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Ajith P.

assigns India the lead to do up, assaying the status quo of b-learning.

Knowledge Sharing: Nursing Ambience

U. Syed Aktharsha and H. Anisa

gauge the knowledge sharing in nursing ambience.

FDI Investment: Retail Franchising

M. Chackochen and Pon Ramalingam

propose FDI as panacea for retail ills.

Optimal Compensation: Rebalancing Pay

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stretches his mind to evolve new strategies in compensation structure.

Financial Literacy: Mutual Funds

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draw living example and help customers open their eyes.

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present the kaleidoscopic advertisement of hatchback cars.

Dynamic Capabilities: Fostering Ambidexterity

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elicits answers to rhetorical questions on harnessing capability.

Re-engineering for Excellence: B-Education

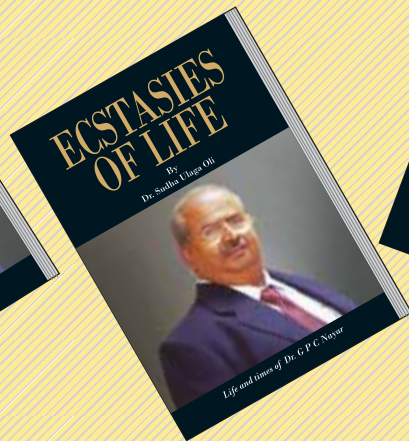
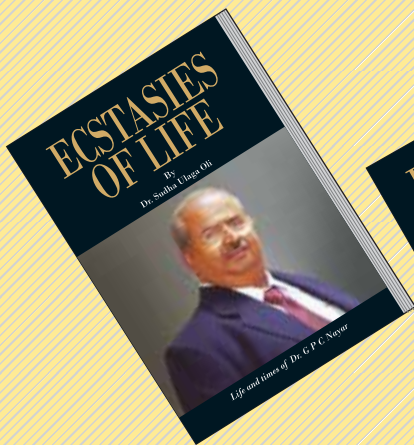
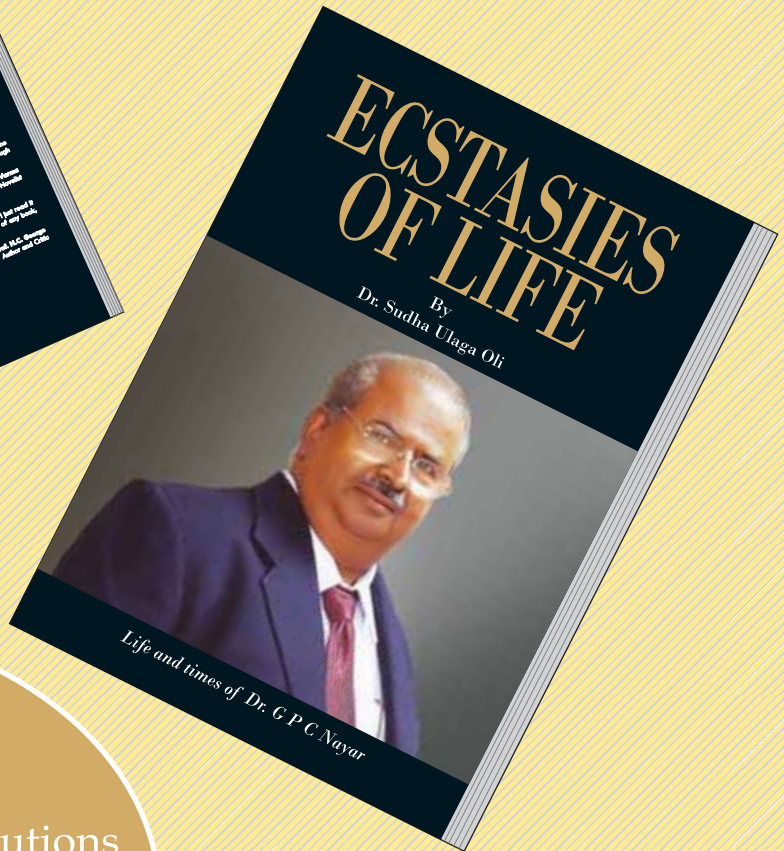
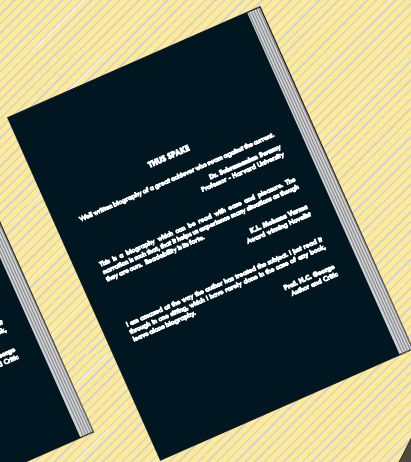
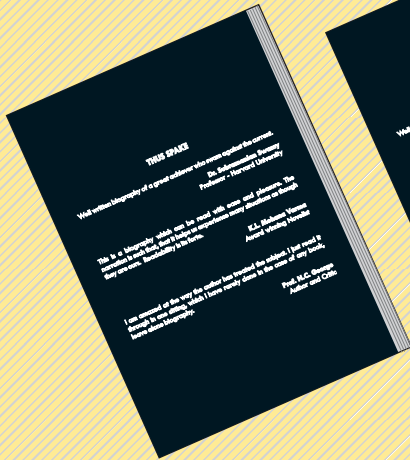
Irshad Nazeer

soars high to global heights.

Credit Default Swaps: Risk Management

Kishan Rao, Kavitha Chavali, and Mohan Gopinath

predict the role of credit default swaps in investment.



Here's an entrepreneur who has created some excellent academic institutions in an unfriendly environment. It is a saga of trials and tribulations in an extremely readable manner by a consummate writer in English.

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Overview

Education is one sector which greatly impacts the socio-economic fabric of a nation. India's rapidly growing economy requires an equally growing educational system competent enough to support and sustain the growth rate.

The Economic Survey for 2010-11 stressed the need to develop India as a global hub for higher education so that in addition to triggering the growth of our economy, it can also reap the benefits of the demographic dividend by emerging as a centre for human resources for the world in the coming years. The survey further pointed out that India could offer quality education to foreign students from developing as well as developed countries at a price far less than what prevails in the US or the UK.

This is the appropriate time for us to make a conscious effort for attracting foreign students to India for higher education. It will not only enrich our academic milieu and provide us with a source of income we badly need, but will also help us to enhance the quality of education eventually.

The lead article in this issue examines India's potential to lead the world in management education.

Knowledge is a critical strategic resource that provides sustainable competitive advantage to an organisation. The importance of knowledge sharing in knowledge management can be compared to the significance of circulation of blood in our body. Our second lead article in this issue is a research paper on factors influencing knowledge sharing behaviour.

As usual, this issue carries many more learned articles on a variety of topics like FDI investment, optimal compensation, financial literacy, advertising appeals, b-education, and risk management.

I feel confident that you will find this issue truly informative and enlightening.

Dr. G. P. C. NAYAR
Chairman, SCMS Group of Educational Institutions.

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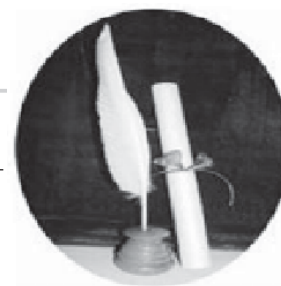
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Editorial



Cricket/Business: Understanding Culture

There are many ways to understand culture from **cultural studies**. The cultural studies explore the meanings of every day processes, places, and acts like communications, space, and shopping. In this process, new meanings are manufactured. An ideology is being coded into everyday life. The emphasis here is on the business of cricket, which has become part of everyday life. Cricket is a text/system of meanings. An attempt is made to understand culture from the point of view that cricket is business.

Cricket is a sports event. It is a system of meanings. It is a text. There is a formal arrangement of players, infrastructure: wickets, boundary markers, crease lines on the pitch, and other people. We separate the players from (1) the umpire, (2) the audience/spectators. We separate the players among themselves: batsmen, bowlers, fielders, and wicket keeper. We identify the players as belonging to two distinct sides. We identify the processes of the game: bowling, batting, fielding and the rules that they follow. We note the arrangement of the players in particular locations. The movement along the processes of the game is important: one side bats, the other bowls and fields, the umpires referee. Then after one side is bowled out, the other bats and tries to exceed the total number of runs raised by the first side. This is the progression of events within the context of the game.

All these constitute the text of the game; where meaning (winner/loser) is decided through the process of difference, logical movement and our understanding of what is going on out there in the field. Remember, the meaning generated depends on our understanding of the rules: the language formula and structure and sequence of what is happening. Thus the text of a cricket match may be analyzed at three levels: 1) It is a system in itself with its own constitutive elements and laws (the grammar of player arrangements and its rules). 2) It is one element in the sporting system as a whole. That is the generic contexts of a cricket match within the system of other sports, its difference from football and its rules. 3) It relates to culture as a whole (the Indian obsession with cricket and the money involved).

Cricket has generated an obsession among Indians. The charm of the game leads to profit maximization. Money flows into cricket match ticket selling counters. Slowly cricket metamorphoses into a charm. Profit, the purpose of business, of course, is the objective condition of economic activity. Cricket match attracts huge crowds. Stadiums change to venues of product sales, of all items ranging from food items to fancy items. It turns out to be a place of entrepreneurial function: marketing and innovation. Cricket becomes instrumental to infrastructure development. Cricket players become corporate ambassadors. Cricket initially turns out to be a symbol, an index, and finally becomes an icon of business. All these have led cricket to become a power centre, the focus of cultural studies.

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B-Academic Scene: India to lead?

Ajith P.

Abstract

This paper investigates the current status and emerging trends in management education. In the current academic environment, corporate responsibility and sustainability have entered but not yet become embedded in the mainstream of business-related education. The PRME initiative can inspire and champion responsible management education, research and thought leadership globally. It seeks to establish a process of continuous improvement among institutions of management education in order to develop a new generation of business leaders capable of managing the complex challenges faced by business and society in the 21st century. The MBA Oath, a voluntary pledge for graduating MBAs to "create value responsibly and ethically" is a new initiative. The paper concludes with a hope that India can play a leadership role in the 21st century management education.

Key words:

Management Education, PRME, MBA Oath, Right Values, Leadership.



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As business leaders try to navigate and rebuild economies savaged by the global meltdown, business schools around the world are rethinking leadership and how to train the next generation of managers in the midst of unprecedented challenges. It is not time to tweak what has been done before. It is a time for reinvention of management education (Westerbeck, 2010). This paper investigates the current status and emerging trends in management education. Starting from the challenges faced by management education today, the principles for responsible management education, the MBA oath, right values and the possible leadership role by India are delineated.

Management Education at the Crossroads

There is a big push in the West to reinvent its business schools, converting a system that has been vilified for promoting selfishness, greed, and lack of ethics to one that recognizes the value of sustainability and social responsibility as a moral and strategic imperative. Graduates of business schools are expected not only to reflect the knowledge of a sound education but also to become independent thinkers and

competent problem solvers. Consequently, a major objective of an educator in a business course is to prepare students for flexible adaptation to new business problems and settings. Yet in many business degree programmes, the emphasis on information acquisition has marred this objective.

Educators and students at universities are often content with what students “know” and are less interested in whether they can “apply” the knowledge (Lang and Dittrich 1982). The growth of business education is unparalleled in the history of our times. More than 100,000 MBAs are awarded in the U.S. annually (Pfeffer and Fong 2004; Walsh et al 2003). MBA programmes are mushrooming across China and Russia, and there seems to be no end to the demand for business degrees as more people begin to perceive business as the key to wealth. Along with this surging demand comes a host of willing suppliers in the form of universities and institutions, whose objectives for launching business programs range from a noble intent of imparting knowledge to pure, unadulterated profit (Ng, Irene C. L., 2006).

In the face of the recent institutional breakdown of trust in business, managers are losing legitimacy. Enforcing educational standards and a code of ethics is unlikely to choke entrepreneurial creativity. To regain public trust, management needs to become a true profession in much the way medicine and law have, argue Khurana and Nohria of Harvard Business School. True professions have codes, and the meaning and consequences of those codes are taught as part of the formal education required of their members. Through these codes, professional institutions forge an implicit social contract with society.

Society trust us to control and exercise jurisdiction over an important occupational category, and, in return, we will have to ensure that the members of our profession are worthy of their trust, that is, managers will not only be competent to perform the tasks entrusted to them, but that they will also conduct themselves with high standards and great integrity. The main challenge in writing a code lies in reaching a broad consensus on the aims and social purpose of management. There are two deeply divided schools of thought. One school argues that management’s aim should simply be to maximize

shareholder wealth; the other argues that management’s purpose is to balance the claims of all the firm’s stakeholders. Any code will have to steer a middle course in order to accommodate both the value-creating impetus of the shareholder value concept and the accountability inherent in the stakeholder approach (Khurana and Nohria, 2008).

The Principles for Responsible Management Education

The Principles for Responsible Management Education (PRME), which were unveiled by a group of scholars and leading academic organization at the UN Global Compact Leaders Summit in July of 2007 and now endorsed by over

370 business schools and management-related academic institutions from over 60 countries, serve as guidelines for management education providers to enhance

India is uniquely positioned to change business education worldwide while spurring economic growth at home

- Tim Westerbeck

curricula, pedagogy, research and incentives to prepare organizational leaders who will balance economic with societal goals. The mission of PRME initiative is to inspire and champion responsible management education, research and thought leadership globally. The PRME are inspired by internationally accepted values such as the principles of the United Nations Global Compact. They seek to establish a process of continuous improvement among institutions of management education in order to develop a new generation of business leaders capable of managing the complex challenges faced by business and society in the 21st century. In the current academic environment, corporate responsibility and sustainability have entered but not yet become embedded in the mainstream of business-related education. The PRME are therefore a timely global call for business schools and universities worldwide to gradually adapt their curricula, research, teaching methodologies and institutional strategies to the new business challenges and opportunities. The six principles to be adopted by management institutions are given below:

The Six Principles for Responsible Management Education:

As institutions of higher education involved in the development of current and future managers we declare our willingness to progress in the implementation, within our institution, of the

following Principles, starting with those that are more relevant to our capacities and mission. We will report on progress to all our stakeholders and exchange effective practices related to these principles with other academic institutions:

1. **Purpose:** We will develop the capabilities of students to be future generators of sustainable value for business and society at large and to work for an inclusive and sustainable global economy.
2. **Values:** We will incorporate into our academic activities and curricula the values of global social responsibility as portrayed in international initiatives such as the United Nations Global Compact.
3. **Method:** We will create educational frameworks, materials, processes and environments that enable effective learning experiences for responsible leadership.
4. **Research:** We will engage in conceptual and empirical research that advances our understanding about the role, dynamics, and impact of corporations in the creation of sustainable social, environmental and economic value.
5. **Partnership:** We will interact with managers of business corporations to extend our knowledge of their challenges in meeting social and environmental responsibilities and to explore jointly effective approaches to meeting these challenges.
6. **Dialogue:** We will facilitate and support dialog and debate among educators, business, government, consumers, media, civil society organizations and other interested groups and stakeholders on critical issues related to global social responsibility and sustainability.

We understand that our own organizational practices should serve as example of the values and attitudes we convey to our students.

This multilateral effort represents a comprehensive academic collaboration between the UN and higher education undertaken to embed corporate responsibility and sustainability in the core mission and learning activities of schools of business.” The Principles for Responsible Management Education have

the capacity to take the case for universal values and business into classrooms on every continent,” said U.N. Secretary-General Ban Ki-moon in his closing remarks at the 2007 Global Compact Leaders Summit on 6 July 2007.

The MBA Oath

The oath is a voluntary pledge for graduating MBAs and current MBAs to “create value responsibly and ethically.” By formalizing a written oath and creating forums for individuals to personally commit to an ethical standard, the initiative hopes to accomplish three goals: the first, To make a difference in the lives of the individual students who take the oath, the second, to challenge other classmates to work towards a higher professional standard, whether they sign the oath or not, and the third, to create a public conversation in the press about professionalizing and improving management. The oath is as follows:

As a business leader I recognize my role in society.

- ❖ *My purpose is to lead people and manage resources to create value that no single individual can create alone.*
- ❖ *My decisions affect the well-being of individuals inside and outside my enterprise, today and tomorrow.*

Therefore, I promise that:

I will manage my enterprise with loyalty and care, and will not advance my personal interests at the expense of my enterprise or society.

- *I will understand and uphold, in letter and spirit, the laws and contracts governing my conduct and that of my enterprise.*
- *I will refrain from corruption, unfair competition, or business practices harmful to society.*
- *I will protect the human rights and dignity of all people affected by my enterprise, and I will oppose discrimination and exploitation.*
- *I will protect the right of future generations to advance their standard of living and enjoy a healthy planet.*
- *I will report the performance and risks of my enterprise accurately and honestly.*

- *I will invest in developing myself and others, helping the management profession continue to advance and create sustainable and inclusive prosperity.*

In exercising my professional duties according to these principles, I recognize that my behaviour must set an example of integrity, eliciting trust and esteem from those I serve. I will remain accountable to my peers and to society for my actions and for upholding these standards. This oath I make freely, and upon my honour.

Although the MBA Oath has formalized a written version of an ethical code of conduct for managers, the concept behind ethics in business can be traced back to the initial formation of management education in the early 20th century. Rakesh Khurana, a professor at HBS, traces the evolution of the management degree in his book *From Higher Aims to Hired Hands: The Social Transformation of American Business Schools and the Unfulfilled Promise of Management as a Profession* (Princeton University Press, 2007). According to Khurana, the original intent of instituting a management degree was to educate a managerial class that would run America's corporations in a way that would serve the broader interests of society rather than the narrowly defined interests of capital or labour (Khurana, 2007).

Despite the fact that initial business schools were established with an eye towards serving the public good, Khurana notes that business schools have strayed away from their initial intent. As Khurana stated in a December 2007 interview, "The university-based business school of today is a troubled institution, one that has become unmoored from its original purpose and whose contemporary state is in many ways antithetical to the goals of professional education itself." Business schools need to change their perception that the enhancement of their student's careers, is measured mostly in terms of salary.

The Right Values

According to American Marketing Association (AMA) values represent the collective conception of what people find desirable, important and morally proper. Values serve as the criteria for evaluating the actions of others. Marketing practitioners must recognize that they not only serve their enterprises but also act as stewards of society in creating, facilitating and executing the efficient and effective

transactions that are part of the greater economy. Marketers must embrace, communicate and practice the fundamental ethical values that will improve consumer confidence in the integrity of the marketing exchange system. These basic values are intentionally aspirational and include honesty, responsibility, fairness, respect, transparency and citizenship (AMA, 2010). Given below are the three norms and six values as recommended by AMA.

ETHICAL NORMS

1. **Do no harm.** *This means consciously avoiding harmful actions or omissions by embodying high ethical standards and adhering to all applicable laws and regulations in the choices we make.*
2. **Foster trust in the marketing system.** *This means striving for good faith and fair dealing so as to contribute toward the efficacy of the exchange process as well as avoiding deception in product design, pricing, communication, and delivery of distribution.*
3. **Embrace ethical values.** *This means building relationships and enhancing consumer confidence in the integrity of marketing by affirming these core values: honesty, responsibility, fairness, respect, transparency and citizenship.*

Ethical Values

1. **Honesty** — *to be truthful and forthright in our dealings with customers.*
2. **Responsibility** — *to accept the consequences of our marketing decisions and strategies. Make strenuous efforts to serve the needs of customers.*
3. **Fairness** — *to try to balance justly the needs of the buyer with the interests of the seller.*
4. **Respect** — *to acknowledge the basic human dignity of all stakeholders. Value individual differences and avoid stereotyping customers. Listen to the needs of customers and make all reasonable efforts to monitor and improve their satisfaction on an ongoing basis.*
5. **Transparency** — *to create transparency in all operations.*

6. **Citizenship** to fulfill the economic, legal, philanthropic and societal responsibilities that serve stakeholders in a strategic manner.

As per Chakraborty and Chakraborty (2005), the foundation of ethics in practice lies in values within. Values are the cause and ethics is the effect. B-Schools should aim to develop a holistic approach to business management involving a judicious blend of eastern management principles and the modern western outlook. According to Prof. S.K. Chakraborty of IIM Calcutta (Founder of Management Centre for Human Values, a research institute of management thought based on traditional Indian values), the following are the values which are deep rooted in Indian culture and society: The individual must be respected. Cooperation and Trust shall be hall marks of an individual. Jealousy is harmful for health shall govern the individual. Individual shall possess 'Chitta-Shuddhi' or purification of the mind. Work is worship. Containment of greed, Ethico-moral soundness, Self-discipline, Self-restraint, Customer satisfaction, Creativity and Inspiration to give renunciation and detachment. As faculty, we have to ensure that the above values are understood and inculcated by all budding managers. As we build the best human resource for the industry and society, all eyes are on our commitment and our ability to deliver the promise. As champions of value based management, we can bring positive change in the business practices, society, nation and world at large. A strong focus on ethical leadership should be provided to budding managers. As management (social-science) students, they can rise in their career only to the level of their sensitivity to society, social problems, and ability to manage, administer and lead institutions created to address social needs and solve social problem.

Leadership by India in Management Education of 21st Century

Indian born management academicians, currently associated with American and European universities, are playing crucial leaderships roles across the globe. India has the opportunity to leverage the lessons learned by the Western world's business schools, and create a management education system that will spur economic growth — and become the ultimate state-of-the-art laboratory for global business education innovation. Globalization offers many challenges as well as opportunities. Economic growth is leading to a surge in the demand for more engineers, management graduates, computer

engineers etc. The country's demographic differentials reveal that, India will have a distinct advantage of the younger age group (where many new opportunities can be fully optimized) during the next few years. To enroll this high number of young population in colleges, the country requires more universities and training institutes (www.rncos.com). Business schools in India must define a better pathway for the future of the nation and world at large to justify their increasing presence and role in the society. Management education must be made 'Mass Education' rather than 'Class Education' without compromising on quality. Indian universities must cultivate an environment of openness, government should provide more autonomy to universities/institutes of higher education and India should welcome foreign universities to meet the rising aspiration levels of Indian youth. The funding of higher education should be left to private sector and the role of government, both central and state, should more of ensuring delivery of primary and secondary education along with regulating the total education sector to achieve the national goals (Ajith, 2011). India was the home of the largest and oldest university of ancient times, Nalanda which also had the reputation for being the first residential international university of the world with around 2,000 teachers and 10,000 students, from all over the world. Recreating the history, once again becoming a knowledge hub of the world and leading in the knowledge economy is not impossible for our great nation.

As India is going through the second generation reforms aiming at faster integration with world economy, participation by foreign universities has to be welcomed. Higher technical education has tremendous potential to absorb any amount of FDI even during recessionary period. Entry and investment by foreign university will make quality higher education accessible to the aspiring candidates at a fraction of the cost of going abroad for doing the same course. This will also prevent outflow of hard earned foreign currency. Union government has to build a national consensus on welcoming good foreign universities to invest in the higher education segment of our education sector (Ajith, 2011).

India has one of the largest higher education systems in the world. The student enrolment in higher education institutes grew by more than 32 percent in 2007-08 as compared to 2000-01. The growth in student enrolment in higher education is driven by rising percentage of students passing out at secondary education level and rising demand for quality

education. With more than 400 universities and over 20,000 colleges, the student enrolment in India has crossed 12.9 million in 2007-2008. The number of student enrollments in higher education system reached around 14.6 million at the end of 2010.

At present, government aided and managed institutions play a secondary role in higher education in the country. Private unaided institutions have 63 percent share. In 2001, the share of unaided private institutions was 42.6 percent. They have played significant contribution in maintaining the supply of skilled manpower to the industry. The total enrolment count in professional courses is expected to surpass 2.5 million by the end of 2010-11. Enrolment in engineering courses will account for the majority of the total enrolments in technical courses, followed by that in hotel management and architecture courses.

Though India allows foreign university participation through twinning, franchising or collaboration (albeit in its own idiosyncratic, opaque and selective manner), it is not enough to meet the burgeoning need for higher education in the country. India has received requests for entry through FDI route from various countries like US, Australia, Singapore, Brazil, Japan, New Zealand and Norway. FDI in higher education will play a catalytic role in integrating Indian economy with the world economy (Venkatesh and Ajith, 2009).

According to Tim Westerbeck (2010), following are six opportunities India has to reinvent management education in a way that can catapult it to the forefront of leadership and management training worldwide.

- 1. Skip the academic silos phase** - The world-class Indian engineering education system, the business education sector, and private enterprise can join forces as part of a national initiative to mine the rich intellectual capital of India — and harness the palpable entrepreneurial energy of the massive Indian population. Cross-disciplinary educational programmes will foster new levels of innovation and opportunity.
- 2. Serve locally but train globally** - Leaders of Indian management education are quickly realizing that they must look outward as they train business leaders. They can't be provincial. It will not be enough to focus on educating

Indians for India. Business schools in India can design themselves as global institutions; building globally distributed educational programmes and deep partnerships around the world right from the start.

- 3. Establish deep partnership with business** - India's corporations must become true partners in building the management education programmes by supplying ideas, knowledge, capital, financial investment, and on-site experience for students, enabling them to learn in real-world situations. They must also understand that to build truly world-class institutions, academic institutions must have the independence to "speak truth to power" (or funders) to unlock the deep value they are able to bring to Indian society.
- 4. The world is the campus** - Distributed, online, distance, hybrid learning — whatever term you choose — India has the opportunity to use technology to reach massive numbers of people over incredible distances and to bring together new ideas, cultures, and thought-leaders like never before. The Western world is struggling with this approach and many schools discount its effectiveness and credibility. Building on its world-class IT knowledge, India has the opportunity to show the world the true potential of technology-based learning.
- 5. Ignore the rankings** - The business school establishment in the West has been hamstrung by the popular rankings — forcing institutions to look and act the same to fit the established concepts of what it means to be "top-tier," stifling innovation. Institutions should be encouraged and incentivized to focus on their strengths, to represent themselves accurately to students and employers, and to let a diverse and vital system of institutions emerge. Government policy, rankings, and accrediting systems that inevitably will emerge should reflect and support this approach.

Embrace all forms of management training - While the "for-profit" sector in the U.S. in particular is getting a black eye, India can be smart about ways in which the entrepreneurial energy and focus on innovation brought by all educational institutions can ultimately benefit students, employers, and a society that needs new models to meet its enormous need for business education. India is in the remarkable position of skipping over the mistakes of the past

and building a management training system that will incorporate these values and strategies from the start.

Conclusion

Schools in the West would do well to watch and participate in what is happening in the field of management education in India. As per Wikipedia's list of World largest Universities by student enrolment and Top Universities Ranking Guide, Indira Gandhi National Open University (IGNOU) has topped the list of 61 Universities with 18 lakh students enrolled. The University has reached the top slot due to its high flexibility, number of courses in diverse fields, quality course material and holding exams semester wise twice a year uninterrupted for the past 25 years. IGNOU started functioning by offering two academic programmes in 1987 with strength of 4528 students. Today it has presence across India and 36 other countries through 21 Schools of Studies and a network of 61 regional centers, around 60 overseas centers. According to Dr. Bala, "In India, education is not just a business. There is an attitude of caring, sharing. U.S. is morally bankrupt; India is morally rich. Educational model has to come from the East. China being a communist country cannot come from there. It has to be India."

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Knowledge Sharing: Nursing Ambience

U. Syed Aktharsha and H. Anisa

Abstract

The purpose of this paper is to examine the factors that promote or discourage knowledge sharing behaviour of nurses in the organizational context. Survey based instrument is used to gather the responses from nurses working in private hospitals in Tiruchirappalli district. 152 respondents participated in this survey. The results of PLS path analysis have demonstrated that intention and perceived behavioural control are significant predictors of knowledge sharing behaviour of nurses. Besides, attitudes, subjective norms, and perceived behavioural control were found to be significant predictors of knowledge sharing intention.

Key words:

Knowledge Management, Knowledge sharing, Knowledge based organizations.



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In the contemporary knowledge-intensive economy, knowledge is recognized as a critical strategic resource for the organizations (Nonaka and Takeuchi, [1995], Conner and Prahalad, [1996], Grant, [1996] Nahapiet and Ghoshal, [1998], and Pettigrew and Whip, [1993]). The knowledge-based perspective of the firm regards knowledge to be the source of firm's competitive advantage. Grant [1996], Spender [1996], and Liebeskind [1996] state that Knowledge, the researchers' content, is the source of competitive advantage because it signifies intangible assets that are unique, inimitable and non-substitutable. However, Alavi and Leidner (2001) observe that the source for competitive advantage resides not in the mere existence of knowledge at any given point of time, but rather in the organization's capability to effectively use the existing knowledge, to generate new knowledge assets and to act upon them. Davenport and Prusak, [1998], Alavi and Leidner, [2001], Osterloh et. al. [2000], and Zack [1999] stress that to leverage and manage organizational knowledge resources, organizations are adopting knowledge management (KM)

initiatives and are investing heavily in information and communication technologies in the form of knowledge management systems (KMS). Alavi and Leidner (1999) highlight that Knowledge management rallies around building the organization's ability to acquire, organize and diffuse the knowledge throughout the organization with the objective of improving its effectiveness, efficiency and competitiveness.

According to Nonaka and Takeuchi [1995], Alavi and Leidner [2001], a key enabler of knowledge management is *knowledge sharing*. Argote and Ingram [2000], Gold et al., [2001] indicate that many organizations assert is crucial to exploiting core competencies and to achieve sustained competitive advantage. Prahalad and Hamel (1990) observe that organization's core competencies reside in the collective learning of the organization be it production, marketing or technological capabilities, that are inimitable by the competitors. Bock and Kim [2002], Pan and Scarbrough, [1998], O'Dell and Grayson [1998], Osterloh et al. [2000] mention that to allow collective learning and to grow knowledge assets, an organization must develop an effective knowledge sharing process and encourage its employees and partners to share knowledge about customers, competitors, markets, products and so forth. Hansen, Nohria and Tierney [1999] mention two KM strategies that are commonly used by successful organizations to share knowledge: codification and personalization. Codification strategy presumes that knowledge can be disconnected from its source and as such deals with the capture and storage of knowledge representations in electronic repositories/databases, independent of the individual that generated it. The electronic repositories/databases which contain organizational knowledge facilitate knowledge transfer among the organizational members. For example, at the end of a project, a team may create best practices or lessons learned document based on their experiences of the project and store it in the repository. As part of the repository, this best practices or lessons learned document can be accessed by other teams resulting in the dissemination of knowledge across the organization. Personalization strategy, on the other hand presumes that knowledge cannot be disconnected from its source. Knowledge can be shared through person-to-person interactions. The interactions can be face-to-face with a shared context or mediated by technology as in email, instant messaging, text messaging, video conferencing, groupware etc.

While the role of technology in codification strategy is to capture the knowledge representation and store it in a computer, its role in personalization is to facilitate the communication of knowledge. Given the growth of distributed work and global teams, personalization through technology mediation is becoming increasingly important. Communication and collaborative tools and technologies are allowing temporarily and globally dispersed individuals to work together. Irrespective of the knowledge sharing strategy (codification versus personalization) adopted, technology is certainly making knowledge sharing a reality. Some of the tools and technologies that are commonly implemented to support knowledge sharing include Group Ware and Collaboration tools, Expertise "Yellow Pages" (computerized directory for locating experts having specific knowledge), Knowledge Repository (containing existing expertise, lessons learned, best practices etc), Intranets (including corporate portals), Email (listserv etc), Discussion forum (using tools like bulletin board, chat room etc), e-learning tools (interactive systems for learning), Desktop computer conferencing (using networked PC simultaneously for discussion and information exchange with tools such as net meeting, instant messaging, etc), Videoconferencing and Teleconferencing. (Ruggles, 1998; McDermott [1999], Orlikowski [1996], Cross and Baird [2000] highlighted that while tools and technologies are important for supporting knowledge sharing strategies, practical implementations have found that the mere availability of technology does not guarantee that knowledge will be shared. There is a lack of understanding of the factors that shape knowledge sharing behaviour in organizational context. The objective of this research study was to examine factors that promote or discourage knowledge sharing behaviours of knowledge workers in the organizational context.

Review of Literature

Bock, Zmud, Kim, and Lee (2005) examined factors that are believed to influence individuals' knowledge-sharing intentions. Researchers drew upon the Theory of Reasoned Action (TRA) (Ajzen and Fishbein 1980) for the study's theoretical framework. To this framework, they have added extrinsic motivators, social psychological forces and organizational climate factors. Using field survey of 154 managers from 27 Korean organizations, the researchers found that the attitude towards knowledge sharing along with the subjective norms and organizational climate influence

individual's intention to engage in knowledge sharing behaviour. Other findings of the study indicate that anticipated reciprocal relationships positively influence attitudes towards knowledge sharing while sense of self-worth and organizational climate influence subjective norms. A surprising finding of the study is that anticipated extrinsic rewards negatively influence the knowledge sharing behaviour. One of the limitations of this study is that while researchers examined the individual's intention to share knowledge, they did not examine the actual knowledge-sharing behaviour.

Connelly and Kelloway (2003) investigated a number of factors that impact employee's perceptions of a knowledge sharing culture. The identified factors can be broadly categorized into groups: organizational factors and individual factors. Organizational factors include individuals' perceptions regarding management support for knowledge sharing, their perceptions about a positive social interaction culture, organization's size, and the presence of technology that can facilitate knowledge sharing. Individual factors include age, gender and organizational tenure. The research findings suggest perceptions about management's support for knowledge sharing, and perceptions of a positive social interaction culture to be significant predictors of a positive knowledge sharing culture. Organizational size was negatively related to positive knowledge sharing culture such that smaller organizations were linked more with positive knowledge sharing culture. Lastly, gender was found to be significant moderator such that female participants needed more positive social interaction culture before they would perceive a knowledge sharing culture as positive in contrast to their male counterparts.

Using Nonaka's model and adapting a process oriented perspective, Lee et al., (2003) developed an integrative research model that interconnects knowledge management enablers and processes with organizational performance. The findings of the empirical examination of the model suggest that collaboration, trust, learning and centralization affect knowledge creation and sharing process. Researchers emphasize the significance of trust based culture for effective knowledge creation and note that organizations may have difficulty building a knowledge creating environment due to the lack of adequate culture in spite of their well built IT.

The importance of culture for effective KM is also highlighted by Janz et al (2003) theoretical model which explains the

relationships between knowledge related activities and organizational and individual characteristics that promote the creation and dissemination of knowledge throughout organization. Researchers note that knowledge flow in an organization depends on the trust in the organization as a whole as well as the specific individuals and suggest that organizations provide a climate of trust built on culture that encourages and provides incentives for sharing knowledge in all its manifestations such as learning, mentoring, collaboration, sharing ideas and stories etc.

Research Hypothesis

Knowledge sharing behaviour of knowledge worker is theorized to be collectively determined by his/her intention towards knowledge sharing and his/her perceived behavioural control. Knowledge sharing behaviour is the degree to which knowledge worker actually shares knowledge with other members of his/her organization. Intention measures knowledge worker's readiness to engage in knowledge sharing. Consistent with TPB, it is expected that favourable intention to share knowledge will lead to greater sharing of knowledge. Thus it is hypothesized that:

H1 - A higher level of intention towards knowledge sharing will lead to greater sharing of knowledge.

Perceived behavioural control (PBC) factors are dispositional factors that refer to the knowledge worker's beliefs about the perceived presence or absence of necessary resources and opportunities that may facilitate or impede knowledge sharing. PBC is expected to influence the knowledge sharing behaviours, especially, when there is an agreement between individual's perceptions of behaviour control and the actual control. The greater the knowledge worker's belief that he/she possesses resources and opportunities, the fewer impediments he/she anticipates and as such has greater perceived control over the behaviour. Thus it is hypothesized that

H2 - A higher level of behavioural control towards knowledge sharing will lead to greater sharing of knowledge.

Attitude towards knowledge sharing is formed from behavioural beliefs and refers to the degree of positive/negative feelings an individual has towards the intention to share knowledge with other members of the organization. Higher attitudinal disposition towards knowledge sharing should increase knowledge sharing intention. Thus it is theorized that

H3- A more favourable attitude toward knowledge sharing will lead to greater intention to share knowledge.

Subjective norm is formed from normative beliefs and refers to the individual's belief that important relevant others expect him/her to engage in behaviour of interest. In the organizational context, these relevant others include executive board, senior management, supervisor and the peer group. Industry surveys suggest that senior management drive knowledge management efforts. Management has control over employee compensation policies, performance appraisal and career advancement. As such, it is only natural that employees would want to comply with the management expectations of engaging in knowledge sharing behaviour. Similarly, peer group acceptance also has an important effect on one's professional experience. Previously published research has shown subjective norm to be an important antecedent to behavioural intention (Bock, Zmud, Kim and Lee, 2005; Mathieson 1991; Taylor and Todd 1995; Thompson et al. 1991). Thus, it is proposed that employee's normative beliefs about the management and peer group expectations have a positive effect on his/her intention to share knowledge.

H4 - A higher level of subjective norms towards knowledge sharing will lead to greater intention to share knowledge.

Perceived behavioural control is formed from control beliefs and refers to the individual's beliefs about the perceived presence or absence of requisite resources and opportunities that may facilitate or impede knowledge sharing. The facilitating conditions for knowledge sharing include technical and non-technical supports such as the availability and ease of use of tools and technology, time, resources and so forth. TPB suggests that perceived behavioural control boosts intention because individuals are only motivated to undertake tasks at which they succeed. Taylor and Todd (1995) found perceived behavioural control to be a significant predictor of technology usage intentions. Thus it is theorized that

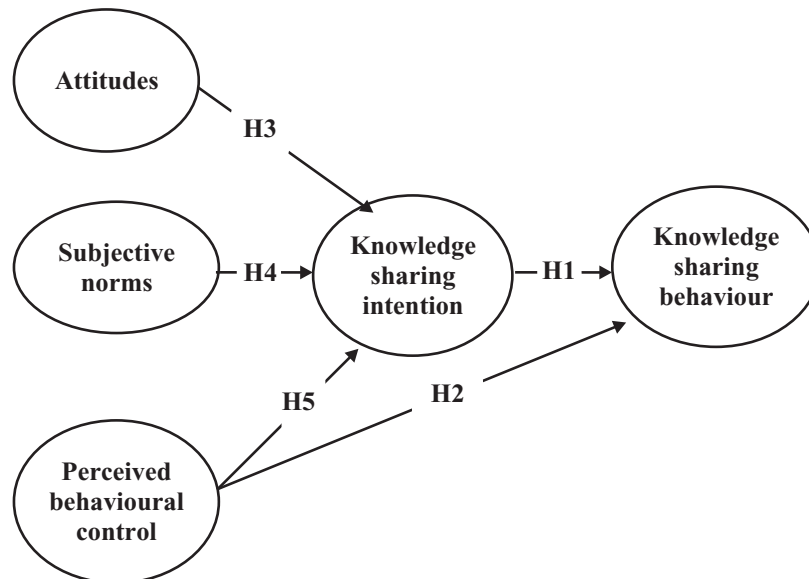
H5 - A higher level of behavioural control towards knowledge sharing will lead to greater intention to share knowledge.

The theoretical relationships presented in Hypotheses one to five are depicted in Figure 1.

Need for the Study

Bock et al. [2005], Connelly and Kelloway [2003] Ruggles [1998] indicated Knowledge sharing has been recognized as a positive force for the survival of an organization. Yet, the factors that promote or discourage knowledge sharing behaviour in the organizational context are poorly understood.

Graph 1: Proposed Research Model



Hall [2001], Smith and Farquhar [2000]; Prusak [1999], Boisot and Griffiths [1999] expressed that Identification of factors that motivate employees to share knowledge for the benefit of other employees and the firm is regarded as a high priority issue for organizations. While the factors that influence knowledge sharing behaviour of employees can be speculated, it is crucial that we carefully examine the underlying antecedents of knowledge sharing, if we really want to add value to the practitioners of knowledge sharing. To date, little empirical research exists on what environments and mechanisms are conducive to knowledge sharing. Andrews and Delahaye [2000], and Hinds and Pfeffer [2003] state that even much less empirical research exists on the deeper individual issues that shape individuals beliefs, attitudes, intentions, and behaviour in knowledge sharing. The studies of Bock et al. [2005] and Ryu et al., [2003] show some encouraging developments. However, even these studies did not measure explicitly employee's actual knowledge sharing behaviour. Citing the growing significance of knowledge sharing to the success of knowledge management and to organizational survival, several researchers have called for further investigation of the factors that shape knowledge sharing behaviour in the organizational context. Besides, there is a lack of understanding of the factors that shape knowledge sharing behaviour in organizational context.

Research Objectives

- a) To examine influence of attitude, subjective norms, perceived behavioural control on behavioural intention to share knowledge.
- b) To examine the impact of knowledge sharing intention and perceived behavioural control on knowledge sharing behaviour of nurses.
- c) To test and validate the proposed research model.

Research Methodology

Universe

The study was conducted in private hospitals having more than 225 beds in Tiruchirappalli District. Totally four hospitals having more 225 beds were selected and the population of nurses in hospital A, hospital B, hospital C and hospital D were 154, 173, 165 and 180 respectively and total population together were 672 nurses.

Determination of Sample size

A pilot study was conducted among 60 respondents and the standard deviation of the items was found to be 0.312. Hence the sample size was determined to be 152.* at the end of data collection period, as a percentage of sampling population, the response rate is 23 percent.

* The sample size $n = (Z * SD / e)^2$

Sampling Method

The population for this study consisted of all the nurses in four private hospitals of Thiruchirappalli district. The sample for the study was selected from the population by simple random sampling method.

Data Collection

Data were collected from both the primary and secondary sources. The questionnaire consists of two parts namely Part I and Part II. The part I contained seven questions on Demographic factors of users such as age, gender, educational qualifications, experience, department, designation and monthly income. Second part consists of the conceptual factors such as attitudes with five questions, subjective norms with five questions, perceived behavioural control with six questions, intention with six questions and knowledge sharing behaviour with six questions. The scaling values are seven - Very Extremely Agree; six - Highly Agree; five - Agree; four - Neutral; three - Disagree; two - Highly Disagree one - Very Extremely Disagree. Secondary data were obtained from Journals and Web portals. The study was conducted in private hospitals having more than 225 beds. In this basis, four hospitals were selected. A simple random sampling was done by selecting nurses randomly from the employee list of four selected hospitals.

Data Analysis

Reliability

Gaur and Gaur (2006) defined that reliability refers to the consistency of the measurement. That is the degree to which an instrument gives the same numeric value when the measurement is repeated under same conditions with same subjects. The study has used *Cronbach alpha coefficient* for assessing the reliability of the scale. Generally, according Nunnally (1978) Cronbach alpha level of 0.60 or above is considered to be acceptable for construct.

