BOOK REVIEW

Title	:	*Fortune At The Bottom Of The Pyramid*
Author	:	**C.K.Prahalad**
Publisher	:	**Wharton School Publishing/Pearson Education, Singapore.**
Pages	:	**401**
Price	:	**Rs.499**

Gurus keep a distance from others – in radical thinking. This Guru, C.K. Prahalad, considered to be one among the top 10 management thinkers, proves that our assumption about a Guru is only right. In his latest work, *Fortune At The Bottom Of The Pyramid*, Mr. Prahalad opens new vistas of eradicating poverty, one of the nagging worries of the developing world. And the Guru, who gave us the concept of Core Competence, in his characteristic radical style, proposes a solution, which is radically different from conventional thinking and at the same time highly pragmatic. He paves a way for alleviating poverty by enthusing business including MNCs to look at the market at the Bottom Of the Pyramid (BOP). Prahalad tries to find answers to the questions like why is it that with all latest technology, managerial know-how, and investment capacity, we are unable to make even a major contribution to the problem of pervasive global poverty and why can't we create inclusive capitalism. While mobilizing the investment capacity of large firms with the knowledge and commitment of NGOs and communities that need help can co-create unique solutions, the author feels that managers can sustain their enthusiasm and commitment to such initiatives only if they are grounded in good business practices. The nearly five billion people at the lowest strata, the bottom of the pyramid, can help businesses and managers redefine what "good business practice" is. And one should clearly understand that this approach has very little to do with philanthropy and corporate social responsibility. Poverty reduction can result from co-creating a market around the needs of the poor with initiatives to make poor active, informed and involve consumers. In short, the eradication of poverty becomes possible when the BOP becomes a key element of the central mission for large private sector firms. The challenge is nothing but to convert poverty into an opportunity for all the constituents.

Mr. Prahalad argues that we should stop thinking of the poor as victims or as a burden and recognize them as resilient and creative entrepreneurs and value conscious consumers, and a new world of opportunity opens up. BOP can be a source of innovations since serving them will necessitate innovations in technology, products, services and also business models. There are four to five billion people at the BOP, living with less than $ two per day. What is needed is a better approach to help them, an approach that involves partnering with them to innovate

and achieve sustainable win-win scenarios where poor are actively engaged, and at the same time companies providing products and services to them are profitable. Author feels that the collaboration between the various constituents like the governments, NGOs, firms and the poor can create the largest and fastest growing markets in the world. This large-scale and widespread entrepreneurship is at the heart of the solution to poverty. The plus point of this approach is that the creation of opportunities occurs by offering them choices and also encouraging their self-esteem. Also, the whole process will provide an answer to those who complain about the widening gap between the rich and poor arising out of globalization and that globalization hasn't helped to address the issue of poverty.

About the author Professor Prahalad is the Harvey C. Fruehauf Professor of Business Administration at the University of Michigan Business School (renamed recently as Ross School Of Business). An internationally recognized expert on corporate strategy, he has been named among the top ten management thinkers of the world in every major survey for over ten years. He has consulted with many of the world's reputed corporations like AT & T, Eastman, Kodak, Cargill, Honeywell, Philips, Colgate-Palmolive, Motorola, TRW, Whirlpool etc. and serves on the board of NCR Corp., Hindustan Lever Ltd., and the World Resources Institute.

His book, *Competing for the Future*, co-authored with Gary Hamel, was a best seller and was rated as the Best Selling Business Book of the Year in 1994. He also co-authored Multinational *Mission: Balancing Local Demands and Global Vision* (with Yves Doz) in 1987 and The *Future of Competition: Co-Creating Unique Value with Customers* (with Venkat Ramaswamy) in 2004. He has also published extensively in all the major business journals.

The dominant logic of all the constituents – government, aid agencies, NGOs, firms and organized business sector-who were working towards poverty alleviation was based on the assumption that market-based solutions can't lead to poverty reduction and economic development. And this was based on five other major assumptions like:

o The poor have no purchasing power and therefore do not represent a viable market.

o The distribution access to the BOP markets is very difficult, and therefore represents a major impediment for the participants of large firms and MNCs.

o The poor are not brand-conscious.

o The BOP markets are not connected and networked.

o The BOP consumers don't accept technology readily.

The author proves all these assumptions wrong with arguments based on strong rationale. He takes the help of demographic and economic statistics to prove his point. Nine countries like Brazil, Russia, India China (BRIC), Mexico,

Indonesia, Turkey, South Africa and Thailand account for three billion population with a GDP of $12.5 trillion, contributing to 90 per cent of the GDP of the developing world and which is greater than the GDP of Japan, Germany, France, UK and Italy combined.

How do companies convert BOP into consumers? In order to do this, companies have to create the capacity to consume in the BOP market. This necessitates BOP consumer to be accessed differently. There are "Three As" namely, Affordability, Access and Availability that are very important factors.

BOP consumers must be able to afford the offering. Companies may have to package the products or come out with novel purchasing schemes without any sacrifice in quality to make them affordable to the BOP consumers. The distribution of the products must keep in mind the work cultures of BOP customers and also as to how to reach them. Many of them work even late into the evening to make their living and also may not be willing to travel great distances, necessitating for the firm's people to meet them at their convenient time or making products available within easy reach. Also, the products must be made available at the right time when they have cash.

