banking. Banks have taken maximum care to secure the net-banking aspect, which leads to the procedural headache to the ordinary customer. E.g. touch button or SMS on mobile etc.

Research Methodology

Research Design: The research in this study is a descriptive type of research. The data about the citizens with reference to net-banking adoption is collected.

Primary Data – A survey is conducted to collect the primary data from the respondents through a structured questionnaire.

Secondary data – This data is collected from the websites. Journals and magazines have also contributed towards the collection of data. The Press and bank websites have also provided good collection of data.

Population – the saving bank customers from Scheduled commercial banks from Pune city is the population.

Sample size – for this study a convenience sampling method is used to select a sample size of 100 respondents. Eight questionnaires were rejected due to incompleteness.

Testing of Hypothesis- The data collection is in the form of questionnaire. The data analysis is based on the data collected. The Hypotheses I and III is tested on the percentages. Hypotheses II is tested on calculating Cross Tabulation.

Data Analysis :-

Table No. 1- Scheduled Commercial Banks-ATM-Branch Statistics

(All India - As at end-March 2010)

Sr. No.	Bank	Branches					ATMs		
		Rural	Semi-urban	Urban	Metro	Total	On-site	Off-site	Total
1.0	Sched. Comm. Banks	20,773	17,638	16,007	14,742	69,160	32,679	27,474	60,153
1.1	Public Sector Banks	19,567	14,595	12,920	11,743	58,825	23,797	16,883	40,680
1.11	Nationalized Banks	13,652	9,376	9,607	8,961	41,596	12,655	7,047	19,702
1.12	State Bank Group	5,915	5,219	3,313	2,782	17,229	11,142	9,836	20,978
1.2	New-Private-Sector	1,201	3,037	3,027	2,762	10,027	8,603	9,844	18,447
1.3	Old-Private-Sector	861	1,626	1,435	1,030	4,952	2,266	1,124	3,390
1.4	Foreign Banks	5	6	60	237	308	279	747	1,026

Source–RBI-Appendix Table IV.11 : Branches & ATMs of Scheduled Commercial Banks

Table 2-Gender

	Male	Female	Total
Frequency	58	34	92
Percent	63	37	100

Table 3-Age-Groups

	Below 25	26 to 35	36 to 45	46 and above	Total
Frequency	18	47	13	14	92
Percent	19.6	51.1	14.1	15.2	100

Table 4-Qualifications

	Undergraduate	Graduate	Master	Doctor Phd	Total
Frequency	13	36	39	4	92
Percent	14.1	39.1	42.4	4.3	100

Table 5-Profession

	Bank Emp	Govt. Emp	Private	Self Emp	Total
Frequency	9	10	62	11	92
Percent	9.8	10.9	67.4	12.0	100

Table 6-Income

	up to 20000	20000 to 35000	35000 to 50000	50000 & above	Total
Frequency	53	22	10	7	92
Percent	57.6	23.9	10.9	7.6	100

Table 7- Security-Awareness

	Firewall		Anti-Virus Package		SSL		Encryption		Overall Awareness	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Frequency	55	37	80	12	18	74	24	68	85	07
Percent	59.8	40.2	87.0	13.0	19.6	80.4	26.1	73.9	92.39	07.61

Table 8- Net-Banking Users

	Yes	No	Total
Frequency	43	49	92
Percent	46.74	53.26	100

Table 9- Reasons Behind non-acceptance of Net-Banking

	Procedural Barrier	Language Barrier	Social Reasons	No Formal Training	Non-availability of Infra.	Security	Manual Comfort
Yes	4	3	1	7	2	16	32
No	45	46	48	42	47	33	17
Total	49	49	49	49	49	49	49

Table 10- Intension towards acceptance of Net-Banking

	If Procedural Barrier Reduced	If Regional Language used	If Formal Training is Provided	I	Not Interested At All
Yes	4	2	11	23	21
No	45	47	38	26	28
Total	49	49	49	49	49

Testing of Hypotheses-

I: there exists language barrier in adoption of the net-banking by the customers

From the data analysis and interpretation it can be stated that –

- Table no. 8 shows that out of 92 respondents 43 are the net-banking users and 49 are not net-banking users.
- Table no. 9 shows that out of 49 such respondents, only 3 say that there exists a procedural barrier while accepting the net-banking services.