Table 1: Reliability Statistics

Dimensions	No. of items	Alpha value	Hotelling's t squared	F - value	d. f	P -value
Attitudes towards knowledge sharing	5	0.785	6.605	1.618	4,148	0.017
Subjective norms towards knowledge sharing	5	0.777	41.373	10.138	4,148	0.000
Perceived behavioural control towards knowledge sharing	6	0.825	75.914	14.781	5,147	0.000
Intention towards knowledge sharing	6	0.754	23.375	3.767	6,146	0.002
Knowledge sharing behaviour	6	0.722	10.170	1.980	5,147	0.035

Table 1 presents that all the constructs namely attitudes towards knowledge sharing, subjective norms towards knowledge sharing, perceived behavioural control towards knowledge sharing, intention towards knowledge sharing, knowledge sharing behaviour exhibit adequate reliability with internal consistency values of 0.785, 0.777, 0.825, 0.754 and 0.722 respectively which is greater than recommended alpha value of 0.60. Finally, the results of Hotelling's *T*-squared test confirmed that the mean of different items under the five dimensions was significantly different from each other at five percent level. This indicates that there is no equivalence between all the 28 items and they are different.

Validity

John Adam et al [2007] state that validity refers to the accuracy of the research instrument. That is, the measuring instrument used in this study actually measures the property it is supposed to measure. It is believed that validity is more important than reliability, because if an instrument does not accurately measure the property, it is supposed to measure; there is no reason to use it even if it measures consistently.

Convergent Validity

Convergent validity of all the constructs was examined using the measure of Average Variance Extracted (AVE) that is the average variance shared between a construct and its items Fornell and Larcker, [1981]. Chin [1995] and [1998], Chin et al [1999 and 2003] indicated that a construct with an AVE of over 0.5 is expected to have adequate convergent validity. In some cases, values up to 0.40 of AVE and 0.60 of composite reliability

are also considered to be acceptable if they are central to the model.

The Average Variance Extracted (AVE) of each of the study constructs is presented in Table 2. The AVE of each construct was over 0.40 and composite reliability of each contract was over 0.60. Therefore, convergent validity of the study constructs was verified.

Validation of Models through Partial Least Square –Path Modeling (PLS-PM)

In order to test the proposed Hypothesis, this study employed a construct level Correlation analysis as an initial verification. Visual PLS is used to compute the constructs scores. Using these constructs scores as a base, the study explored the relationship between the variables using SPSS package 16.0. The construct correlation has been presented in the table 3.

The correlation table indicates that there exists a positive relationship between knowledge sharing intention and knowledge sharing behaviour, perceived behavioural control and knowledge sharing behaviour, attitudes towards knowledge sharing and knowledge sharing intention, subjective norms towards knowledge sharing and knowledge sharing intention and finally, perceived behavioural control towards knowledge sharing and knowledge sharing intention with the R value of 0.772, 0.722, 0.722, 0.708, 0.780 respectively. The correlation coefficient for the above relationship is significant at 0.001 percent level.

Table 2: Convergent Validity

Dimensions	AVE value	Composite Reliability
Attitude towards Knowledge Sharing	0.532	0.850
Subjective Norms towards Knowledge Sharing	0.486	0.799
Perceived Behavioural Control	0.505	0.859
Intention Towards Knowledge Sharing	0.457	0.784
Knowledge Sharing Behaviour	0.503	0.876

Table 3. Construct Level Correlation of Model

Hypothesis	Independent variables	Dependent Variable	Pearson's Correlation	Significance level at 1 %
H1	Intention towards knowledge sharing	Knowledge sharing behaviour	0.772	0.000
H2	Perceive behaviour control towards knowledge sharing	Knowledge sharing behaviour	0.722	0.000
H3	Attitude towards knowledge sharing	Intention towards knowledge sharing	0.722	0.000
H4	Subjective Norms towards knowledge sharing	Intention towards knowledge sharing	0.708	0.000
H5	Perceive behaviour control towards knowledge sharing	Intention towards knowledge sharing	0.780	0.000

Staples et al (1998) indicate that through the bivariate correlation are significant between the construct, it is still needed to assess the path coefficient in the structural model as a causal effect Efron [1979], Efron and Gond [1983] express that in order to ensure that path coefficients are statistically significant, this study used a bootstrap and jack knife re-sampling procedures to estimate standard errors for calculating values using visual PLS. The results are examined and the t-statistic value at the 0.05 level is 1.96. If the t-statistic value is greater than 1.96, the path is significant.

As presented in figure 2 and table 4, the path linking knowledge sharing intention to knowledge sharing behaviour was found to be significant at 0.05 level (beta=0.533 t= 6.3974), indicating intention has a significant effect on knowledge sharing behaviour. It explained a variation of 63 percent in knowledge sharing behaviour. This supported for H1.

The path linking perceived behavioural control to knowledge sharing behaviour was significant at 0.05 level (beta=0.306, t= 3.0501), indicating perceived behavioural control has a significant effect on knowledge sharing behaviour. This provided support for H2.

The path linking attitudes towards knowledge sharing to knowledge sharing intention was found to be significant at 0.05 level (beta=0.31, t= 4.8615), indicating attitudes has a significant effect on knowledge sharing intention. This provided support for H3.

The path linking subjective norms to knowledge sharing intention was not significant at 0.05 level (beta=0.107, t=1.5609), indicating subjective norms has no significant effect on knowledge sharing intention but the correlation between these two dimensions was significant. This did not provide support for H4.

Graph 2: Structural Equation Results of Model

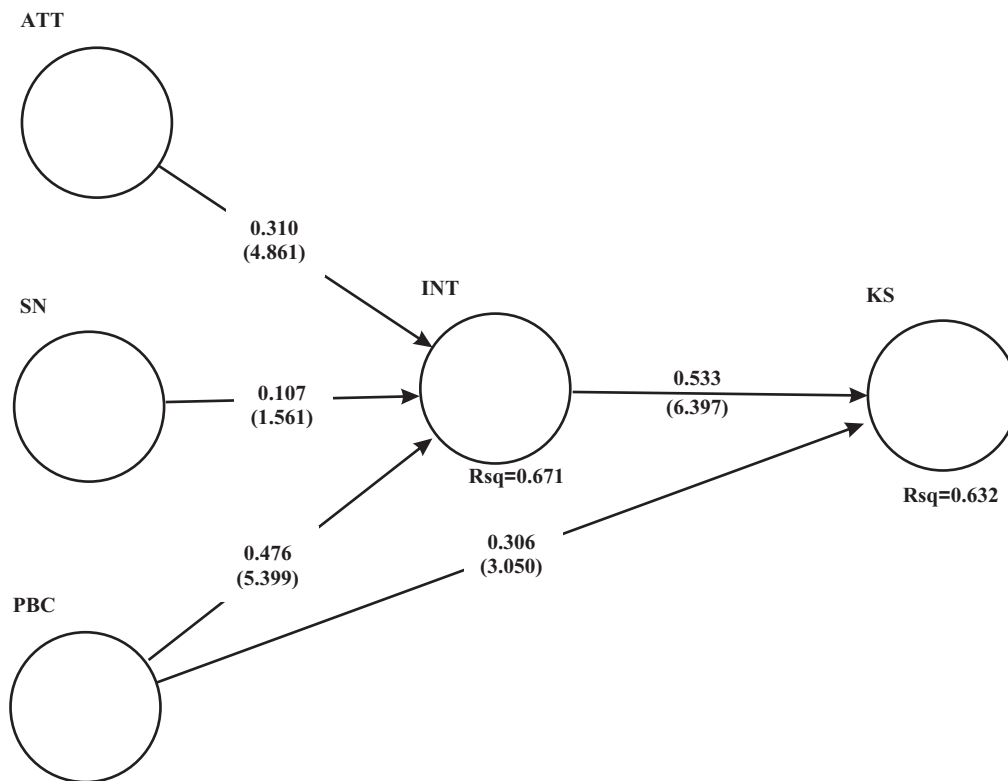


Table 4 : Bootstrap Summary of Model and Hypothesis Result

Hypothesis	Entire sample estimate	Mean of sub sample	Standard error	t-Statistic	R square value	Result
H1	0.533	0.5463	0.0833	6.3974	0.632	significant
H2	0.306	0.3022	0.1003	3.0501		significant
H3	0.31	0.3223	0.0638	4.8615	0.671	significant
H4	0.107	0.1058	0.0685	1.5609		insignificant
H5	0.476	0.4802	0.0882	5.3989		significant

The path linking perceived behaviour control to knowledge sharing intention was found to be significant at 0.05 level (beta=0.476, t= 5.3989), indicating perceived behaviour control has a significant effect on knowledge sharing intention. The attitude towards knowledge sharing, subjective norm and perceived behavioural control collectively explained about 67 percent of the variance in the behavioural intention to share knowledge.

Discussions

Profile of Respondents

80 percent of the respondents in Hospitals were between the age group of 21-30 years. 90 percent of the respondents had an experience in nursing for less than 10 years. 70 of respondents were working in the department of ortho. About 45 percent of respondents were in cadre of ward nurses. About

68 percent of respondents were drawing salary between 10000 and 15000.

PLS Analysis Discussion

The objective of this research study was to enhance our collective understanding of the factors affecting knowledge sharing behaviour of knowledge workers. The results from the field survey of 152 nurses provide empirical support for the overall structure theorized in the research model. Of the five hypotheses, four were supported. The results indicate that the significant predictors of knowledge sharing behaviour are: intention towards knowledge sharing, attitude towards knowledge sharing, subjective norm towards knowledge sharing and perceived behavioural control towards knowledge sharing. These predictors explained about 67 percent of the variance in the behavioural intention to share knowledge and 63 percent variance in the actual knowledge sharing behaviour. The findings are a great improvement over previous studies on knowledge sharing behaviour (Bock and Kim, 2002; Bock et al., 2005; Ryu et al., 2003; Lin et al., 2004).

Knowledge Sharing Behaviour

The study theorized that knowledge sharing behaviour of knowledge workers is to be collectively determined by intention towards knowledge sharing and perceived behavioural control. As theorized, intention towards knowledge sharing and perceived behavioural control emerged as significant predictors of actual knowledge sharing behaviours. Intention towards knowledge sharing had a significant effect on knowledge sharing behaviour with a path coefficient of 0.53. Perceived behavioural control also had a substantial effect on knowledge sharing behaviour with a path coefficient of 0.30. Collectively, intentions towards knowledge sharing and perceived behavioural control explained about 63 percent of the variance in knowledge sharing behaviour.

The finding that intention towards knowledge sharing was positively and significantly related to knowledge sharing behaviour coincides with the findings of prior research on knowledge sharing using self-reported survey measures (Bock and Kim, 2002). However, while Bock and Kim's study explained only 1.6 percent of the variance in the knowledge sharing behaviour, this study explained about 63 percent of the variance in knowledge sharing behaviour.

The significant impact of perceived behavioural control on knowledge sharing behaviour in this study suggests that knowledge sharing is not largely under volitional control. Knowledge workers are inclined to engage in knowledge sharing behaviour to the extent they have the time, resources and opportunities to do so.

Knowledge Sharing Intention

The study hypothesized the predictors of knowledge sharing intention are to be: attitude towards knowledge sharing, subjective norm and perceived behavioural control. As hypothesized, attitude, subjective norm and perceived behavioural control emerged as significant predictors of intention towards knowledge sharing. These findings are consistent with the findings of prior TPB related research (Taylor and Todd, 1995; Mathieson, 1991; Bock and Kim, 2002, Bock et al., 2005; Ryu et al., 2003; Lin et al., 2004).

Attitudes towards knowledge sharing had a strong effect on the behavioural intention to share knowledge with a path coefficient of 0.31. The high contribution of attitude towards knowledge sharing suggests that knowledge workers with favourable attitudinal disposition are more likely to engage in knowledge sharing.

The subjective norms towards knowledge sharing did not have much impact on knowledge sharing intention with a path coefficient of 0.10. So, the non-significance of subjective norm implies that knowledge workers do not consider management and peer group expectations of knowledge sharing to be important. Knowledge workers are not likely to engage in knowledge sharing when they perceive that their management and peer group value knowledge sharing and are likely to applaud the behaviour.

The perceived behavioural control towards knowledge sharing had a strong effect on the behavioural intention to share knowledge with a path coefficient of 0.47. The impact of perceived behavioural control on the intention towards knowledge sharing indicates that knowledge workers are motivated to engage in knowledge sharing to the extent they believe they have the time, resources and opportunities to do so. Collectively, the attitudes towards knowledge sharing, subjective norms and perceived behavioural control explained about 67 percent of the variance in the behavioural intention to share knowledge.

Implications for Practice

From a pragmatic perspective, the results of the study have many implications for hospitals initiating or striving to promote knowledge sharing behaviours of their Knowledge workers i.e. nurses. First, prior to launching knowledge sharing initiatives, hospitals should create an environment that is conducive to knowledge sharing. Hospitals should develop and nurture cultural norms, practices and processes that build trust, collective cooperation and positive social interactions among knowledge workers. Work context exemplified by high levels of trust, collective cooperation, formal and informal networks facilitate knowledge exchanges among nurses.

Second, hospital management should demonstrate its support for knowledge sharing. Supportive organizational climate and intensified management commitment towards knowledge sharing promotes knowledge sharing behaviours. The study findings indicate that nurses are likely to be influenced by the expectations of management and peer group in deciding to engage in knowledge sharing. So it may even be appropriate to exert some pressure on knowledge workers to share knowledge through the social influence of top management and peer group.

Third, the results of the study suggest that attitude towards knowledge sharing behaviour affects intention. Hospitals should promote knowledge sharing behaviours by managing factors that influence knowledge workers attitude towards knowledge sharing.

Fourth, Knowledge workers i.e. nurse's perceptions of the loss of knowledge power should be mitigated by reassuring their position, power and status in hospitals.

Fifth, hospital administration should reconsider knowledge sharing incentives based on economic incentives. Besides, management should ensure that nurses have time, resources and opportunities to engage in knowledge sharing. Organizations should allocate time for engaging in knowledge sharing behaviours by integrating it into the work processes. Time needed to engage in knowledge exchanges should not be viewed as a cost factor.

Limitations and Further Research

There are few limitations to this research study. First, the research setting for the current study was hospitals in a

particular district. Respondents were limited to nurses working in both day and night shift. As such, the study may limit the extent to which respondent behaviours can be generalized to the general work force. The results of this study can be regarded as being representative of the perceptions of the general knowledge work force. To further increase the generalizability however, future research should replicate the study's findings with larger samples and in different contexts.

Second, the research setting used in this study made it difficult to obtain objective measures of knowledge sharing behaviours. As such, the current study used perceptual measures. The survey instrument relied on self-reported measures, in which the findings are dependent upon knowledge worker's responses regarding his/her knowledge sharing behaviour rather than on direct observation of such behaviour. Self reports of behaviour are often criticized as being tainted with response bias, inaccuracy and so forth and as such are regarded as poor indicators of actual behaviour. Also, in the current study, the measures for knowledge sharing behaviour, although perceptual, are recorded using a seven point frequency scale which is believed to mitigate the bias associated with self reports. Nevertheless, future research should investigate the research model using objective measures for knowledge sharing behaviours to make the findings of this study more robust.

Third, the study focuses on some of the motivating factors that influence knowledge sharing behaviours of knowledge workers. As such, the antecedents explain only a portion of the variance in the dependent variable (actual knowledge sharing behaviour). There may be other factors which are not part of this study but may have significant influence on knowledge sharing behaviours. Future research should add other constructs such as self-efficacy, personality traits, leadership styles, trust, organizational commitment, perceived ownership of knowledge, task inter dependence etc to the research model to determine their influence on knowledge sharing behaviours.

Finally, the study's findings are based on the modest sample size of 152 respondents. Although PLS Graph handles small sample sizes and generates valid results, a larger sample with more statistical power would have permitted me to use other covariance based structural equation modelling tools such as LISREL. Future research should verify the findings of this research study using covariance based tools.

Conclusion

Knowledge sharing has been identified as the key enabler of knowledge management. To leverage knowledge resources and to support knowledge sharing, organizations are employing knowledge management systems. While knowledge management systems are important, practical implementations have shown that the mere availability of technology does not guarantee that knowledge will be shared. Citing the growing significance of knowledge sharing to the success of knowledge management and to the survival of organization, both academicians and practitioners have called for the identification of factors that promote or discourage knowledge sharing behaviours in the organizational context. Using a field survey of 152 nurses, the theoretical model was validated within the context of a single empirical study. The findings provided significant statistical support for the research model accounting for about 67 percent of the variance in the behavioural intention to share knowledge and 63 percent variance in the actual knowledge sharing behaviour. Four of the five hypothesized relationships were supported. Knowledge sharing behaviour was predicted by intention towards knowledge sharing and perceived behavioural control. Knowledge sharing intention in turn was predicted by attitude towards knowledge sharing, subjective norm and perceived behavioural control. Based on the findings, the study discussed theoretical and practical implications for sharing knowledge in the work context. Overall, the results of the study advance prior research in the area of knowledge sharing by shedding light on the determinants of knowledge sharing behaviour of nurses. The research model deepens our collective understanding of the underlying psychological processes that induce knowledge sharing behaviours. In addition to contributing to theory, the findings of the study also yield insights for practice. The insights could be used by healthcare organisations in developing realistic environments that are conducive to knowledge sharing.

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FDI Investment: Retail Franchising

M. Chackochen and Pon Ramalingam

A b s t r a c t

FDI investment in India has been the subject of active debate for a long time. Its introduction has been challenged and entry has been opposed by many organizations. The authors give vent to his perception on FDI investment, and its benefits in the Indian context. The authors examine how its introduction could help the country in job creation, infrastructure development, and the country's GDP growth. The paper predicts: FDI can be a powerful catalyst to vigorous competition in the retail industry.

Key words:

FDI, Retail, Investments, Franchise.



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Indian being a signatory to World Trade Organization's General agreement on trade in services, which include wholesale and retailing services, has to open up the retail trade sector to foreign investment. There were initial reservations towards opening up of retail sector arising from fear of job losses, procurement from international market, competition and loss of entrepreneurial opportunities.

However, the government in stages has opened up the retail sector slowly to Foreign Direct Investment ("FDI"). In 1997, FDI in cash and carry (wholesale) with 100 percent ownership was allowed under the Government approval route and was brought under the automatic route in 2006. 51 percent investment in single brand retail outlets was also permitted in 2006. FDI in Multi Brand retailing is, however, still prohibited in India.

In their recent book *Target 3 Billion* Dr. A.P.J. Abdul Kalam and Srijan Pal Singh have for a sound future recommended a sustainable and inclusive system of uplifting the rural poor of our country through entrepreneurship and community

participation. In this book the authors have drawn the attention of the readers to the importance of inclusive development. The empowerment of rural regions is critically important from the perspectives of sustainable and fairly shared prosperity of the world. The untapped potential of the rural population and talent is a great treasure. Even the most developed nations in the world witness the rural-urban divide. When it comes to the developing and underdeveloped world, the majority of the population still live in rural areas, and it is necessary to have a special focus on this issue.

Foreign Direct Investment

Foreign Direct Investment (FDI) or foreign investment refers to the net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital of the long-term capital, and short-term capital as shown in the balance of parameters. It usually involves participation in management joint-venture, transfer technology, and expertise.

There are two types of FDI: inward foreign direct investment and outward foreign direct investment resulting in a net FDI inflow (positive or negative) and “stock of foreign direct investment” and outward foreign direct investment, which is the cumulative number for a given period.

Direct investment excludes investment through purchase of shares. FDI is one example of international factor movement.

Foreign Direct Investment and the Developing World:

FDI provides an inflow of foreign capital and funds, in addition to an increase in the transfer of skills, technology, and job opportunities. Many of the Four Asian Tigers benefited from investment abroad.

A recent meta-analysis of the effects of foreign direct investment on local firms in developing and transition countries suggests that foreign investment robustly increases local productivity growth. The Commitment to Development Index ranks the “development – friendliness” of rich country investment policies.

Foreign Direct Investment in India

Starting from a baseline of less than \$1 billion in 1990, a recent UNCTAD survey projected India as the second most important FDI destination (after China) for transnational corporations during 2010-2012. As per the data, the sectors which attracted high inflows were services, telecommunication, construction activities, computer software and hardware.

FDI in 2010 was \$24.2 billion, a significant decrease from both 2008 and 2009. Foreign direct investment in August 2010 dipped by about 60 percent - to approx. \$34 billion - the lowest. In 2010 fiscal, industry department data released showed, in the first two months of 2010–11 fiscal, FDI inflow into India was at an all-time high of \$7.78 billion up 77 percent from \$4.4 billion during the corresponding period in the previous year.

Retail Industry

Retailing can be said to be the interface between the producer and the individual consumer buying for personal consumption. This excludes direct interface between the manufacturer and institutional buyers such as the government and other bulk customers. Retailing is the last link that connects the individual consumer with the manufacturing and distribution chain. A retailer is involved in the act of selling goods to the individual consumer at a margin of profit.

Division of Retail Industry

The retail industry is mainly divided into:

- 1) Organized Sector, and
- 2) Unorganized Retailing.

Organized retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, etc. These include the corporate-backed supermarkets and retail chains, and also the privately owned large retail business.

Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local *kirana* shops, owner manned general stores, *paan/beedi* shops, convenience stores, hand cart and pavement vendors etc.

The Indian retail sector is highly fragmented with 97 percent of its business being run by the unorganized retailers. The organized retail however is at a very nascent stage. The sector is the largest source of employment after agriculture, and has deep penetration into rural India generating more than 10 percent of India's GDP.

FDI Policy in India

Foreign Investment in India is governed by the FDI policy announced by the Government of India and the provision of the Foreign Exchange Management Act (FEMA) 1999. The Reserve Bank of India (RBI) in this regard has issued a notification, which consists the Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000. This notification has been amended from time to time.

The Ministry of Commerce and Industry, Government of India is the nodal agency for monitoring and reviewing the FDI policy on continued basis and changes in sectoral policy/sectoral equity cap. The FDI Policy is notified through Press Notes by the Secretariat for Industrial Assistance (SIA), Department of Industrial Policy and Promotion (DIPP). The foreign investors are free to invest in India, except few sectors/activities, where prior approval from the RBI or Foreign Investment Promotion Board (FIPB) would be required.

FDI Policy in Indian Retailing

The clauses of the policy are as follows: FDI, (a) up to 100 percent for cash and carry wholesale trading and export trading allowed under the automatic route. (b) up to 51 percent with prior Government approval (i.e., FIPB) for retail trade of 'Single Brand' products, subject to Press Note 3 (2006 Series) and (c) is not permitted in Multi Brand Retailing in India.

Entry Options for FDI

Franchise Agreement: This is the easiest route to come in to the Indian Market. In franchising and commission agents' service, FDI is allowed with the approval of the Reserve Bank of India under the FEMA. This is the most usual made for entrance of quick food bondage opposite a world.

Cash And Carry Wholesale Trading: 100 percent FDI is allowed in wholesale trading which involves building of a large distribution infrastructure to assist local manufactures.

Strategic Licensing Agreements: Some foreign brands give exclusive licenses and distribution rights to Indian companies. Through these rights, Indian companies can either sell it through their own stores or enter in to shop-in-shop arrangements or distribute the brands.

Manufacturing and Wholly Owned Subsidiaries: The foreign brands such as Nike, Reebok, Adidas, etc., that have wholly – owned subsidiaries in manufacturing are treated as Indian companies and are, therefore, allowed to do retail. These companies have been authorized to sell products to Indian Consumers by franchising, internal distributors, existent Indian retailers, own outlets, etc. For instance Nike entered through an exclusive licensing agreement with Sierra enterprise but now has a whole owned subsidiary, Nike India Private Limited.

FDI Single Brand Retail

FDI in Single brand implies that a retail store with foreign investment can only sell one brand. For example, if Adidas were to obtain permission to retail its flagship brand in India, those retail outlets could only sell products under the Adidas brand and not the Reebok brand, for which separate permission is required. If granted permission, Adidas could sell products under the Reebok brand in separate outlets.

There is ambiguity in the interpretations of the term 'Single Brand' the existing policy does not clearly codify whether retailing of goods with sub-brands bunched under a major parent brand can be considered as single-brand retailing a, accordingly, eligible for 51 percent FDI. Additionally, the question on whether co-branded goods (specifically branded as such at the time of manufacturing) would qualify as single brand retail trading remains unanswered.

FDI in Multi Brand Retail

The government has also not defined the term Multi Brand, FDI in Multi Brand Retail implies that a retail store with foreign investment can sell multiple brands under one roof. For those brands which adopt the franchising route as a

matter of policy, the current FDI policy will make any differences. For those companies which choose to adopt the route of 51 percent partnership, they must tie up with a local partner. The key is finding a partner which is reliable and who can also teach a trick or two about the domestic market and the Indian consumer.

Merits and Demerits of FDI

Benefits behind Allowing FDI in Retail Sector

FDI can be a powerful catalyst to vigorous competition in the retail industry, due to the current scenario of low competition and poor productivity. FDI will help if farmers can bargain. Villages only know how to produce things. We have to tell them how to market their produce, how to do value addition. One of the things we have talked about a lot in the book is cooperative farming. In India, farmers have small holding but they form a cooperative, it becomes a large holding and then form a cooperative, it becomes a large holding and then the farmer has bargain power.

FDI will accelerate retail market growth, providing more employment opportunities. It is a basic principle that creating competition in general is good for the market. But the doubt is that, since proper procurement and distribution system and the infrastructure is not fixed, how will the rest fall in place, when the giant retailers enter our market. Back-end procurement will still remain big problem.

Sumita Kale, economist, in his statement says that "the debate that by-introducing 51 percent FDI, a lot of money will flow out of the country is an old school of thought. Lots of our Indian companies are operating abroad and have successfully contributed to our economy. The bigger issue is that with benefits we might end up paying a price hence we must work on a reasonable solution.

As mentioned earlier the farmer will benefit from FDI as they will be able to get better prices for their produce. The elimination of the intermediate channels in that procurement process will lead to reduction of prices for consumers.

Foreign brand will promote healthy completion in market. Every time the government brings up the subject of FDI, the domestic retailers with the support of some politician jump to lobby against the bill. As the government initializing

the FDI, there is bound to be some problems, which can definitely be resolved. The government in near future can appoint a regulating body to monitor the retail sector just like other sectors.

There will be lot of man power requirement when FDI starts, logistic demands will be more, and people to serve in these stores will get jobs. Managerial positions will open up. Technological requirements and software developments will increase based on the Indian market software needs will be changed. Infrastructure and building constructions will take place. The living conditions will change, good roads will come up. There will be good flow of money that flows these are major benefits of FDI.

Demerits of the FDI and the Thoughts that surround them

Customers feel that retail stores offer better deals, but they don't realize that they end up paying and buying more than what is required. If 51 percent FDI is allowed in multi brand, it will teach the local retailers about real competition and help in ensuring that they give better service to Indian consumers. It is obviously good for local completion and there are no consequences of our local kirana shops disappearing. The Kirana stores operate in a different environment catering to certain set of customers and they will continue to find new ways to retain them. Also I feel these kirana stores are convinced that stores all big stores will be set up far away from the city and the travel time in India will not help us to go often and buy things from these large stores. Large store buying will help only in bulk purchases. So there is no need to fear about the FDI investment in this context.

Conclusion

Based on the above thoughts and the facts that are mentioned by the authors reflect the importance of FDI investments in India which gives out the benefits of FDI in Retail for the benefit of the country and the consumers along with the abstract.

Summary

Over all from this paper we derive that the FDI investment is vital for a growth of a nation to create job opportunities, increase GDP growth and the infrastructure development for an emerging nation.

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Optimal Compensation: Rebalancing Pay

Pankaj M. Madhani

Abstract

A number of researchers have examined organizations progress through various stages in a life cycle as they grow and develop from birth to death. This article explains organizational life cycle (OLC), its impact on organization performance, and response of human resources (HR) manager for effective compensation management with specific reference to Indian Small and Medium Enterprises (SMEs). SMEs have distinct stages of OLC i.e. introduction, growth, maturity and decline. Organization's characteristics, response and resource requirements are quite different in each stage of OLC. Rebalancing fixed and variable pay in compensation structure according to different stages of OLC will help organizations in designing optimal compensation strategy for building competitive advantage.

Key words:

Compensation Management, Fixed Pay, Variable Pay, SMEs, Organizational Life Cycle.



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Life cycle is perhaps one of the most used theories of development and change in the management literature. A number of researchers have proposed that organizations progress through various stages in a life cycle as they grow and develop from birth to death (Mintzberg, 1984). The concept of the organizational life cycle (OLC) has developed to explain changes taking place in an organization over time. The stage in the life cycle is likely to be a key determinant of compensation strategies and their effectiveness in achieving organizational goals (Balkin *et al.*, 1987). The primary objective of this paper is to propose a framework for selecting appropriate compensation plan according to different stages of OLC with specific reference to Indian Small and Medium Enterprises (SMEs). When organizations think of motivating employees, they think of ways to reward their performance through an appropriate compensation strategy. Compensation comprises two core elements - fixed pay and variable pay, as explained below (Madhani, 2010):

1. Fixed pay is fixed in nature and does not vary according to performance or results achieved. Fixed pay compensation is usually determined by the

organization's overall pay philosophy and compensation structure.

2. Variable pay, also known as pay at risk, changes directly with the level of performance or results achieved. Variable compensation is a one-time earning that must be re-established and re-earned each performance period.

OLC: An Introduction

The organizations, like all living organisms, have a well defined life cycle and undergo very predictable and repetitive patterns of behaviour as they grow and develop (Adizes, 1979). The life cycle analogy borrowed from biological science is developed in order to depict the development and growth of organizations over time (Lodahl and Mitchell, 1980). The adaptation of the concept of a biological life cycle by researchers is not quite new. Like people and plants, organizations have a life cycle and may go from youth to old age in two or three decades, or it may last for centuries (Gardener, 1965). Organizations move from one stage to another, because the fit between the organization and its environment is so inadequate that either the organization's efficiency and/or effectiveness is seriously impaired or its survival is threatened if it does not change (Baird and Meshoulam, 1988). As large number of strategically significant environmental and organizational variables affects organization performance, opportunities and threats in the external and internal environment of an organization vary considerably with life cycle stages (Anderson, and Zeithaml, 1984). Organizations are likely to have different needs, in different stages of the OLC.

To better articulate this organizational life, the whole has been broken down into steps or stages. The OLC depicts that the process of organizational growth and development goes through a few regular stages (Gupta and Chin, 1994). Borrowing a universally accepted concept from the biological sciences, management researchers have developed various models to depict the life cycle of organizations (Lodahl and Mitchell, 1980). It is proposed that organizations, like civilizations, are born, grow, and eventually face stage of either decline or realign (Toynbee, 1957). There are a great number of multi-stage organizational life cycle models that focus on a diverse array of characteristics to describe organizational development (Granlund and Taipaleenmaki, 2005) and vary widely in a number of ways, including features and the actual

number of stages (Jawahar and McLaughlin, 2001). The OLC stages vary per model depending on how the researcher defines an actual stage. Because the definitions vary, authors differed about the number of stages of the life cycle, hence most of these models are multi-stage in nature, ranging from three to ten stages, and portray a similar pattern of development of organizations.

Many models of OLC have been proposed, each of which emphasizes different factors to explain the changing characteristics of organizations over time. Some researchers proposed three-stage models (Lippitt and Schmidt, 1967) while other management researchers believed there should be four (Lyden, 1975), five (Greiner, 1972), nine (Torbert, 1974), or ten stages (Adizes, 2004). Whether the model is three or ten stages, most researchers are trying to describe a similar pattern of growth and development. Larger models tend to break down general stages into much more specific time periods, while shorter models tend to over generalize, incorporating two or more developmental periods in an effort to present a more straightforward depiction of organizational life (Lester and Parnell, 2005). However, what is important is that, regardless of the numbers, OLC stages are: (i) sequential in nature; (ii) each stage is a result of the previous one and occurs as a hierarchical progression that is not easily reversed; and (iii) involve a broad range of contextual organizational activities, characteristics and structures (Lavoie and Culbert, 1978). The OLC models claim that all firms pass through predictable stages of growth and that their strategies, structures, and activities correspond to their stage of development. The values of life cycle models lie in their acknowledgment of the dynamic and evolutionary nature of organizations as they develop. Different organizational researchers stressed a unique set of characteristics and challenges found in each stage of their OLC models. While some researchers question validity of the OLC concept by stating that biological analogies contribute little to the theory of growth and development of organizations (Penrose, 1952), its applicability has been confirmed by various empirical research (Smith *et al.*, 1985).

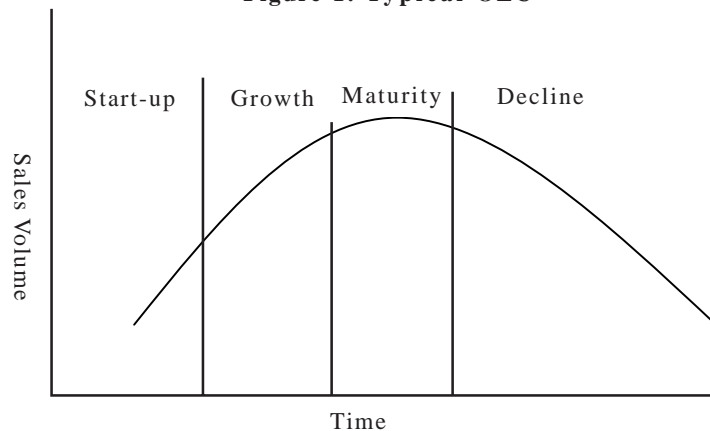
Different Stages of OLC: Main Features

The concept of the life cycle is obvious, as organizations are at some point born (Tichy, 1980), attempt to grow to one size or another and in different forms (Mintzberg, 1989), and ultimately they all die. The theoretical view of the OLC concept is clearly deterministic, with an evolutionary

perspective that organizations pass distinctly from one stage to the next over time. Most organizations do not pass inexorably from one stage to another stage of growth in the traditional biological sense (Lester and Parnell, 2002). However, organizations may go through the stages in different sequences. For example, the maturity phase may be followed by decline, revival, or even growth; growth may be followed by maturity or decline; revival may precede or follow decline and so on. Clearly, there are a large number of transitional paths available to organizations. Hence, there may be no commonly accepted OLC, but there are indeed regular life cycle stages which

differ largely but consistently from one another and which covers a very large portion of organizations (Miller and Friesen, 1984). While the stages of the OLC are internally coherent and very different from one another they are by no means linked to each other in any deterministic path. Life cycle stages are defined as a unique configuration of variables related to organization context, strategy, and structure (Hanks, 1990). There are four key stages of the OLC, start-up, growth, maturity and decline (Kimberly and Miles, 1980); the latter may transfer into revival. The typical OLC is shown in Figure 1 and its main stages are described below:

Figure 1: Typical OLC



(Source: Chart developed by author)

Start-up Stage

The first stage of OLC, start-up, or inception stage occurs when an organization begins its operation from a few products. Start-up stage also known as birth stage, shows small and young, organization trying to establish a niche for them and is typically with little or no formal structure. In the start-up stage, organizations will have trouble finding and selecting adequate and suitable employees because prospective employees do not view the organization as viable or legitimate (Williamson, 2000). New ventures in start-up stage have limited capital available to invest in attracting good sales people as organizations face strong cash demands to finance capital expansion. Here, the firm's cash flow is negative as it pours cash into its investment. The firm in this stage is still small, short of capital, does not have extensive reserves, and is therefore vulnerable to financial shocks (Marshall and Heffes, 2004).

Growth Stage

The second stage of life cycle known as growth stage is characterized by rapidly growing organizations, expanding their niche in the market. Once the firm survives the trials and tribulations of start-up stage it enters in growth stage. By this stage, the organization has achieved a degree of success; the previously main concern for survival has largely been overcome, and the organization is actively involved in exploiting expansion opportunities. During the growth stage, organization focuses on selling, for increasing product demand and market share in the market. Large new investment is likely in this period. During this stage, the organization is growing in products, customers, sales volumes, geographic contact and in the number of employees giving rise to a hierarchical structure and functional specialization in which sales employees' roles are more differentiated from one another. In this stage, the organizational size and complexity increase

obviously, so an organization needs multifaceted, versatile, and high performance sales people (Chen and Hsieh, 2005), to face a more competitive environment.

Maturity Stage

The maturity stage is the relatively flat period of life cycle that follows the rapid growth period. An organization at the maturity stage of the life cycle is experiencing slower but more consistent growth in its market. Firms entering in this stage are operationally successful, financially strong, and highly liquid and have stability and efficiency as their goal. As organizations mature, they focus more on defending their existing product niches. In the maturity stage, products and services start to lose their advantage, competition intensifies, and profit margins erode. In this stage, organizations emphasize retaining customers, serving existing segments, and increasing the efficiency and effectiveness of the workforce. During this period, the organization has achieved greatest economies of scale in its life cycle and is able to generate steady and predictable profits. In the maturity stage, the environment becomes more stable and predictable in comparison with the growth stage.

Decline Stage

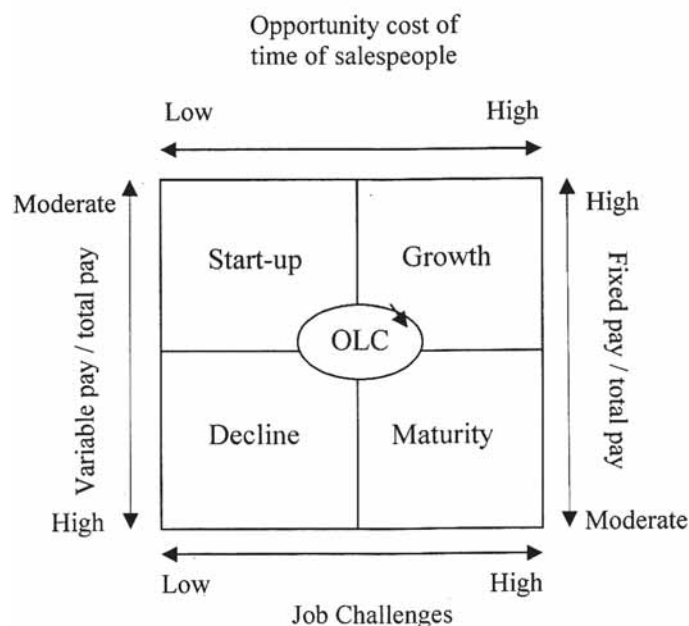
Although, the maturity stage can be extended through proper management action, internal and external factors or both may force the organization at any time to enter the decline stage (Whetten, 1980). During this stage organization begins to stagnate as markets dry up and product demands decrease. Decline stage results either in the organization's death or in a new organizational life by triggering a renewal stage. By this way, if the organization is capable of reorganization and total renewal, it may survive and continue to exist. However, if old organizational practice prevails, and organizational changes fail, it will eventually die. The decline stage of the OLC is characterized by a decrease in organization's resource base. In this stage, organizations are experiencing reductions in market share, reduced product demand and even financial losses, due to variety of reasons such as ineffective management practices, change in market environment or stiff competition etc. At this stage, organizations' strategies emphasize retaining and serving existing customers and segments. Some of the most obvious signs of decline stage include: declining sales relative to competitors, disappearing profit margins, and debt loads which continue to grow year

after year. When a renewal or revival of organization is not likely and further decline is inevitable, organizations can only ensure that they remain profitable for as long as possible. In this situation, organization should focus on to serve the most profitable, loyal, and strategically important customers, while discarding unprofitable product line or territory.

Compensation Structure and Job Challenges during OLC

Job challenges are different for salespeople during different stages of organizational life cycle, and can be divided in low challenge sales jobs and high challenge sales jobs. Low challenge sales jobs demand relatively little degree of expertise, problem solving or leadership skills and typically involve repetitive and relatively simple sales process to customers. In contrast, high challenge sales jobs comprise complex, non-repetitive, long selling cycle and involve consultative role of relationship management for sales accounts. High challenge jobs differ from low-challenge jobs in their required degree of know-how, and higher level skills such as problem solving, and leadership skills. Similarly, high challenge sales jobs involve incremental supervisory responsibilities (Davenport, 2001). The more challenging the sales job the more valuable and noticeable is the contribution of sales people who do the job well. The opportunity cost of time of a sales person dealing with high skilled job is also likely to increase as the job challenge increases because of the increasing scarcity of these higher level skills. Organization will award higher percentage of fixed pay in compensation structure as job challenge rises. This relationship is shown in Figure 2.

Hence, for more challenging jobs where sales performances become difficult to observe, organizations rely proportionately less on variable pay and more fixed pay (Rouziès *et al.*, 2009). The ratio of fixed pay to total pay rises with an increase in the salesperson's opportunity cost of time. Moreover, if the organization does not reward them sufficiently for their efforts or pay below their 'opportunity cost of time,' competitors will poach the best performers in the organization. According to agency-theoretic perspective, it means not only a higher overall level of pay as job challenge rises but also a lower level of variable pay (Misra *et al.*, 2005). The proportion of variable pay in total pay of a sales person is likely to decrease as the job challenge of a sales person increases because of the increasing difficulty of replacing the sales person (George and Weitz, 1989). Hence, the greater the job challenge, the lower is the ratio of variable

Figure 2: Relationship between Compensation Structure and Job Challenges during OLC

(Source: Matrix developed by author)

to fixed pay for a salesperson. Job challenges and requirement of the selling efforts shift during different stages of organizational life cycle.

During start up stage, salespeople focus efforts on persuading customers to buy the organization's product. As job challenges and complexity are less, more variable pay in compensation structure is advocated. During growth stage, salespeople need to represent multiple products or markets. In the growth stage of OLC, there is increasing complexity in terms of selling task, management structure, product/markets, and geographic dispersion. As a result, incentive systems become more difficult to design, implement, and control. Ensuring non-contingent rewards for conducting a highly skilled and difficult task of selling new product or acquiring new customers and territories is necessary to attract and retain qualified sales people in challenging job environment. In such a case, as the role of sales people is more differentiated, a relatively higher proportion of fixed pay in the compensation structure would motivate the salespeople. To maintain market share during maturity stage, salesforce require high level of skills and efforts. Thus, during growth and maturity stage, higher

proportion of fixed pay is advocated. During decline stage, sales person's role is focused on maintaining established profitable sales accounts. As this role is less difficult, the opportunity cost of time for the salesforce is also likely to decrease. Hence, to minimize increased business risk during such period, organizations must reduce commitment to fixed pay and maximize the use of variable pay.

Business Risk, Free Cash Flow and Operating

Leverage during OLC

Business risk is defined as the risk inherent in the firm, independent of the way it is financed (Van Horne and Wachowicz, 2008). It is affected by various factors such as higher fixed cost structure, intensity of competition, growth prospects, and the variability of demand. A high (low) coefficient of variation of net operating income, for example, would indicate high (low) business risk. Business risk is greatly influenced by the amount of fixed costs used in a firm's operation. Generally, the greater the reliance on fixed costs, the lower the variable costs and vice versa. Business risk is the uncertainty associated with organization's operating

environment and reflected in the variations of operating income and hence, having a negative impact on the profitability of a given organization.

Operating leverage is the extent to which fixed costs are used in a firm’s operations. Operating leverage is a measure of risk and opportunity (Madhani, 2009). The operating leverage is a function of organization’s cost structure, and defines the relationship between fixed costs and total costs. The more operating leverage (fixed costs / total costs), the more

operating income will vary with changing sales revenues. Free cash flow is defined as cash in excess of that required funding all positive net present value projects (Jensen, 1986). It is cash flow beyond what is necessary to maintain assets in place and to finance expected new investments (Richardson, 2006). Free cash flow measures ease with organization can grow. A firm with high cash flow and profitable investment opportunities does not generate free cash flow. The relationship of business risk, operating leverage and free cash flow during organizational life cycle is given in Table 1.

Table 1: Business Risk, Free Cash Flow and Operating Leverage during OLC

OLC Features	OLC Stages			
	<i>Start-up</i>	<i>Growth</i>	<i>Maturity</i>	<i>Decline</i>
	Magnitude / Emphasis			
Business Risk	★★★★	★★	★	
Business Risk	★	★★	★★★★	★
Opening Leverage	★	★★★★	★★	★

(Source : Table compiled by author)

Start-up and Decline Stages

During start-up stage of OLC, business risk is very high and organization will face many external uncertainties such as the inability of an organization to predict future events, the volatility in an unfamiliar market, for example, the product demand, the strategies of competitor, etc. The compensation systems at the start-up stage emphasize individual-based incentive policies, as there are only few products or salespeople in the market place making a case for high variable pay in compensation structure. During period of demand uncertainty such as decline stage, financial returns declines and business success and customer demand falters. During this stage, the growth rate may begin to decline and even become negative and earning power of the organization will also be declining.

The business risk is becoming high and the central focus of the organization becomes survival rather than earnings. Figure 3 provides relationship of business risk, operating leverage

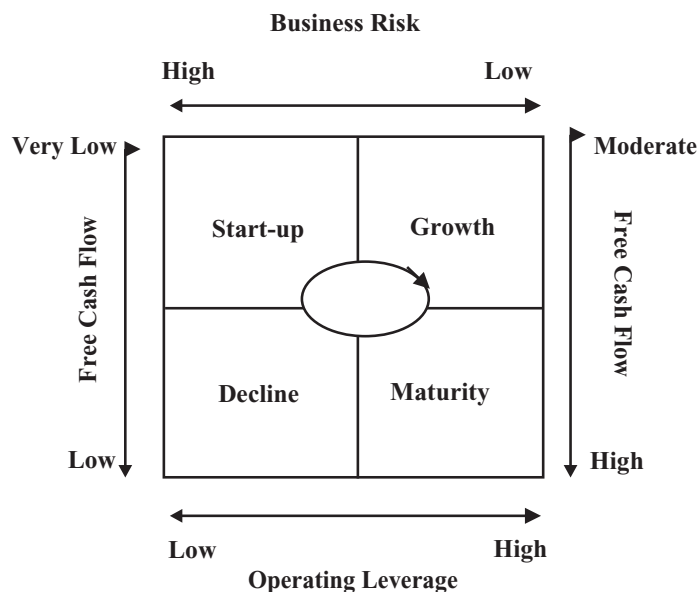
and free cash flow. To minimize increased business risk during start-up and decline stages, organizations must reduce commitment to fixed pay and maximize the use of variable pay, which the organization incurs only if it achieves certain results. With low fixed cost, operating leverage will also be low. Low operating leverage means less variability of operating income during change in revenue. Hence, during start-up and decline stages of OLC, low operating leverage is preferred.

Growth and Maturity Stages

In growth stage of OLC, operating income is increasing, while business risk is moderating. Organizations in maturity stage of life cycle are more likely to be operating in more stable environments where product market becomes established and business risk reduces further. The maturity stage is often reflected by high free cash flows, due to less availability of attractive investment opportunities. During growth and maturity stages of OLC, organizations prefer a high degree of base pay; hence, typically they have high operating leverage.

Figure 3: Business Risk, Free Cash Flow and Operating Leverage during OLC

(Source: Matrix developed by author)



High operating leverage results in more operating income from each additional sale if they do not have to increase proportional costs to realize more sales.

Rebalancing Fixed and Variable Pay during OLC:

An Illustration

One of the learnings from anthropology study is that all organisms must evolve through time and adapt to their environment. Accordingly, organizations also must obey this physical law. If organizations adapt to changing circumstances, they are likely to be more successful (Duncan and Flamholtz, 1982). The organization must adjust its overall

systems to fit with the changed external and internal environment. When an organization experiences a change in the environment, it will adjust its strategy and structure to fit with the new environment. Accordingly, compensation systems should in turn be adjusted to support the changed strategy and structure of the organization (Gerhart and Milkovich, 1992). Compensation is the most important reward used by organizations to motivate salespeople (Churchill, *et al.*, 1979). Table 2 shows a hypothetical illustration of a SME that rebalances fixed and variable pay of salespeople according to the different stages of OLC. Fluctuations in sales growth, profit margin, and free cash flow are normal outcome of different stages of OLC as shown in the illustration.

Table 2: Rebalancing Fixed and Variable Pay of a SME according to OLC

Sl. No.	Calculation	OLC Stages			
		Start-up	Growth	Maturity	Decline
(1)	Sales forecast (units)	65000	81900	84415	65000
(2)	Change in sales (units)		26%	3%	-23%
(3)	Unit Selling Price	\$7.50	\$7.65	\$7.55	\$7.40
(4)	Sales revenue= (1)*(3)	\$487,500	\$626,535	\$637,334	\$480,998

(5)	Threshold Sales (units)	42000	55000	54000	40000
(6)	Unit variable cost	\$3.50	\$3.50	\$3.50	\$3.50
(7)	Commission rate	12%	10%	10%	12%
(8)	Variable pay	\$20,700	\$20,579	\$22,963	\$22,200
(9)	Fixed pay	\$14,000	\$21,000	\$18,000	\$13,000
(10)	Total pay = (8) + (9)	\$34,700	\$41,579	\$40,963	\$35,200
(11)	Variable pay/unit = (8) / (1)	0.32	0.25	0.27	0.34
(12)	Total variable cost/unit = (6) + (11)	\$3.82	\$3.75	\$3.77	\$3.84
(13)	Unit contribution margin = (3) - (12)	\$3.68	\$3.90	\$3.78	\$3.56
(14)	Contribution margin = (1) * (13)	\$239,300	\$319,307	\$318,918	\$231,299
(15)	Fixed cost (including Advt. cost)	\$88,500	\$142,000	\$135,000	\$84,000
(16)	Total fixed cost = (9) + (15)	\$102,500	\$163,000	\$153,000	\$97,000
(17)	Total variable cost = (1) * (12)	\$248,200	\$307,229	\$318,416	\$249,699
(18)	Total cost = (16) + (17)	\$350,700	\$470,229	\$471,416	\$346,699
(19)	EBIT (Earnings before interest and taxes) = (4) - (18)	\$136,800	\$156,307	\$165,918	\$134,299
(20)	BEP (Break Even Point) (units) = (16) / (13)	27842	41808	40498	27259
(21)	Fixed pay / total pay = (9) / (10)	40%	51%	44%	37%
(22)	Variable pay / total pay = (8) / (10)	60%	49%	56%	63%
(23)	Fixed cost / sales revenue = (16) / (4)	21%	26%	24%	20%
(24)	Operating leverage = (14) / (19)	1.75	2.04	1.92	1.72
(25)	Capital Expenditure	\$106,000	\$110,000	\$102,000	\$97,000
(26)	Change in Working Capital	\$33,000	\$34,000	\$33,500	\$33,000
(27)	Free Cash Flow	(\$2,200)	\$12,307	\$30,418	\$4,299
(28)	Interpretation of Free Cash Flow	Very Low	Moderate	High	Low

(Source: Calculated by author)

As calculated in Table 2, Figure 4 through 7 shows break-even point (BEP) during different stages of OLC while Figure 8 shows operating leverage during OLC. There is evidence to show that the form of compensation change to fit the OLC stage (Balkin and Montemayor, 2000). For example, as organizations at early stages of their life cycle

i.e. inception or start-up face strong cash demands to finance expansion of capital expenditure. Hence organizations in this stage of life cycle rely more on variable pay in lieu of higher base pay in compensation structure as a means of conserving cash for investment and growth.

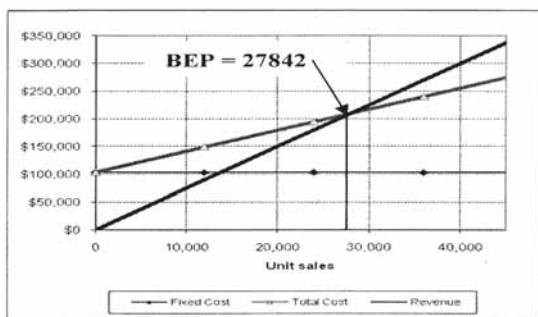


Figure 4: Start-up stage: BEP

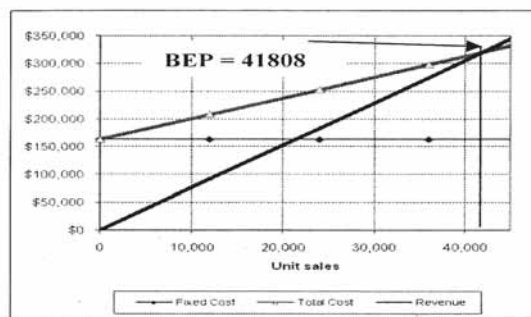


Figure 5: Growth stage: BEP

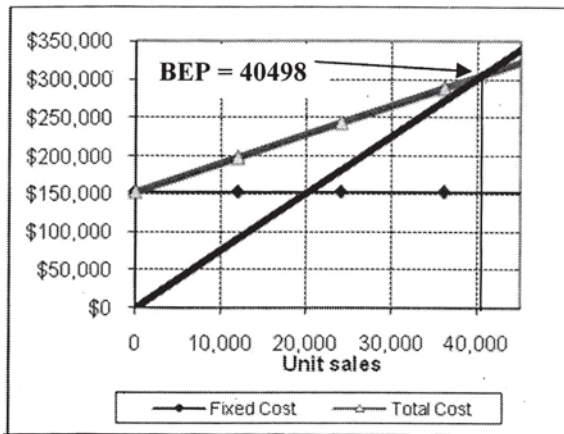


Figure 6: Maturity stage: BEP

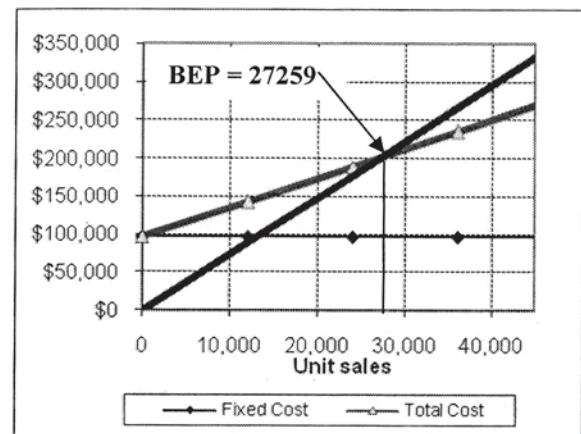


Figure 7: Decline stage: BEP

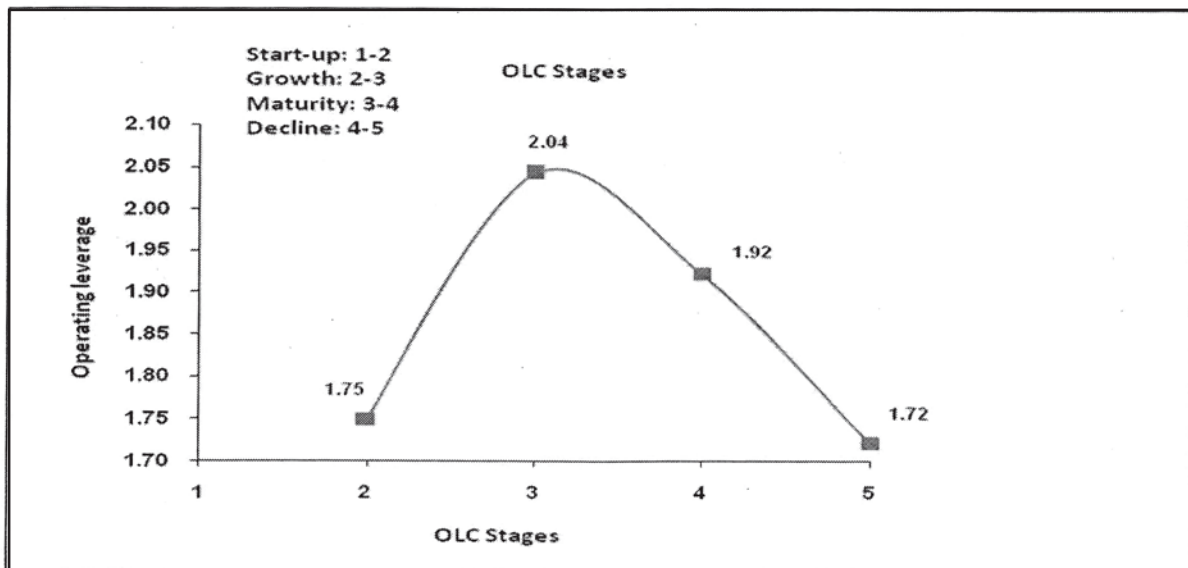


Figure 8: Operating leverage during different stages of OLC

(Source: Chart developed by author)

During growth and maturity stage, higher proportion of fixed pay in compensation structure and hence, high operating leverage will help organization in magnifying operating income sharply during period of higher revenue growth. During the decline stage of OLC, when product and market uncertainties

are high, sales revenue and sales volume turn down; free cash flow and profitability also decline. During this stage, organizations focus on survival, and a reduction in sales force costs can contribute to it. Hence, lower base pay in compensation structure is advocated. Thus, organizational

life cycle can provide some key insights to HR managers to foresee when organizations are most likely to change incentive plan. The OLC stages require decisive action from top management and results in the transition from one stage to the other. The manner in which the organization addresses these critical issues can play a key role in the success or failure of the organization (Mack and Quick, 2002).

Realigning Compensation Structure According to OLC: Scenario of Indian Small and Medium Enterprises (SMEs)

Small and Medium Enterprises (SMEs) play a crucial role in the growth of Indian economy. SMEs contribute 45 percent of industrial output and, 40 percent of exports in Indian economy. SMEs employ 60 million people, create 1.3 million jobs annually and produce more than 8000 products for the Indian and international markets. SME's contribution towards Gross Domestic Product (GDP) was 17 percent in Indian GDP for the year 2009 and is expected to increase to 22 percent by 2012. There are 26.1 million SMEs in India and by nurturing them; the rural areas of India will be developed in synergy with overall economy growth of the country. As Indian economy is growing rapidly, it provides ample opportunities to Indian entrepreneurs in various industries like manufacturing, precision engineering, food processing, pharmaceutical, textile and garments, retail, IT and ITES, agro and service sector, to launch SMEs in these lucrative sectors.

SMEs are the growth engine of Indian economy, hence it is necessary for, them to make optimum utilization of the resources, both human and economic, to achieve long term success and competitive advantages. Compensation strategy plays an important role in not only recruiting and retaining employees in SMEs but also increasing employee satisfaction, rewarding and encouraging best performers and reducing turnover and enhancing employee loyalty. Indian SMEs need to reduce overall cost of products to remain competitive with Chinese exporters and manufacturers. Apart from other functional areas such as production, finance, marketing and inventory and logistics, SMEs also need to focus on implementing best HR practices. As SMEs focus more on running the business on a day-to-day basis, they find less time to manage the HR which is perceived as non-priority. SMEs should monitor compensation cost to remain competitive in this era of globalization and stiff competition.

By proactively adjusting compensation strategy according to stages of OLC, HR manager can enhance competitiveness of SMEs.

Research Implication and Analysis

This article gives an explanation of OLC, its impact on firm performance, and response of HR manager for effective compensation management during different stages of OLC. Organizations must review and update sales people compensation strategy, according to OLC. Rebalancing fixed and variable pay in compensation structure according to different stages of OLC will help in designing optimal compensation strategy. During different stages OLC, sales revenue, business risk and free cash flow of SMEs change considerably. The OLC is an integral part of SMEs and therefore coping with it effectively is also a part of the HR strategy. It is necessary for HR manager to identify the stages of OLC for SMEs, and then proactively manage it for building competitive advantage.

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Financial Literacy: Mutual Funds

Suresh Chandra Bihari and Siddhartha Shukla

A b s t r a c t

The mutual funds offer a safer, easier and more convenient style of investment but still the Indian investor doesn't like it at all. One of the main reasons behind this lack of interest in mutual funds is the Financial Illiteracy of Mutual Funds among Indian Investors along with Low customer awareness levels. In developed financial markets, Mutual Funds have overtaken bank deposits and total assets of insurance funds. The mutual funds, instead, offer a safe style of investments but still the Indian investor does not welcome it. What the authors propose in this paper is to address the issue at a developed centre like Hyderabad.

Key words:

Financial Illiteracy, Mutual Funds, Investors, Customer Awareness Levels.



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According to RBI, Financial literacy or financial education¹ can broadly be defined as “providing familiarity with and understanding of financial market products, especially rewards and risks, in order making informed choices.” Viewed from this standpoint, financial education primarily relates to personal finance to enable individuals to take effective action to improve their overall well-being, and avoid distress in matters that are financial.

Financial literacy goes beyond the provision of financial information and advice. The focus of any discussion on financial literacy is primarily on the individual, who usually has limited resources and skills to appreciate the complexities of financial dealings with financial intermediaries on a day-to-day basis.

The Organization for Economic Co-operation and Development (OECD) has defined financial education as “the process by which financial consumers / investors improve

their understanding of financial products, concepts and risks, and through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being.”

Thus, financial literacy is the ability to know, monitor, and effectively use financial resources to enhance the well-being and economic security of oneself, one’s family, and one’s business. Financial literacy may also be defined as “the ability to make informed judgments and to take effective decisions regarding the use and management of money.” This definition places emphasis on the skills and areas of knowledge that are likely to be necessary to make informed judgments.

Importance of Financial Literacy

Financial literacy has assumed greater importance in the recent years, as financial markets have become increasingly complex and as there is information asymmetry between markets and the common person, leading to the latter finding it increasingly difficult to make informed choices.

Financial literacy is considered an important adjunct for promoting financial inclusion and ultimately, financial stability.

Both developed and developing countries, therefore, are focusing on programmes for financial literacy/education. In India, the need for financial literacy is even greater considering the low levels of general literacy and the large section of the population, which still remains out of the formal financial loop.

In the context of ‘financial inclusion,’ the scope of financial literacy is relatively broader and it acquires greater significance since it could be an important factor in the very access of such excluded groups to finance. Further, the process of educating may invariably involve addressing deep entrenched behavioural and psychological factors that could be major barriers. In countries with diverse social and economic profile like India, financial literacy is particularly relevant for people who are resource-poor and who operate at the margin and are vulnerable to persistent downward financial pressures. With no established banking relationship, the un-banked poor are pushed towards

expensive alternatives. The challenges of household cash management under difficult circumstances with few resources to fall back on could be accentuated by the lack of skills or knowledge to make well-informed financial decisions. Financial literacy can help them prepare ahead of time for life cycle needs and deal with unexpected emergencies without assuming unnecessary debt.³

To understand financial planning, a person should be financially literate to know the importance of preparing household budgets, cash-flow management and asset allocation to meet financial goals.

Most people save money for future needs but the approach is to save surplus money without preparing household budgets, without prioritizing personal financial goals, without properly allocating investments in different asset classes and without understanding the real rate of return (after adjusting for inflation).

Literature Review

Financial Literacy has been the centre of attraction in recent times in many countries like UAE, US, UK, and Australia. But each time the study was done it was done for different aspects. Hussein A. Hassan Al –Tamimi and Al Anood Bin Kalli’s research study (2009)⁴ on Financial Literacy in UAE tells that the Literacy level of investors of people of UAE is way below the needed level. It also analyses the relationship between various factors which influence the investment decision. The study found a significant level of difference in the Literacy level in terms of Gender, women were found to have much lesser knowledge of Investment options as compared to men. It also found that if the investor is well financially educated then it had a significant effect on investment decision.

Chen and Volpe (1998) studied the financial literacy of 924 students of 13 colleges in USA. They studied the relationship between the Literacy level and age, gender, race, nationality, income, work experience etc. The study showed that students having a work experience had a higher level of financial literacy as compared to others. It also showed that women and students under the age of 30 were the ones having the least of financial knowledge of investment.

Also, Volpe et al. (2002) did an online study to analyze the literacy level of online investors. The study involved more

than 500 online investors to find out the difference in the literacy level on the basis of age, gender, income level, experience, and education. The study affirmed the previous findings that the literacy level varied with people's age, income, and education. Also the study showed that the investors who had an online experience in investing were more literate than the others.

OECD published an international study in 2005, which was conducted in OECD countries. The findings included:

67 percent of the Australian investors, who were surveyed, knew the concept of compound interest, but when they were asked to solve a problem involving compound interest only 28 percent displayed the sound knowledge of it.

A survey done in UK showed that the investors did not seek the financial knowledge from them. The knowledge they receive is just by chance i.e. while roaming in and around a Bank they read some pamphlet of some financial ad.

A Canadian survey found out that people preferred it easy going to a dentist rather than finding a best investment option.

A US survey displayed that four out of ten workers in America are not saving for their retirement.

The Australian Government⁵ formed a National Consumer and Financial Literacy Taskforce in 2004 which further advised the formation of Financial Literacy Foundation in 2005. The foundation established a website titled "Understanding Money."

United Kingdom⁶: The present strategy involved a FSA spending of about £10 million per year across a seven-point plan in United Kingdom. The seven areas are:

New Parents

Schools

Young Adults

Workplace

Consumer Communications

Online tools

Money Advice

A survey was conducted in UK involving 5300 respondents in 2005. The Survey found four main areas:

Many people are failing to plan ahead.

Many people are taking on financial risks without realizing it.

Problems of debt are severe for a small proportion of the population, and many more people may be affected in an economic downturn.

The under-40s are, on average, less financially capable than their elders.

United States⁷: The US Treasury established its Office of Financial Education in 2002; and the US Congress established the Financial Literacy and Education Commission under the Financial Literacy and Education Improvement Act in 2003. The Commission published its National Strategy on Financial Literacy in 2006. Additionally, automobile finance companies and retailers provide consumer education through Americans Well informed on Automobile Retailing Economics.

Dr. D. Subbarao, Governor, RBI stated that "There are barriers to access financial services emanating from both demand side and supply side factors."⁸ The demand side has barriers like lack of awareness about financial investment instruments, restricted financial knowledge of investment options as well as social exclusion. Many of the generic financial products are unsuitable for the poor and there is not much of an effort to design products suitable to their needs. On top of that, exorbitant and oftentimes non-transparent fees, combined with burdensome terms and conditions attached to the financial products, also dampens the demand.

From⁹ the supply side, the main barrier is the transaction costs that the bankers perceive. Because of current low volumes, banks find that extending financial services is not cost effective. Furthermore, lack of communication, lack of infrastructure, language barriers and low literacy levels all raise the cost of providing services and inhibit bankers from the supply side."

There was, however, a difference in the thrust of financial literacy/education drives in these countries vis-à-vis

developing countries like India. So far, in India, the emphasis has largely been on financially educating the rural poor and illiterate. Whether it is the business correspondent / business facilitator (BC/BF) model or the technology-driven banking model that the regulators and banks are currently encouraging, the main focus remains the rural poor.

Data Collection

In all 147 samples were included in this Study. The study asked various questions about a single investment instrument i.e. Mutual Fund, which covered the main aspect of Literacy Level.

There were few questions, which were directly related to the Financial Literacy of Respondents. They are summarized in Table below. Financial literacy is imperative for person's welfare and well being as low financial literacy would lead to improper savings and investments which can lead to financial problems.

As we can see in the table above a large number of respondents knew about Mutual Funds. A staggering 90 percent of the respondents were aware of existence of Mutual Funds. Although 90 percent of the respondents knew Mutual Funds but only 64 percent of the respondents knew about

Table 1: Responses to various Questions

Responses to various Questions	Question	Percentage
Q4	Know Mutual Funds	89.80%
Q5	Know Entry/ Exit Load	63.95%
	Q9 Exact Entry/Exit Load	75.53%
Q 10	Know Expense Ratio	56.46%
	Q 11 Exact Expense Ratio	69.88%
Q 12	Know ELSS	69.39%
	Q13 Exact Tax Benefit	76.47%
	Q14 Lock-in Period	64.71%
Q 15	Know FMP's	52.38%
	Q 16 Maturity of FMP's	68.83%
Q 17	Know ETF'S	55.78%
Q 18	Know ETGF's	56.46%
	Q19 Demat Requirement	42.86%
	Q20 Mode of Operation	57.32%
Q 21	Know FOF's	42.18%
Q 22	NAV Calculation	26.53%

the Entry/Exit Load in Mutual Funds. And when these 64 percent respondents were asked about the Exact Entry/Exit Load prevailing in Mutual Funds only 75 percent could answer it correctly. It was a surprise to see that the investors

were not aware of the expense of their money as only 56 percent of all respondents knew about Expense Ratio. And of these 56 percent respondents who knew about Expense Ratio only about 70 percent knew the Exact Expense Ratio.

It wasn't astonishing to see that a large share of population knew about Equity Linked Savings Scheme (ELSS) as nearly 70 percent of all respondents knew about Tax Saving Benefits available with Mutual Funds. Reason being, all Indians try to save their tax as much as possible. And the respondents responded well when asked about the intricacies of ELSS, as 76 percent of all who knew about ELSS were able to tell the exact Tax Benefit available with Mutual Funds, and 65 percent were able to tell the Lock-In Period of ELSS Funds.

Further when the respondents were asked more minutely about the various options in Mutual Funds the Literacy Level decreased a bit. Only 52 percent knew about FMP's and of these 52 percent only 69 percent knew about the maturity period of FMP's. A large chunk of respondents were not aware of the Exchange trading facility available with Mutual Funds, as only 56 percent of all respondents knew about ETF's and ETGF's, and of these 56 percent only a smaller portion was aware of the DeMat Requirement and Mode of operation of ETF's, the percentage being 43 percent and 57 percent respectively.

One of the best available options with Mutual Funds is Funds of Funds and it was shocking to know that only 42 percent were aware of this option, and those who knew about FOF's were hardly able to tell exactly what a FOF's actually is, as most of them could not recall it, and a major portion has just heard of it.

The main part of a Mutual Fund is its NAV as a major portion of the returns depend on it, but of all the respondents only about 27 percent knew how to calculate NAV of a Mutual Fund.

Based on the data available the Financial Literacy of the respondents was tested on the basis of the Demographic following Null Hypothesis was made for the study:

- H1: There is no significant relationship between Age and the Financial Literacy Level of the respondents.
- H2: There is no significant relationship between income level and Financial Literacy Level of respondents.
- H3: There is no significant relationship between Educational Qualification and Financial Literacy Level of the respondents.

To test the above three Null Hypotheses the analysis was done in three parts based on Age, Income, and Qualification of the respondents.

Relationship between Age and Financial Literacy Level

To test the relationship between Age and Financial Literacy Level the analysis was done with respect to Age as the Independent variable.

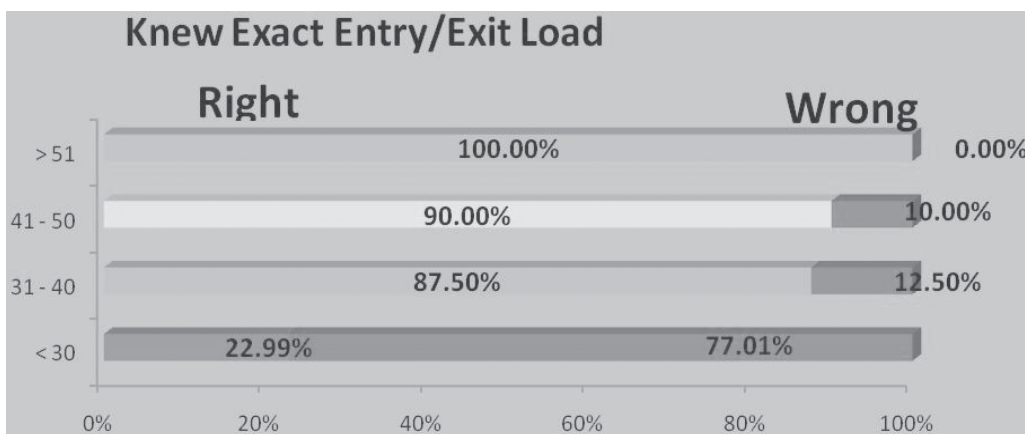
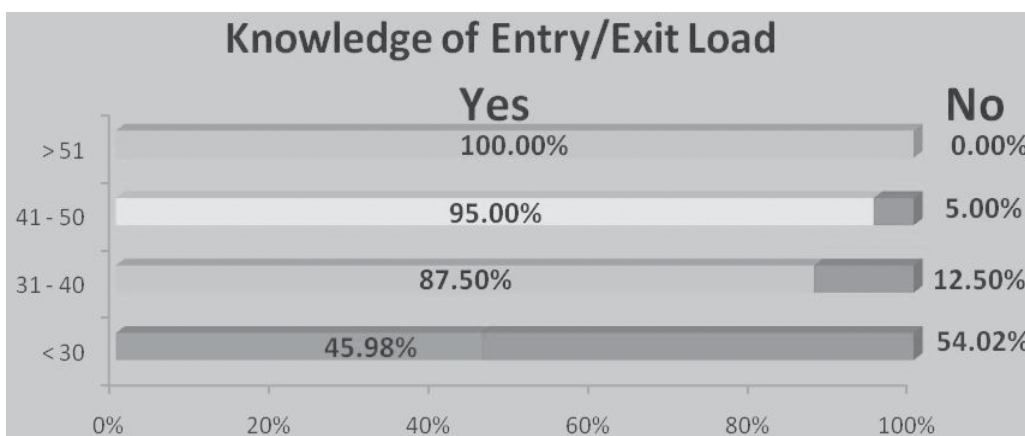
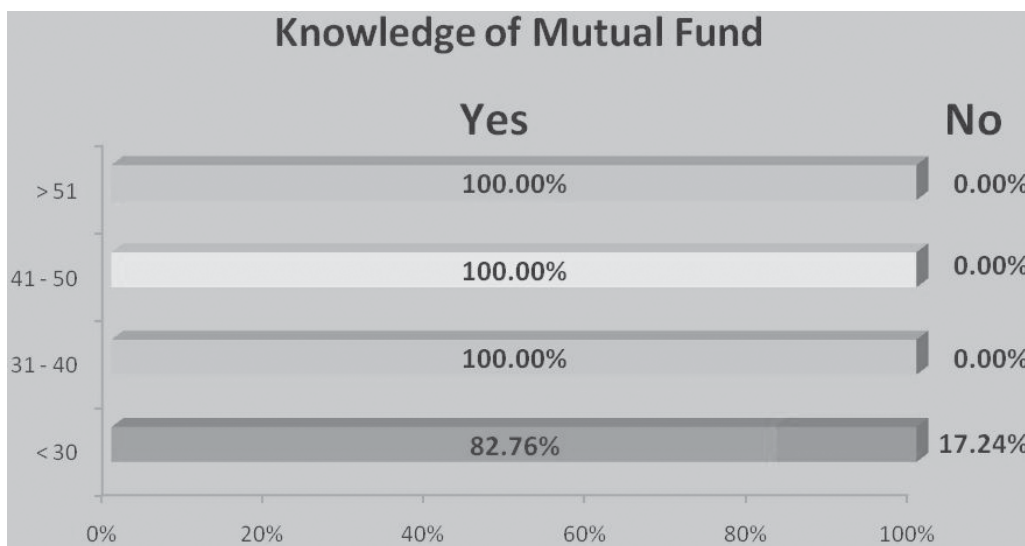
Respondent Age	Total No of Respondents
< 30 years	87
31-40 Years	32
41-50 Years	20
> 50 Years	8

It can be seen here that nearly all of the age groups had fair knowledge of Mutual Funds and only a small chunk of Youth was unaware of the Mutual Funds.

All the respondents except "Below 30 years" age group had 100 percent knowledge of Mutual Funds, and only 17 percent of the "Below 30 years" age group didn't know about Mutual Funds.

Know Entry / Exit Load

As we can see that all of >51 years age group respondents knew about Entry/Exit Load whereas this percentage decreased as we moved to the lower age groups. Of all the 41-50 years respondents 95 percent knew it and of all the 31-40 years respondent 87.5 percent knew Entry / Exit Load. But the main concern here was the Youth which has most



number of respondents but still only 46 percent of them knew about it.

Knew Exact Entry/Exit Load

It was again the same story with the elderly knowing more precisely about the exact Entry/Exit Load than the youth. Below 30 years age group respondents could not tell the exact load and only 23 percent knew the Right answer.

Know Expense Ratio

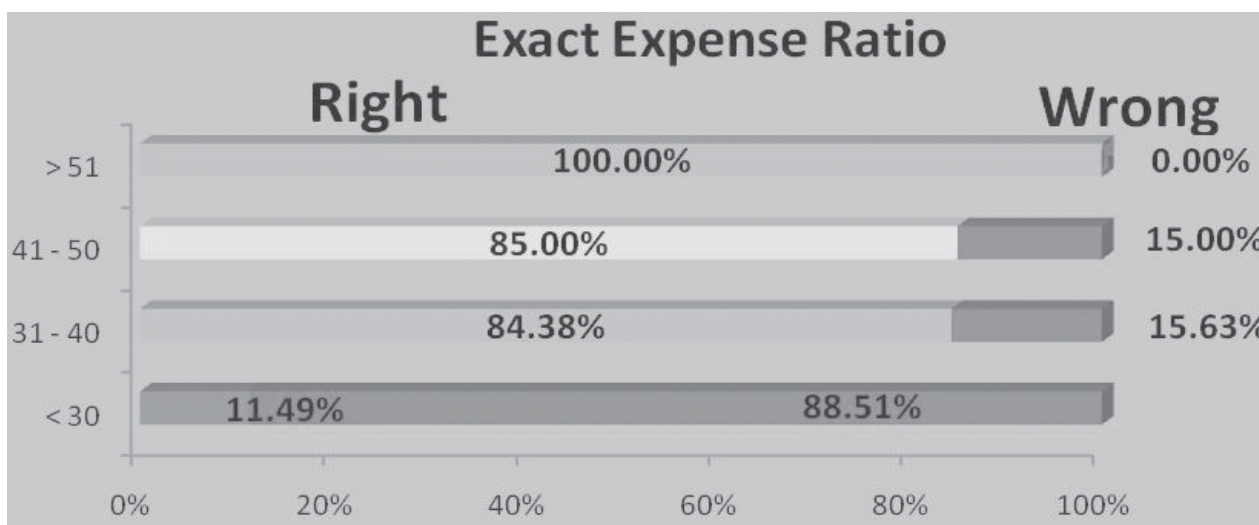
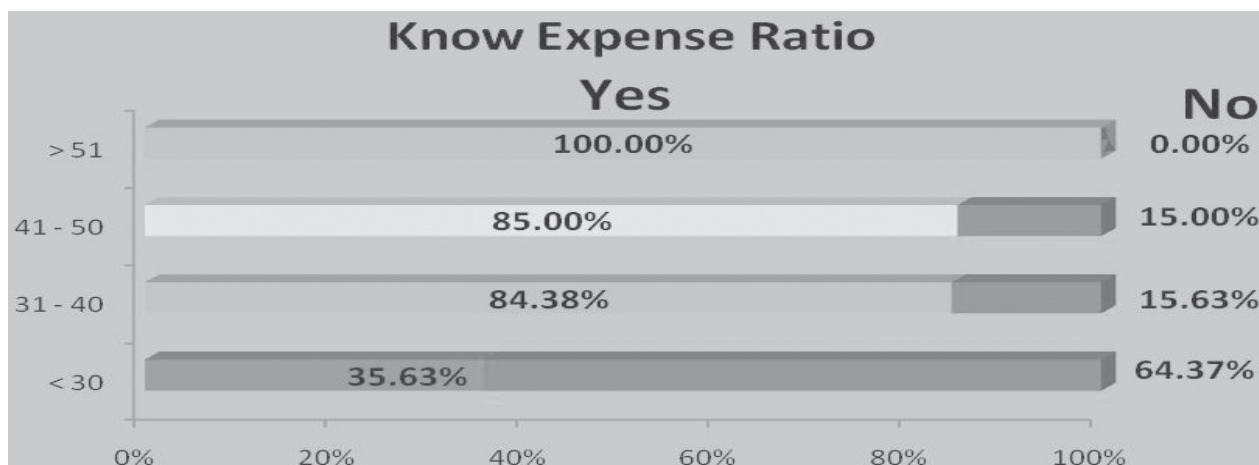
Only 36 percent below 30 age group respondents knew about the Expense Ratio, where as all other group respondents knew fairly well, as 85 percent of 31-40 and 41-50 age groups knew about it and 100 percent of the above 50 age group knew Expense Ratio.

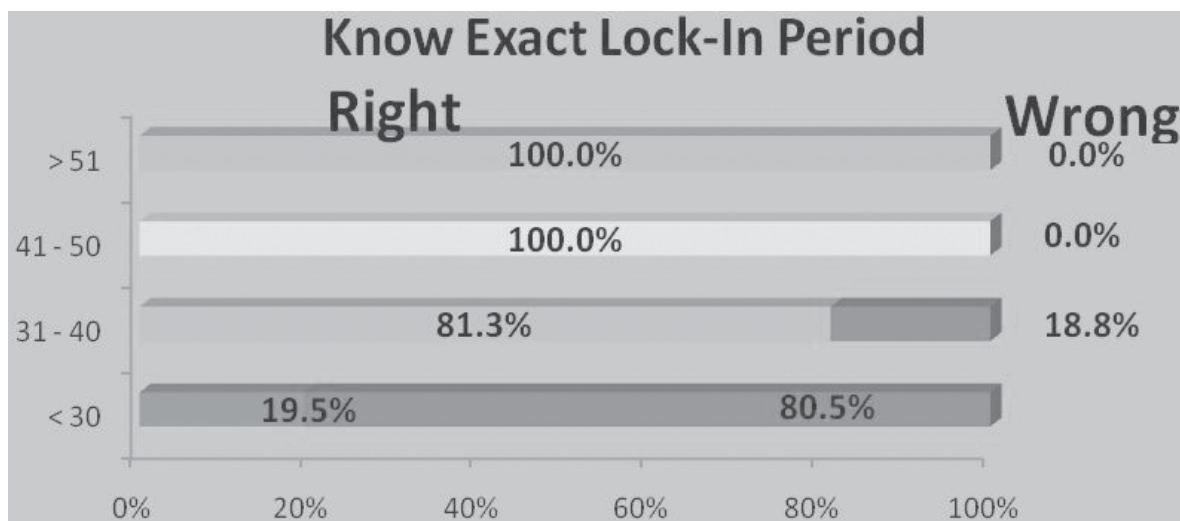
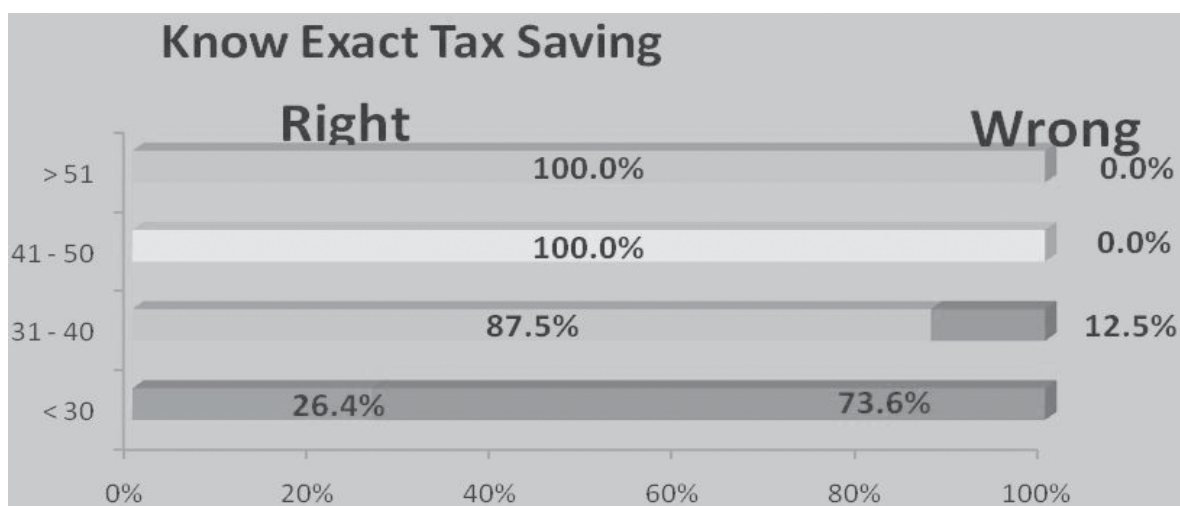
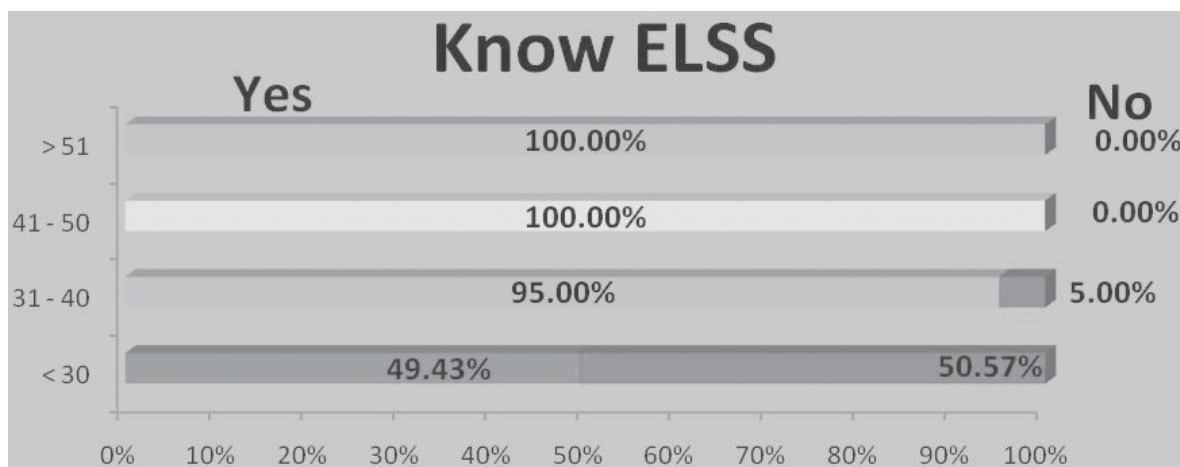
Exact Expense Ratio

Of the 36 percent who knew about Expense Ratio only 11.5 percent were able to tell the exact Expense Ratio, whereas all of the respondents of other Age Groups who knew about Expense Ratio knew about Exact Expense Ratio as well.