From the above results the hypothesis 'there exist language barrier in adoption of the net-banking by the customers' cannot be validated and not accepted.

II: Awareness of security has positive impact on net-banking adoption.

From the data analysis and interpretation we come to know following facts –

- Table no. 7 – 92.39% respondents are aware of security.
- Table no. 8 – 46.74% respondents are users of Net-Banking facility.

The hypothesis is tested to see the association between the two variables awareness-Of-Security and Users-Of-Net-Banking.

The Yule's coefficient is calculated to see the association and degree of association between these two variables.

	Security Awareness			
		A-Yes	α-No	Total
Using Net Banking	B-Yes	43	0	43
	β-No	42	7	49
	Total	85	7	92

$$\text{Yule's Coefficient } Q_{AB} = \frac{AB \times \alpha\beta - A\beta \times \alpha B}{AB \times \alpha\beta + A\beta \times \alpha B} = 1$$

QAB is 1, which indicates that there is a positive impact of awareness-of-security on net-banking acceptance.

From the above results the hypothesis 'Awareness of security has positive impact on net-banking adoption' can be validated and accepted.

III: there exists procedural barrier in adoption of the net-banking by the customers

From the data analysis and interpretation it can be stated that –

- Table no. 9 shows that out of 49 such respondents, 4 say that there exists a procedural barrier while accepting the net-banking services.

From the above results the hypothesis 'there exist procedural barrier in adoption of the net-banking by the customers' cannot be validated and not accepted.

Findings:

- Among the factors stated behind non-acceptance of net-banking, security is the main reason. 16 out of 49 i.e. 33% of the respondents say that they are not using the net-banking due to security reason.
- But 32 out of 49 i.e. 65% the respondents are comfortable with manual working.
- 11 out of 49 i.e. 22% say that if formal training is provided to them they will use the net-banking.
- 23 out of 49 i.e. 47% say that if PC with secured net connection is provided to them they will use the net-banking.
- More interesting thing is that 21 out of 49 i.e. 43% say that they are not interested to use net-banking at all.
- Only 9% respondents demanded for reduction in procedural barriers and 4% demanded that the website of bank should be in regional language.

Conclusion and Recommendations-

Suggestions-Based on the study and observations researcher has made some suggestions to increase the usage of

net-banking facility provided by banks-

1. Banks may try to reduce the procedural barriers which are imposed by the banks for security reasons.
2. Bank may take initiatives to have websites in regional languages, so as to increase the use of net-banking.
3. Banks may take more initiative for formal training sessions at the branch level, to promote the net-banking. Currently banks are providing the facility to provide the demo at branch level but customers may not be aware of this.
4. Bank may take some steps to make their customer knowledgeable about security aspects of e-transactions by way of some publication, awareness campaign etc.

Recommendations-

1. There may be a society/regulatory body to control/regulate e-commerce throughout India, where the grievances may be addressed.
2. Like ATM centers, banks may provide the Net-Centers where PC with secured internet connection is provided only for net-banking.

6.3 Conclusion

Results of this study clearly indicated that security and comfort in manual system are main obstacles in acceptance of the net-banking. Other obstacles like language, procedures etc. are also playing important role in this. Banks or the Government agencies should take initiatives to tackle these issues so as to increase the number of net-banking customers.