Know Equity Linked Savings Scheme (ELSS)

As the respondents went from youth to elderly the knowledge of Tax Saving instrument increased at a increased pace. Only 50 percent <30 age group respondents knew about ELSS where as barring 31-40 age group the remaining two groups of respondents knew about ELSS to an extent of 100 percent.





Know Exact Tax Saving:

All the respondents of >50 and 41-50 correctly knew about the Exact Tax Savings available, whereas 87.5 percent of 31-40 age group respondents knew about it. But only 26 percent of the respondents of <30 age group knew about exact tax savings available with Mutual Funds.

Know Exact Lock-In Period

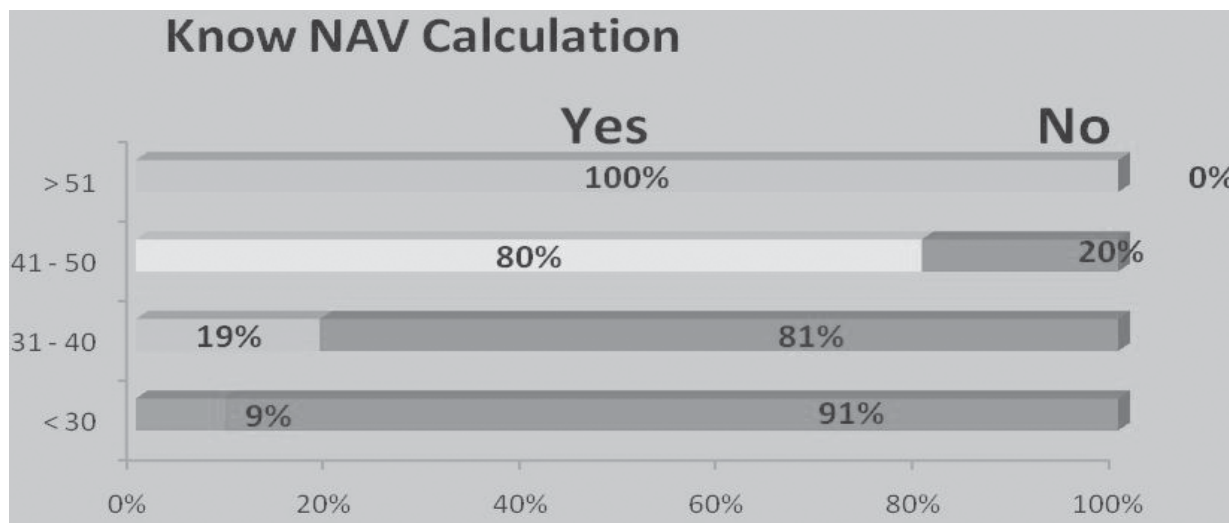
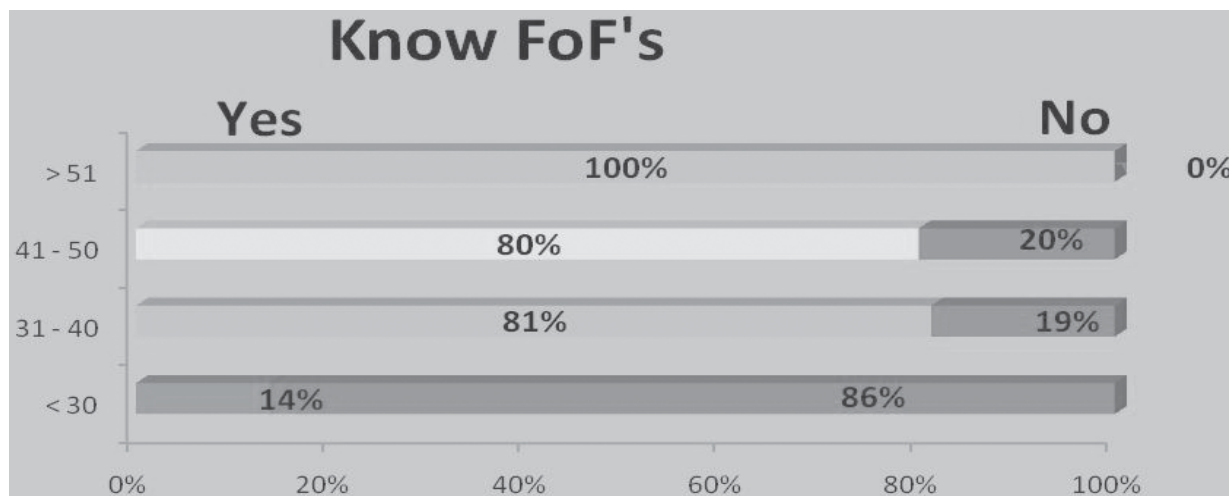
Again it proves that the elderly and the Middle aged are more concerned about the tax savings because the correct responses from the top three groups war nearly 100 percent and 81 percent of 31-40 age group correctly knew Exact Lock-In Period. Whereas only 20 percent of below 30 age group knew about it.

Know Fund of Funds (FOF's):

FoF is one of the safest investment option available with Mutual Funds, but still only 14 percent of the below 30 age group respondents knew about it. Whereas 100 percent respondents of Above 50 age group knew about it, and a modest 80 percent of the rest age group respondents knew about it.

Know NAV Calculation

NAV's are most important part of any Mutual Funds but still only nine percent and 19 percent respondents of age group below 30 and 31-40 respectively knew correctly about it. Whereas 80 percent of 41-50 and 100 percent of above 50 age group correctly knew about it.



Inference with respect to Age

It can be seen from the above analysis that the Financial Literacy Level of the Investors does have a significant relationship with Age, so the Null Hypothesis is rejected.

Hence it can be stated that “Age has a significant relationship with the Financial Literacy Level.”

Relationship between Income Level and Financial Literacy Level

To test the relationship between Income Level and Financial Literacy Level the analysis was done with respect to Income Level as the Independent variable.

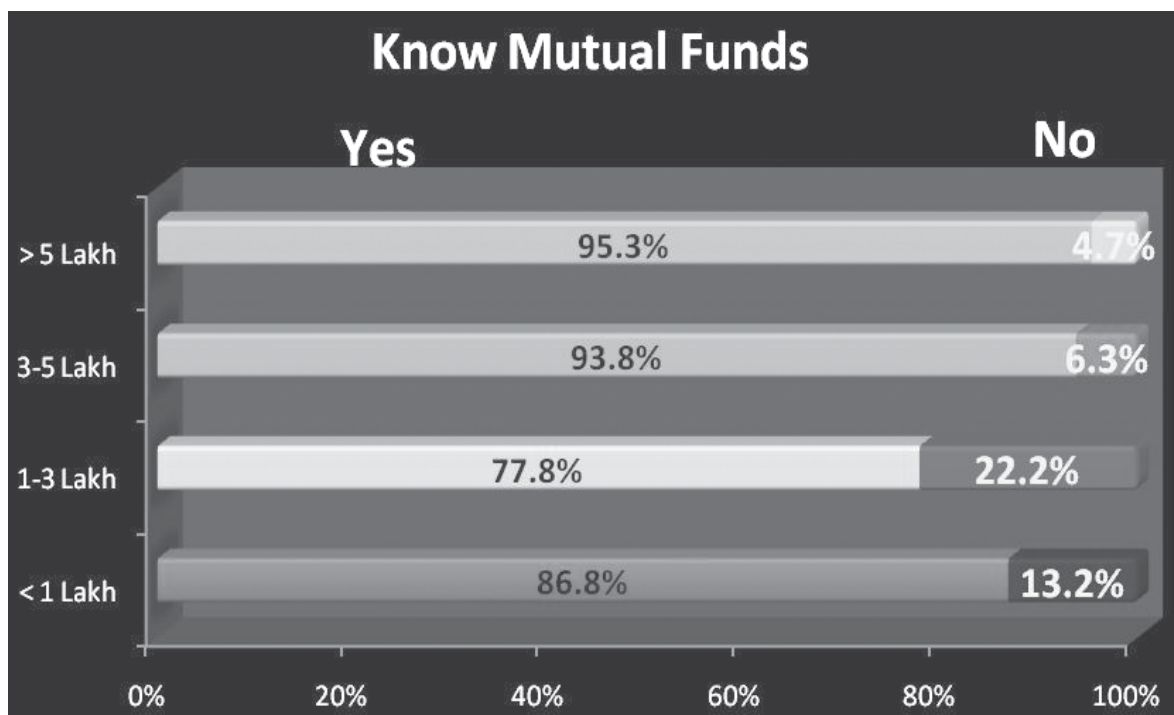
Knowledge of Mutual Funds

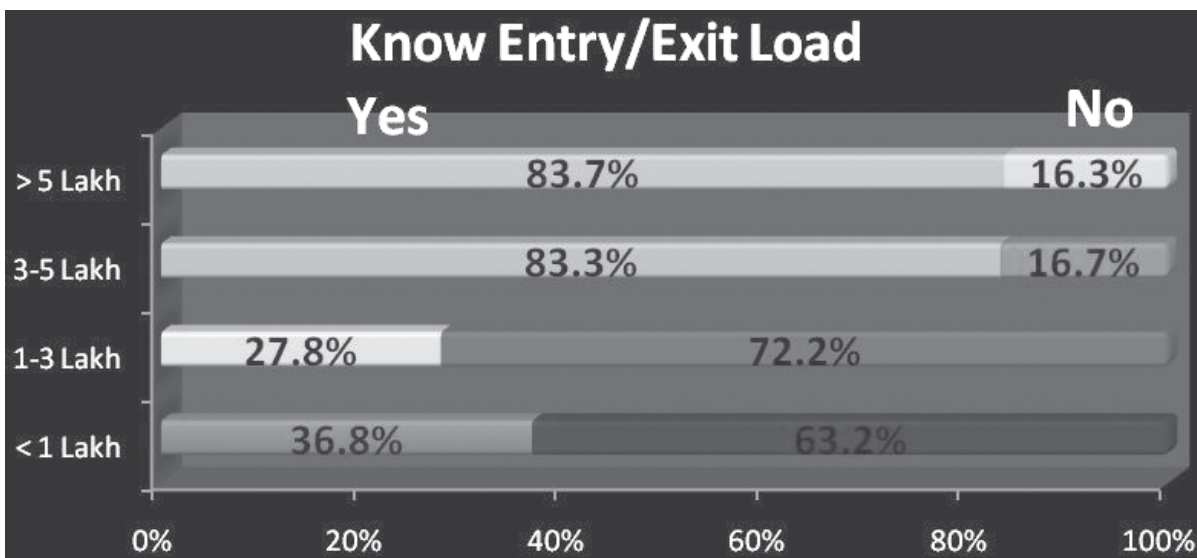
We can see here that a modest number of respondents know about Mutual Funds in the Income Level category. All the Income Group respondents knew fairly well about Mutual Funds. Of all the respondents of >5 Lakh income group nearly 95 percent knew about the Mutual Funds, and 94 percent of 3-5 Lakh Income Group knew about it. Whereas the percentage was a little low in 1-3 Lakh and <1 Lakh Group with the percentage being 87 percent and 78 percent respectively.

Know Entry/Exit Level

Of all the respondents of <1 Lakh and 1-3 Lakh Group only 37 percent and 28 percent respectively knew

Income of Respondents	Total No. of Respondents
< 1 Lakh Rs.	38
1-3 Lakh Rs.	18
3-5 Lakh Rs.	48
>5 Lakh Rs.	43





about Entry / Exit Load in Mutual Funds, whereas the 83 percent of remaining two groups respondents knew about it.

Know Exact Entry/Exit Load

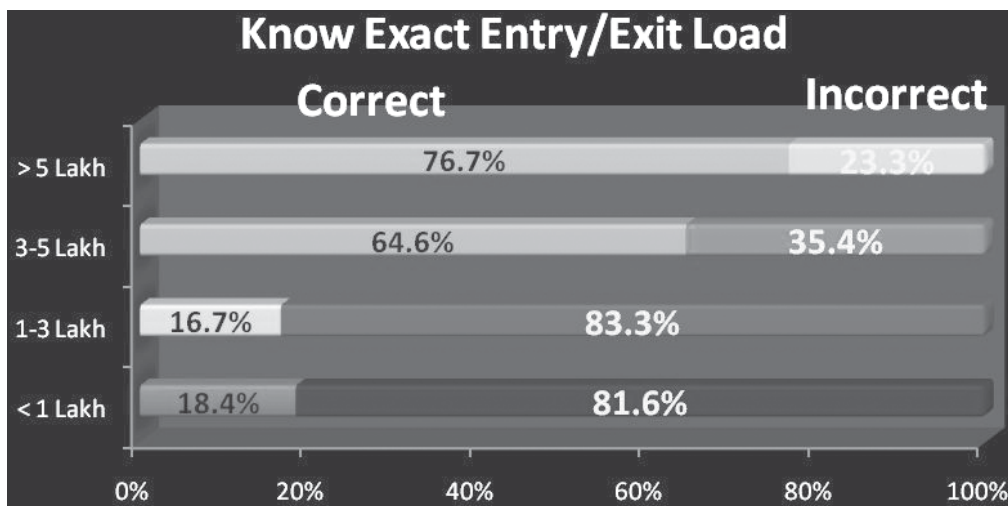
Although a fair number of respondents of >5 Lakh and 3-5 Lakh group knew about Entry/Exit Load but only 77 percent and 64 percent respondents respectively could correctly know the Exact Load. Whereas only 17 percent and 18 percent of 1-3 Lakh and <1 Lakh Income Group could correctly tell about it.

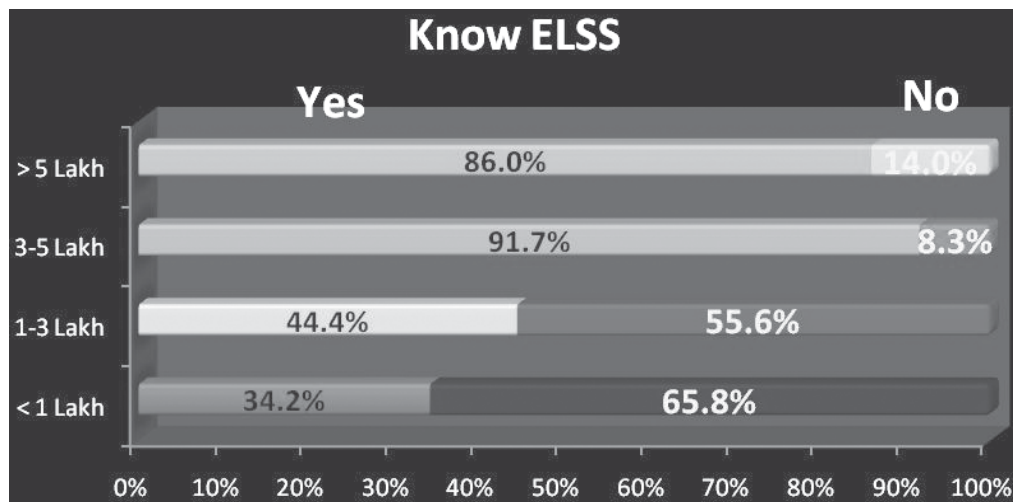
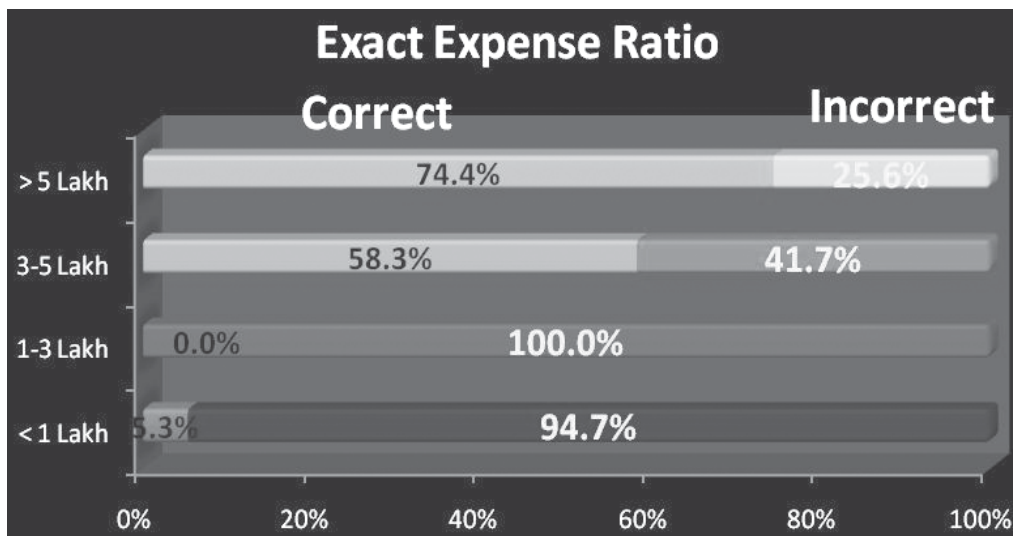
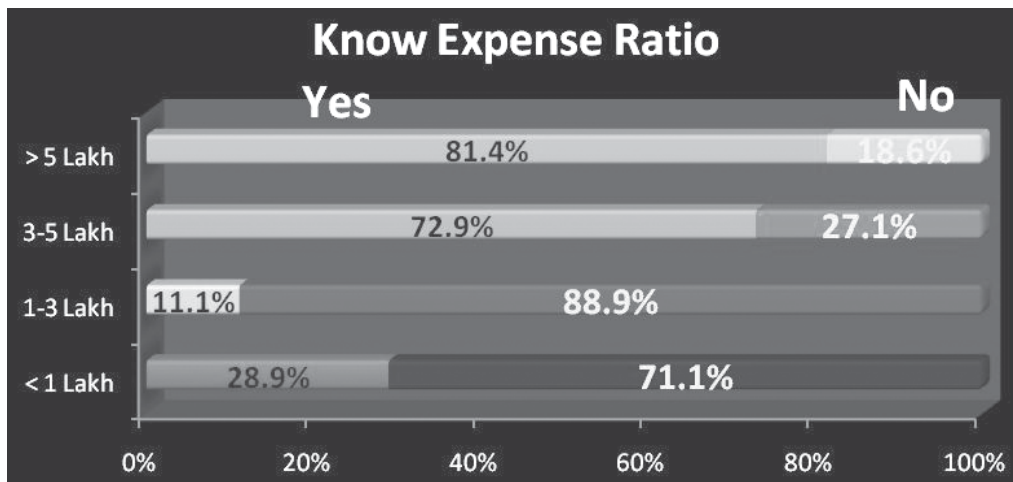
Know Expense Ratio

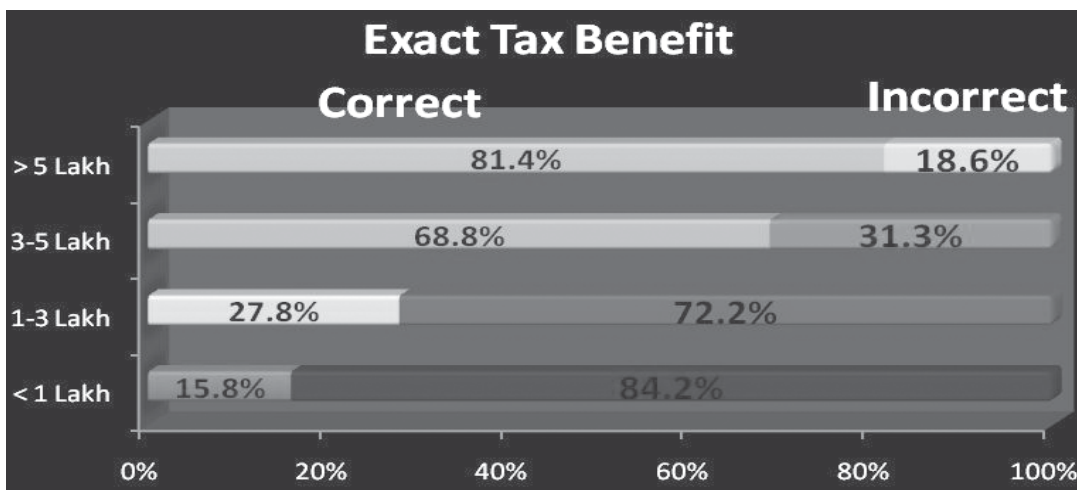
As we can see that more than 70 percent of respondents of income >3 Lakh knew about Expense Ratio, whereas the same was only 11 percent and 29 percent for 1-3 Lakh and <1 Lakh Income Group respectively.

Exact Expense Ratio

Although 11 percent of 1-3 Lakh respondents knew Expense Ratio but when asked about the exact expense ratio not even a single one was able to tell so. Nearly the same was case of







<1 Lakh Group of whose only five percent respondents correctly knew about it. The number was not so great for >5 Lakh and 3-5 Lakh Group whose 74 percent and 58 percent respondents correctly told it.

Know ELSS

As was in the case of Age here as well the respondents knew fairly well about ELSS. More than 85 percent respondents of >5 Lakh and 3-5 Lakh group knew about ELSS. Only 44 percent of 1-3 Lakh respondents knew about it and only 34 percent of <1 Lakh group respondents knew about it.

Exact Tax Savings

Of all the respondents who knew about ELSS the respondents of 1-3 Lakh and <1 Lakh group were the one who showed maximum number of Incorrect Responses of Exact Tax Saving.

Exact Lock-In Period

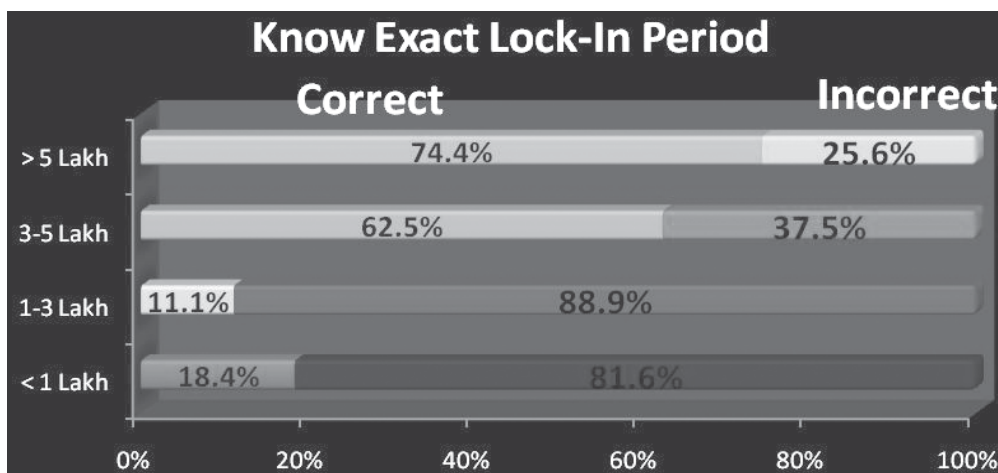
When it came for the exact Lock-In period the response was more or less the same as compared to the Exact Tax Saving.

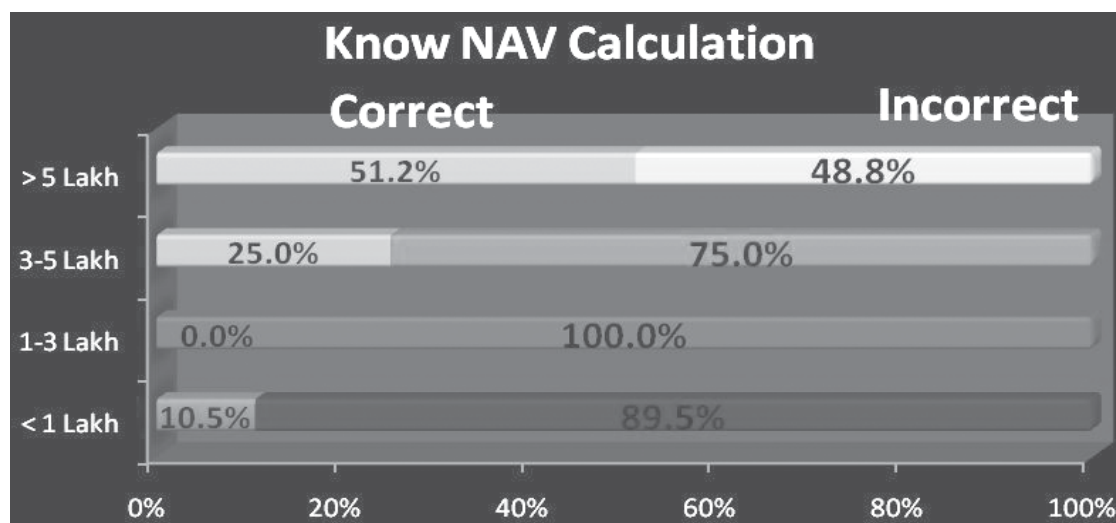
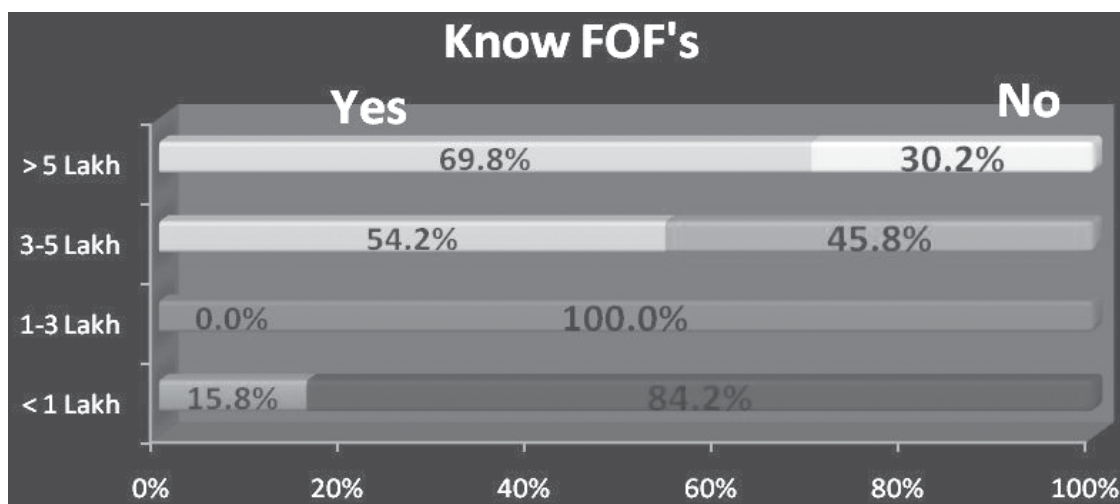
Know FOF's

Again 1-3 Lakh Group was laggard as none of them knew about FOF's whereas the numbers were not great for other Groups with >5 Lakh being the winner with 70 percent of respondents knowing FOF's.

Know NAV Calculation

1-3 Lakh Group respondents were again disappointed, and none of the groups except >5 Lakh group crossed even 50 percent Mark.





Educational Qualification	Total Respondents
Intermediate	3
Under Graduate	89
Post Graduate	55

Inference with respect to Income

It can be seen from the above analysis that the Financial Literacy Level of the Investors does not have a significant relationship with Income, so the Null Hypothesis is accepted. Hence it can be stated that “Income doesn’t have a significant relationship with the Financial Literacy Level.”

Relationship between Educational Qualification and Financial Literacy Level

To test the relationship between Educational Qualification and Financial Literacy Level the analysis was done with respect to Educational Qualification as the Independent variable.

Knowledge of Mutual Fund

Although the number of Intermediate respondents is quite less and it won't affect the analysis to a greater extent, then too it has been included in the analysis as it was there in the questionnaire. Seeing the above graph it can be inferred quite easily that more the education of the respondents more is the level of Knowledge of Mutual Funds, although it is a bit early to say so. More than 98 percent of Post Graduate guys knew Mutual Funds and more than 86 percent of under graduate guys.

Know Entry/Exit Load

Of all the respondents more than 89 percent of Post Graduate respondents knew about Entry/Exit Load, whereas only 52 percent of all the respondents from Under Graduate Group knew about it and None of Intermediate respondents knew about it.

Exact Entry/Exit Load

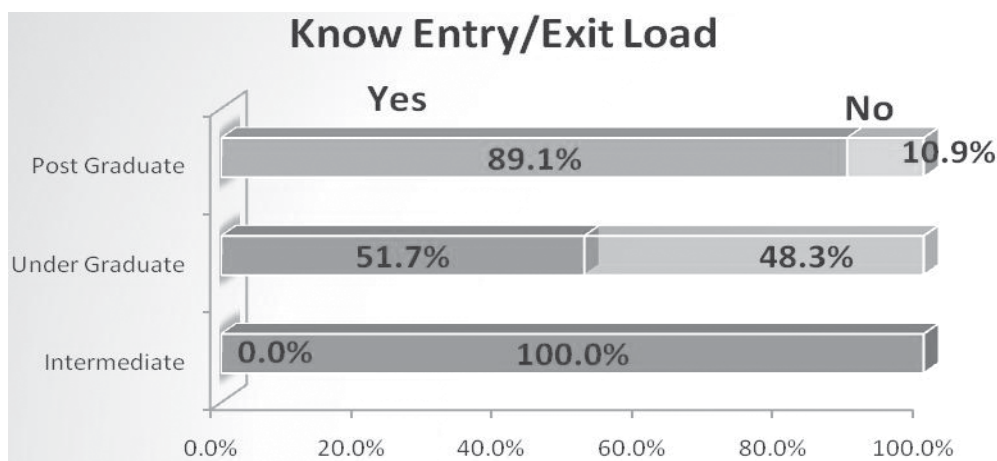
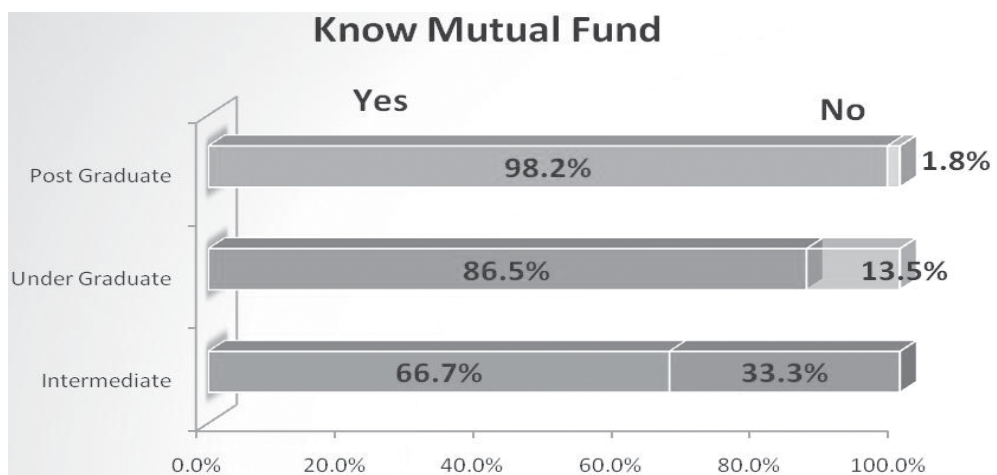
Although there are more number of Under Graduate respondents than any group of respondents but still only 33 percent of under graduate respondents correctly knew about Exact Entry/Exit Load whereas more than 80 percent of Post Graduate respondents correctly knew about it.

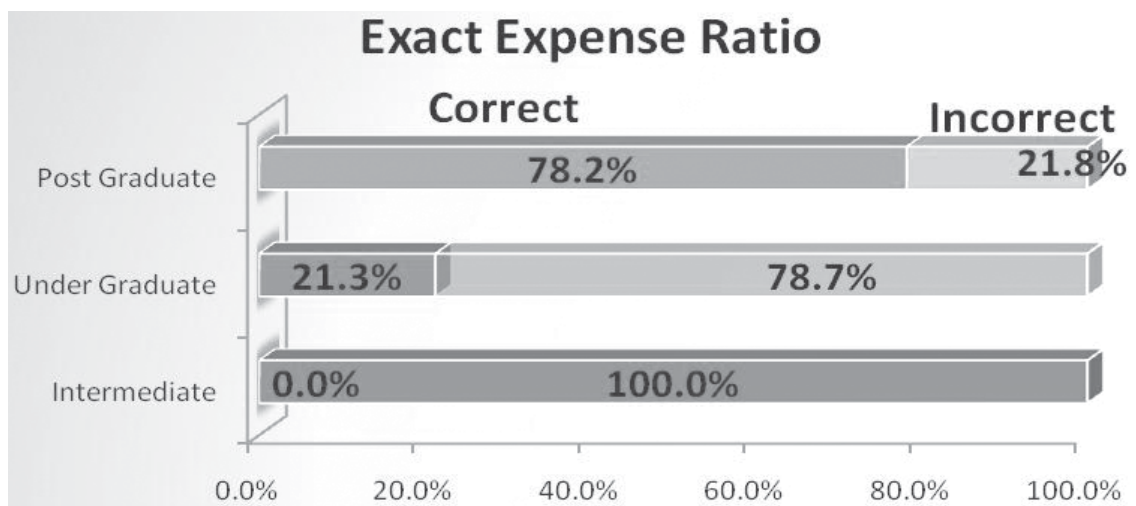
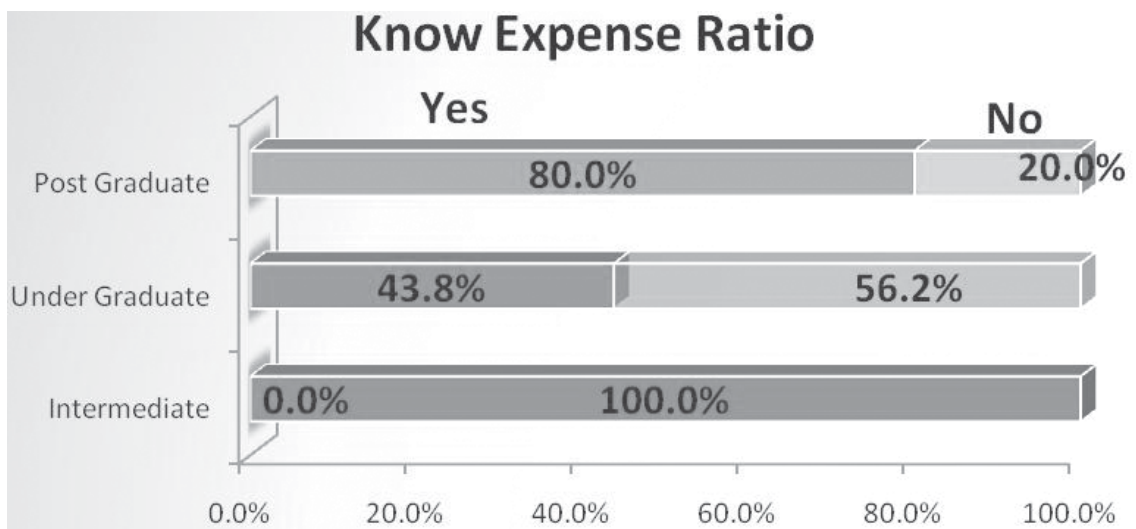
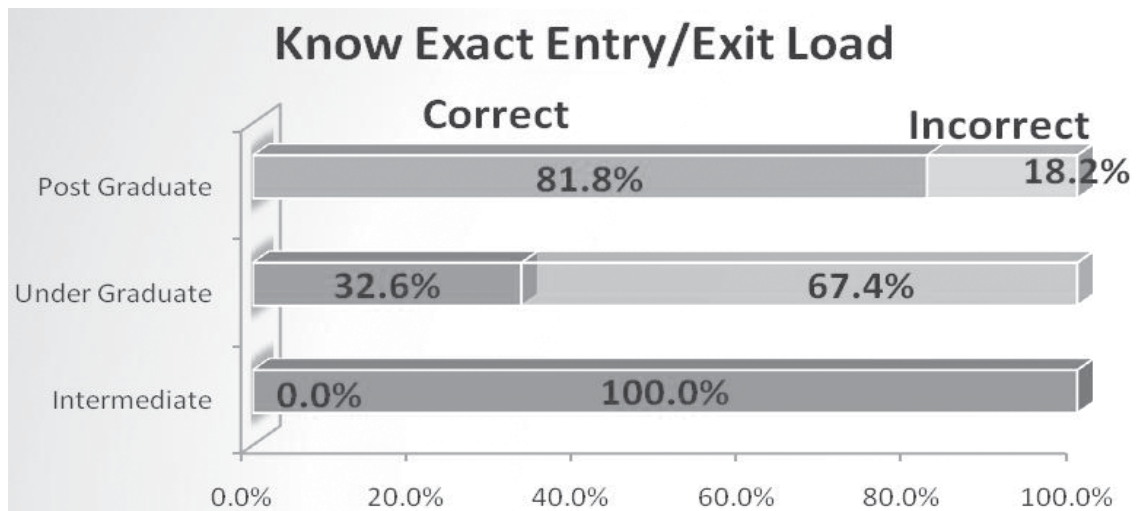
Know Expense Ratio

Despite more number of under graduates the knowledge about expense ratio is a mere 44 percent for them, where as 80 percent Post Graduates knew about Expense Ratio.

Exact Expense Ratio

Although 44 percent of Graduate respondents knew about Expense Ratio but only about 21 percent could correctly tell about the Exact Expense Ratio. 80 percent of Post





Graduate respondents were able to tell about Expense Ratio and out of that 78 percent were able to correctly identify the Exact Expense Ratio.

Know ELSS

As seen in previous cases, here as well the respondents knew well about ELSS, as more than 96 percent of Post Graduate respondents, and more than 50 percent of Graduates knew about it. It clearly shows the mindset of Indians that they want to save their tax at any cost.

Know Tax Benefit

Nearly 96 percent of Post Graduate respondents knew about ELSS and a barring a Few nearly all (91 percent) of them knew correctly about the exact Tax Benefit available with

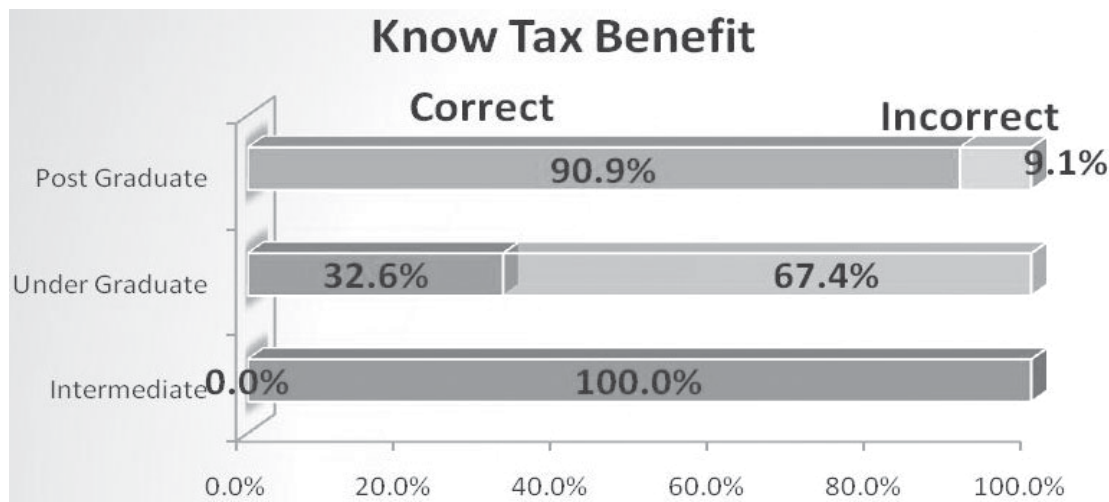
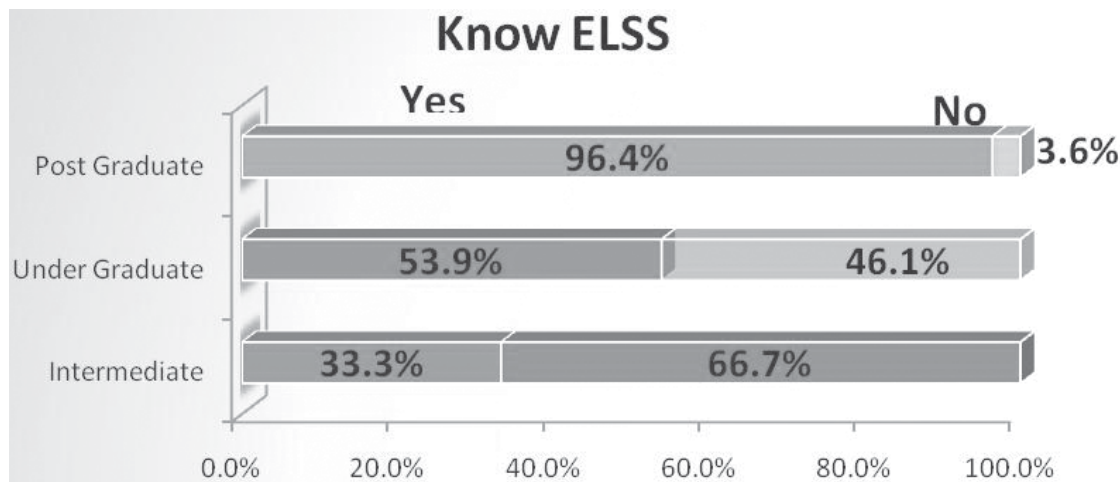
Mutual Funds. Whereas nearly 54 percent of respondents of Graduate Group knew ELSS but only 33 percent could correctly identify exact tax benefit.

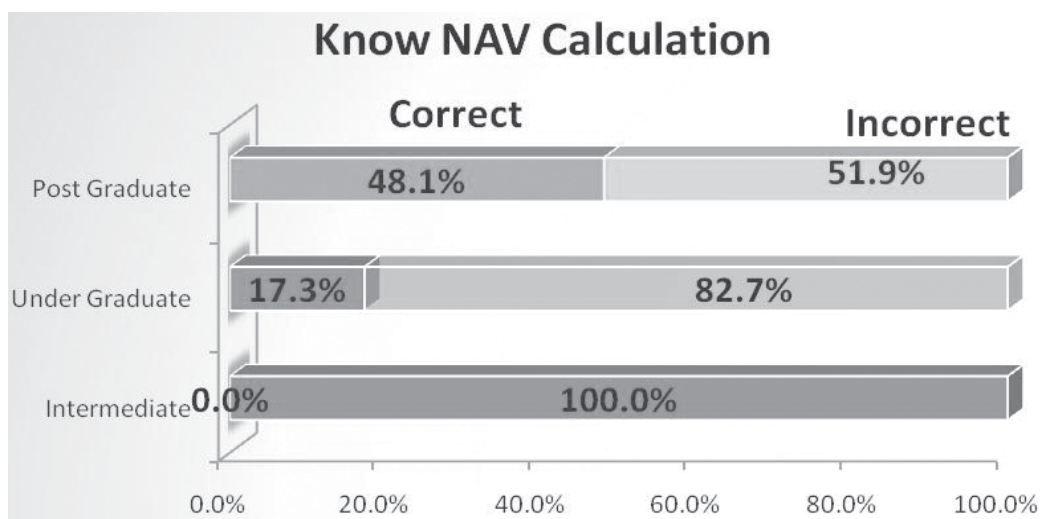
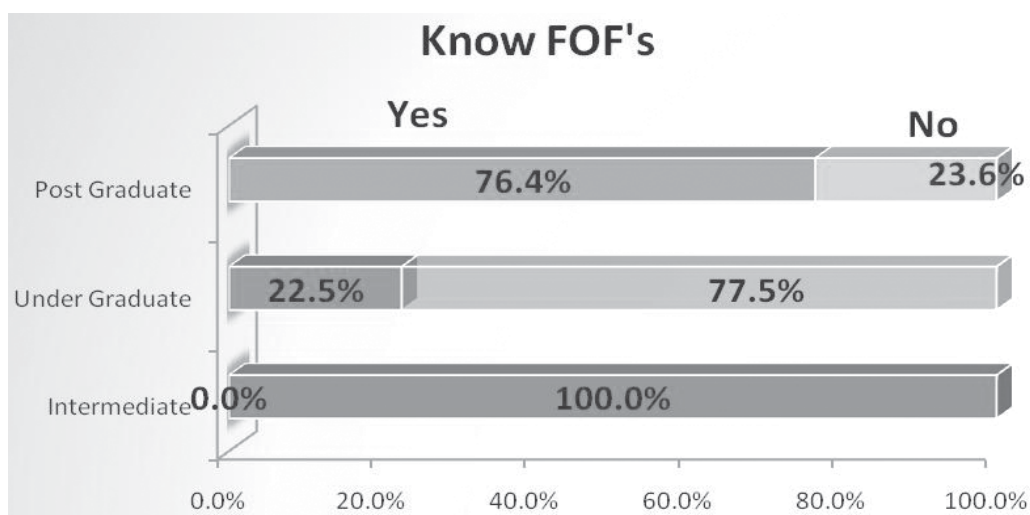
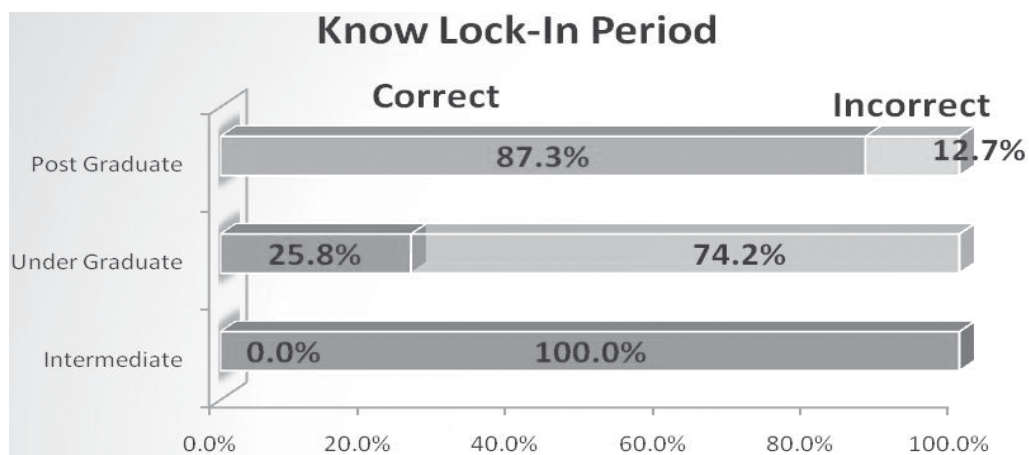
Know Lock-in Period

87 percent respondents of Post Graduate Group could correctly tell about the exact lock in period as compared to 26 percent of graduate respondents.

Know NAV Calculation

Nearly 48 percent of all respondents in Post Graduate Group could correctly tell the Method of calculation of NAV whereas only 17 percent of Graduate respondents could correctly tell it.





Inference with respect to Educational Qualification

It can be seen from the above analysis that the Financial Literacy Level of the Investors does have a significant relationship with Educational Qualification, so the Null Hypothesis is rejected.

Hence it can be stated that "Educational Qualification has a significant relationship with the Financial Literacy Level."

Important Inferences

1. Age has a significant relationship with the Financial Literacy Level.
2. Income doesn't have a significant relationship with the Financial Literacy Level.
3. Qualification has a significant relationship with the Financial Literacy Level.
4. Most of the people knew about ELSS.
5. Fund of Fund's, although a good investment option, was not known by many respondents.
6. People go after NAV but merely knowing NAV is not enough and most of the respondents didn't know how to calculate NAV.
7. Although SEBI has scrapped Entry Load but Exit load is still there, and many people are unaware of this fact.
8. People know about Mutual Funds but mere acquaintance is not enough as not many of them know the intricacies of it.

Suggestions

1. Since Financial Literacy Level depends on age Mutual Funds should launch some good and stable funds for all age groups specially Youth, as a Majority of Indian Population is Young. But this doesn't mean that the elderly should be left alone, they are the one having a sound knowledge of Mutual Funds, so AMC's should launch funds which offer good returns and also provide with a regular income source.
2. Since Financial Literacy doesn't depends upon Income Level because knowledge is something which comes from

experience and not from earning, but this doesn't mean that we should ignore this factor completely.

3. Qualification has a major impact on Financial Literacy so AMC's should be clear in whatever they project to the investors as a highly qualified person chooses whatever is best for him, and doesn't pick crap.
4. As ELSS is the most sought after product by all the categories viz. Age, Income, and Qualification so AMC's should offer a better, stable, consistent, well managed, and growing fund to the masses.
5. Most of the people don't know about FOF's so AMC's should use more and more advertising methods so that people get to know more about this offering from Mutual Funds.

End Notes

- 1 Reserve Bank of India (RBI) website, retrieved from <<http://www.rbi.org.in/scripts/PublicationsDraftReports.aspx>>
- 2 This definition has been adopted by Australian Securities and Investment Commission. It is based on the definition developed by the National Foundation for Education Research in the UK in 1992 and was subsequently used in Australia by ANZ bank in their survey of adult financial literacy.
- 3 Reserve Bank of India (RBI) website, retrieved from <<http://www.rbi.org.in/scripts/PublicationsDraftReports.aspx>>
- 4 Financial literacy and investment decisions of UAE investors <<http://www.emeraldinsight.com/journals.htm?articleid=1821868>>
- 5 <<http://www.understandingmoney.gov.au/Content/Consumer/About/>>
- 6 <http://www.fsa.gov.uk/pubs/other/fincap_delivering.pdf>
- 7 Financial literacy - Wikipedia, the free encyclopedia <http://en.wikipedia.org/wiki/Financial_literacy>
- 8 Financial Literacy and Investment Decisions of Indians <[http://210.212.115.113:81/Pallavi percent20Seth/Financial_Literacy_&_Investment_Decisions_of_Indian_Investors_Pallavi_Seth_BIMTECH.pdf](http://210.212.115.113:81/Pallavi%20percent20Seth/Financial_Literacy_&_Investment_Decisions_of_Indian_Investors_Pallavi_Seth_BIMTECH.pdf)>
- 9 Valedictory address at the FICCI-IBA annual Conference, organized jointly by FICCI and IBA, Mumbai, September 10, 2009. Available online at <www.rbi.org>

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Hatchback Cars: Advertisement Appeals

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A b s t r a c t

The study is an enquiry designed to identify and classify specific advertisement appeals used by major Indian hatchback car brands. Appeals were categorized as emotional, rational and presentational appealing strategies. Study adopted time sampling method and it led to systematic content analysis on selected newspaper, magazine, web and television advertisements by using standard Delphi technique. Detailed list of product features and presentation styles were identified and a theoretical classification model was developed on both product features and presentation styles. On analysis of emotional strategies it was found that Indian hatchback advertisements significantly differ across media in the usage of various emotions.

Key words:

Television Advertising Strategies, Emotional Appeals, Consumer buying Behaviour, Customer Attention.



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The most basic concept underlying marketing is that of human needs and wants. Consumers usually face a broad array of brands that may satisfy their needs. The task of the customer is normally to choose a product from this wide range of market offerings. This process is highly influenced by consumers' cultural, social, personal and psychological characteristics and the marketers need to have a deep understanding on these influences in order to sell their brands at its best. In a high involvement purchase, the buying behaviour will be complex and the buyer will pass through an extremely involved learning process. Hence the marketers of this product range need to educate their buyers on the class attributes of their products and need to differentiate their brands features in contrast with other brands in the same product cluster. Role of advertisements are crucial here. It is a strong medium for both communicating vital product information to the customers and persuading them to do the purchase. Detailed observation of advertisements is like reading an open textbook of marketing. It provides us deep insights on current market trends.

According to McKinsey Global institute survey of 2007 (Kunal, 2008) people in the ₹ 90,000 to ₹ 2 lakh a year salary bracket will form the largest portion of India's Income pyramid in 10 years. One of the major uptrends in Indian market considering the potentialities of this middle income consumer group is visible in the automobile industry particularly in hatch back car segment. Since the first car rolled out on the streets of Mumbai (then Bombay) in 1898, the automobile industry of India has come a long way. Indian auto industry, which was growing at a high pace (till the recent seasonal down trend in the market caused because of hike in fuel price and changed bank policies), has become a hot destination for global auto players. In hatch back segment India is the fastest growing auto market after China. With a major share in hatch back sales the car market in the year 2010 grew around 32 percent (Bureau Report, Hindu Business line, 12th January, 2011).

Maruti Suzuki, Hyundai, Tata Motors, Fiat, Ford, Volkswagen, Chevrolet, Nissan, etc are the key competitors in Indian hatchback car market. Maruti Suzuki India Limited, a subsidiary of Suzuki Motor Corporation of Japan, is India's largest passenger car company, accounting for over 45 percent of the domestic car market. The company offers a complete range of hatchback cars from entry level Maruti-800 and Alto, to stylish hatchback Ritz, A star, Swift, Wagon-R, and Zen Estillo. Hyundai Motor India Limited is a wholly owned subsidiary of world's fifth largest automobile company, Hyundai Motor Company, South Korea. And their main hatchback brands in India include Santro in the B segment, i10 in the premium hatchback and i20 in the B+ segment. Tata Motors Limited is India's largest automobile company and with over 3,000 engineers and scientists it has enabled pioneering technologies and products. Tata Indica is India's first fully indigenous passenger car and within two years of launch it became India's largest selling car in its segment. In January 2008, Tata Motors unveiled its People's Car, the Tata Nano. It is a development which signifies a first for the global automobile industry. Nano brings the comfort and safety of a car within the reach of thousands of middle income group families. Fiat India Automobiles Limited is a 50-50 joint venture between Fiat Automobiles of Italy and Tata Motors of India. It is the ninth largest car maker in India by sales. Palio and Grande Punto are the two hatchbacks of them in India. Ford India Private Limited is a wholly owned subsidiary of the Ford Motor Company in India. They

recently entered (in 2010) to the Indian hatchback market with their brand Ford Figo. Within a year the brand became successful and won awards like "Car of the Year 2011" award, "Car of 2011" award and "Best car of the Year" award. Volkswagen India Private Limited is a subsidiary of Volkswagen Group Sales India Private Limited. Volkswagen entered the highly competitive Indian hatchback car market in April 2010 with most awaited brand Polo. Volkswagen Polo is a premium hatchback car with comfort, power and elegant looks, which makes it one of the best among hatchback cars in India. Chevrolet Sales India Private Limited is a division of General Motors India Private Limited which in turn is a subsidiary of General Motors of the United States. It is the 5th largest car maker in India after Maruti Suzuki, Hyundai, Tata and Mahindra. Spark and Beat are the two models they market in Indian hatchback segment. Nissan Motor India Private Limited, the Indian subsidiary of Nissan Motor Company of Japan is another recent entrant to Indian hatchback segment. Micra is a smart, global hatchback from Nissan with simplified urban mobility. It is born out of the need to simplify the city chaos and enrich the urban driving experience.

The Indian hatchback car market is so competitive and almost all the companies are adopting aggressive marketing strategies to sell their models. These companies are spending multimillion rupees for mass promotional campaigns. Effectiveness of these promotional campaigns may be regularly audited by individual companies themselves but the results rarely become public for an academic discussion. Consumers' buy a product based on their priorities and preferences. These preferences are derivatives of their psycho-social make up. The core assumption of consumer behaviour is individual differences. Individuals are different based on various psycho social factors like personality, perception, motivation, attitude etc. A marketing strategy normally creates differential response. A particular product feature may be highly attractive to a particular group of customers and not to another group of customers. Ideally every product features has to be matched with the respective customer preferences as it is done in market research by marketers, but in an academic discussion since there exist numerous product features and market offerings across competitive brands it is not practical to discuss each product features and its related consumer preferences. Moreover it is also not theoretically useful because it creates no general trends (science is more interested

in general trends). Systematic inquiry requires general classificatory system. Classificatory systems help a researcher with better light and direction and it makes their work easier and meaningful. For e.g. in the present context if a future researcher is interested to study personality differences of customers in processing hatchback car advertisements it would be very helpful if already a classificatory model of specific advertisement strategies by Indian hatch back car brands exists.

Present research is an attempt to identify various appealing strategies adopted by Indian car advertisements and classify them in a meaningful order by using the methodology of content analysis.

Literature Review

An individual must have a reason for buying a product; that reason is either emotional or rational (Stafford and Day Ellen, 1995). An appeal, according to Manrai et al. (1992), is the basic idea behind an advertisement or the basic reason why an audience should act. As a rule of thumb, the appeal is categorized as rational or emotional. According to Kotler and Armstrong (1991), rational appeals “relate to the audience’s self-interest. They show that the product will produce the desired benefits. Examples are messages showing a product’s quality, economy, value, or performance. Kotler and Armstrong (1991) define emotional appeal as an “attempt to stir up either negative or positive emotions that can motivate purchase. Emotional appeals are often strategically employed to influence consumers indirectly and make the consumer feel good about the product (Calder and Gruder) and make a brand liked or friendly (Batra and Ray 1985), relying on feelings for effectiveness (Aaker et al 1986). When it comes to changing the message receiver’s beliefs about the advertised brand (Stafford, 1993), rational appeals are favored by advertising practitioners. The present analysis is based on the advertisement appeal concept in which a detailed analysis is done on selected Indian hatchback entry level car advertisements with the objective of analyzing, identifying and classifying specific advertisement appeals adopted by major market players.

Research Objectives

The purpose of the study is to analyze, identify and classify specific advertisement appeals used by major Indian hatchback

entry level car companies. Advertisement appeal is differentiated into rational appeal and emotional appeal. In the present study rational appeal is conceptualized as those advertisement messages offering different product benefits and emotional appeal as the attempt in advertisements to stir up either negative or positive emotions in customers to motivate purchase. The way message is communicated in the advertisement was also conceptualized as an appealing strategy. Based on this dimension the purpose of the research is specified with the following objectives.

1. To identify various product benefits offered by Indian hatchback entry level car advertisements as a rational appealing strategy.
2. To classify this product benefits in a meaningful order for enhancing further research in this area.
3. To analyze major emotional strategies used by Indian hatchback entry level car advertisements to sell their products.
4. To identify different presentation styles adopted by various Indian hatchback entry level car advertisements to attract their customers.
5. To classify this presentation styles in a meaningful order for enhancing further research in this area.

Research Methodology

The present research adopts the methodology of content analysis. Content analysis is the study of recorded human communications for making inferences by objectively and systematically identifying specified characteristics of the messages. Detailed descriptions of the current analysis of Indian hatchback car advertisements are as follows.

Description of Sample Data

The objective of present study is to identify and classify specific advertisement appeals used by major Indian hatchback entry level car companies. In the process of selling highly standardized products to masses of customers, large companies carefully integrate their many communication channels to deliver a clear, consistent, and compelling message about their brand. They routinely advertise in television channels, news papers, magazines or other mass media in same time duration to educate and persuade billions of

customers with a same or similar message. At times they follow a gestalt approach also of communicating marginal information through one medium (television for example) and providing crucial information through another medium (news paper ads for example). In order to get a complete picture of appealing strategies espoused by the companies we need to do a detailed analysis of sample advertisements across various mass media over a period of time. Based on this orientation, sample advertisements in present study were drawn from four different mass media channels i.e. television, website, newspaper and magazines.

Present study adopted time sampling method for selecting sample advertisements. The sample time was defined as 24 months from 1st of January 2009 to 31st December 2010. Selection of sample brands was done based on price range. Sample brands include hatchback cars between the price range

of 200000/- and 600000/- INR (ex-showroom price) competing in the market during the sample time. Two national newspapers i.e. 'The Hindu' and 'The Times of India' Mangalore edition were identified as source for collecting newspaper advertisements. 'The week' and 'India Today' English edition were identified as source for collecting magazine advertisements. Similar and repeated advertisements in these two print media were scrutinized and in such cases of repeated advertisements, only one was selected for the final sample. Television commercials telecasted in major national channels in the sample time period was observed by the researchers and the most telecasted ones were noted down and the same video was later downloaded from <<http://www.youtube.com>> The e-brochure attached in the home page of all sample brands were identified and downloaded for the analysis of web advertisements. Details of the sample advertisements are provided in table-1.

Table 1: Details of Sample Advertisements

Details of the Brand	Type of Advertisement				Total Sample Advertisements
	News Paper	Magazine	Web	Television	
Chevrolet Spark	8	5	1	2	16
Chevrolet Beat	4	4	1	1	10
Ford Figo	6	6	1	2	15
Fiat Punto	3	3	1	1	8
Hyundai i10	4	3	1	2	10
Maruthi A Star	8	3	1	2	14
Maruthi Alto	10	0	1	2	13
Maruthi Ritz	8	3	1	1	13
Maruthi Swift	2	3	1	1	7
Maruthi Wagon R	3	2	1	1	7
Nissan Micra	3	2	1	1	7
Tata Indica Vista	10	2	1	1	14
Tata Nano	9	4	1	1	15
Volkswagen Polo	4	2	1	2	9

Source: Primary data

Procedure Adopted for Data Analysis

The process of data analysis involved data examination and coding and in order to establish impartiality in the process, it was done by a panel of experts using standard version of

Delphi method. In the standard Delphi version, the experts answer questionnaires in two or more rounds. After each round, a facilitator(s) provides an anonymous summary of the experts' forecasts from the previous round as well as the reasons they provided for their judgments. Thus, experts are

encouraged to revise their earlier answers in light of the replies of other members of their panel. It is believed that during this process the range of the answers will decrease and the group will converge towards the “correct” answer.

The panel of Delphi experts consisted of fifteen professionals from marketing and behavioural science related branches who had more than five years experience, in which three were psychologists working in corporate sector, three were senior psychology professors, three were senior marketing managers working in car distribution centers, three were assistant professors specialized in marketing management, teaching in reputed management institutes, and three were teaching master’s students of social work.

The process of analysis in the present study was carried out in various iterations. In the initial iteration, identification of product benefits, different presentation styles and the major emotional strategies used by Indian hatchback entry level car advertisements were carried out and in the second and third iteration a classificatory model of this identified product features and presentation styles were developed and in the fourth and fifth iteration incorporation of the identified product features and presentation styles into different groups were done. Identification of emotional strategies was done based on Parrot’s (2001) classification of primary emotions. Detailed list of Parrot’s primary emotions are given in table-2.

Table 2: List of Parrots (2001) Primary Emotions

Primary Emotions
Love
Joy
Surprise
Sadness
Fear

Source: Parrott, W. (2001), Emotions in Social Psychology, Psychology Press.

In the first iteration sample advertisements were assigned numbers and an analysis form was developed with separate space for providing estimation on each advertisement by the Delphi experts. The analysis forms along with the advertisements and a general feedback form to express critical observations were distributed to the experts with proper instructions and guidelines to scrutinize the advertisements analytically and identify various product benefits and different presentation styles adopted in it. For identification of emotional strategies, Parrot’s classification of primary emotions along with five level Likert rating scales were distributed and experts were asked to rate the presence of these emotions. Analysis forms were collected back from the experts, after assuring that all advertisements are well scrutinized and a detailed list of identified product benefits and presentation styles was prepared based on it. Another list of rated emotions was also made by tabulating the ratings provided by the experts.

In the second iteration the list of identified product benefits and presentation styles were distributed to the Delphi experts with instructions to code the data in a meaningful order. The opinions of experts were collected back and scrutinized. The scrutinized data was once more sent to the experts in the third iteration to sort out the differences and come to a common consensus. Based on this feedback classification of rational and presentation strategies adopted by Indian hatchback advertisements were developed. In the fourth iteration each Delphi experts grouped each product features and presentations strategies identified in the first iteration into different classificatory groups of the model. The data of this iteration was collected back and scrutinized and finally sent back to the experts in the last iteration to develop a common consensus in grouping.

Details of the whole analysis are presented in the results and discussion part.

Results and Discussion

The study was carried out with the purpose of identifying and classifying specific advertisement appeals differentiated into rational appeal and emotional appeal used by major Indian hatchback entry level car companies. Rational appeal in the study means those advertisement messages offering different product benefits and emotional appeal means the attempt in advertisements to stir up either negative or positive emotions (love, joy, surprise, sadness and fear) in customers to motivate purchase.

In order to achieve the objectives of the study, content analysis of selected advertisements across various media was carried out. In this process; to gather and analyze data in a systematic way, standard version of Delphi method which employs the methodology of multiple iterations designed to develop a consensus of opinion concerning a specific topic was adopted.

The first purpose of the study was to identify various product benefits offered by Indian hatchback entry level car advertisements. The panel of Delphi experts worked out this issue independently in the first iteration. The group in general observed a significant difference in product benefits promotion through advertisements across media. Exhaustive promotion of product features was found more in web advertisements followed by news paper and magazine advertisements.

Television advertisements are found to have using promotion of the most unique and high end features of the product in a tangential way compared to other media. This trend can be attributed to the targeted marketing strategy adopted by the companies where television is a mass media useful for creating brand awareness while web is more specific with limited niche audience searching for comprehensive information. But in contrary in the case of news paper and magazine car advertisements interestingly it was observed that, newspaper advertisements were more promoting product features than magazine advertisements. Reason for this trend can be attributed to the nature of classified advertisements in Indian dailies. Even though most of the Indian dailies are national they are published regionally which provides better opportunity for advertisers to select the target audience and promote the specific features attractive to regional customers.

In the initial iterations Delphi experts identified a wide range of product features. Few experts expressed their view that features like antilock braking system, electronic brake, pre crash system, reverse backup sensors etc need not be listed as separate features but can be listed under one umbrella feature called as driver assistance systems. Incorporating this suggestion based on first iteration data researchers made a detail list of product features and a separate additional list of sub product features. Detail summary of this list is given in table-3 and 3a.

Table 3: Product Benefits offered in Advertisements

Product Features	
Advance control	High class upholsteries
Advanced brakes	High mileage
Advanced interior lamps*	In car entertainment features*
Advanced transmission	Insurance
Aerodynamic efficiency	Interior design
Alloy wheels	Key and lock features*
Battery and other power savers	Lighting system*
Better functioning wheels	Low operation and maintenance cost
Better interior space*	Maintaining engineering standards
Better power	Maintaining pollution control standard
Better road handling	Mirror features*

Better road side assistance	Parking comfort
Burglar alarm	Pillar styling stripes
Child lock system	Pockets, bags, and storage facilities*
Chrome radiator grille	Price details
Colour design*	Quality of interior parts
Colour quality	Quality of spare parts
Crashworthy systems*	Quality of tyres
Customized accessories	Resale value
Deluxe floor and carpet	Roof rails
Discount benefits and additional offers	Sculpted side panels
Display and control features*	Seating capacity
Door and window features*	Sitting comfort*
Driver assistance systems*	Sloping roofline
Driver warning system*	Special edition offers
Driving comfort*	Steel quality
Engine quality	Technological advantages
Exterior design	Traveling comfort
Finance and loan benefits	Tubeless radial tyres
Fuel tank features	Warranty
Full wheel covers	Wind screen and shield *
Graphic design	Wiper and defogger features*
Heating, ventilation, and air conditioning systems	

Source: Primary data, Additional lists of Star (*) marked features are given in table 3a.

Table 3a: Additional List of Product Benefits under Star (*) Marked Benefits given in Table 3

Product Features		
Advanced interior lamps	Service scheduler reminder	Remote key less entry
Luggage lamps	Tilt steering	Lighting system
Reading lamps	Trip meter	Fog lamps
Room lamps (boot and central)	Door and window features	Headlamps
Better interior space	Auto locking of doors	Signal indicators
Boot Space	Central locking of doors	Warning indicators
Leg Space	Power windows	Mirror features
Sitting space	Sun roofs	Internally adjustable OSRVMs
Colour design	Wide opening doors	Day and night rear view mirror
Attractive body colours	Driver assistance systems	Pockets, bags, and storage features
Attractive bumper colour	Antilock Braking System	Bottle holders
Body colored side door handles	Cornering Brake Control systems	Cup holders
Body colored tailgate handle	Electronic Brake	Front passenger under sit tray
Body colored waistline molding	Electronic Stability Controller	Glove box

Dual tone dash board	Emergency brake assist systems	Map pockets
Crashworthy systems	Lane departure warning systems	Parcel trays
Seatbelts	Pre crash system	Pen, card and coin holder
Airbags	Reverse backup sensors,	Seat back and seat side pockets
Energy absorbing body structures	Tire pressure monitoring	Seat split and foldings
Fire prevention system	Driver warning system	Sun glass holders
Side beam, intrusion beams	Warning for driver door open	Sitting comfort
Display and control features	Warning for seat belt not fastened	Ergonomically designed seats
Odometer	Driving comfort	Comfortable arm rests
Advanced clutch system	Ground clearance	Comfortable foot rests
Advanced gear shift mechanisms	Low turning radius	Comfortable head rests
Advanced horn system	Spoilers and air dams	Driver seat adjust
Digital tachometer	Wheel base	Tallest cabin height
Digital temperature bar graph	Wider viewing area	Wind screen and shield features
Distance to empty indicator	In car entertainment features	Laminated glazed windscreen
Door open indicator	Audio system	Laminated windshields
Low fuel warning lamp	Bluetooth connectivity	Large day-light opening
Manual transmission shift indicator	Mp3 & FM player	Wiper and defogger features
Mileage indicator	Steering mount audio	Anti drip wiping
Power steering	USB port	Front and rear defogger
Programmable speed limit buffer	Key and lock features	Intermittent wiper
Remote tailgate release	Desmodronic foldable key	Rear wash / wipe
Reverse parking sensor	Immobilizer with rolling codes	
Seat belt warning light	Remote embedded key	

Source: Primary data

Experts in general observed that there exists only marginal difference between the sample brands in their product offerings. Among the product benefits, high mileage, better power, low price, stylish interior, exterior and colour design, better interior space, sitting, traveling, and driving comfort, safety features, low emission and claim of maintaining pollution control standards were the most common focal benefits offered by most of the brands.

Better mileage was an omnipresent feature in most of the advertisements across media (except Fiat and few Hyundai car advertisements). Stylish exterior and colour design was another most popular promotion across advertisements in all media. Economy features like discount benefits and additional offers etc were mostly found promoted through news paper advertisements where it is possible to communicate customers regionally. Better power is an important feature promoted comparatively more in magazine and television advertisements.

Through television advertisements, more effective message transmission is possible by making use of advanced human sensory modalities like three-dimensional visual and auditory modalities and hence it is a more effective media to make the audience feel the feeling of power. Magazines are meant to give fragmented coverage of an area. It typically concentrates on the most interesting and glamorous parts of a topic. Hence it's an opportune time to promote the most interesting and glamorous aspect of a car that is power.

Better interior space is another major feature promoted by few advertisements as their most important feature. A Delphi expert critically opinioned that these advertisements may not be targeting the first time buyers but most probably targeting a second time buyer planning to change their car for better interior space. According to him few highly successful yesteryear car brands have serious interior space problems. Better traveling and sitting comfort are also promoted in few

advertisements with importance. In India car is mostly considered as an extended family vehicle where people enjoy family outing.

Safety features like Antilock Braking System, airbags, reverse backup sensors etc also emerged as one of the major feature types promoted mostly through news paper and web advertisements, but it was observed that even though it is advertised generally in the brands advertisements, most of the high end safety features are optional which is available only in the top model of the brand.

Claims of low emission and maintaining pollution control standards like green oil filter, better fuel combustion, raw material recycling, etc were found mostly in news paper, web and magazine advertisements. According to the observation

of experts low emission eco friendliness was not promoted in any of the sample advertisements as their core feature but as features to increase attractiveness of the brands.

Advertising is a form of communication. In a sense, it is a message to a consumer about a product. It provides information and some times a bit of entertainment and tries to create a response called as sale. According to Wells et al. (2007) effective advertisement creates six types of consumer responses i.e. perceive, understand, feel connect, believe and act. The ability to draw attention and create a response is a tough task in which most of the advertisers work hard. The way message is presented is crucial in this process; hence present study examined this issue in detail. The details of the analysis are presented in table- 4.

Table 4: Various Presentation Styles used by Car Advertisements

Presentation Styles
Direct presentation depicting various product features
Emotional presentations using humor
Emotional presentations using love and related emotions
Emotional presentations creating surprise
Presentation claiming research evidence
Presentation showing best selling awards and quality certificates
Presentation using comparison with competitive brands
Presentation through celebrity endorsement
Presentation using demonstration
Presentation using testimonials
Symbolic presentation using dramatized problem and solution method
Symbolic presentation using imaginary and fantasy oriented stories

Source: Primary data

Delphi experts observed a difference in the way of presentation across various mass media. Among different media news paper advertisement was found to be more direct, trying to persuade customers by showing those core features that can be classified as unique selling point. Presentations using celebrities, testimonials, comparison of the brand features with other brands, presentations using demonstration i.e. inviting the customers for a test drive, persuading the customers to buy the product before the price hike etc were

some of the common strategies used by most of the advertisements.

Advertisements in magazines were more catchy and attractive. According to the Delphi experts the way magazines are read is comparatively different from newspapers. Other than few serious readers most of the times magazines are read as a time pass in their break hours, free times or in most cases at a waiting lounge, hence most of the magazine advertisements

were stylish and intended to develop a brand image. Presentation through celebrity endorsement, presentations using emotional and interpersonal relationships aspects, presentation using testimonials and awards etc were the most common presentation styles among brands.

Presentation styles in web advertisements were more direct and logical in nature, where the orientation is to present the finest details along with promoting their unique features. Few Delphi experts opined that customers normally refer the website and e brochures only after they have taken the decision to buy a car, but confused a bit on which brand to buy. The objective here is to hold the attraction of the customer to their brands more than the competitor brand. To accomplish this most of the advertisements were direct in presentation. Almost all brochures contain list of specific product features. Projection of their brand by quoting research evidence, best selling awards, quality certificates, testimonials etc were present in few.

According to the analysis television advertisements deviated more with other type of advertisements in presentation styles. Since information is communicated through more sensory channels in television more than any other media its scope of persuasion is more. Television advertisements were found to be using more emotional and interpersonal relationships oriented presentations. Symbolic presentation were also popular among TV advertisements were the persuasion message is communicated more often through dramatized problem and solution method, imaginary and fantasy oriented stories etc. Among the sample TV advertisements few direct presentations were also present.

Advertisements without emotions are like life without color. Even the most rational advertisements blend marginal emotions in their presentation. In a minimal level they communicate to the customers that if you buy this product you will get delight (joy as consequential emotion), if not buying now you are going to miss a golden opportunity (sadness as a consequential emotion). Emotions are used in advertisements to sell the product i.e. to encourage customers to act in a favorable way. Because of a particular emotion viewers may form likeness towards an advertisement but it may not guarantee a purchase. Effectiveness of an advertisement is counted in terms of the sales volume it creates and it is highly linked with skilled usage of proper emotions in proper intensity. Keeping this in mind the first Delphi iteration of present study also involved analyzing emotional strategies of Indian hatchback car advertisements. The process of analysis involved rating of emotions (based on Parrot's classification of emotions) present in sample advertisements by Delphi experts in a five point scale. The ratings of each advertisement under each media category by all the raters were tabulated and in order to know the difference in distribution of different emotions across various media the ratings were subjected to non parametric statistical analysis using Friedman Test. Details of this analysis are given in tables – 5 to 13.

Table-5 presents the results of Friedman test done on rating of presence of love related emotions in selected advertisements across different types of media by Delphi experts. According to the results there exists a high level of difference (Chi Square value of 25.07 significant at 0.01 level) in usage of love related emotions in advertisements across different media. The results indicate that television advertisements (Mean=3.66 with an SD of 0.89) and magazine advertisements (Mean=3.20 with an SD of 1.32) contains more love emotions compared to

**Table 5: Results of Friedman Test Done on Rating of Presence of Love Related Emotions in Selected Advertisements across Different Types of Media by Delphi Experts
(N (Number of Raters) = 15, Degrees of Freedom=3)**

Type of Media	Mean	SD	Mean Rank	Chi - Square
News Paper	1.60	0.73	1.57	25.07**
Magazine	3.20	1.32	3.13	
Web	1.80	1.01	1.87	
Television	3.66	0.89	3.43	

** - Significant at 0.01 level, Source: Primary data

Table 6: Results of Friedman Test Done on Rating of Presence of Joy Related Emotions in Selected Advertisements across Different Types of Media by Delphi Experts
(N (Number of Raters) = 15, Degrees of Freedom=3)

Type of Media	Mean	SD	Mean Rank	Chi - Square
News Paper	2.80	1.14	1.63	11.20**
Magazine	3.80	1.20	2.77	
Web	4.00	1.69	2.93	
Television	3.53	1.06	2.67	

** - Significant at 0.01 level, Source: Primary data

newspaper (Mean=1.60 with an SD of 0.73) and web advertisements (Mean=1.80 with an SD of 1.01).

Table - 6 reveals the results of Friedman test done on rating of presence of joy related emotions in selected advertisements across different types of media by Delphi experts. From the results it is clear that even though joy emotion is highly present in all types of advertisement a significant difference (Chi Square value of 11.20 significant at 0.01 level) is prevalent in the usage of joy related emotions across media. Web advertisements were rated to have more using joy related emotions (Mean= 4.00 with an SD of 1.69) followed by magazine (Mean= 3.80 with an SD of 1.20), television (Mean= 3.53 with an SD of 1.06) and newspaper advertisements (Mean= 2.80 with an SD of 1.14).

Table - 7 reveals the results of Friedman test done on rating of presence of surprise related emotions in selected advertisements across different types of media by Delphi experts. The results reveal that surprise is the lesser used emotion in advertisements when compared to other two

positive emotions but like the other two positive emotions the usage of surprise as an emotional strategy differs significantly across media (Chi Square value of 26.51 significant at 0.01 level). Magazine advertisements were found to have more using surprise emotion (Mean= 3.00 with an SD of 1.06) followed by television (Mean= 2.73 with an SD of 1.09), web (Mean=1.53 with an SD of 0.74) and newspaper advertisements ((Mean= 1.13 with an SD of 0.35).

Table - 8 reveals the results of Friedman test done on rating of presence of sadness related emotions in selected advertisements across different types of media by Delphi experts. According to the analysis usage of sadness related emotion is very less present in all the types of advertisements, but the results also revealed that there exists a significant difference between different media in the usage of sadness as an emotional strategy (Chi Square value of 12.80 significant at 0.01 level). News Paper advertisements are found to be using more sadness related emotions (Mean = 1.86 with an SD of 0.91) followed by television (Mean = 1.20 with an SD

Table 7: Results of Friedman Test Done on Rating of Presence of Surprise Related Emotions in Selected Advertisements across Different Types of Media by Delphi Experts
(N (Number of Raters) = 15, Degrees of Freedom=3)

Type of Media	Mean	SD	Mean Rank	Chi - Square
News Paper	1.13	0.35	1.50	26.51**
Magazine	3.00	1.06	3.33	
Web	1.53	0.74	1.93	
Television	2.73	1.09	3.23	

** - Significant at 0.01 level, Source: Primary data

Table 8: Results of Friedman Test Done on Rating of Presence of Sadness Related Emotions in Selected Advertisements across Different Types of Media by Delphi Experts
(N (Number of Raters) = 15, Degrees of Freedom=3)

Type of Media	Mean	SD	Mean Rank	Chi - Square
News Paper	1.26	0.45	2.40	12.80**
Magazine	1.33	0.48	2.53	
Web	1.00	0.00	1.90	
Television	1.73	0.70	3.17	

** - Significant at 0.01 level, Source: Primary data

Table 9: Results of Friedman Test Done on Rating of Presence of Fear Related Emotions in Selected Advertisements across Different Types of Media by Delphi Experts
(N (Number of Raters) = 15, Degrees of Freedom=3)

Type of Media	Mean	SD	Mean Rank	Chi - Square
News Paper	1.86	0.91	3.27	15.00**
Magazine	1.13	0.35	2.30	
Web	1.00	0.00	2.03	
Television	1.20	0.41	2.40	

** - Significant at 0.01 level, Source: Primary data

Table 10: Results of Friedman Test Done on Rating of Presence of Different Emotions in Selected Newspaper Advertisements by Delphi Experts
(N (Number of Raters) = 15, Degrees of Freedom=4)

Type of Emotion	Mean	SD	Mean Rank	Chi - Square
Love	1.60	0.73	2.93	23.98**
Joy	2.80	1.14	4.27	
Surprise	1.13	0.35	2.03	
Sadness	1.26	0.45	2.47	
Fear	1.86	0.91	3.30	

** -Significant at 0.01 level, Source: Primary data

of 0.41), and magazine (Mean= 1.13 with an SD of 0.35). Web advertisement was found to have using almost no sadness related emotion (Mean =1.00 with an SD of 0).

Table - 9 reveals the results of Friedman test done on rating of presence of fear related emotions in selected advertisements

across different types of media by Delphi experts. Fear as an emotional strategy in the present context according to the observation of Delphi experts, is present in the form making the customer afraid of possible price hike and persuading them to make an early purchase. The results reveal that fear is a less used appealing strategy and is used differently (Chi

Square value of 15.00 significant at 0.01 level) across different media. News paper advertisements are found to have using more fear strategy (Mean=1.86 with an SD of 0.91) when compared to television (Mean= 1.20 with an SD of 0.41), magazine (Mean=1.13 with an SD of 0.35) and web (Mean= 1 with an SD of 0).

Detail analysis of the Delphi experts rating also revealed the extent of emotions present in different types of media advertisements. Analysis of the Friedman test results exhibited in table-10, evidently pointed out a significant difference in the usage of different emotions in news paper advertisements (Chi Square value of 23.98 significant at 0.01 level). According to the results joy was found the foremost emotion present in newspaper advertisements (Mean=2.80 with an SD of 1.14), followed by fear (Mean=1.86 with an SD of 0.91), love (Mean= 1.60 with an SD of 0.73), sadness (Mean=1.26 with an SD of 0.45) and surprise (Mean=1.13 with an SD of 0.35).

Table-11 reveals the results of Friedman test done on rating of presence of different emotions in selected magazine advertisements by Delphi experts. This result also markedly pointed out the differences in the usage of different emotions by magazine advertisements (Chi Square value of 40.41 significant at 0.01 level). According to the results joy was the key emotion present in (Mean=3.80 with an SD of 1.20) magazine advertisements followed by love (Mean= 3.20 with an SD of 1.32) and surprise (Mean =3.00 with an SD of 1.06). Results also revealed that mild presence of sadness (Mean=1.33 with an SD of 0.48) and fear (Mean=1.13 with an SD of 0.35) in magazine advertisements.

Table-12 reveals the results of Friedman test done on rating of presence of different emotions in selected web advertisements. This result also markedly pointed out the differences in the usage of different emotions by magazine advertisements (Chi Square value of 43.20 significant at 0.01

Table 11: Results of Friedman Test Done on Rating of Presence of Different Emotions in Selected Magazine Advertisements by Delphi Experts (N (Number of Raters) = 15, Degrees of Freedom=4)

Type of Emotion	Mean	SD	Mean Rank	Chi - Square
Love	3.20	1.32	3.83	40.41**
Joy	3.80	1.20	4.30	
Surprise	3.00	1.06	3.47	
Sadness	1.33	0.48	1.90	
Fear	1.13	0.35	1.50	

** -Significant at 0.01 level, Source: Primary data

Table 12: Results of Friedman Test Done on Rating of Presence of Different Emotions in Selected Web Advertisements by Delphi Experts (N (Number of Raters) = 15, Degrees of Freedom=4)

Type of Emotion	Mean	SD	Mean Rank	Chi - Square
Love	1.80	1.01	3.23	43.20**
Joy	4.00	1.06	4.80	
Surprise	1.53	0.74	2.83	
Sadness	1.00	0.00	2.07	
Fear	1.00	0.00	2.07	

** -Significant at 0.01 level, Source: Primary data

Table 13: Results of Friedman Test Done on Rating of Presence of Different Emotions in Selected Television Advertisements by Delphi Experts

(N (Number of Raters) = 15, Degrees of Freedom=4)

Type of Emotion	Mean	SD	Mean Rank	Chi - Square
Love	3.66	0.89	4.17	39.91**
Joy	3.53	1.06	4.17	
Surprise	2.73	1.09	3.10	
Sadness	1.73	0.70	2.17	
Fear	1.20	0.41	1.40	

** -Significant at 0.01 level, Source: Primary data

level). According to the results in magazine advertisements also joy was the prominent emotion (Mean = 4.00 with an SD of 1.06). In web advertisements the difference in the usage of joy and other emotions were markedly different. The results reveal that presence of other emotions - positive emotions (love mean rating =1.80 with an SD of 1.01, surprise mean rating =1.53 with an SD of 0.74) in web advertisements is very minimal. The rating of both the negative emotions was found to be the least (both mean = 1 with an SD of 0).

Table - 13 reveals the results of Friedman test done on rating of presence of different emotions in selected television advertisements. This result also distinctly pointed out the differences in the usage of different emotions by television advertisements (Chi Square value of 39.91 significant at 0.01 level). In television advertisements love was found to be the foremost emotion (Mean = 3.66 with an SD of 0.89) followed by joy (Mean = 3.53 with an SD of 1.06) and surprise (Mean = 2.73 with an SD of 1.09). Both negative emotions (Mean rating of sadness =1.73 with an SD of 0.70 and mean rating of fear = 1.20 with an SD of 0.41) were found to be very less present in television advertisements.