References

01. Adesina Aderonke A and Ayo Charles K. (2010), ' An Empirical Investigation of the Level of Users' Acceptance of E-Banking in Nigeria', Journal of Internet Banking and Commerce, April 2010, vol. 15, no.1
02. Alsajjan Bander A., Dennis Charles (2006), 'The Impact of Trust on Acceptance of Online Banking', European Association of Education and Research in Commercial Distribution 27-30 June 2006 Brunel University – West London, United Kingdom
03. Al-Somali Sabah Abdullah, Gholami Roya, Clegg Ben (2009), Internet Banking Acceptance in the Context of Developing Countries: An Extension of the Technology Acceptance Model, Operations &Information Management Group, Aston Business School, Birmingham B47 ET, UK
04. Bordens Kenneth S., Abbott Bruce B. (2006), Research and Design Methods- A Process Approach, Sixth Edition, Tata McGraw-Hill Edition, New York
05. Cheswick William R., Bellovin Steven M., Rubin Aviel D.(2008), Firewalls and Internet Security Repelling the Wily Hacker, Pearson Education, Inc., New Delhi, India
06. Dixit Neha, Datta Saroj K (2010), 'Acceptance of E-banking among Adult Customers: An Empirical Investigation in India', Journal of Internet Banking and Commerce, August 2010, vol. 15, no.2
07. Gaur Ajai S., Gaur Sanjaya S (2009), Statistical Methods For Practice And Research, Sage Publications Inc,.New Delhi, India
08. Haque Ahasanul, Ismail Ahmed Zaki Hj and Daraz Abu Hayat (2009), 'Issues of E-Banking Transactions : An Empirical Investigation on Malaysian Customers Perception', Journal of Applied Sciences 9(10) : 1870-1879,2009 ISSN 1812-5654, Page No. 1870 – 1879
09. Jaiswal S. (2009), Doing Business on the Internet e-Commerce (Electronic Communication for Business), Galgotia Publications Pvt. Ltd, New Delhi, India.
10. Kaleem Ahmad and Ahmad Saima (2008),' Bankers' Perceptions of Electronic Banking in Pakistan', Journal of Internet Banking and Commerce, April 2008, vol. 13, no.1
11. Kothari C. R. (2004), Research Methodology Methods and Techniques , New Age International (P) Ltd.,New Delhi, India
12. Lai Vincent S., Li Honglei (2005), Technology acceptance model for internet banking: an invariance analysis, Information & Management Vol 42 (2005), Page No. 373–386
13. Maiyaki Ahmed Audu, Mokhtar Sany Sanuri Mohd. (2010), ' Effects of Electronic Banking Facilities, Employment Sector and Age-Group on Customers' Choice of Banks in Nigeria', Journal of Internet Banking and Commerce, April 2010, vol. 15, no.1
14. Michael V.P. (2000), Research Methodology in Management, Himalaya Publishing House, Mumbai, India

15. Murthy C.S.V. (2002), e-Commerce Concepts Models Strategies, Himalaya Publishing House , Mumbai, India

16. Natarajan Thamaraiselvan, Balasubramanian Senthil Arasu, Manickavasagam Sivagnanasundaram (2010), 'Customer's Choice amongst Self Service Technology (SST) Channels in Retail Banking: A Study Using Analytical Hierarchy Process (AHP)', Journal of Internet Banking and Commerce, August 2010, vol. 15, no.2

17. Oka Milind M. (2004), e-commerce,: Everest Publishing House, Pune, India

18. Qureshi Tahir Masood, Zafar Muhammad Khaqan, Khan Muhammad Bashir (2008), 'Customer Acceptance of Online Banking in Developing Economics', Journal of Internet Banking and Commerce, April 2008, vol. 13, no.1

19. Reserve Bank of India (2009): Basic Statistical Returns Of Scheduled Commercial Banks In India, Volume 38 March 2009

20. Reserve Bank of India (2009): 'Branch Banking Statistics', 4th in the series, on commercial banks (CBs) in India as on March 31, 2009

21. Reserve Bank of India (2009): Report On Trend And Progress Of Banking In India 2009-2010

22. Roberts Mary Lou (2007), Internet Marketing,Cengage Learning India Private Limited,New Delhi, India

23. Safeena Rahmath, Abdullah, Date Hema (2010), ' Customer Perspectives on E-business Value: Case Study on Internet Banking', Journal of Internet Banking and Commerce, April 2010, vol. 15, no.1

24. Singhal Divya and Padhmanabhan V. (2008), A Study on Customer Perception Towards Internet Banking: Identifying Major Contributing Factors, The Journal of Nepalese Business Studies Vol. V No. 1, Page no. 101 to 111.

25. Tan Margaret , Teo Thompson S. H. (2000), 'Factors Influencing the Adoption of Internet Banking', Journal of the Association for Information Systems, July 2000 Volume 1, Article 5.