The second and third Delphi iterations of the study aimed at developing a theoretical classificatory model of product benefits offered by Indian hatchback car brands and the presentation styles adopted by these brands in their advertisements. In the second iteration the list of identified product benefits and presentation styles were distributed to the Delphi experts with instructions to code the data in a meaningful order and the data were collected back and scrutinized. The scrutinized data was once more sent to the

experts in the third iteration to sort out the differences and come to a common consensus. Based on this feedback classification of rational and presentation strategies adopted by Indian hatchback advertisements were developed. Details of the model are depicted in figure-1 and 2.

The model incorporates five types of product benefits i.e. performance features, aesthetic features, ergonomic features, safety features and quality features. Performance features consist of those product benefits offered by different car brands which directly contribute to the smooth performance of the car like engine power, advance control, better road handling etc. Aesthetic features are those features of the car which directly contributes to the beauty and style of the car like exterior design, colour design etc. Ergonomic features are those features that optimize well-being while traveling, by facilitating better control and comfort like, better interior space, sitting comfort, driving comfort, control and display systems etc. Economic features are those features that try to satisfy buyers through financial and cost saving benefits. Safety features consist of those features that ensure safety of the vehicle and passengers like, antilock braking system, immobilizers etc. Quality features include those assurances in the advertisements that ensure quality such as high quality steel, technological advancements etc.

The model developed on presentation style includes four major styles i.e. direct presentation, symbolic presentation, logical presentation and emotional presentation. Direct presentations consist of presenting product information directly to the consumers like listing out the features or showing directly how the car functions. Symbolic Presentation

Figure 1: Classificatory Model of Product Benefits Offered by Indian Hatch Back Car Brands

(Source: Primary Data)

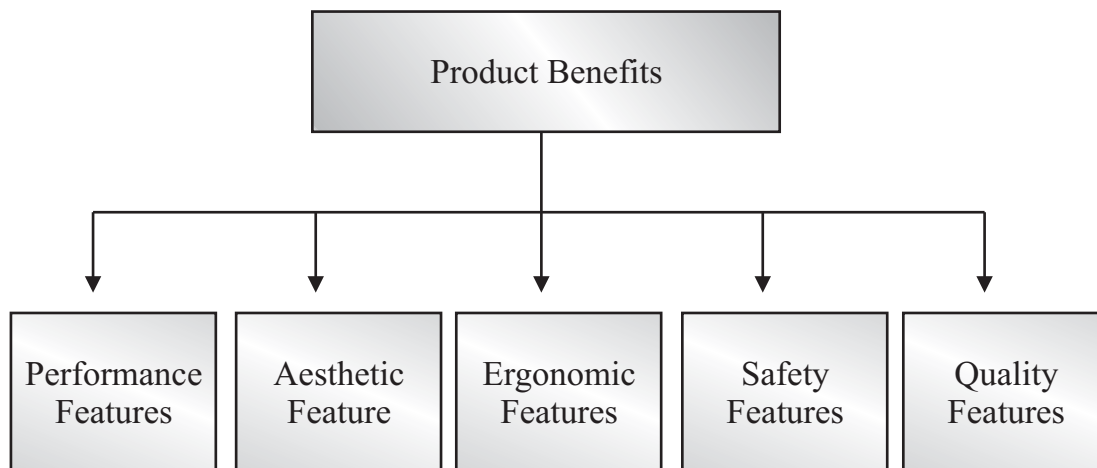
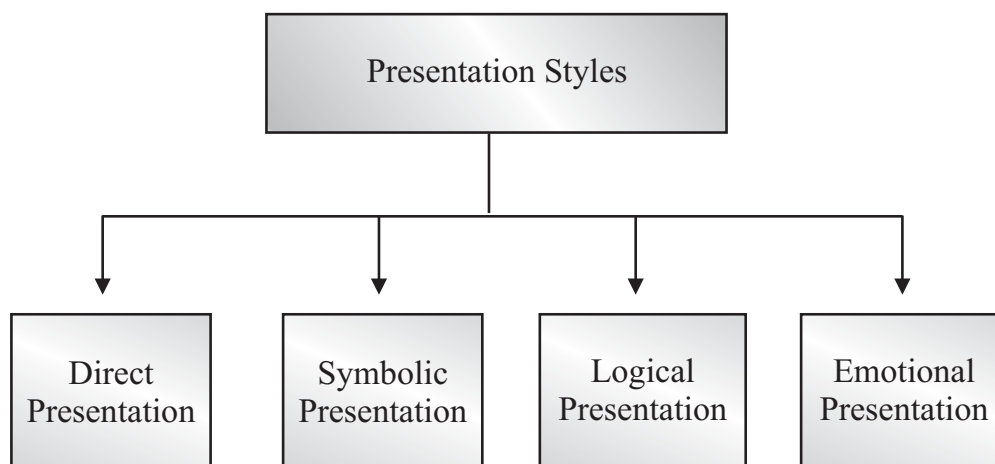


Figure 2: Classificatory Model of Types of Presentation Styles Adopted by Indian Hatchback Car Advertisements

(Source: Primary Data)



consist of presenting information in a symbolic way through stories, fancies etc. Logical presentation consist of trying to persuade the consumers by conveying the benefits in a logical way like demonstration, testimonials etc. Emotional presentation involves presentation charged with emotional content.

In the fourth and fifth iteration each Delphi experts grouped each product features and presentation styles identified in the first iteration into different classificatory groups of the

model. Detail list of those product benefits offered by different car brands which directly contribute to the smooth performance features classified by Delphi experts as performance features in the final iteration are given in table-14. Detail list of those features of the car which directly contributes to the beauty and style of the car classified as aesthetic features by Delphi experts in the final iteration are given in table-15. Detail list of features that optimize well-being of the travelers while traveling classified as safety features by Delphi experts in the final iteration are given in

Table 14: Product Benefits Classified as Performance Features

Performance Features
Advance Control
Advanced Brakes
Advanced Transmission
Better Functioning Wheels
Better Power
Better Road Handling
Better Road Side Assistance
Fuel Tank Features
Lighting System
Tubeless Radial Tyres
Wiper And Defogger Features

Source: Primary data

Table 15: Product Benefits Classified as Aesthetics Features

Aesthetic Features
Alloy Wheels
Chrome Radiator Grille
Colour Design
Deluxe Floor And Carpet
Exterior Design
Full Wheel Covers
Graphic Design
High Class Upholsteries
Interior Design
Pillar Styling Stripes
Roof Rails
Sculpted Side Panels
Sloping Roofline

Source: Primary Data

Table 16: Product Benefits Classified as Ergonomic Features

Ergonomic Features
Advanced Interior Lamps
Better Interior Space
Customized Accessories
Display And Control Features
Door And Window Features
Driving Comfort
Heating, Ventilation, And Air Conditioning Systems
In Car Entertainment Features
Mirror Features
Parking Comfort
Pockets, Bags, And Storage Facilities
Seating Capacity
Sitting Comfort
Traveling Comfort
Wind Screen And Wind Shield Features

Source: Primary Data

Table 17: Product Benefits Classified as Economic Features

Economic Features
Battery And Other Power Savers
Discount Benefits And Additional Offers
Finance And Loan Benefits
High Mileage
Insurance
Low Operation And Maintenance Cost
Price Details
Resale Value
Special Edition Offers
Warranty

Source: Primary Data

Table 18: Product Benefits Classified as Safety Features

Safety Features
Driver Assistance Systems
Burglar Alarm
Child Lock System
Crashworthy Systems
Driver Warning System
Key And Lock Features

Source: Primary Data

Table 19: Product Benefits Classified as Quality Features

Quality Features
Aerodynamic Efficiency
Colour Quality
Engine Quality
Maintaining Engineering Standards
Maintaining Pollution Control Standard
Quality of Interior Parts
Quality of Spare Parts
Quality of Tyres
Steel Quality
Technological Advancements

Source: Primary Data

Table 20: Presentation Styles Classified Under Different Models

Presentation Styles	
Direct Presentation	Logical Presentation
Direct Presentations Depicting Performance Features	Presentation Claiming Research Evidence
Direct Presentations Depicting Aesthetics Features	Presentation Showing Best Selling Awards And Quality Certificates
Direct Presentations Depicting Ergonomic Features	Presentation Through Celebrity Endorsement
Direct Presentations Depicting Economic Features	Presentation Using Demonstration
Direct Presentations Depicting Safety Features	Presentation Using Testimonials
Direct Presentations Depicting Quality Features	Presentation Using Comparison With Competitive Brands
Symbolic Presentation	Emotional Presentation
Presentation Using Dramatized Problem And Solution Method	Emotional Presentations Using Humor
Presentation Using Imaginary And Fantasy Oriented Stories	Emotional Presentations Using Love And Related Emotions
	Emotional Presentations Creating Surprise
	Emotional Presentations Using Fear Factor

Source: Primary Data

table-16. Detail list of those features that try to satisfy buyers through financial and cost saving benefits classified as quality features by Delphi experts are given in table-17. Detail list of those features that ensure safety of the vehicle and passengers classified as safety features by Delphi in

the final iteration are given in table-18. Detail list of those assurances in the advertisements that ensure quality classified as quality features by Delphi experts in the final iteration are given in table-19. Table-20 presents the Detail list of the presentation styles classified under different presentation categories by Delphi experts in the final iteration.

Conclusion

Indian auto industry particularly entry level hatchback segment is growing in a high pace and there exists a tough competitions between brands. In Indian minds car is something more than a machine to travel with comfort. Advertisements are used as a strong medium by marketers for communicating vital product information to the customers and persuading them to do the purchase. The purpose of the study is to analyze, identify and classify specific advertisement appeals used by major Indian hatchback entry level car companies by using the methodology of content analysis. Appeal was differentiated into rational appeal and emotional appeal. Rational appeal was conceptualized as those advertisement messages offering different product benefits and emotional appeal was conceptualized as the attempt of advertisements to stir up either negative or positive emotions in customers to motivate purchase. A systematic analysis of selected advertisements using Delphi technique identified the major product benefits and presentation styles adopted by the advertisements and developed a theoretical classificatory model. The study also analyzed the emotional strategies adopted by these advertisements and concluded that Indian hatchback advertisements significantly differ across media in the usage of various emotions.

Future Research Direction

Taking a decision to buy a car is a complex buying behaviour and is an interesting area for academic research. Present study is an effort to identify different appealing strategies practised by the Indian hatchback car advertisements to market their brands. In the advertisement effectiveness research area the effectiveness of an advertisement is measured from the point of view of buyers. An effective advertisement is an advertisement that persuades and motivates customers to buy. Consumers are different in respect of their physiological, psychological and social make up. One strategy that works with one group of customers may not work with another group of customers. For e.g. Krugman (1972) did an extensive study on the hemispheric differences in the processing of advertisements and concluded that left brain is needed more to read a press advertisement but we see television commercials with right brain. His another hypothesis is that "feeling" advertisement gets stored in the right brain, while "thinking" advertisements are processed in the left brain. From this hypothesis we can derive another hypothesis that consumers based on their cerebral hemispheric dominance differ in processing advertisement messages. The present

classificatory system that defines clearly the advertisement appeals and the presentation styles adopted by Indian hatchback car advertisements noticeably helps future researchers interested to find out any processing differences (like physiological, psychological or social) between consumer groups.

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Dynamic Capabilities: Fostering Ambidexterity

Swarup Kumar Dutta

Abstract

Building ambidexterity has become imperative for organizations ready to face challenges in the unsure business environment, making them adaptable, innovative and proactive to situations, and yet successful. This three dimensional formula looks simple, but it is difficult to carry out. Research has revealed that most successful enterprises are adept at refining their current offerings, but they falter when it comes to pioneering radically new products and services. This calls for organizations to develop both exploitation and exploration skills at the same time. How do great organizations balance the two contrasting managerial demands, how do they go about harnessing capability in a dynamic world? What are the challenges that face established organizations in achieving breakthroughs when they attempt to pursue innovations that lie beyond their current products or markets? The paper attempts to find some answers to the above questions by understanding how dynamic capabilities can be built to foster ambidexterity in organizations.

Key words:

Ambidexterity, Exploitation, Exploration, Dynamic Capabilities.



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International Business Machines [IBM] during a 20 year period beginning late 1980s has gone from success to failure to success; from a technology company to a broad-based solutions provider to, perhaps an exemplar of the new world order of open-systems and on-demand capabilities. Unlike other great technical companies such as Xerox, Philips and Polaroid that failed to capture the benefits of their innovation, IBM has been able to leverage their intellectual capital into businesses as diverse as life sciences, automotive and banking and make healthy profits along the way.

How did this happen? It is an illustration about how a distinct dynamic capability is made real and used to help the company succeed in mature businesses, such as mainframe computers, as well as move into new ones, such as digital media. It is a lesson in how theory and practice combine to develop new insights that are useful for business and generate new thinking about strategy execution (Harrell, et.al, 2007) by promoting entrepreneurship in a

different way within the organization through exploitation and exploration. As such what are the challenges that face established organizations in achieving breakthroughs when they attempt to pursue innovations that lie beyond their current products or markets? What type of capabilities do they use to get the best results? The paper attempts to find some answers to the above questions.

Defining Ambidexterity

Researches in structural ambidexterity (Tushman and O'Reilly, 1996) found that companies that have actually been quite successful at both exploiting the present and exploring the future share important characteristics. These companies have found a way to maintain organization separation of their traditional businesses and their new exploratory new ventures. This separation could be exhibited if one looks at the structure, processes, systems and culture in both the traditional and new ventures. But the separation at the levels mentioned is backed by a strong link at the senior level across all units of the organization. Thus the organization manages to balance the tension of separation across units but also tight integration at the senior executive level thereby exhibiting ambidextrous characteristics.

Research Methodology

Evidence suggests that ambidexterity has a critical impact for organizations that believe in promoting dynamic capabilities for sustainable growth. Twenty blue chip organizations that had apparently exhibited multiple capabilities were initially studied through secondary research through detailed case studies, media reports, business dailies etc.

Based on the studies of the companies subgroupings were made in terms of how organizations handle the following issues in the organizations:

- a) Organizational separation vs. Organizational integration
- b) Characteristics of exploitation vs. Exploration
- c) promotion of varying subcultures
- d) Organizational architecture in promoting entrepreneurship
- e) multiple cultures within the same organization
- f) sensing and seizing opportunities
- g) Companies able to take big bets on future businesses
- h) how leveraging of existing competencies were used to build future businesses by reconfiguring the

organization i) capabilities to compete in mature and emerging markets j) exhibit renewal characteristics.

It was found that many organizations (about 15) did not fare well enough in terms of tangible ways of addressing the above ten eight issues and hence were not taken up for further study. The remaining five organizations were found to fare fairly well in each of the eight issues to exemplify promotion of dynamic capabilities. The illustrations drawn up include companies like *Johnson & Johnson* (consumer products / pharmaceuticals), *ABB* (electrical goods industry), *Larsen and Toubro* (construction and heavy engineering), *Marico Limited* (FMCG) & *IBM* (technological solutions). Each of these has been able to compete in mature and in emerging markets and each of them has exhibited major forms of ambidextrous characteristics.

Further on the aspect of Dynamic capabilities, detailed study was made of IBM from which insights have been put up.

Literature Review

Today, no firm can confidently predict that it will not face dramatic shifts in its external environment. The pace of globalization and technological change, for example, places significant pressure on companies to adapt. Because major transformations can pose great difficulties due to the extent of change required, companies may instead seek to continuously renew themselves in incremental ways in the hope of keeping pace with, and even leading, external environmental changes. This is an important lesson of research on ambidexterity (Tushman and O'Reilly 2004, O'Reilly and Tushman 2008), which focuses on ways in which firms can build mature businesses. In this sense promoting ambidexterity through exploitation and exploration of dynamic capabilities is one solution to the problems posed by major transformations (Agarwal and Helfat, 2009).

From "Five Forces" to "Dynamic capabilities" The Evolution of Strategic thinking

First there is the well-known competitive forces framework of Michael Porter in which competitive advantage comes from the actions taken by a firm to create defensible positions against competitors - for example by erecting

strong barriers to entry (Porter, 1980). In the second framework, the resource based view of strategy; competitive advantage comes from difficult-to-imitate firm-specific assets for example, economies of scale or a dominant brand (Teece, 1984). A third distinct theoretical approach to strategy emphasizes a strategic conflict approach, which uses the tools of game theory to suggest how firms can outsmart their rivals (Shapiro, 1989; Burgelman, 2001).

Most recently, strategy approach has begun to emphasize a fourth approach called dynamic capabilities, which builds on the notion of core competencies but focuses on the role of management in building and adapting these competencies to address rapidly changing environments (Teece, 2006, Eisenhardt and Martin, 2000). With dynamic capabilities, sustained competitive advantage comes from the firm's ability to leverage and reconfigure its existing competencies and assets in ways that are valuable to the customer but difficult for other competitors to imitate. Dynamic capabilities help firm's sense opportunities and then seize them by successfully reallocating resources, often by adjusting existing competencies or developing new ones. Unlike earlier strategic frameworks that were largely static, dynamic capabilities explicitly acknowledge that as markets and technologies evolve, firms need to adjust by reallocating assets and learning new skills.

It is the ability to adapt and extend existing competencies that differentiates dynamic capabilities from other strategic frameworks. This ability places a premium on senior management's ability to accomplish two critical tasks. First they must be able to accurately *sense* changes in their competitive environment, including potential shifts in technology, competition, customers and regulation. Second, they must be able to act on these opportunities and threats; to be able to *seize* them by reconfiguring both tangible and intangible assets to meet new challenges (Teece, 2006). These two fundamental capabilities are at the core of a firm's ability to survive and grow over time and represent the essence of dynamic capabilities.

Winners in the global market place have been firms that can demonstrate timely responsiveness and rapid flexible product innovation, coupled with the management capability to effectively coordinate and re-deploy internal and external competencies.

One without the other is insufficient for long term success since the market place is ever changing. If a firm has resources and competencies but lacks these dynamic capabilities, it may make a competitive return in the short-run but is unlikely to sustain this in the face for change. Each of these approaches to strategy attempts to solve the puzzle of how a firm can out-compete its rivals by either developing useful firm-specific skills or positioning itself in ways that customers value and are willing to pay for and that rivals cannot easily imitate. While earlier approaches to strategy were largely static (e.g., develop a positional advantage and protect it), dynamic capabilities call attention to the need for organizations to change overtime and compete in both emerging and mature businesses (Tushman and O'Reilly, 1996).

Exploiting and Exploring

Companies pursue two kinds of innovation- modest incremental innovations and more dramatic breakthrough innovations. The performance of the organizations focused on small innovations in traditional organizations vis-à-vis radical discontinuous innovations have a direct impact on the organization design arrangements and management practices followed in such organizations in building the management model (Foster, 1986). Of these discontinuous transformations tend to receive the most attention in analyses of strategic renewal (Floyd and Lane 2000). Major changes, such as in technology or customer demand, may cause a company to fundamentally alter one or more aspects of its strategy and organization. A firm may also attempt for strategic transformation because its primary market has matured or is declining, causing the firm to seek new avenues of growth. These types of transformations almost by definition involve replacing parts of a company and its strategy, and affect the long-term prospects of the firm. Thus, such transformations entail strategic renewal. (Agarwal and Helfat, 2009). In what has been termed as "competence-destroying change" (Tushman and Anderson 1986) which has undermined entire industries because of environmental changes, it may render the firm to be useless in its current product market, and may pose severe challenges for major transformations. For example, even though Kodak survived the digital camera revolution, the firm had to overcome significant hurdles before it could regain part of its earlier market share (Deutsch 2005). If the firm has little left to renew, it may end up having to

disband as in the case of Konica and Minolta, erstwhile giants in the camera industry (Reuters 2006).

It is understandable that the characteristic of ambidexterity allows organizations to outperform traditional organizations, because of its inherent capabilities of cross fertilization of ideas (O'Reilly and Tushman, 2004). The sheer structure of an ambidextrous organization ensures integration on allocation of resources, talent, expertise, customers, etc. on the lines of a typical traditional organization, but simultaneously the organizational separation allows for the new unit's unique strategies, structures, processes and culture to be nurtured separately and remain insulated from the culture of the traditional organization. This explains why in a traditional organization, the established units can focus their energies in constantly refining their own products and not get overwhelmed that they should be responsible for path breaking innovations, which should be left to the new unit to explore. It is this characteristic of the organization that simultaneously encourages both exploitation and

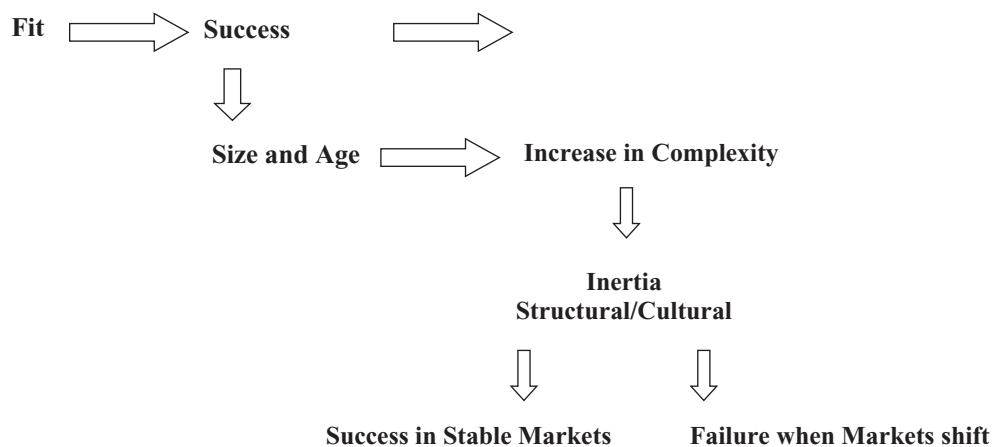
exploration by promoting intrapreneurship that makes them ambidextrous.

How Organizations Evolve

Patterns on how organizations evolve are not unique. Many successful organizations juggle between periods of incremental and transformational changes for most of their history (Hurst, 1995). These discontinuities or disruptions may be driven by technology, competitors, regulatory events, or significant changes in economic and political conditions and could involve either proactive or reactive changes. For example deregulation and changes in government policies in the telecom and airline industries in India led to waves of mergers and failures as firms scrambled to reorient themselves to the new competitive environment. These changes in the environment have shifted the basis by which firms compete in these markets.

Managers need to shift their energies from the success syndrome in which they might get caught unless they are ambidextrous in their thinking (Refer Figure-1).

Figure-1: The Success Syndrome



Source : Developed by the author

Exemplification of Ambidextrous Characteristics

At one level these are firms pursuing similar revolutions, J&J in consumer products, pharmaceuticals, and professional medical products. ABB competes in areas like designing to execution of power plants, electrical equipment,

transportation systems and environmental controls. On the similar theme L&T competes in engineering and construction projects; heavy engineering; construction; electrical and electronics; machinery and industrial products; IT and financial services. Marico has extended its reach from consumer products to consumer services.

J&J has moved from consumer products to pharmaceuticals. The transformation in ABB has been brought about with the merger of Asea and Brown Boveri, wherein from a slow heavy engineering company the company is now a big time player in the electrical and control systems across major parts of the globe. L&T was widely perceived as an unfocussed company with interests in several areas such as cement, tractors and glass, which coexisted, with its core expertise in engineering and construction. In the process of transformation, the company decided to concentrate on high value engineering and infrastructure segments to focus itself on larger scale projects like airport, roads, ports, oil exploration and refineries, aerospace and defence. This signifies a strategic shift from being an engineering and construction services company to becoming a hi-tech, high-end engineering driven conglomerate. Marico has transformed from commoditized business of pure oil products to services focused in beauty and wellness sector like care clinic, healthy food and hair care. It has planned to venture in those areas where it had no synergy with its existing FMCG business.

Exemplification of Dynamic Capabilities

At IBM, after Louis Gerstner took over in 1993, he explained that the reasons for IBM going down in early 1990s were, "People took our business away" (New York Times, 1994). More startling, after reviewing IBM's strategies, he concluded that "the company didn't lack for smart, talented people. Its problems weren't fundamentally technical in nature. It had file drawers full of winning strategies. Yet the company was frozen in place. The fundamental issue in my view is execution. Strategy is execution." What IBM lacked was not the ability to foresee threats and opportunities but the capability to reallocate assets and reconfigure the organization to address them.

Over the next decade, customers would increasingly value companies that could provide solutions - solutions that integrated technology from various suppliers and more importantly, integrated technology into the processes of the enterprise (Gerstner, 2002).

Since 2002, Gerstner's successor as CEO, Sam Palmisano, has continued the transformation of IBM into an "on-demand-business" using advanced computer and software technologies to quicken the flow of knowledge within

companies and help executives respond instantly to changes. This entails offering open architecture, integrated processes, and self-managing systems- selling computing services, not computers (Garr, 1999). This has required a transformation of the company around customer needs. For instance, in a partnership with the U.S. Postal Service, IBM has developed software to optimize mail handling and shipping while with Boeing they have partnered to create technologies for network centric warfare products. Within IBM, this has required that the company reintegrates itself to bring together experts to solve customer problems not simply to sell products or services. The most important element of this transformation, however, was the radical shift in IBM's approach to strategic insight and strategic execution and embodied on how the company approaches strategy. What emerged came to be labeled the "IBM Business Leadership Model." The model encompasses a process of strategic insight designed to systematically identify opportunities and strategic execution designed to seize opportunities by ensuring that every strategic initiative also had an associated plan for execution. In this way, the IBM Business Leadership Model reflects the two fundamental dynamic capabilities of sensing and seizing opportunities.

Organizational Architectures

Promoting Intrapreneurship

J&J has over 150 separate operating companies that constantly scan the environment for new market opportunities. ABB on the other hand has over 5,000 profit centers with the average size of a profit centers capped at 50 people in each. These centers operate like independent small businesses each having the responsibility of a profit center. L&T has its portfolio of businesses spread across twelve operating companies between five and six independent divisions, many JVs with leading MNC's and subsidiaries. On actual scrutiny it would also be an equivalent of more than 100 small companies under its fold. Marico operates its products division and beauty care divisions separately. Marico has 85 Kaya skin clinics around the globe (74 in India and 11 in Middle East). Its foray into the service sector is a major strategic shift from its offerings in branded products. How this was brought about can only be explained if we see in detail how these companies promoted ambidexterity.

However this does mean that the nimble footedness of each of these players comes at the cost of reducing the overall size of the companies in terms of scale and scope. All the four companies manage to retain the benefits of size, especially in marketing and manufacturing. If we observe carefully ABB continuously scans and reevaluates where it sets up worldwide manufacturing sites. Similarly J&J uses its brand power and marketing insights to leverage new products and technologies which can be used for new markets or find new applications. L&T is no exception when it comes to leverage its brand power. L&T is one of the largest and most respected professionally managed groups in India. L&T has a strong brand name as it has built world's largest coal gasifier made in India and exported it to China, the world's biggest EO reactor for petrochemical complex in the Gulf and world's longest conveyor. The group is leveraging its strong brand name to gain competitive advantage for expansion into international markets. In case of Marico the business model is based on focused growth across all its brand and territories driven by constantly improving value propositions to consumers, market expansion and retail reach.

Reward systems are designed to be appropriate to the nature of the business unit and emphasize results based on intrapreneurial abilities and risk taking. Percy Barnevik, the legendary CEO of ABB characterizes this as his 7-3 formula. It is better to make decisions quickly and be right seven out of ten times than waste time trying to find a perfect solution. At J&J similar expression is adhered to as a tolerance for certain types of failures; a tolerance that extends to congratulating managers who takes informed risks, even if they fail. According to the L&T's former CEO Mr. Kulkarni: "Only through empowerment and decentralized decision making can a highly diversified company like L&T be managed."

At Marico the working atmosphere is always open and experimental. The existence of an open environment fosters the exchange of ideas and views across the organization thereby promoting intrapreneurship. Members do not see the need to wait for a forum to express their opinions. Members have space for diversity of opinions and point of views, notwithstanding the person's position in the organization.

At IBM, this business model innovation has led to the company's support of open-source software, putting IBM

intellectual property in the public domain, and the Development of the Engineering and Technical Services business, in which IBM technical experts help other companies design products and services.

What makes these elements so useful at IBM is the emphasis on complementarity- ensuring that they are aligned and work together. If market place insight is done well but the business design is not reflective of this, this strategy is likely to fail. Similarly if the business design is robust but predicted on inadequate market intelligence, failure is also likely. What makes this process unique at IBM is that general managers are charged with being both rigorous in their analysis and consistent in linking this insight to execution.

What is sometimes, overlooked, however is, whenever a strategy is changed, it is almost a case that the existing organizational alignment will also need to be changed. The IBM Business Leadership model forces line managers to be explicit in diagnosing the current versus the needed organizational alignment and to ensure that these changes are made by the top management team as a part of their new strategy. Existing organizational architectures reflect old strategies. Unless management actively realigns their business to reflect the new strategy, execution will suffer.

Taken together, these processes emphasize strategic insight and execution as well as general management leadership responsibility. While many organizations have several of these elements as a part of their strategy process, what is different about the IBM approach is that they have an integrated set of mechanisms to both sense and seize opportunities. This allows the firm to consider trends in markets and technology, to identify issues that are relevant to customers, to examine them in detail, and to reconfigure assets to address them. Once these decisions are made, this allows the new initiatives to be embedded into the disciplined machine that characterizes IBM's more mature businesses.

Multiple Cultures within the same Organization

A common overarching culture is the glue that binds these companies together. The key aspect in each of these firms is the importance given on a strong, widely shared corporate culture to promote company wise integration and to encourage identification and sharing of information and

resources, which is bound to be pulled in different directions unless there are shared values to be adhered to. The culture in each of the organizations promotes and nurtures trust, stretch, discipline and support. Take any of the code of conduct norms - Credo at J&J, ABB's policy bible or code of conduct at Marico - these norms and values provide the glue that keeps these organizations together. The paradox of these conduct norms is that the same companies also have varying sub-cultures for some of its business units.

Thus the management model in each of the organizations promotes both tightness and loosely defined cultures simultaneously which is a mandatory aspect of building ambidexterity. The overarching sense of purpose is supported by supportive leaders who both encourage the culture and know enough to allow appropriate variations to occur across various units.

In IBM the Emerging Business Opportunities (EBO) are an integrated set of processes, incentives and structures designed explicitly to enable IBM to address new business opportunities and drive revenue growth. The EBO process begins with the recognition that mature, well established businesses need to operate differently from new, exploratory ones. To succeed, emerging businesses have different key success factors and different style of leadership and different alignments of people, formal organizations and culture. IBM recognized that the current management system rewarded short-term execution aimed at current markets. Trying to operate new business within a mature one can be exceedingly difficult, with the result that the new business is often killed. Further the company lacked the disciplines for selecting, experimenting, funding and terminating new businesses. This led to the development of a process to identify new growth opportunities and to establish separate new organizations with their own leadership, alignment and funding - all with senior management oversight to ensure that the new businesses get the resources needed to explore the opportunity. Under the new system these are not product upgrades or just technical opportunities; they are business opportunities - ones that can be turned into revenue producing businesses.

The EBO process begins when growth opportunities are identified that require significant cross-organization

integration to be successful. Each EBO is typically characterized by a new value proposition - which may cannibalize existing offerings, involve multiple groups within the company, is in a high growth domain but with offerings that may not be well defined, and requires evangelism to develop successfully. EBO's are rigorously reviewed monthly by a senior sponsor against milestones, a process some leaders equate to "root canals." The combination of a clear discipline for identifying and attacking new opportunities, senior management oversight to protect the new business, and the ability to leverage existing infrastructure allows the company to systematically experiment in new areas, even as the rest of the firm focuses on exploitation. This process drives reallocation and permits the company to reconfigure itself.

Ambidextrous Managers

Managing units that pursue widely different strategies and that have varied structures and cultures is a classic act of jugglery which many a manager is not comfortable confronting with. This is described in ABB as preaching and persuading. Great organizations handle this tension through the relatively long tenure some managers have in these organizations and the continual reinforcement of the embedded supporting systems. A typical way to understand the structure of an ambidextrous organization would be to attempt a structure wherein the project teams are structurally independent units, each having its own processes, structures and cultures, but are integrated into the existing management hierarchy (Refer fig. 2).

Ambidextrous Leadership

Different alignments held cohesively through senior team integration, common shared values and common senior team rewards. The senior level team in organizations should be committed to encourage and promote ambidexterity. Resistance at the top levels of an organization can't be tolerated, which means that a shift to an ambidextrous organization can be a nerve wrenching experience (Refer Table-I for understanding the alignments between exploitation and exploration).

What the transformation of IBM illustrates is that while organizations are often characterized by strong inertial

Fig-2: Structure of an Ambidextrous Organization

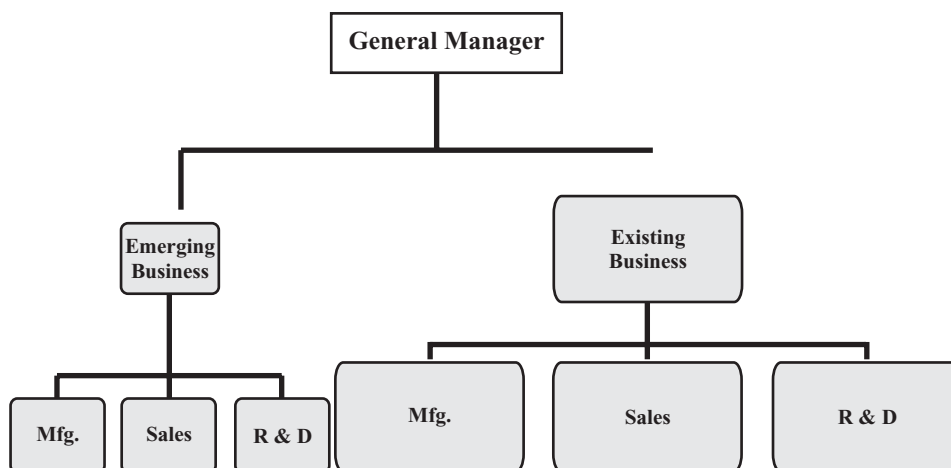


Table 1: Alignments of Exploitation and Exploration

Alignment	Exploitative	Exploratory
Strategic Intent	Cost, profit	Innovations, growth
Critical tasks	Operations, efficiency, incremental innovation	Adaptability, new products, breakthrough innovation
Competencies	operational	Entrepreneurial
Structure	Formal, mechanistic	Adaptive, loose
Controls, Rewards	Margins, productivity	Milestones, growth
Culture	Efficiency, low risk, quality, customers	Risk taking, speed, flexibility, experimentation
Leadership role	Authoritative, top down	Visionary, involved

Source: The Ambidextrous Organization, O'Reilly & Tushman, 2004

forces that limit change, it is by no means impossible. Teece argues this in saying that “genetic engineering is possible with organizations but it is not easy”... The key to sustained profitable growth is the ability to recombine and reconfigure assets and organizational structures as markets and technologies change (Teece, 2006). To accomplish such change, however requires that senior

managers be able to not only sense the changes needed by their firms, but also to be able to seize by allocating resources and reconfiguring the organization to address them. This involves seeing things realistically, being willing to cannibalize existing businesses when necessary, and being ambidextrous or able to manage both mature and emerging businesses.

What to look out for in Organizations to exemplify Ambidextrous Characteristics: Firms need to exhibit the following 10 Characteristics for Ambidexterity as shown below:

Ambidextrous Characteristics
a) Organizational Separation vs. Organizational Integration
b) Characteristics of Exploitation vs. Exploration
c) Promotion of varying subcultures
d) Organizational architecture in promoting intrapreneurship
e) Multiple cultures within the same organization
f) Sensing and seizing opportunities
g) Companies able to take big bets on future businesses
h) How leveraging of existing competencies were used to build future businesses by reconfiguration the organization
i) Capabilities to compete in mature and emerging markets and
j) Exhibition continual renewal characteristics

Source: Developed by the author

How Firms can go about Building Dynamic Capabilities

Firms trying to develop ambidexterity as a characteristic feature to support buildup of dynamic capabilities could

go about building an organization by tracking the following path (Refer Table-II) which explains how firms can move from matured businesses to growth businesses and further on to future businesses.

Table-2

Components	Time Horizon		
	Mature Businesses	Growth Businesses	Future Businesses
Focus	Defend and increase the profitability of existing businesses	Resources to expand and build new businesses	Discover options and place selected bet on emerging opportunities
Outputs	Annual budgets and operating plans	Investments, business plans for growth.	Market insight data, initial project plans
Key Success Factors	Cost, efficiency, customer intimacy, Incremental innovation	Customer acquisition, speed, execution, flexibility	Learning, adaptation, risk taking, business model innovation
Metrics	Profits, margins, cost	Market share growth	Milestones
Organizational Structure	Relatively well defined	Relatively Flexible	Lattice type
Skills of Employees	Generalists	Combination of generalist and specialist	Specialists
Competencies	operational	entrepreneurial	intrapreneurial

Culture	Culture to promote business consolidation	Promoting selected risk taking ability	Advanced Risk taking ability
Role of top Management	Build and sustain core competencies	Leverage core competencies	Building and adapting core competencies to address rapidly changing environment
Roles of Employees	Continue existing businesses with predefined skills	Move with speed in new growth areas by reallocating resources	Sense and seize opportunities and learn new skills by reallocating assets and reconfiguration the firm

Source: Developed by the author

Conclusion

In this regard, a key leadership element is the importance of fit or complementarity among strategy, structure, culture and process. As Michael Porter observed, "Strategic fit among activities is fundamental not only to competitive advantage, but also to the sustainability of competitive advantage. It is harder for a rival to match an array of interlocked activities than it is merely to imitate a particular sales approach, match a process technology, or replicate a set of product features (Porter, 1996). In this sense, dynamic capabilities composed of complementary processes- such as the ability to reallocate and reconfigure assets- form the basis of a difficult-to-imitate competitive advantage.

Dynamic capabilities are not abstract concepts but a concrete set of mechanisms that help managers address the fundamental question of strategy, which is to develop a truly competitive advantage. Interestingly, we are beginning to realize that sustainability is fleeting unless it is aligned with capabilities to continually sense how the market place is changing and seize these changes through dynamic organizational realignment. The aspirations provided by a clear and distinct vision of top management to promote ambidexterity wherein the overarching goal that permits exploitation to exploration to coexist should be stringently driven down across organizations because of strong organizational inertia that exists in every organization. Senior level team in organizations should always be looked upon as enablers of change. The legacies of once successful firms that have fallen on hard times or gone out of business

underscore the fact that success makes organizations arrogant and complacency sets in, and that is precisely the starting point of decline in organizations.

Established companies in matured businesses can revitalize itself through the periodic shift between incremental and breakthrough products and processes, and it is this ability to build new businesses without destroying its traditional businesses, the hall mark of an ambidextrous company. Thus the top managers in ambidextrous organizations should be adept at structuring the organization to combine organizational separation at the business level at the same time integrated at the corporate level. This then offers a path to sustainable growth.

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Re-engineering for Excellence: B-Education

Irshad Nazeer

Abstract

The quality of education system in India, and the process by which it is delivered, especially the higher professional education, are not what is expected of it. This is precisely the reason why so many graduates of our education system fall short of employability potential. The purpose of professional education is to equip the participant to achieve a better insight into issues, that s/he confronts, analyze the situation unfolding, and take effective and ethical decisions to solve problem. This paper will highlight what and how exactly we need to essentially recreate and restructure the blocks that build such an education system and produce effective management professionals.

Key words:

Management Education System, Curriculum Design, Teaching Pedagogies, Assessment Standards, Knowledge Integration, Re-engineering Process.



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The quality of education system in India, and the process by which it is delivered, especially the higher professional education, are not what is expected of it. This is precisely the reason why so many graduates of our education system are found wanting in their employability potential.

The purpose of professional education is to equip the participant to have a better insight into issues, that s/he confronts, analyze the situation unfolding, and take effective and ethical decisions to solve problem. This is possible when a student develops following characteristics as a consequence of his/her exposure to a learning process:

- Self-confidence and self-efficacy that propel him/her to take initiative rather being prodded to action;
- Openness to new ideas and possibilities; and ability to challenge the conventional wisdom;
- Sensitivity towards the socio-economic and natural

environment, and responsiveness towards stakeholders, and;

- Agility of a curious mind that retains a desire for life-long learning

To what extent does our contemporary management education system is able to produce such professionals? Where are we faltering in doing so?

In the opinion of Dr. Irfan Rizvi – Director IILM, the answer to the above, requires a fundamental rethink on our management education system. We need to essentially recreate and restructure the blocks that build such an education system and produce effective professionals.

As a management school, what are these building blocks? Essentially few critical ones amongst these could be:

- a) Our philosophy, vision and mission in terms of a management school;
- b) The character and characteristics of our products, that is graduating students;
- c) Our system of governance that facilitates architecting such a product;
- d) Our curriculum and the teaching-learning process;
- e) The synergies that we would like to build with our external stakeholders; and so on.

Now let us analyze briefly on the import of each of these building blocks, in making our management education more effective and relevant.

Our Philosophy, Vision and Mission

What is the purpose of our school and what will be our approach towards achieving this purpose? In what way do we propose to create value for our students and stakeholder? Where would we like to be as a school in times to come and what kind of image would we like to build for ourselves in the society? Is there any contradiction in as to what we are perceived as and what we actually are? Which constituency do we propose to serve – self, students, our society? What goals and objectives we need to set for ourselves that can help us fulfill our mission? It is critical that business schools find answers to these questions in order to perform effectively.

Unfortunately in India, most of the Schools do not have a clarity in this regard therefore a general drift sets in and most of them operate on year to year basis without any longer time perspective. Such an approach comes in the way for an institution to scale up on the value chain and provide a growth path to its members.

The Product Characteristics

It is essential for an institution to define clearly the kind of product it would like to create. Most of the institutions promise producing global business leaders but end up with graduates who find it difficult getting employment in even local market.

Every institution therefore must be clear fix on the kind of graduates it would like to produce. Would it like to produce graduates for the local or global market; for immediate employment or sustainable employment; graduates for fast-track leadership careers or followers and plodders who gradually move up the corporate ladder. According to the character and characteristics of the graduates that it would like to produce, an institution accordingly needs to design and deliver its curriculum. The end-product visualized would define and determine the process by which it would be churned out.

The System of Governance

One of the building blocks of an institution is the system of governance that prevails there and the players who call the shots in the system. In India the power mostly vests with the owners/promoters or managers of the institution, be it a private institution or a public or government owned institution.

Governance where power is concentrated at the top is vastly different in its approach and the results it produces, from the one where power is diffused, and closer to where the real action is. An effective system of governance shares powers with the intellectual capital of the system, creates conditions for voluntary academic contribution, provides opportunity for teachers' growth, extends academic freedom in measured terms, and this inspires the faculty members towards inspirational teaching. Success of such a teacher-centric system of institutional governance requires the teacher to be mature, intellectually honest, professionally engaged, and open to submitting self to peer-monitoring and

so on. Unless institutional governance extends primacy to the teachers in running the affairs of the system, and accords highest priority to teaching-learning process, no academic system can truly be effective.

Curriculum and Teaching-Learning Process

The management education programmes in India are unique in nature owing to the profile of the students that are admitted to these programmes. Typically a student in Indian management schools is young, without any prior work-experience, and is a product of an undergraduate programme that does not encourage self-learning and independent thinking. S/he is accustomed of reproducing the texts memorized rather than critiquing it for its application efficacy.

Only an inspired and committed faculty member can design and deliver a curriculum that makes a positive difference in the learning of students. In the absence of inspired teachers the best of curriculum will become insipid and vice-versa. An effective curriculum needs to be contextualized, and requires to be in sync with the courses and their contents, and so also with the learning capacity of the students. In these conditions it is imperative that the curriculum is designed and delivered in a manner that best suits the learning capacity of students, teaching ability of faculty members, adequacy of the available infrastructure, skill-set requirement of the employers, and in general the meets the needs of the local environment and other constituencies.

Synergy with External Stakeholders

Management education, and for that matter all Professional education, in order to be successful requires building special relationship with all stakeholders, both internal as well as external. A management school procures all its resources, whether intellectual or material, from the external environment, and is dependent upon the same environment to accept and induct its finished product, the graduating students in the job market.

Therefore it is imperative for a management education institution to communicate carefully to bond well with all its stakeholders, especially the external ones. These external stakeholders have a major role in establishing a school's brand value, without whose support the performance of the school gets adversely impacted. Therefore, a management school

needs to build synergetic relationship with following stakeholders:

- Institutions offering undergraduate programmes to attract best students from them;
- Media for spreading a positive word about the school;
- Coaching institutions for informed counseling to the prospective students;
- Banks and other institutions for providing study loans to admitted students;
- Teaching fraternity to display interest in joining the school as faculty members;
- Local industry and their association for course content development, guest lectures, opportunities for live projects and internships, and campus recruitment.

It is expected that if above five building blocks are put together in a dynamic yet stable architecture in any management school, the school would be better placed to add value to all its stakeholders, along with meeting its own goals and objectives.

Growth and Quality Refinement

Management education in India is imparted at undergraduate as well as post graduate levels. Chronologically speaking, we started with post graduate management education in this country followed by that at undergraduate level says Prof. Shekhar Ghose – Director – G.L. Bajaj Institute of Management. To a large extent, our education expenditure till post graduate level is supported by the family or is done at its behest. In western world, a substantial number of students, on completion of undergraduate courses, take up employment and subsequently bear their expenditure for post graduate studies.

Profile of the students, supply-demand scenario of students seeking admission vis-à-vis, availability of seats, objective of the management running the institution, remuneration paid and environment provided to attract and retain quality faculty, growth orientation of the institution and factors such as these determine the standing of the institution in management education. A lot of money has flown into developing infrastructural facilities of business schools and

its initial impact is impressive. It is the teaching – learning methods, the academic and administrative processes, the research orientation and the corporate-academia linkage, which set apart the quality institution from the run of the mill teaching shops.

Whereas money is not a bad word anymore and that the commitment is towards one's own profession rather than an institution, the choice of an individual to join academics and become a faculty are to be driven by a passion for the profession rather than as a circumstantial consequence.

In our country, the range of relative standing of a business school is spread over a large spectrum. The good and not so good gap is also substantially large. The desire of the young potential lot to do post graduation in management, duly supported by their guardians, had resulted in coming into effect of a large number of business schools. Employment potential of the final product together with the issue of employability goes to the root of creation and existence of such institutions as input provider to the corporate world.

In the current year, there had been an adverse influence on the admission seekers to the business schools. Whereas, the aftereffects of a global meltdown is partially responsible, but this can also be viewed as a market correction to the imbalance of the supply and demand, more in terms of quality than quantity of business school products.

Management Education through B-Schools followed a standard format initially, with students specializing in certain functional areas, either in a dual specialization mode or major-minor alternative. It then evolved into a dedicated management course in core areas of specialization. With the passage of time, some of these courses did well, whereas others faded into oblivion, keeping with the trend of the market.

Management education in India has already attained global texture. This has happened through exchange of curriculum, faculty, student and forms of joint ventures. Academicians of Indian soil are well respected worldwide and Indian business schools have produced success stories through its products in academics, research, entrepreneurship and the corporate world. Perhaps now a burst of energy is required to make them acceptable as international.

Business Schools are responsible for future leaders. Imbibing in the students a quality of leadership together with an inquisitive mind and attitude of meeting challenges to succeed are hallmark of a good institution managed by a sincere management through dedicated faculty. A churning is taking place in Indian business schools through twin processes of growth and quality refinement. Sincerity of purpose and dedication towards the stated lofty objectives are bound to bring in high quality of delivery and development which shall be sustainable over a period of time.

Management Institution Admission

To enhance the suitability of future business leaders, the admission process of Management Institutions should be re-engineered.

As the ultimate objective of most MBA aspirants is to seek employment in industries of all sizes; the industries should play a major role at the start of the MBA selection process instead of short listing a selected few after the entire delivery process through college placement interviews just to discover what is amiss. What industries could do is to forecast at least two to three years ahead and decide how many management trainees are needed. By working closely with Management Institutions to offer Industry Scholarships and possibly with the joint-funding from governments or Chambers of Commerce; the odds of producing management talents according to industry standards will be more assured.

Parent and sponsors should also be forewarned before funding their child for MBA education during incongruous time. Flooding the market with too many sub-standard MBA graduates could do more harm to all stakeholders.

By securing industry sponsorships, MBA students will be more assured of a relevant industry-oriented curriculum and more effective mentorship. The burden of loan servicing would also be eased. Professors would also have more time to focus on the learning outcomes with a relatively smaller group of students.

In a new “flat” world of globalization, the growths of SMEs and the downsizing of multinational enterprises would be the continuing trend. Hence, more employment opportunities would be available for high-end technology talents in knowledge-intensive SMEs. There will be fewer

opportunities for one with an MBA degree to manage more than ten personnel, especially when he just graduated. From this perspective, product and service innovation would be an area to consider when pursuing a higher degree.

Curriculum Design

Basically, most MBA or Post-Graduate Diploma in Management Programmes was structured in two-year tenure. The curriculum is split into two separate yet complementary learning outcomes.

During the first year, all students will engage a series of ten functional disciplines including economics, accounting, finance, marketing, operations management, business strategy, management information system, organizational behaviour and soft-skills modules like leadership, negotiation and more.

The outcomes intended are to equip students with the fundamental quantitative and analytical skills relevant for application in today's industries. Students learn to communicate and collaborate with the aim to develop long-lasting relationships through frequent group projects and networking events.

During the second year, students will select an area of concentration – such as finance, marketing, strategic management, information technology management, operations management amongst others. Apart from in campus lectures, the second year students may be designated to a six-month internship to various organizations and industries relevant to their area of concentration. However, the availability of this internship component would largely depend on the relationship between the individual B-school with the corporate world.

Most of these subjects are generic in nature and textbook-based. Students usually spend about an hour or less per session in a lecture theatre with more than a hundred students to one professor. Allowance for question-and answers sessions are very limited and usually dominated by just a few motivated students. The majority just keep silence and the teaching method is usually one-way telling. Hence, verification of adequate learning outcomes across the cohort is difficult to ascertain.

At the point of writing, most business schools failed to impart competence in the “how-to” of -

- locate new markets
- sizing global markets
- assess break-even timeline
- establish strategic alliance
- perform global demographics analysis
- create foreign market business plan
- identify mega-trends
- enhance shareholders' value
- instil world-class corporate governance
- increase revenue consistently by eight to ten percent annually
- create a global intellectual property portfolio
- employ disruptive innovation
- conduct acquisition studies
- reposition existing products and services
- analyse an industry in-depth and create differential advantage/s
- perform comparative financial statements analysis
- circumvent protectionism
- optimize financial market instruments
- identify trade gaps and opportunities
- capitalize on global tax treaties and free trade agreement/s
- create a global supply chain
- present with confidence on stage
- identify legal risk with respect to organization's mission and projects
- organize and lead global business development projects
- set up business units in developed economies and emerging markets
- manage business risk in a litigious global environment
- negotiate to win contracts and more.

Most importantly, each MBA graduate must be competent to perform all the above tasks independently and prudently within intense stipulated timeline. The challenges most Indian MBA students face are largely due to their lack of relevant working experience. Till date, majority of Management Institutions are still accepting students based on first degree, entrance test scores and their sponsors' ability to afford. Hence, what the industry could expect to get is still a pool of untested talent.

According to conducted field survey, Indian MBA students had indicated their motivation to embark the degree was to leapfrog their starting salary scale when compared to a bachelor degree. Through a return-on-investment (ROI) analysis without factoring the risk of unemployment or under employment due to periodic economic slowdown; they started their journey to trek the MBA route with parents' money or study loans.

Even in the Western world where the entry requirement stipulating applicants to have a minimum of two years of relevant working experience is considered quite insufficient. In essence, MBA education today is viewed by many stakeholders as a commodity being mass-produced and sold as a package with a certificate attached. There is little authenticity in the quality of the delivery process with regards to the post-graduation performance of the MBA graduates when correlating with a composite of metrics like return-on-equity, return-on-assets, return-on capital employed, 360 percent balance scorecard, as well as individual work ethics and productivity against the organizational output.

The final component which is lacking in most MBA curriculum is the subject on Global Entrepreneurship. Till date, Management Institutions do not place the importance of this subject as a core learning module. The reasons behind include: the lack of faculty members with opulent enterprise-building experiences, as well as the misconceptions and fear amongst students that entrepreneurship is only for those that wants to start their own business. In reality, three trends had surfaced. They include: Global job creation had contracted since the past decade. Multinational corporations have been downsizing and off shoring. And SMEs are the major employment source.

The global entrepreneurship module when prudently facilitated would bring new competence to MBA students as its curriculum is easy-to-relate and integrative-useful for global-centric enterprises of any sizes. It is due to his lack of competence that most MBA graduates performed poorly in global business development and innovation.

Re-engineering Process

- To address the issue that each student understands the subject matter and knowledge of application in the work environment; students should be given the relevant contents to read at least three days before attending lessons. Emphasis should be focused on the learning and application of fundamental management principles aligning with industry best practices.
- Lecture notes should be limited to less than twenty pages per session and at least half of the session should be allocated for open discussions, debates, equal-opportunity participation and cross-learning.
- Textbooks learning should only be utilised as references and should not hold the centre-stage of the assessment component.
- Professors should draw contents from current global events – such as “how the recent quantitative easing of printing U.S. dollars to buy another \$600 billion of government bonds could impact businesses in emerging economies like India?” Or pick contents meticulously from recent global events showing mega-forming industry trends.
- Industry partnerships with organizations of any size within a thirty-mile radius should also be mandated and be incorporated as part of the academic policy to strengthen learning outcomes.
- Incorporate Global Entrepreneurship as a core curriculum to enhance India's global competitiveness and job prospects.

Reform Teaching Pedagogies

Till date, most academics are still practising the lecture methods to transfer knowledge to the masses. Perhaps it is because of tradition of learning delivery or the economics of constraints. Whatever the good reasons behind, this style of

teaching has not optimized the proficiency of learners as the business discipline is an extremely dynamic and relating field as compared with other fields of learning. Hence, classes should preferably be limited to less than twenty-five students to one professor and professors should play the roles of facilitators and coaches instead of teachers.

Management Institutions also need to inculcate to MBA students that more than 90 percent of the world's business units comprises Small and Medium Sized Enterprises (SMEs) – especially in emerging economies like India. Hence, there must greater emphasis in imparting knowledge, skills and techniques relevant to a Global-Centric SME Model. There were also evidences that modules delivered are not integrated as a whole to effect implementation.

Professors being experts in their respective discipline normally do not like to teach as a team. Each has its own individual “academic” space. Though academic freedom is always vital, it had also weakened the overall learning outcomes when learners need to apply an integrative approach to solve business situations in school projects and more so, in their future work environment.

Re-engineering Process

- Students should be given tasks in playing simulation games from day one – acting as CEOs, CFOs, CTOs, COOs, and CHR etc on a rotational basis.
- Reduce the employment of imported case studies imported from the United States and Europe by 50 percent and emphasize more on task-based field projects solicited from local industries.
- Students are to present field report and solutions individually before an audience and a panel of assessors comprising students, academics, community leaders and industry leaders.

In essence, Management Institutions must be highly selective in their usage of imported case studies as teaching contents.

First, the business environment had changed quite drastically in the past decade and especially in the recent global financial crisis where business theories and models had failed. Also, the answers provided for instructors in case study packages

may not be easy to implement in emerging economies with limited financial strengths and differences in consumer spending habits.

This re-engineered process would help to renew the capabilities of academics in playing a new role as mentor guiding students to narrow the competence gap.

Ideally, Management Institutions should allocated resources to establish domestic case studies by engaging the support of the central and local government, industry leaders within their State and their local Chamber of Commerce.

Professors should be re-assigned with renewed portfolio of playing team leaders to groups of students and proactively solicits industries' participations and sponsorships.

Management Institutions should also consider a Team-Coaching Model as an innovative strategy – comprising a group of Professors and Industry Experts (drawing from local and foreign sources) to impact the overall learning outcomes. The current practice of one professor to a big cohort with tutorial sessions integrated still presents gaps in actual knowledge transfer and allows plagiarism to occur.

Learning Methods

With the advent of internet and wireless technology, students could learn at any place and any time and hence, not all learning needs to take place in campus. From a business education perspective, more learning should take place in a work environment. In essence, B-school internship should be extended to one full year where students could propose a topic for applied research with the mentorship of his immediate supervisor and the subject matter expert appointed by the B-school.

In this way, the findings of the thesis would carry more economic value as against to a study of theory with little industry relevance.

All Management Institutions should make it a policy to include a one-year industry internship programme. During the internship, all students are to perform only roles relevant to their area of concentration. This will take place during their second year and a stipend should be awarded through the entire tenure. There should also be no deviation of scope

of internship duties from the core objectives and no abuse from any party.

Spending too much time clocking campus contact hours would dilute opportunities to learn how to be effective in a dynamic business environment. Soft skills could easily be enhanced and expectations could be narrowed. Strategies and tools equipped during the first year could also be tested through mini-business projects.

It would also keep students in the loop on current global events that are impacting the enterprise directly. Assessment of individual competence would thus be clearer to aid decision-making on longer term engagement from the employer's standpoint. Effectively, there should be more allocation of task-based projects covering every functional discipline linking events which are current and relevant. Imported case studies should be minimized to not more than two per module. In essence, business learning is a hands-on discipline. No one could really master the art of business development without being given sufficient time and opportunity to apply the principles and concepts taught, as well as an opportunity to practise the skills in an actual business environment.

Strengthening Knowledge Integration

Teaching and assessing students by modular approach has created a problem in multiple-functional knowledge integration. Most students had shown strengths in a few subjects but lack in others. This makes it difficult for them to capitalize on the whole spectrum of tools equipped to effect business.

In essence, each student should be assessed individually on business integration competence on a periodic basis by a panel of expertise comprising professors and industry practitioners. To gain a Unit of Competence, students must demonstrate an ability to integrate and synthesize multiple business functions concurrently. There should also be a policy of reassessment why students failed to meet standards the first round.

Assessment Standards

The current practice of poor assessment standards – usually through written examination had led to the current skills

gap. Indian Management Institutions should set high passing standards based on competency-based assessment. Ideally; there should be only one common standard for MBA degree across the globe.

Due to heightened competition amongst Management Institutions across the globe; the media had created a product using several benchmarks to rank Management Institutions. The components include academic reputation, infrastructural support, student support services, employer reputation, the number of citations from faculty members, the percentage of international faculty and foreign students against locals, research work and students' satisfaction amongst others. As it is a voluntary process, not all Management Institutions had participated. The sampling size in each survey and the method of deriving a performance metric are also not transparent enough for the consumer to comprehend easily. Hence, ranking of Management Institutions should not be the only consideration to determine if the School once selected is in good stead.

What ranking organizations should attempt is to create criteria basing on learning outcomes and performance at work - such as contributions to sales and profits against remuneration in percentage terms. The current ranking standards are too obscure to determine if a school is capable of imparting competence leading to global employment.

Conclusion

The world of globalization and financial crisis had taught us one lesson – i.e. nothing is the same all the time. Hence the Business Management Institutions have to constantly bring relevance and currency to organizations and society at large. The entire ecosystem of the business education sector needs to be re-engineered periodically to align and harmonize expectations. New reforms and strategies are urgently required.

Till date, most B-school students lack relevant working experience which must be compensated with more industry exposure and doing more task-based projects on an independent basis. Team work should only be promoted with protocol attached but not overly-skewed as it may disrupt equitable learning outcomes.

Unethical practices such as corruption and plagiarism should be addressed with quality surveillance measures and enforcement policies. Management Institutions should also set a policy to have the rights to withdraw testimonials from graduates that commit fraud after graduation. Entry standards should reflect equal opportunity to all applicants across the globe. Professors' remunerations should be revised periodically and fairly basing on a globally-accepted formula.

Pedagogies and contents employed need to be re-engineered to meet today's challenges of cut-throat competitions, poor corporate governance and credit crunch. Indian B-school graduates are deemed to be too domesticated and lack global exposure relative to their counterparts from Europe and North America that backpack more frequently across the globe. Hence, a six-month globe-throttling is recommended to all aspiring MBAs.

Most Management Institutions still apply rote learning to grade students instead of using competency-based assessments to determine standards. The author proposes a one-world standard for business education through an industry certification to assess competence to level the playing field. The credential would serve as a catalyst qualification to align competency standards amongst business graduates across the globe- meeting today's global industry standards and best practices. He also advocates the business of business education to be operated under a charitable charter instead of a profit-making model.

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Credit Default Swaps: Risk Management

Kishan Rao, Kavita Chavali, and Mohan Gopinath

Abstract

A credit default swap is a tool to transfer and manage credit risk in an effective manner through re-distribution of risk. It is a form of insurance against default through a third party. In the event of default by the issuer of the bond, the protection seller would step in and pay the amount to the investor. RBI has recently announced introduction of Credit Default Swaps in the Indian debt market. Detailed operational guidelines are expected to be released by RBI in the last week of November 2011. In this backdrop, this conceptual paper examines the framework of Credit Default Swaps, the current global scenario, risks involved, challenges foreseen and the role played by credit default swaps in enhancing investment opportunities in corporate bonds.

Key words:

CDS Spread, Reference Entity, Settlement, Credit Event and Market Makers.



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To understand the importance of the introduction of Credit Default Swaps (CDS), which the Reserve Bank of India proposes to do, it will be useful to take a brief look at the progress of the Indian economy, with specific reference to the banking sector, over the last two decades or so. This will put its introduction into the financial sector – especially the banking scene in India, in perspective. Indian industry, especially the private sector, had become soft after the 1970s. The protected environment of the license raj gave it no incentive to modernize. This is an unfortunate consequence of that policy that was not corrected in time. This circumstance changed after 1991, when the current round of reforms, especially liberalization, the loosening the strangulating grip of the bureaucracy on industry, began. Many were worried that Indian industry could not face competition and would disappear over time. But after an initial period of discomfort in the mid 1990s, Indian industry has responded magnificently to the challenge of global competition.

From extremely tight controls which were prevalent in the sixties to the eighties, the banking sector has achieved a major breakthrough because of the liberalization. New international

banks, and private banks entered the scene, and existing international banks were also allowed to open branches. With the boundaries with other countries coming down, the products offered by the banks on both sides of the balance sheet also increased in variety and complexity, they also became more customers friendly. Credit instruments became complex and as a natural follow through, so did the concomitant risk on individual banks when the lending levels, especially to one customer or group of customers, was high.

The introduction of CDS in the Indian financial sector has to be viewed against this background of the growing importance of this sector in the Indian economy, and its integration globally with banks in other countries in terms of products. Early 2008, there was a massive breakdown of trust, trust in the financial system, trust in the media, trust in the whole process of globalization - all these severely damaged the economy in poor and rich countries. CDS are therefore primarily meant encourage redistribution of risk in the market. However in India, the Reserve Bank of India has always been cautious in its approach to risk. The introduction of the CDS is a natural extension of that policy.

Global Scenario for CDS

CDS have been in existence globally since 1990. According to the British Bankers' Association (2006), the size of the global credit derivatives market increased from USD 586 billion in 1999 to USD 20,207 billion in 2006. By 2007, the outstanding CDS amount was of the order of USD 62.2 trillion as per International Swaps and Derivatives Association and the Depository Trust and Clearing Corporation and Bank for International Settlements. Banks and financial institutions used these CDS contracts to hedge the risk in credit portfolio. With the passage of time, the share enjoyed by banks started declining as hedge funds and asset managers started taking an active part. With the failure of Bear Stearns, the market for CDS attracted the attention of the regulators. All the CDS were OTC products and there was no central exchange as such to ensure transparency in the transactions (McDermott *et al.*, 1997). The year 2009 saw some changes being initiated in the CDS market. The International Swaps and Derivatives Association has announced certain changes like:

- A clearing house was introduced [one for USA and one for Europe].
- The clearing house would act as the central counter party to both the sides of a CDS transaction. The change was effected with a view to reduce the counter party risk which both buyers and sellers face
- CDS contracts were standardised to prevent legal disputes.

The steps initiated were expected to boost CDS activity in the market. It is reported that in USA, a central clearing house has been established by the Inter Continental Exchange [ICE] in 2009. As already stated, the clearing house acts as the buyer to every seller and seller to every buyer. This is to a great extent expected to reduce the risk of a counter party defaulting on a CDS transaction.

Introduction of CDS in India

RBI has recently announced introduction of CDS in the Indian debt market. Detailed operational guidelines are expected to be released by the RBI in the last week of November 2011. The objective of introducing CDS is to provide market participants with a tool to transfer and manage credit risk in an effective manner through redistribution of risk. It is a form of insurance or guarantee against default. When an investor buys a corporate bond, he faces the risk of default by the company. The investor can insure his investment in such a bond against default through a third party. The investor pays premium to the party providing insurance guarantee. In the event of default by the issuer of the bond, the insurer or guarantor would step in and pay the amount to the investor. The CDS enhances investment and borrowing opportunities and as such will increase investors' interest in corporate bonds. The introduction of CDS would promote the development of the corporate bond market in India. It is thus a derivative instrument that transfers risk from investors to those who are willing to bear it, for a fee.

The objective of introducing CDS on corporate bonds in India is to provide market participants a tool to transfer and manage credit risk in an effective manner through redistribution of risk. As per RBI guidelines, market makers are permitted to quote both buy and sell CDS spreads. Market makers would also be permitted to buy protection without having the underlying bond. Market users on the other hand are permitted to buy credit protection only to hedge their underlying credit risk on corporate bonds. The users are not permitted to hold credit protection without having eligible loan asset or bond underlying as a hedged item.

Review of Research

Lots of research has been done on credit derivative instruments especially CDS. But all the studies have been done in a global perspective. There is a lot to learn for India from others experiences as India is a late entrant as far as introducing CDS is concerned. Terry Young *et al.*, (2010) examined the purpose of credit default swaps, the good done by the CDS instruments in transforming the debt market in the US by providing protection against nonpayment or bankruptcy. The researchers highlighted in their study the risks with these instruments like the change in relationship between lender and borrower. Another risk faced as per their research is counterparty risk which increases the collateral because of volatile bond market and the meltdown of investment bankers like Lehman Brothers. According to the researchers, CDS not only helps in risk management but also increases the interest rates and makes it expensive. As per their study, greed and irresponsible use of innovative instruments like CDS led to the global financial crisis. Anuradha Guru (2010) looks at what lessons India can draw from the experience of the western nations before the introduction of CDS in India. It is believed that the main reasons behind the global financial crisis are the credit derivative instruments like CDS. David McIlroy (2010) focuses on the need of regulation on CDS. According to this research the major problems with the derivative instruments like CDS are unexpected market failures, high systematic risk and lack of knowledge by the parties about the extent of risk in the financial market (which is predominantly observed in India), default of reference entity and counterparty risk. India should take a hint from it and take all the required precautions and see that history does not repeat and learn from the mistakes committed by the developed countries where this instrument is already in existence. The solution to this problem is given in this study which includes standardization of the CDS instrument, exchange trading of CDS bringing in liquidity and price transparency, aligning the interests of all the three parties the protection buyers, sellers and reference entities. The regulators should set solvency requirements to reduce the concentration of market around a small number of CDS protection sellers which led to the collapse of Lehman Brothers in the past. Frank Heyde *et al.*, (2010) analyses the consequences of credit default swaps, in the credit derivatives market for the stability of the banking sector. Their study focuses on how instruments like credit default swaps are used to transfer credit risk in the banking sector. As per their

study CDS reduces the stability of the banking sector during recession and during boom or downturn, may reduce the stability. Wagner (2007) argues that the new instruments for transferring credit risk should improve the banks' ability to sell their loans, making them less vulnerable to liquidity shocks. This would encourage banks to take new risk, because higher loan liquidity enables them to liquidate more easily in a crisis. Hayette Gatfaoui (2010) researched the link prevailing between credit risk and market risk. They found out that credit risk is negatively linked with market price risk whereas positively linked with market volatility risk. Austin Murphy (2010) analyses the contribution of CDS to financial crisis. The major problems identified in their research are lack of transparency in the market, lack of regulation, mispricing of CDS with inadequate spreads and excessive dependence on credit rating than market realities. The counterparty risk with CDS instruments contributed to the depth of the global crisis (Heyde *et al.*, 2010), the primary cause of the boom and subsequent crash in the debt markets may have been the mispricing of CDS insurance provided on risky debts like subprime mortgages. Many CDSs have been contracted over the phone without any documentation whatsoever (Simon, 2008). As per the research, the historical data was used as a basis to price CDS which would have resulted in forecasting error not understanding the market realities. The likelihood factors of default of an instrument are financial leverage, volatility and risk free structure (Jan Ericsson *et al.*, 2009). Jeffery L. Callen *et al.*, (2009) evaluates the role of CDS in risk management and the impact of earnings on credit risk using event study analysis. The analysis indicates that the earnings, cash flows and accruals have a major impact on the premium charged on CDS. Batta (2006) and Das *et al.* (2009) find that CDS rates and earnings levels are inversely related. Benkert (2004) used a much larger sample and finds a positive relation between CDS rates and earnings levels. The overexposure to CDS instrument is seen as one of the reasons behind global financial crisis. As per their study earnings are negatively correlated with the premium charged by CDS conveying default risk. Indian financial markets and regulators should take a clue from these experiences.

CDS Framework

In a CDS contract a lender (investor) purchases protection from a protection seller with a view to hedge the risk of default. The protection buyer makes premium payments to

the protection seller till maturity of the contract. CDS contracts may mature between one to ten years. When the reference entity (company) fails to pay the loan (defaults in payment of bond) to protection buyer and he delivers the bond to seller. The reference entity/obligor (company) is not a party to the contract (between protection buyer and seller). CDS contracts are treated as OTC products. In an insurance contract, the purchaser of the policy is required to have insurable interest in the policy, such as owning or obligation. In the case of CDS contract, it is possible for a person to buy a CDS contract referencing a company's debt portfolio without actually owning a debt portfolio of the company. But according to RBI circular, users of CDS contracts are required to use them only for hedging their credit risk assumed due to their investment in corporate bonds. The protection buyer should never possess a naked CDS protection (purchase it) without having an eligible underlying.

Operation of CDS

X is a rated company which is known as reference entity. Bank A has lent the money to X (invested the money in the bond floated by company X). Bank A has purchased protection from Bank B and agrees to pay premium to Bank B. Bank B gives assurance to Bank A that should company X fail to pay debt (or redeem the bond) it would make payment to Bank A. Bank B is prepared to give collateral to Bank A to assure payment. Bank B can also eliminate credit risk in the transaction by entering into a CDS contract with a protection seller C bank to whom Bank B pays premium. Premium amount would be small if company X's credit rating is good. Premium amount would be high if X company's credit rating is weak. For every risk a protection seller takes, he goes in for an offsetting hedge i.e. C bank who has sold protection to Bank B enters into CDS contract with D a protection seller. Bank B can also eliminate credit risk in the transaction by entering into a CDS contract with a protection seller C bank to whom Bank B pays premium. Premium amount would be small if company's credit rating is good. Premium amount would be high if X company's credit rating is weak. For every risk a protection seller takes, he goes in for an offsetting hedge i.e. C bank enters into CDS contract with D as protection seller.

Settlement of Claims

When a credit event occurs, settlement can be done in any of

the following ways (Weistroffer *et al.*, 2009). In a physical settlement, the seller pays the buyer par value of the bond. He in return takes delivery of a debt obligation of the company (reference entity). For example an investor has bought INR 5 crore worth protection from the seller bank on the debt of a company. When there is default, seller bank will pay the investor INR 5 crore face value of debt of the company and takes the delivery of the bond. In a cash settlement an investor (protection buyer) has bought INR 5 crore worth of protection from a bank on the debt of the company. The company has now defaulted and the bond is trading at 25 percent as the market believes that the bond holder will receive 25 percent of the money the company owes once it is wound up. Hence the seller would pay the buyer $\text{INR } 5 \text{ crore} \times (100 - 25) = \text{INR } 3.75 \text{ crore}$ towards cash settlement. When a credit event occurs in respect of a company, on which a number of CDS contracts have been written, an auction may be held to facilitate settlement of a large number of contracts at once at a fixed cash settlement price. In the auction method, participating dealers furnish prices at which they would buy and sell the company's debt obligations as well as net requests for physical settlement against par. According to the International Swaps and Derivatives Association (ISDA), auctions have proved to be an effective way for settling large volume of outstanding CDS contracts written on companies.

Risks in a CDS Contract

The protection buyer as well as protection seller faces counter party risk. A Protection buyer faces the risk of the default by the seller. When the reference entity fails, the protection seller may not be in a position to honour the contract and make payments to the buyer. Sometimes a protection buyer may ask the seller to deposit collateral with him. A protection seller also faces the risk that the buyer may default in the payment of the premiums periodically. When the default in the payment of the premiums by the buyer occurs, the protection seller may be deprived of the expected income streams in term of premium. The seller protects his risk by buying an offsetting protection from another party.

Role of CDS in the Financial Sector

A bank which has an exposure to the real estate sector wants to divest some of its real estate portfolio with the risk of oil industry. The bank finds a protection seller who is an insurance company. The insurance company which sells protection has

substantial exposure to oil industry. A CDS contract sale by an insurance company provides a diversification to it from oil industry exposure to real estate sector. From this it is clear that the bank has diversified its portfolio by substituting credit risk of oil industry for real estate in its portfolio. The bank's portfolio is now stable in the sense that portfolio of oil is negatively correlated with that of real estate industry risk. It is stated that successful lending requires an expertise in assessing credit requirements of a borrower. The same skill sets are also required while writing CDS contracts (Wallison *et al.*, 2009). CDS can be used by speculators, arbitrageurs and hedgers. A speculator believes that a company may soon default on its debt. Therefore he buys one crore worth of CDS protection for two years from a protection seller (bank) with a company as reference entity at a spread of 500 basis points (five percent per annum). If the company (reference entity) fails after one year, the speculator (for example a hedge fund) would have paid ₹5 lakh to the seller but will receive one crore from the protection seller and thus makes profit. The protection seller would incur a loss of INR 95 lakh after deducting the recovery unless it has an offsetting position before failure of the reference entity.

If the company does not default, the CDS contract will run for two years and the investor would have paid ₹ 10 lakh without any return, thereby incurring a loss. The bank (seller of the protection) has made ₹ 10 lakh profit without any upfront investment. An arbitrageur in a CDS transaction believes that a company's stock price and its spread should exhibit a negative correlation. When the company's outlook is bright, then its share price will go up and its CDS spread (premium) should tighten (decrease) as the company is not likely to fail in the discharge of its debt. If the company's prospects worsen, then its CDS spread (premium) should increase and its stock price is expected to fall. Let us assume that in spite of a fall in stock price, the CDS spread has not changed. The arbitrageurs or investors expect increase in the CD premium (spread). The investor then takes a decision to buy CDS protection (before the spreads change) and also hedges his position by buying the underlying stock.

CDS are used by hedge to manage the risk of failure of the reference entity. A bank which has extended credit to a company entertains the apprehension that the company may fail to pay the debt. Hence the bank buys CDS protection from a seller and subsequently when the company fails, the

proceeds received from the protection seller will protect the interest of the buyer (he receives proceeds from the protection seller).

Conclusion

It is important that the potential introduction of CDS in the Indian market is seen against the backdrop of changes occurring in the financial sector in India. A number of things we did in the controlled economy of the earlier years are now being questioned. But if we look ahead, what are the challenges facing the financial sector today? It is necessary to understand these challenges in order to put the introduction of CDS in perspective.

Challenge 1 – We have to rebuild/ remodel the framework of the regulatory systems under which we operate. True, India was not so much affected by the recent crisis in the sector, but we should have mechanisms in place to ensure that we are not over exposed to any type of potential risk. For example two of the pitfalls which other countries recently faced were:

- Public policy goals around housing which had unintended consequences, and
- Excessive liquidity, coupled with low government bond rates, following the dotcom/tech bust and the aftermath of 9/11.

Poor financial governance was an added factor to both the above items.

Challenge 2 – As far as possible, we should create a level playing field across countries in terms of regulatory controls, safety measures relating to products associated with managing risk, and with the same (broadly speaking) type of central banking supervision. In India, this is going to be difficult because of long era of excessive government controls. Giving this up will not be easy. However, with the growing appetite for risks coming into the market, it is necessary for what can be termed a decentralizing of risk management under the overall supervision of the central bank.

Challenge 3 – We have to build a new framework that limits overexposure to any type of risk. At the same time it should not be seen to be having excessive controls. In other words, we should be

- Building a system that constrains over exuberant credit supply but doesn't choke credit formation to the real economy – i.e. concentration of risk in one sector of the economy as happened during the time of the subprime crisis
- Building a system that promotes good innovation but doesn't allow arbitrage and misaligned structures
- It will be observed that the CDS mechanism when in place will go a long way in achieving these objectives.

Challenge 4 – This is the most important challenge – i.e. having a system in place which will mitigate the impact of anything going wrong. By redistributing risk, the CDS will have its role to play in this area also.

The management of risk is perhaps the most important area with which the financial sector in India should be dealing. This is because risk management can easily become risk aversion and then end in the financial sector taking up positions which expose the organizations in the sector to unnecessary problems. Douglas Flint, the Group Chairman of HSBC Holdings plc, in a speech to the Oliver Wyman Institute Pan-European Conference, London on 5 October 2011, said, “And with capital under pressure, augmenting liquidity is equally challenging. Debt providers can see demand coming so, supply is limited; pricing is unattractive – look at CDS spreads; and so a process of deleveraging is inescapable which puts pressure on profitability and stock prices fall further. That, in turn, reduces the likelihood of capital rising, and so on.

To sum up, many factors have combined to make India's financial system less efficient and more expensive than it might otherwise be, handicapping growth. A research report by McKinsey three years ago estimated that an integrated programme of reforms of India's financial system would add USD 47 billion to India's GDP each year, raising GDP growth by over two percentage points. It is therefore imperative that we bring in new financial products such as the CDS as part of the reforms to improve our financial sector. To put it briefly, it is a complex sector and the introduction of CDS will go a long way in spreading the element of risk which is so important in today's economy. It will also strengthen our global ability to influence investors to come to India.

Appendix

Some of the key terms used in CDS contracts:

Reference entity/obligor is a corporate entity, or a borrower;

Protection buyer is a lender or investor who has extended a loan or invested amount in a bond

Protection seller is an Institution which sells CDS to a protection buyer and receives a series of payments known as premium or fee or spread during the period of the contract.

Settlement means settlement of CDS transaction either by physical or cash or auction

Credit event could include bankruptcy with respect to the reference entity. It also includes failure to pay with respect to its direct or guaranteed bond or loan default. It also includes restructuring where a reference entity as a result of the deterioration of its credit, negotiates changes in the terms with its creditors as an alternative to formal insolvency proceedings.

Premium for CDS is calculated to cover the expected loss of reference entity (Bihari *et al.*, 2011). There are two parameters to determine the CDS premium. One is probability of default, and the second one is the recovery rate as percentage of the face value of the bond that is received back if credit event occurs.

Naked CDS is a CDS contract in which a buyer does not own an underlying debt (lender or investor has neither lent money nor invested in the bonds of the company). It is said that 80 percent of the CDS market is dominated by naked CDS contracts. The regulators in USA and Europe seem to be in favour of banning speculative uses of CDS as part of financial sector reforms. There is another school of thought that does not favour banning of naked CDS contracts as it feels that they have a role to play in the market.

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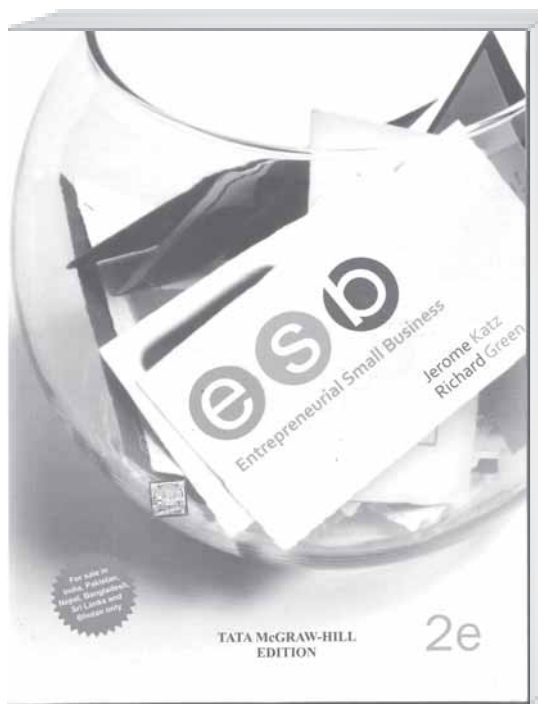


Book Title : *Entrepreneurial Small Business*
Authors : Jerome Katz and Richard Green
Edition : Second-2011
ISBN 13 : 978-0-07-340506-3
Pages : 673
Publisher : Tata McGraw-Hills Education Private Ltd.,
New Delhi.

There are two types of small business start-ups: one, the high-growth/high-tech start-ups, where the entrepreneur dreams big. The emphasis of these start-ups is on novelty, partnership, growth, wealth maximization, financial leverage, and profit. The other kind of small business start-ups, which constitutes the large majority of small business start-ups, is driven by more down-to-earth considerations. These typical small business start-ups may imitate well-established business models, set as objective the earning of a comfortable income, and would limit growth for the sake of control. Such entrepreneurs may even desist outside funding as they may not want others interfering in their businesses. Above all, these small businesses are usually built around the personal reputation of the entrepreneur.

Most books on small business entrepreneurship focus mainly on

the high-growth/high-tech start-ups, which constitute only a small minority. In contrast, "Entrepreneurial Small Business" by Jerome Katz and Richard Green focuses on these typical small businesses, and that makes for the relevance of the book.



The book is the product of the coming together of two veterans, in their own rights: Richard Green, a hard-nosed entrepreneur, who has started, built, and sold several businesses, and Jerome Katz, an academician, the Coleman Foundation Chair in Entrepreneurship at the John Cook School of Business, Saint Louis University. Richard epitomizes the quintessential small business entrepreneur, who is the protagonist of the book. In his own words: "In many ways, I exemplify the type of entrepreneur for whom we wrote this book: people who start and operate the many ordinary enterprises with which you do business every day." Despite the modest claims, the book covers

fairly comprehensively most aspects of small business management. In *Entrepreneurial Small Business*, the authors have tried to combine the art of small business survival and the science of small business, and that is what makes the book interesting reading.

The book begins by introducing the BRIE model – an acronym for boundary, resources, intention and exchange – to define a small business. The book then goes on to explain lucidly the nitty-gritty of small business management in five broad sections. Part One discusses the basis of small business. Part two deals with the issues relating to setting up of small businesses. Part three and part four covers marketing and financial aspects and part five deals with the management and organizational aspects in small business. The book lays considerable emphasis on ethics for the simple reason that in small business personal reputation is the real seed capital.

The book claims to have the backing of PSED empirical data to support it. The Panel Study of Entrepreneurial Dynamics (PSED) was developed to provide accurate information on new small business owners, and is now considered by experts to be one of the best small business studies ever done. The

authors have tried to use statistics from the PSED throughout *Entrepreneurial Small Business*.

The *Entrepreneurial Small Business* carries a number of features that helps easy understanding. The ‘skill modules’ at the end of chapters help readers understand the critical competencies for small business. The ‘entrepreneurial boxes’ interspersed throughout the book illustrate topics for those who want to explore the more complex issues and practices that small businesses encounter. The ‘small business insight boxes’ include advice from real small business owners as well as helpful statistics from small businesses around the world. Moreover, each chapter of the book is further supported by chapter summary, discussion questions, experimental exercises, a mini case and suggested cases and videos.

Chapter appendices also contain samples of business plan components such as the Feasibility Plan, Industry Analysis, Cover Letter and Resume, Full Business Plan and Marketing Plan.

On the whole, *Entrepreneurial Small Business* is a useful handbook for students of business and anyone thinking of starting a new small business.





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Book Title : *Financial Accounting*
Author : Dhanesh K. Khatri
Edition : 2011
ISBN 13 : 978-0-07-107802-3
Pages : 806
Publisher : Tata McGraw-Hills Education Private Ltd.,
 New Delhi.

Financial professionals have to maintain a right balance between theoretical and practical knowledge of the accounting theory, concepts and practices followed globally, and in the present scenario it is a challenging job.

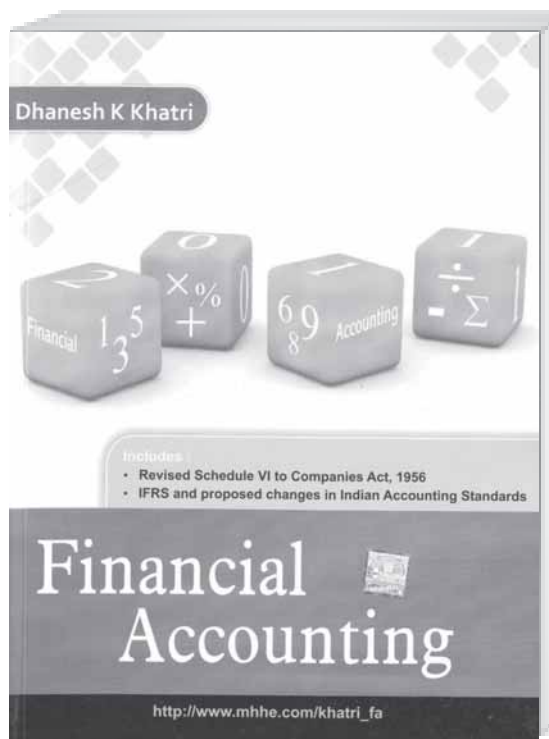
Financial accounting is governed by both local and international accounting standards. The pedagogy of the book has been described considering the needs of the finance students with a right mix of theory and practical applications and this student friendly approach will provide a great extent of support to the students even with a very little basic knowledge in this subject.