26. www.iamai.in

27. www.internetworldstats.com

28. www.rbi.org.in

Cloud Computing

Prof. Gaikwad Ravi Pandurang
and
Prof. Gaikwad Anil Pandurang
Institute of Business Management & Rural Development ,
Ahmednagar 414111 (MS) (INDIA)

Abstract

Cloud computing refers to the use of networked infrastructure software and capacity to provide resources to users in an on-demand environment. In this paper we are taking a glance on this emerging technology and the various dimensions with respect to the different vendors and implementations. The overview and relevance with Service oriented architecture is considered.

Keywords:

Grid, cloud, SAAS, PAAS, IAAS.

Introduction

Grid computing is the application of several computers to a single problem at the same time — usually to a scientific or technical problem that requires a great number of computer processing cycles or access to large amounts of data.One of the main grid computing strategies is to use software to divide and apportion pieces of a program among several computers, sometimes up to many thousands. Grid computing can also be thought of as distributed and large-scale cluster computing, as well as a form of network-distributed parallel processing. It can be small — confined to a network of computer workstations within a corporation, for example — or it can be a large, public collaboration across many companies or networks. "The notion of a confined grid may also known as intra-nodes cooperation whilst the notion of a larger, wider grid may thus refer to inter-nodes cooperation. This inter-/intra-nodes cooperation "across cyber-based collaborative organizations are also known as Virtual Organizations.

It is a form of distributed computing whereby a "super and virtual computer" is composed of a cluster of networked, loosely coupled computers, acting in concert to perform very large tasks. This technology has been applied to computationally intensive scientific, mathematical, and academic problems through volunteer computing, and it is used in commercial enterprises for such diverse applications as drug discovery, economic forecasting, seismic

analysis, and back-office data processing in support of e-commerce and Web services

Cloud computing refers to the use of networked infrastructure software and capacity to provide resources to users in an on-demand environment. With cloud computing, information is permanently stored in centralized servers and cached temporarily on clients, which include desktop computers, notebooks, handhelds, and other devices.

Cloud infrastructure can reside within the company's datacenters (as internal clouds or on-premise solutions) or externally on the Internet (via external clouds or off-premise solutions). It encompasses any, per-unit-accountable, subscription-based or pay-per-use service that extends IT's existing capabilities.

Clouds utilize a set of typically virtualized computers that provide users with the ability to start and stop servers or use compute cycles only when needed, often paying only upon usage By design, cloud computing is scalable, flexible and elastic –offering IT staff a way to easily increase capacity or add additional capabilities on demand, without investing in new and expensive infrastructure, training new personnel, or licensing more software.

II. Background

Cloud computing technology is a significant trend with implications for Intel IT. A rowing number of suppliers are starting to provide cloud computing offerings, and analysts project that some enterprises will purchase a significant percentage of their applications and infrastructure as cloud computing services within a few years.

This is an emerging and somewhat confusing area, we have created definitions that provide us with a common basis for discussion and developing our strategy. We define cloud computing as a computing paradigm where services and data reside in shared resources in scalable data centers, and those services and data are accessible by any authenticated device over the Internet.

We have also identified some key attributes that distinguish cloud computing from conventional computing. Cloud computing offerings are:

- Abstracted and offered as a service.
- Built on a massively scalable infrastructure.
- Easily purchased and billed by consumption.
- Shared and multi-tenant.
- Based on dynamic, elastic, flexibly configurable resources.
- Accessible over the Internet by any device.

Today, we have identified three main categories of external service that fall within our broad cloud computing definition.

Software as a service (SaaS): Software deployed as a hosted service and accessed over the Internet.

Platform as a service (PaaS): Platforms that can be used to deploy applications provided by customers or partners of the PaaS provider.

Infrastructure as a service (IaaS): Computing infrastructure, such as servers, storage, and network, delivered as a cloud service, typically through virtualization.[1][2]

III. Technology

Cloud Computing Architecture

Cloud architecture the systems architecture of the software systems involved in the delivery of cloud computing, comprises hardware and software designed by a cloud architect who typically works for a cloud integrator. It typically involves multiple cloud components communicating with each other over application programming interfaces, usually web services.

This closely resembles the Unix philosophy of having multiple programs doing one thing well and working together over universal interfaces. Complexity is controlled and the resulting systems are more manageable than their monolithic counterparts. Cloud architecture extends to the client, where web browsers and/or software applications access cloud applications. Cloud storage architecture is loosely coupled, where metadata operations are centralized enabling the data nodes to scale into the hundreds, each independently delivering data to applications or users.[2][6]

Fig.1: Cloud Computing sample architecture

IV. Types

It can be helpful to look at what the customer actually purchases. There are three different use cases for cloud computing solutions:

1. **Application and Information Clouds –** Sometimes referred to as software-as-a-service, this type of cloud provides a wide range of business-level services and information to end users. Applications in this space include salesforce.com, Expedia.com and Google Apps.[1]
2. **Development Clouds –** Sometimes referred to as platform's a-service, cloud development platforms enable application authoring and provide runtime environments. Examples of software development clouds include Engine Yard, CohesiveFT, Amazon EC2 and Google App Engine.[1]
3. **Infrastructure Clouds –** Also referred to as elastic compute

clouds or infrastructure-as-a-service, this type of cloud provides virtual hardware capacity to organizations on an elastic basis. Examples of cloud infrastructure providers include Terremark Infinistructure, Amazon Web Services, Hosting.com and Savvies.[1]

All three types of cloud computing solutions can be deployed in either public or private environments.

V. Characteristics

1. Agility improves with users able to rapidly and inexpensively re-provision technological infrastructure resources.
2. Cost is greatly reduced and capital expenditure is converted to operational expenditure. This lowers barriers to entry, as infrastructure is typically provided by a third-party and does not need to be purchased for one-time or infrequent intensive computing tasks. Pricing on a utility computing basis is fine-grained with usage-based options and minimal or no IT skills are required for implementation.[2]
3. Device and location independence enable users to access systems using a web browser regardless of their location or what device they are using (e.g., PC, mobile). As infrastructure is off-site (typically provided by a third-party) and accessed via the Internet, users can connect from anywhere.
4. Multi-tenancy enables sharing of resources and costs across a large pool of users thus allowing for:

   Centralization of infrastructure in locations with lower costs (such as real estate, electricity, etc.)

   Peak-load capacity increases (users need not engineer for highest possible load-levels)

   Utilization and efficiency improvements for systems that are often only 10–20% utilized.[2]
5. **Reliability** improves through the use of multiple redundant sites, which makes cloud computing suitable for business continuity and disaster recovery. Nonetheless, many major cloud computing services have suffered outages, and IT and business managers can at times do little when they are affected.[2]
6. **Scalability** via dynamic ("on-demand") provisioning of resources on a fine-grained, self-service basis near real-time, without users having to engineer for peak loads. Performance is monitored, and consistent and loosely-coupled architectures are constructed using web services as the system interface.
7. **Security** typically improves due to centralization of data, increased security-focused resources, etc., but concerns can persist about loss of control over certain sensitive data. Security is often as good as or better than under traditional systems, in part because providers are able to devote resources to solving security issues that many customers cannot afford. Providers typically log accesses, but accessing the audit logs themselves can be difficult or impossible.
8. **Sustainability** comes about through improved resource utilization, more efficient systems, and carbon neutrality Nonetheless, computers and associated infrastructure are major consumers of energy.[2]

Another area of research is promising towards the internationalization and legal rights and political issues of the relationships between the two countries. The boundaries of the two continuants or countries are not restricting the infrastructural facilities required for the implementation of the cloud architecture. This is similar to the electronic money transfer and e-Banking between to different banks.

VI. Components

Following are the components of cloud computing:

1. Clients
2. Services
3. Application
4. Platform
5. Storage
6. Infrastructure

VII. Applications

1. QuickSchools.com

QuickSchools.com is an online school management system that runs on the Application Service Provider model. It was released in mid-2008 by Maestro Planning Solutions founded in Kuala Lumpur, Malaysia in 2002. Typical features such as admissions, student information management, scheduling and grading functionalities are made available over the internet using the software as a service model.[8]

2. Google Docs

Google Docs is a free, Web-based word processor, spreadsheet, presentation, and form application offered by Google. It allows users to create and edit documents online while collaborating in real-time with other users. Google Docs combines the features of two services, Writely and Spreadsheets, which were merged into a single product on October 10, 2006. A third product for presentations, incorporating technology designed by Tonic Systems, was released on September 17, 2007.[8]