Theoretical concepts of financial accounting were explained in a reader friendly manner and this theoretical framework of the accounting concepts and conventions were converted in to practical and real world applications with the support of real life and illustrative case studies. The learning objective of each chapter has been provided in the beginning and it has supported the

readers to a great extent to familiarize about the board coverage and content of the areas and to measure the depth of the study.

The author took an attempt to frame the model of a curriculum considering the needs of MBA and PGDM students and it enables the readers to acquaint themselves with the subject matter in a well disciplined and structured manner.

This book differs from other traditional books in financial accounting by presenting the concepts with the support of simple and realistic examples from the real world scenario. The author tries to emphasise on the different forms of business enterprises, basic concepts of financial accounting, management accounting, cost accounting, and accounting conventions in chapter 1 to 3. Concept of the revenue recognition and framework of final accounts are presented in the chapter 4 in a simple and logical way to provide a self-study to the students. Recap is provided through out the



pedagogy in such a way that to keep the real spirit of the study in live. The mechanism of enhancing overall financial performance through decomposing is explained in chapter 7 for the beneficiaries of comparative analysis of financial performance. Creative accounting leading to financial scams were explained with real world examples in the Appendix I 'Window dressing – Creative Accounting and Forensic Accounting.'

Accounting standards were explained and they have been linked to the corresponding Ind-AS to bring in contextual familiarity and made understandable and attracting to the readers by explaining it with related accounting topics. India in 2011, joins the Global Accounting Revolution-International Financial Reporting standards (IFRS). Convergence with IFRS is not just about switching over from one set of accounting and reporting standards to another. It takes the description of a revolution because the conceptual differences are expected and the author shows conscious efforts to link the conceptual differences between IFRS and IAS in the Appendix III 'Recent Changes and Regulations.'

Overall, the book is useful to the students except for the few improvements to be made:-

- a. By adding solved numerical examples which help the students to practise the theoretical application with self-attempts, and
- b. By focussing both the students and practising financials as target readers.

In general, the author offers this book as a very supportive guide to the students who are struggling to understand the accounting concepts and conventions in the changing scenario.

Dhanesh K. Khatri, MBA, Ph.D, PGDFM, the head of Department of Finance, The Institute of Management Studies, BJS Ramapurja Jain College, has over 21 years of teaching and professional experience, and for the last 17 years has been teaching papers in finance and accounting. He has had a wide exposure in the areas of financial accounting, money market and capital market operations with special focus on the functioning of depository systems.





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Book Title: *Enterprise Resource Planning
 A Managerial Perspective*
Authors : D.P. Goyal
Edition : 2011
ISBN 13 : 978-0-07-107797-2
Pages : 365
Publisher : Tata McGraw-Hills Education Private Ltd.,
 New Delhi.

Enterprise Resource Planning System is a highly integrated and enterprise wide information system that covers all the functional areas or departments in an organization.

Because ERP systems integrate different types of data generated across functional processes in an organization, they provide immense benefits in improved decision making that are essential for today's organization, both for gaining competitive advantage as well as for increasing responsiveness.

Implementing an ERP system should be seen as a total business-transformation strategy, which needs to be properly understood, planned, deployed and managed properly.

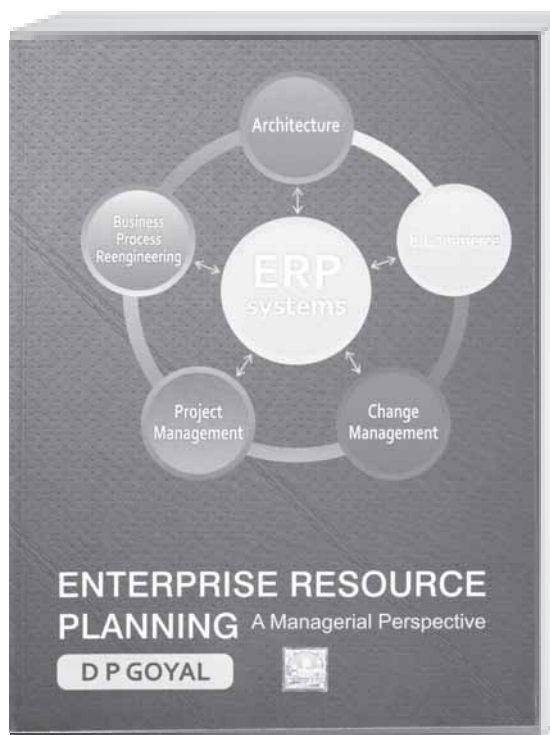
This book covers the managerial aspects needed - the concepts, strategies and issues involved in planning and implementing ERP

systems which are relevant and important for professionals and students who aspire to be managers of the modern IT transformations taking place not only in big organizations, but also smaller firms and even the small and medium enterprises (SMEs).

Dr. D.P. Goyal, with his 25 years of experience in teaching, research, executive development, consultancy, and academic administration is the author of this book and has presented in it the various concepts, applications and management of ERP systems. The wisdom he gained from his immense experience finds its reflection throughout the book under review.

This book is divided into 17 chapters presented under five parts.

The first four chapters form the first part which gives the definition, overview, evolution,



scope, role, benefits, challenges and the relevance of ERP and its integration with e-commerce; and ERP architecture.

The next two chapters form the second part which focuses on the importance of planning that evaluates whether an organization really needs an ERP system or not. It also establishes the need for ERP and justifies the investments on ERP with appropriate justification with relevant rationale and benefits.

The following two chapters form the third part that cover the system development life cycle and relates the same to the ERP implementation life cycle which helps the reader understand all the phases involved in ERP life cycle in an integrated manner.

The next four chapters form the fourth part that deals with the implementation of ERP. It starts with the various issues involved in the software and vendor selections for ERP implementation. Implementation of ERP through the eyes of Business Process Re-engineering concepts and Project Management concepts is a fairly new approach to ERP implementation and the author has covered the importance of the links between these sciences.

The final five chapters which form the fifth part deal with all the post implementation aspects of ERP systems. This part also covers the emerging trends in ERP and has speculated with valid facts its future also. This part also touches upon aspects such as change management, post implementation support, maintenance and security of ERP and related technologies.

The book is written in a simple and lucid manner with the application of the concepts with clarity through real life case studies and also from simulated environments. There is at least one case study included in every chapter. The book follows a systematic chapter scheme and illustrates theories and concepts with tables and figures. Each chapter ends with a summary, conceptual, objective type and application questions. There is also a *comprehensive glossary of Terms*.

The book is a good reading material covering ERP related aspects in a holistic manner and can be recommended for faculty and students. It will also be quite beneficial as a guide for professionals in the field also.





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Book Title : *Production and Operations Management*
Authors : Ajay K. Garg
Edition : 2011
ISBN 13 : 978-0-07-107792-7
Pages : 855
Publisher : Tata McGraw-Hills Education Private Ltd., New Delhi.

Production and Operations Management, authored by Prof. Ajay K. Garg, is an introductory text book on the subject aimed at the Management and Engineering students, not necessarily specialising it, making it broadly accessible. The book preserves the salient features of any standard text book but two features in this book make it unique and stand out among the masses of text books on the subject, flooding the market today.

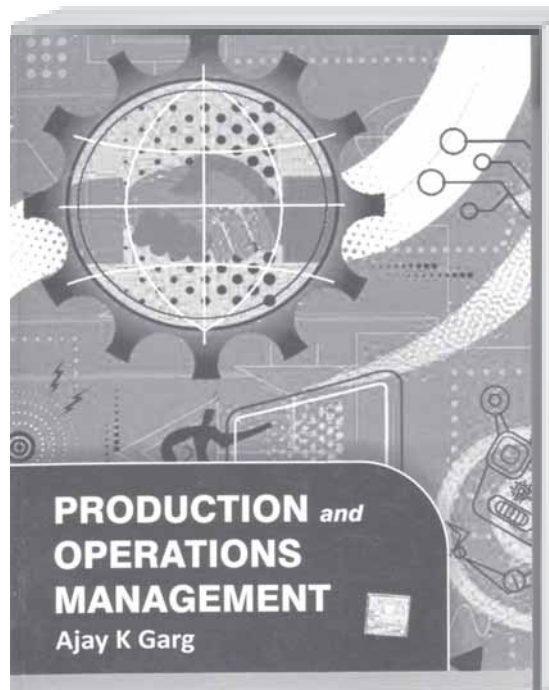
They are:

⊕ The inclusion of topics Value analysis and Reliability and Redundancy: Production and Operations Management is all about creation of value, it is the transformation of inputs to value propositions. Hence a good basic understanding of value and the value analysis techniques is essential for any student of this subject. The author expounds the theory, beautifully in the eighteen pages in the chapter five- Value

analysis and finally cements the knowledge in the application of Value analysis in Manufacturing with a Case: Carrying Out Value Analysis Study in ball bearings, page 129. Reliability is the predominant parameter in the quality of

products and services. While Quality is given enough treatment in all text books, Reliability and Redundancy are topics ignored and overlooked rather unprofessionally even by books claiming to standard reading materials on the subject. If reliability increases the efficiency of a product or a process, redundancy increases the efficiency beyond the level of requirements and expectations. This book does well in introducing these two relevant but slightly difficult topics with lots of illustrations, in an easy language without resorting to the usage of too many jargons.

⊕ Use of MCQ's: The second interesting feature of this book is the use of MCQ's or Multiple Choice Questions. The



author makes good use of this powerful tool inviting the reader to take a quick self test to gauge his understanding of the chapter. The questions and more importantly the multiple choices are intelligently phrased and provided in adequate number at the end of all chapters. The hints and answers to these questions presented at the end of the chapter are also very useful from a learner's point of view.

Another interesting aspect that impressed me most is the structuring of the contents and the flow of topics. Topics are neatly presented in seven sections, following the logical pattern and the rhythm of the thought process of an entrepreneur wishing to set up his operations from scratch. A successful Entrepreneur is often regarded as the ultimate manager and hence the best way to introduce any Management subject to a learner is through the mind of an entrepreneur. The sequencing of topics never let the reader lose sight of the broad framework of the subject even while dwelling topics in depth. In other words a sequencing that does not let you 'miss the forest for the trees.' A brief overview of the topics covered in each section presented below will give an overall idea of the content and coverage of this book.

Section 1, titled *Strategy to manage Business Dynamics* gives an introduction to the Production and Operations management (POM) function, Policies and Strategy in POM. It also includes a chapter highlighting POM from an international perspective. The section ends with the topic on Value Analysis.

Section 2: *Product and Process Design and Development* includes chapters on Process Design and analysis and also gives an extensive coverage on Product Development.

Section 3: *Strategy Issues in Production and Operations management* introduces and imparts knowledge on the practical aspects of setting up a production facility, like the basics in Project management, Management aspects of selection of Facility location, Demand forecasting, and Capacity Planning.

Section 4: *Medium and Short range Planning Issues* comprise Aggregate Planning, Materials and Resource Requirement Planning, Production Planning and Control.

Section 5: *Managing and Maintaining the supply chain shows how* Supply Chain Management is currently the buzzword in POM, management function from sourcing of raw materials to delivery at the customer's doorstep. This important

function is adequately covered in the book packaged in five chapters on Inventory, Supply chain, Materials management, Material handling and Maintenance Management.

Section 6: *Quality Imperatives for Production Excellence* introduces quality as a tool to achieve excellence and educates the reader on the control techniques used in quality assurance. The section concludes with a chapter on world class manufacturing.

Section 7: In *Work Improvement Techniques*, the emphasis is given is on the techniques for improvement of efficiency and effectiveness of operations. The conventional Industrial engineering topics the work study, method study etc are covered adequately in this section along with a very brief introduction on the Quantitative techniques for decision making. The most interesting subject covered in this topic and inclusion of which makes this book unique is the chapter on Reliability and Redundancy. The author points out the extensive use of the word Reliability in organizations even in their mission statements without a proper understanding of it or how to measure it. Hope this book starts a trend in recognizing the relevance and importance of reliability and redundancy in production and operations management books.

The book does well in presenting numerical problems clearly explained using worked out illustrations. There is good use of pictorial illustrations especially in the chapter on Material Handling (Chapter 22). All the major material handling equipments are illustrated with figures. However it is felt that inclusion of actual images of these equipments could have been better.

Regarding the case studies presented in the book, they are good in patches. For example the cases presented at the end of the chapters, like the value analysis at the end of the chapter 5 or the case: Replacement or Expansion in an Aeroplane Company, page 651, in Chapter on maintenance Policy and Repairs are really good while the same cannot be said about others.

Overall the book more than adequately meets its objective to meet the requirement of the students for a basic text on Production and Operations management in the Indian context. By including some very progressive and relevant topics, this book is definitely an excellent text book for the students of Production and Operations Management.





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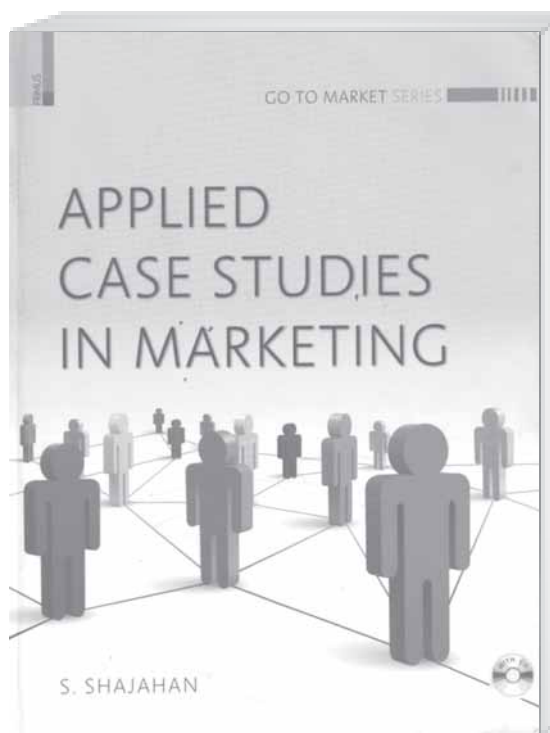


Book Title : *Applied Case Studies in Marketing*
Authors : S. Shajahan
Edition : 2011
ISBN 13 : 978-93-80607-11-5
Pages : 558
Publisher : Primus Books, New Delhi.

Books on marketing are primarily theoretical and lack a practical approach. Although attempts have been made by several authors to explain the concepts in marketing with industry examples and illustrations none is as good as this book because it addresses two issues simultaneously. The first is shifting the focus from fundamental marketing concepts to applied marketing in specialised sectors by providing valuable corporate insights and live features. The author is seen categorising the content into different heads like 'Marketing in Action,' 'Economy Watch,' and 'Marketing Analysis.' The second is the collection of cases with complete analysis endorsed by a comprehensive overview of updated, pertinent and current marketing techniques and strategies of India's leading firms with a global orientation.

The book is authored by Dr. S.

Shajahan, Dean (P and R), Indian Institute of Management, Shillong. This book is divided into two parts; Part 1 titled 'Fundamental Concepts and Marketing Analysis' and Part 2 titled 'Applied Case Studies in Marketing.'



Part 1 of this book begins with a chapter that focuses a great deal of its content on the crucial fact that far too many businesses today are focusing on, 'Marketing in times of economic downturn and recovery.' Interspersed within the chapter are caselets, industry related exercises, illustrations through exhibits and tables which are contemporary and of high economic relevance. Chapter 2 affords to the reader a pragmatic understanding of how marketers can profile the market and their customers in a turbulent economic environment. This chapter also has illustrations that are recent and topical.

Chapter 3 talks about the Market Analysis for the New Age Customer. The author has explained the evaluation tools that are used for a market audit such as the SWOT and TOWS matrix for internal analysis and Value Chain Analysis across business portfolios. This chapter excels by explaining through illustrations that a successful link between the macro and micro environment and between the mission and objectives is critical to the success and growth of organizations in every industry today. Chapter 4 discusses the STP (Segmentation, Targeting and Positioning) concept in marketing. While many authors limit themselves to fundamentals, this book extends the concept to the need for micro profiling of target customers during turbulent markets adopting behavioural segmentation and identifying decisive purchase decision influencers.

In Chapter 5, Product and Services Marketing Mix, in addition to the 4Ps of marketing, the author provides an overview of the marketing challenges in the post-economic meltdown years, 2009-11. The author through this added input has been successful in delivering the message that unless an organization's mindset and behaviour evolves, efforts to improve marketing's ROI will not succeed. Chapter 6 focuses on the growth strategies. In this chapter the author takes a different perspective that discusses the various models of portfolio analysis and alternative growth strategies during economic downturn and recovery. Using vignettes and appropriate caselets, the author has substantiated the need to synergize various corporate growth strategies effectively.

During market turbulence, the call for making businesses more customer-centric through technological integration is emphasized in Chapter 7. While many of the examples used are in the realm of internet marketing, the concepts are clearly not restricted to web based marketing. There is a detailed coverage of marketing through mobile phones, emerging marketing technologies and also managing IT during economic downturn. The last chapter in this section outlines the necessity in the real understanding, alignment and focus on their customers, and a genuine understanding of the value companies can provide to their customers. To date, organizations have focused on 'what they can do to their customers,' rather than 'what they can do for their customers' or as the author puts it, the shift from a 'Make and Buy' to a 'Sense and Respond' business model. Though in this chapter, it addresses cases faced by companies which are more or less recent, it has paid little attention to the up and coming areas of marketing like Customer Engagement strategies using Social Media Marketing.

It may appear that some concepts are repeated unnecessarily, when in fact this eight-part framework should be thought of as a seamless sequential process for all types of businesses especially during market turbulence. Once the reader understands the purpose of each chapter, the usefulness of the format becomes apparent.

The second part of the book; Chapters 9 to 14 focuses on Applied Case Studies. This is a good addition to the first part of the book which concentrates on fundamental concepts in marketing. In this section we throw light on actual cases of corporations in India. The six cases in this section cover diverse areas from telecom to retail. An interesting aspect of the book is the analysis presented at the end of each case. The analysis is presented in a lucid manner and it is evident that the author has researched it meticulously. The author uses various concepts to explain the rationale underlying his analyses of the cases. The book will be of immense use to readers from a wide range of backgrounds because it presents a 360 degree view of the cases. Practitioners, academicians and students alike will find this book to be of utility in understanding marketing concepts and strategies.

All the cases have a section dedicated to the recession and how it affects organizations in various sectors. This is a very important angle to add to every case since the recession was something that impacted the bottom lines of every business across the globe. It allows the readers to appreciate the changes that need to be made to marketing strategy to overcome the burden posed by a recessionary economy.

Chapter 9 deals with one of the most debated issues of 3G in India. It details the entry of 3G services into the Indian telecom landscape and the various strategies employed by organizations in India to popularize 3G services. Being a topic which requires the reader to be well versed with competing technologies, the author has presented a brief introduction into the various communications technologies available in the marketplace. The questions at the end of the case require the reader to analyze a variety of situations and come up with solutions.

The rivalry between Jet Airways and Kingfisher Airlines and the problems being faced by the aviation sector is mentioned in Chapter 10. The author sets the tone by providing a wonderful background of the state of affairs in the aviation industry. From this point, the case takes the readers through the various strategies adopted by the two carriers with respect to international flights and the troubles that ensued. It is a very

important issue to be discussed as a case study given the fact that India's aviation sector is bleeding and almost all the carriers are trying to find the right business model which could turn around their fortunes.

The Retail sector in India is one that always throws up a lot of questions and also leads to debates about how best to grow given the rise of India's middle class. Chapter 11 presents the Indian retail environment in detail highlighting some of the major players in organized retailing and the various modern retailing formats. The question being posed to the reader is how Indian retail giants will tackle the issue of the economic downturn and still maintain a healthy growth rate.

Chapter 12 talks about the story of Hindustan Unilever Ltd. and how they had to tweak their marketing strategies to tide over the recession. The different product lines of HUL are discussed along with the campaigns that were initiated by HUL in order to penetrate the rural market. The author asks the reader to analyze the differences between FMCG marketing in urban and rural areas. The reader is also asked to devise a recession-proof strategy that can be employed by HUL in an emerging market like India.

The Indian PC Industry is growing at a fast pace but it is dominated by the presence of many unorganized players. Chapter 13 talks about a player in the organized sector which wants to address the multitude of issues with respect to marketing PCs in India. The author tries to convey to the reader

the diverse characteristics of the Indian PC user and the various customer segments prevalent in India. The reader will find this case quite intriguing compared to the other cases because technological developments lead to rapid changes and devising a fool-proof strategy could be more difficult than in the other cases.

The last chapter deals with Nokia's tryst with the Indian consumer. The case is laid out chronologically so that anyone reading the case will come to understand and appreciate the various experiences of the Nokia brand till date. A host of strategies devised by Nokia and their relative effectiveness is detailed in the case. Nokia however has had a bad run with rivals launching better models. The relevance of this case however, is debatable given that most of the software, services and models discussed in the case are either outdated or non-existent.

Applied Case Studies in Marketing is recommended as an addition to users who follow standard text books in marketing. The cases make for good reading and a more comprehensive understanding of the concepts discussed in the first part of the book. The manner in which the topics have been listed and the cases have been chosen is worth mentioning. The focal point of all the cases is the recession and the turbulence that it causes in corporations worldwide. The author succeeds in taking the reader through a multi-faceted analysis of the myriad situations presented in the cases. Prof. S. Shajahan has truly delivered a worthy addition to the domain of marketing text books.





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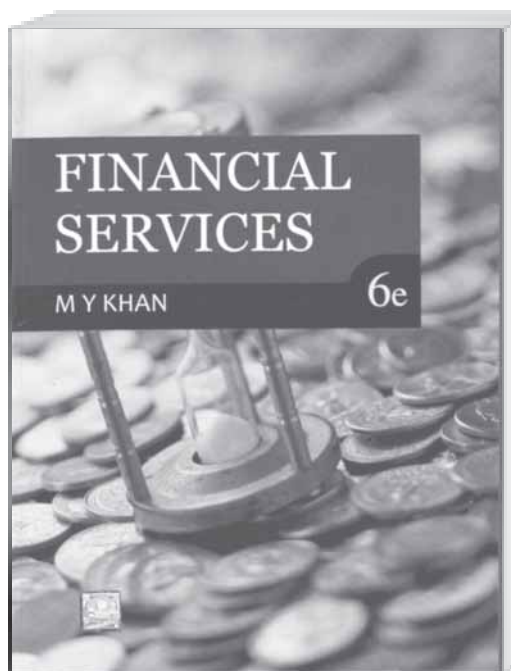
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Financial services are an inevitable part of any financial system. The subject is so vast and dynamic in nature that most of the authors find it difficult to incorporate the latest changes happening in the financial service industry. Even though some of the financial services covered are at a nascent stage in India, the author has gone in detail and has taken efforts to include the latest trends and developments so that the reader is kept informed on the same. The author has gone in depth with each financial service so that the student gets to know the subject better. For each chapter, starting from the page numbering to the recapitulation there is a perfect logical sequencing which captures reader's interest towards the subject.

Financial services can be broadly classified into Fund/Asset based and Fee based/Advisory. This book covers the entire subject in three parts which is further divided into

seventeen chapters based on each financial service. Part 1 gives an overview of the NBFCs with special emphasis to the regulatory framework. Part 2 of this book includes Chapter 2 to 12, which discuss about the various Asset/Fund-Based Financial Services. Part 3 includes chapter from 13 to 17 which detail about the Merchant Banking and Other Fee based/Advisory classification of Financial Services.

The chapter one (Part 1), **Non-Banking Financial Services** outline the system of regulation of the operation of NBFCs regulated by the apex bank in the country, RBI. This chapter speaks about the RBI Act framework and directions given to NBIs/FIs accepting public deposits. Directions include provisions regulating amount/period of deposits, rate of interest etc. This chapter helps the reader to understand the different prudential



norms, Asset Liability Management framework and Fair practice code for NBFC's. It also discusses about the regulatory framework for Core Investment Companies (CICs).

Chapters 2 to 4 discuss the theoretical, regulatory, Accounting framework of **Leasing**. These chapters explain the basic types of Leasing, lease documentation procedures and tax implications for leasing transactions. It also includes the various aspects of financial evaluation of lease transactions.

The Conceptual framework, legal, tax, accounting and evaluation of hire-purchase finance is dealt in chapter 5. This chapter throws light on the basic features of **consumer Credit** as a financial service.

In Chapter 6, the concept, mechanism and forms of **factoring** are explained in detail. This chapter also includes **Forfeiting** and has also included the comparison and contrast factoring and Forfeiting services. It also outlines the recommendations of Kalyansundram Committee which lead to the issue of guidelines for factoring services in India in 1990.

Chapter 7 describes **bills discounting** as an asset based financial service. The different aspects like schemes, procedure, nature, types, advantages and disadvantages and salient features of Bills discounting are covered in this chapter.

The setting up of National Housing Bank as an apex institution in 1988 for **housing finance** marked the beginning of the emergence of Housing finance as a fund based financial service in the country. Chapter 8 tries to explain the guidelines issued by NHB for extending equity and refinance support to HFCs. It also helps to understand the framework for reverse mortgage and reverse mortgage Loan-enabled Annuity. The author has given due importance in explaining the role of HUDCO, HFIs and regulatory framework for MGCs in this chapter.

In chapter 9, starting from the Fundamental Principles of Insurance to the different products available for Life and General Insurance are explained in detail. The different intermediaries for Insurance distribution their licensing procedures and recent amendments to the regulation by IRDA are incorporated in this chapter.

Commercialisation of new Technologies and support to small and medium enterprise in manufacturing and service sectors paved way for **Venture Capital** Institutions around the globe. Chapter 10 discusses this fund based activity in detail starting from selection of investment, investment nurturing, valuation of portfolio and finally exit of venture capital financing. The

chapter outlines an exhaustive list of venture capital Institution and schemes in India.

Chapter 11, **Banking products and services** dwells on the functions of RBI, major products/ services namely deposits, loans/advances, retail and money market products like Call money, Commercial Paper etc...

Chapter 12, **Mutual Funds: Services and Products** explains the benefits and procedures for registering of mutual funds and their constitution and management. This chapter illustrate the role of AMC and custodian. Different types of Mutual fund schemes/ products are also explained in this chapter.

Chapters 13 and 14 enlighten the reader with the broad framework of SEBI regulation relating to **Issue Management: intermediaries and issue activities/procedure**. This chapter discusses on the roles and responsibilities of Intermediaries like Merchant Bankers/ Lead Managers, Underwriters, Bankers to Issue, Portfolio Managers. Chapter 14 details Issue of Capital and disclosure requirements regulation and Issue and Listing of Debt securities Regulations.

Chapter 15 explains in detail the conceptual framework of **corporate restructuring** which includes merger/ amalgamation/ acquisition/ takeover and so on and Chapter 16 creates an in depth understanding on the operational framework of **Stock Brokers**, sub broker, clearing members, trading and self clearing members. This chapter defines and explains the general obligations responsibilities of **custodial services**. It clearly outlines the modus operandi of **depositories** in India.

Credit Rating is the last chapter in this book. Chapter 17 explains the Credit rating process adopted by major Credit rating agencies and their process of registration and management. This chapter details on the credit rating system adopted and the various constituents in the system are explained elaborately.

The author has tremendous constraints in explaining these concepts. The rules and regulations of the financial services have been frequently revised and amended by the respective regulators. The author has the difficulty in internalising all these changes so as to make this edition latest and current. Despite all these, the author has vindicated himself successful in this venture. Without any element of doubt this book can be recommended for students who wish to understand the Structure of Financial Services Industry in India.





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Managerial Economics, Second Edition, G. S. Gupta, Tata McGraw Hill Education Private Limited, New Delhi, 2011.

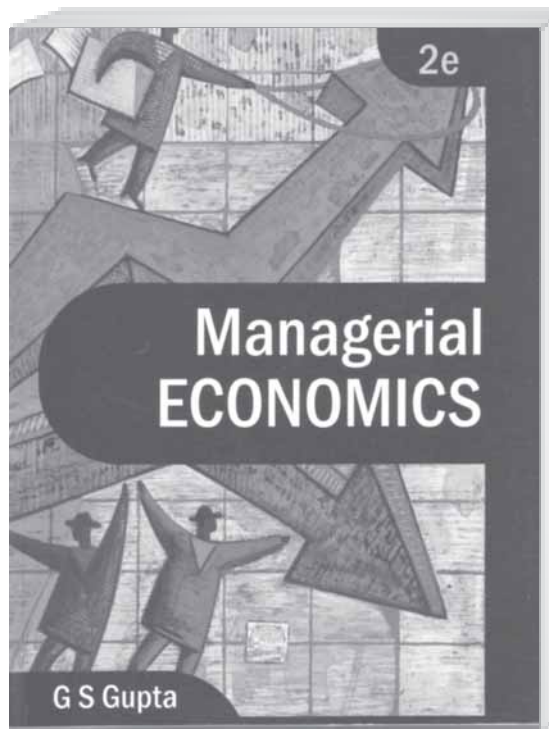
This textbook on Managerial Economics has a unique approach. The author, as he vouches in preface to the second edition, has introduced some timely, contemporary changes to the contents of the book. This itself is a proof to the fact that the book can be safely suggested for a comprehensive reading.

The subject managerial economics borrows from the domains of micro-economics, macro-economics, econometrics and operations research. The book draws relevant concepts from these domains. Instead of presenting a detailed theoretical description of the related concepts, the author takes care to introduce the concepts to the student in an application oriented, practical manner. He then proceeds to pose these problems relating to a decision making

process and then seeks answers. An example could be the way in which he introduces the fundamental concept of demand. He explains how the individual and market demands can be understood and explained via the example of milk market. The approach and

treatment of the book is excellent and the author never forgets the varying academic backgrounds of the students who are likely to read this book and promises an valuable reading time.

The first few chapters introduce the subject and its fundamentals to the reader. Right from the beginning, Economics is defined, explained and presented in a business context, whether it is the objectives of production or that of decision making process. The introductory chapters deal with various aspects of demand analysis, theory of consumer's behaviour, demand estimation and forecasting. The chapter on consumer behaviour is an added attraction of this book and includes discussion on ordinal approach to



consumer behaviour which is crucial in explaining the choice of consumption basket, labour supply, consumption-saving trade-off and return-risk trade off.

Chapters five and six deal with supply concept. It discusses in detail production and cost analysis. Cost analysis is discussed in a non-compromising manner and is presented in an extensive but simple way. Chapters seven to ten integrate the demand and supply sides of market. This section includes determination of price and output under varying market conditions. The prudent combination of theory with its subtle bearing in econometrics and the final relating to the real time market situation through the caselets provided at the end of the chapters are sure to help a student in an unparalleled way.

The last chapter focuses on investment analysis which is new experience as far as standard text books in Managerial Economics are concerned. It discusses the investment scenario giving due consideration to inflation, risk and uncertainty and social benefit cost analysis.

There are two appendices A and B towards the end of the book. Their function is simple and contributes in a tremendous way in understanding the fundamental principles and techniques of economic optimization, which is crucial to the learning of managerial economic decisions, as the author claims.

Reading and learning this book is sure to give the reader an edge over others.





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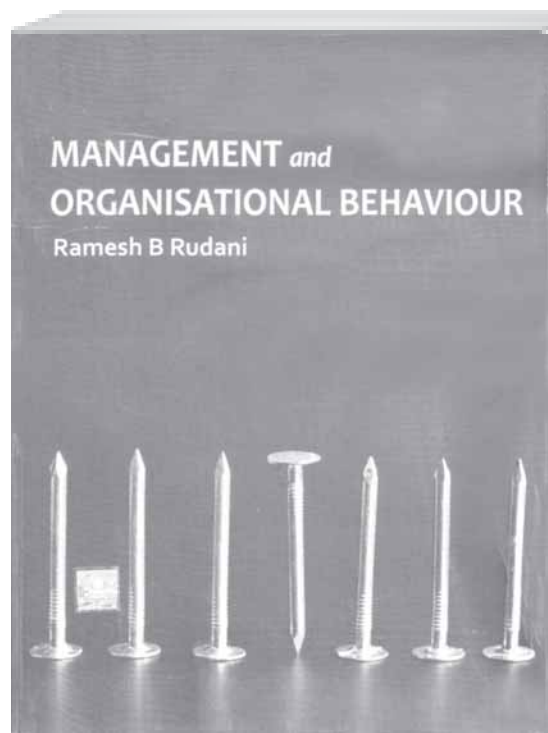


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Authors : *Ramesh B. Rudani*
Edition : *2011*
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Publisher : *Tata McGraw-Hills Education Private Ltd., New Delhi.*

People have always been striving to manage organizations proficiently. Without understanding the significance of human aspect within the organization, no organization can rise and survive for a long period. Study of human behaviour and utilization of human resources are very crucial in each operative area of an organization for its overall excellence.

This book is specifically intended for management students particularly in the Indian context and is useful in comprehensive understanding of essential Organisational Behaviour (OB) concepts. Case studies on recent issues have been included in every chapter to illustrate the issues and to discuss the concepts. The book describes OB in the context of the emerging issues in the societies of developing countries and in relation to all the organizational units: the individual, the group and the organization.

The book *Management and Organisational Behaviour* by Dr. Ramesh B. Rudani, paves the way for a student in business administration to have a better understanding about emerging issues and new development in management and dynamics of individual and group behaviour.



Dr. Ramesh B. Rudani, Associate Professor in N. R. Vekaria Institute of Business Management Studies, Junagadh, affiliated to Saurashtra University, Rajkot (Gujrat). He has earlier authored a book titled *Basics of Marketing Management*. The book *Management and Organisational Behaviour* is published by Tata McGraw Hill Education Private Limited.

Objective of the book is to discuss the key concepts and basic principles of management and OB, in relation to the real practices across the globe. Relevant cases and examples and variety of exercises which are based on Indian context

and Companies are included unlike most of the foreign authored books which includes examples and case studies of mainly US based companies.

Most of the topics have been discussed with a to-the-point approach, avoiding unnecessary descriptions thus minimising ambiguities in the minds of the students. The text uses simple lucid and effective language to help the students comprehend every topic with least difficulty.

The book contains relevant topics that are generally covered under management and organisational behaviour (OB). Special care is taken to simplify the topics of OB related to psychology and to cover maximum topics in human resource management. Every chapter includes key terms, exercises, objective type questions, assignments, references and cases. Charts, tables and figures have been used extensively to explain topics along with a number of real-life examples which gives a glimpse of the management practices prevalent across the globe

Many examples related to leading corporate houses like Reliance, Hindustan Unilever Ltd., Proctor and Gamble, Mahindra and Mahindra, Tata Group, Bajaj Group, Aditya Birla Group, Infosys, Google India, Wipro, TVS Motors, Adani group, etc showcase the actual management practices in India.

This book is divided into two parts. Part one comprises two topics. The first topic narrates an overview of business management wherein the definitions and features of Management, professionalization of management, various schools of management thought, the definitions and processes of strategic management, models of Corporate Strategy, and the relevance and importance of Social Responsibility and Business Ethics.

The second topic describes the overview of management functions, concepts and processes of planning, decision making, organising, staffing, directing, coordinating and controlling. It also gives a brief idea of the different leadership styles and its

importance, the concept and role of motivation and morale in management scenario.

Part two focuses on two topics. The first topic deals with overview of Organisational Behaviour, its evolution, nature and importance. The concept of organisation culture, the characteristics and relevance of perception, learning, attitudes and personality are also dealt with in detail.

The second topic enlightens us with the various important/ advanced aspects of Organisational Behaviour. Concept and characteristics of group dynamics, team building and transactional analysis are explained in detail. Another important aspect of today's business environment is the understanding of conflict and stress. This book gives an in depth understanding of the concept and sources of conflict and a brief idea of stressors and Stress Coping Strategies. Finally the book ends with some advanced topics in workplace psychology like positive organisational behaviour, organisational politics, quality of work life (QWL) and high performance work practices.

Every B-school student should be updated about happenings of the corporate world; he or she should be clear on the concept and application of Business studies. Manager of any function per se finance, operation, systems, and human resource eventually have to manage human beings. Good understanding about research on human behaviour and various studies done on behaviour of employees in organisation helps a student of business administration to be successful manager.

This book is an intelligent and logical combination of fundamental concepts of management and organisational behaviour with appropriate examples and rich pedagogy. It will certainly serve the purpose of elucidating the basic concepts of Organisational Behaviour and their applications, resulting in a better understanding of the dynamics of human behaviour by researchers, management students, and faculty. It is indispensable for academia.



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- § What are the real-world implications of the proposed article? Can the central message be applied in businesses today, and if so, how?
- § Who is the audience for your article? Why should a busy manager stop and read it?
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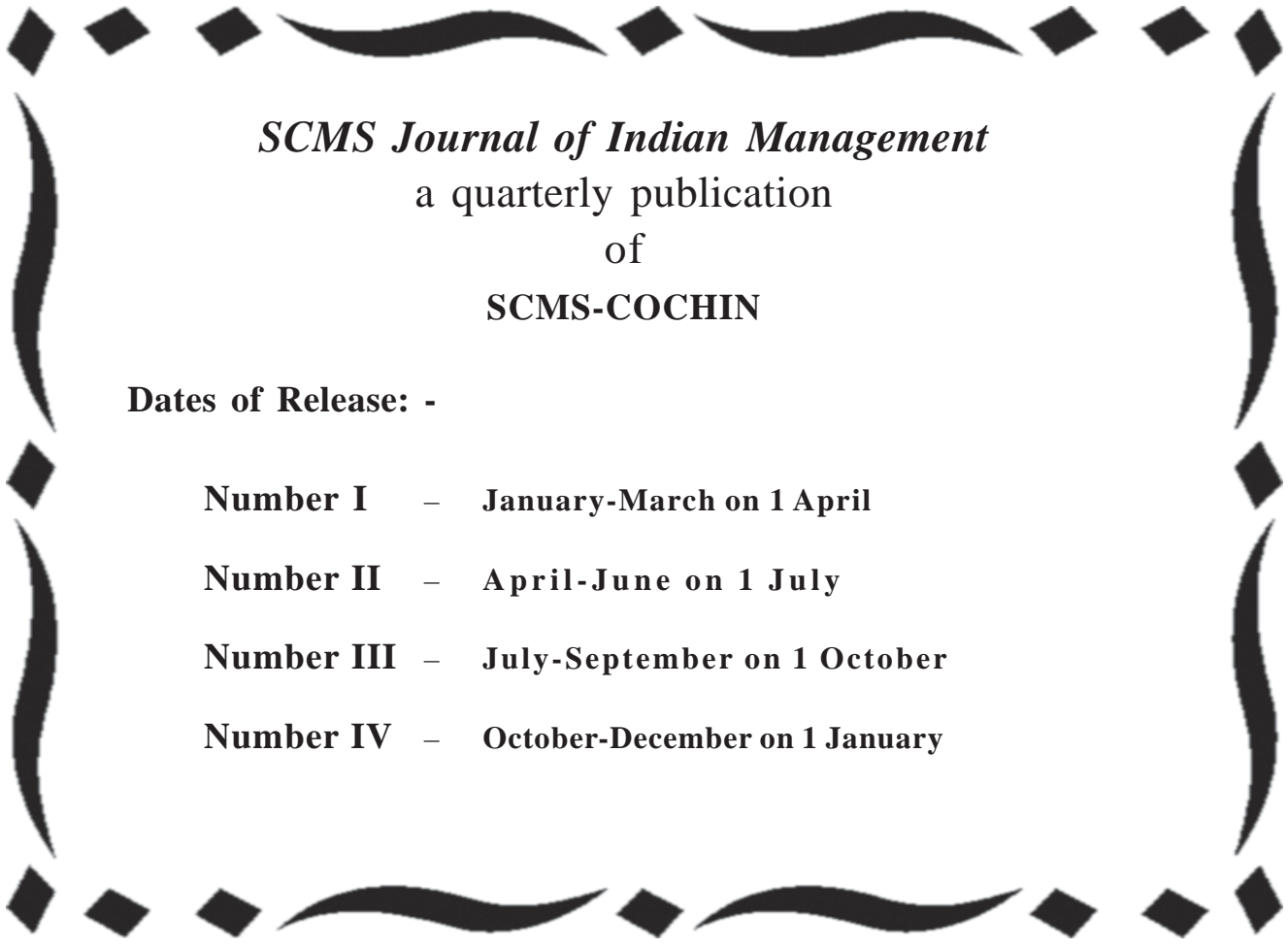
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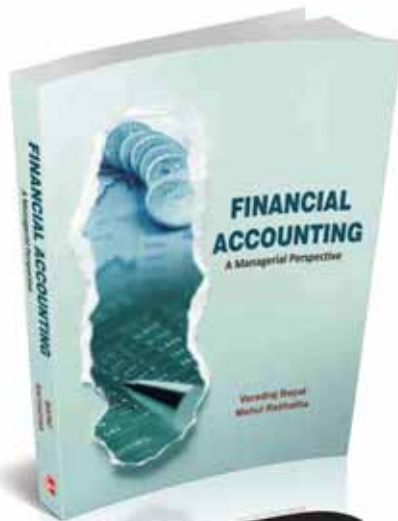
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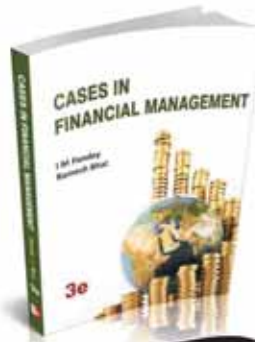
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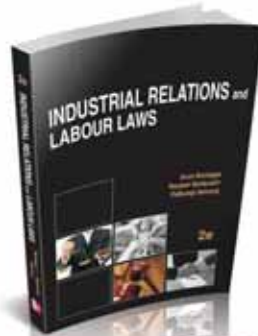
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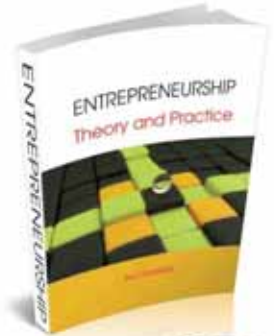
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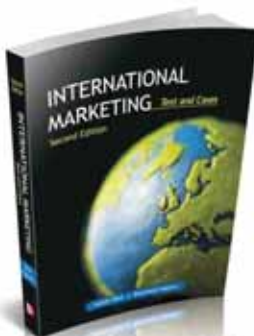
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