3. Google apps

Google Apps is a service from Google for using custom domain names with several Google products. It features several Web applications with similar functionality to traditional office suites, including: Gmail, Google Calendar, Talk, Docs and Sites. The Standard Edition is free and offers the same amount of storage as regular Gmail accounts. The Premier Edition, which offers 25 GB of e-mail storage, is 50 USD, 40 EUR, or 33 GBP, per year, per account. The Education Edition, which is free, combines features from the Standard and Premier editions. [8]

4. My phone

My Phone is an online service provided by Microsoft to synchronize specific data on Windows Mobile phones with the company's dedicated servers over the internet. The service was deployed as a beta version on February 16, 2009, when Microsoft officially announced the service at the Mobile World Congress. It enables users to backup data on their phones such as SMS messages, contacts, photos, email and tasks.[8]

ViII. venders & providers

Venders:

1. Data as a service(DaaS) :

   Data direct (technology)

   Strike iron (data as service)
2. Software as a service(SaaS):

   Sales force(on demand application)

   Live meeting(ms office)

   Workday
3. Platform as a services(PaaS):

   Force.com (platform as services)

   Google code.[3]

Provider:

1. Amezon.com

The Amazon Web Services (AWS) are a collection of remote computing services (also called web services) offered over the Internet by Amazon.com.

- Launched in July 2002, Amazon Web Services provide online services for other web sites or client-side applications. Most of these services are not exposed directly to end users, but instead offer functionality that other developers can use. In June 2007, Amazon claimed that more than 330,000 developers had signed up to use Amazon Web Services.[6]
- Amazon Elastic Compute Cloud (EC2), providing scalable virtual private servers using Xen.
- Amazon Elastic Block Store (EBS), providing persistent block level storage volumes for EC2.
- Amazon Simple Storage Service (S3), providing Web Service based storage for applications.
- Amazon Simple Queue Service (SQS), providing a hosted message queue for web applications.
- Amazon Mechanical Turk (Mturk), managing small units of work distributed amongst many people.
- Alexa Web Services, providing traffic data, thumbnails, and other information about web sites.
- Amazon Associates Web Service (A2S, formerly Amazon E-Commerce Service or ECS), providing access to Amazon's product data and electronic commerce functionality. [9]

2. IBM:

IBM, one of the first major IT products and services firms to commit to cloud computing, has more than 200 cloud computing partners, many of which are startups or small firms moving into the cloud computing services market.

IBM does not offer cloud computing services directly to businesses, but it has staked out a role as a hardware and middleware supplier and a facilitator of the cloud computing market. [7]

3. Sun Microsystems :

Sun's approach to cloud computing blends our expertise in developing open source software and communities with unique design innovation. Sun's Open Cloud platform is the first step in delivering on our vision of a world that has many clouds that are both open and interoperable. Sun' cloud architecture empowers developers with the expanded interoperability and freedom of choice they need to easily take advantage of the agility, efficiency and cost benefits of cloud computing.

At the core of the Sun Cloud will be the first two services - Sun Cloud Storage Service and Sun Cloud Compute Service - which will be available this summer.

The data center clouds allows the online development azure Services Platform is an application platform in the cloud that allows applications to be hosted and run efficiently.

IX. Conclusion

At the end of the whole discussion we are at the point that the cloud computing is very useful and emerging technology for resource sharing such as storage, service etc. the future. It is useful for small, medium as well as large organization. The security in the cloud computing is emerging area of research at the various boundaries of the layered architecture. The optimization issues are important issues in the future work.

References

1. "Eight key ingredients building internal cloud from". VMWare Ltd.
2. http://en.wikipedia.org/wiki/Cloud_computing#Key_characteristics [Accessed on date 29th June 2009].
3. http://en.wikipedia.org/wiki/Cloud_computing#Vendor
4. [access on date 25th June 2009]
5. http://en.wikipedia.org/wiki/Category:Cloud_computing_providers [Accessed on date July 4, 2009]
6. Building GrepTheWeb in the Cloud, Part 1: Cloud Architectures
7. (www.amazon.com)http://phx.corporateir.net/phoenix.zhtml?c=176060&p=irol-newsArticle&ID=1012590&highlight
8. http://www.redherring.com/home/25558
9. http://en.wikipedia.org/wiki/Category:Cloud_applications
10. http://en.wikipedia.org/wiki/Amazon.com