The advantage of focusing on the BOP consumers' capacity to consume is that the private sector business can create new markets, which hither to they had neglected. For the companies, it also provides huge opportunities for innovation-for the development of new products and services, packaging, distribution etc. By introducing good-quality ice-cream at Rs.5, Amul has made ice creams affordable to BOP and created a market out of that. BOP customers in remote villages in India use shampoos, sauces, jams etc made by MNCs because of the innovative product offerings from them. The statistics that the shampoo sales in volume in India are equal to the shampoo sales in volume in US may look surprising but is true. Cemex in Mexico enhanced the market for its products (cement) by creating new sets of consumers by offering them a whole lot of services including financing. The Aravind Eye Care System, in Madurai who performs cataract operations charges only $50 to $300 per surgery as compared to $2500 to $3000 in developed countries like US.

Building Blocks of Philosophy of Innovation targeted at BOP: Twelve Cardinal Principles.

1. Serving BOP market is not just about lower prices. It is about creating whole new price-performance paradigm.

2. Innovation requires hybrid solutions. Scalable, price-performance-enhancing solutions may necessitate blending of emerging technologies with existing (but rapidly evolving) infrastructures.

3. Solutions developed must not only be scalable but also transportable across countries, cultures and languages to make them cost effective. Hence, solutions must be designed for ease of adaptation in similar BOP markets.

4. Innovations must focus on resources conservation. For example, the BOP customers may not be concerned attractiveness of packaging or would prefer small packaging as compared to developed world. Hence, reducing resource intensity must be accepted as a key principle in product development.

5. Product development must originate from a deep understanding of functionality, not just form. One must also consider the infrastructure available to the BPO customers. For example, washing clothes in an outdoor moving stream is different from washing clothes indoor using washing machines.

6. Process innovation is just as important as product innovations. Innovations in reaching potential consumers, educating them are also important.

7. Deskilling work is critical since BOP is generally poor in skills. The design and use of products/services must take into account the skill levels, the poor infrastructure and the difficulty of service in remote areas.

8. Educating the consumers require huge innovation as most of the BOP live in "media dark" zones. New and creative approaches to demonstrate product usage in villages must be developed.

9. Products must be designed to work in hostile environments and accommodate low quality of infrastructures such as fluctuations in voltages of electric power, availability & quality of water etc.

10. The heterogeneity of the consumer base in terms of language, culture, skill level, prior familiarity with the product etc will pose challenges to the innovation team & will necessitate research on interfaces with the BOP consumers.

11. Innovations must reach the consumer. Hence methods of accessing them in a cost effective way is very critical.

12. The innovators must keep in mind that the platform of product design & development must be broad enough to incorporate new features since the feature and function evolution in BOP markets can be very rapid.

In order to assert that the BOP consumers offers an excellent opportunity for the corporates, Prahalad challenges some of the basic assumptions at the core of the thinking on poverty reduction and development assistance that has been prevailing during the past thirty years. He questions many of them quoting Hernando De Sota, author of *The Mystery*

Of Capital, who says that poor countries are not poor; very often they are asset-rich but capital poor. In many of the so-called poor countries, due to lack of necessary legal framework, assets can't be converted to capital. If the huge trapped resources of many of the so-called poor countries could be converted into capital, the benefits could be tremendous and they may cease to be poor.

Mr.Prahalad cites a number of case studies from different parts of the developing world like Mexico, Brazil, India, Peru etc to prove his point. Many of these companies find that the BOP consumers provide not only a huge opportunity for growth and help in poverty reduction through empowerment, but also that many of the innovations targeted at the BOP consumers can be relevant and useful in developed markets too. The CD that comes along with the book provides the video setting of all cases in the book discussed.

A very thought provoking, radical but highly pragmatic solution for the eradication of poverty from the world. Long live Gurus!

Book Excerpts

▶ Poverty is a worldwide problem. Many of the attempts to find solutions have not been fruitful. Firms can be enthused and committed to play a role in poverty reduction only if managers see business sense in any of their initiatives. The nearly five billion consumers at the lowest economic strata, (the Bottom Of the Pyramid Consumers)

offers tremendous opportunity for firms, which can help businesses and managers redefine what "good business practice "is. And one should be clear that the approach has very little to do with philanthropy and corporate social responsibility. The challenge is to convert poverty into an opportunity.

▶ There is ample proof to believe that the assumption that market–based solutions can't lead to poverty reduction and economic development was wrong. Nine countries (BRIC, MEXICO, Indonesia, Turkey South Africa & Thailand) with population of 3 billion account for 90 per cent of the GDP of the developing world, which is greater than the GDP of Japan, Germany, France, UK & Italy combined offering tremendous market potential.

▶ Firms have to look at BOP market from a radically different angle giving importance to the "Three As", namely Affordability, Access and Availability. This will help firms to create new markets-as P&G, HLL, CavinKare etc have done in the case of shampoo market in India. This benefits firms because their ability to innovate considerably improves and the same innovations can be adapted to even developed countries.

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Book Review

Title	:	***Great Answers to Tough Interview Questions*** **New 5th Edition**
Author	:	**Martin John Yate**
Publisher:		**New Delhi: Kogan Page Indian Private Limited First Indian Edition 2004.**

Job Interview is a measured and ritualistic mating dance and the best partners whirl away with the glittering prizes. The main steps of this dance are the give-and-take, question-and-answer exchanges which make meaningful business conversation. In his book 'Great Answers to Tough Interview Questions' Martin John Yate teaches the reader the steps and he, too, can dance the dance.

The book is divided into Four Parts: the Well-stocked Briefcase, Getting to Square One, Great Answers to Tough Interview Questions and Finishing Touches.

'Great Answers to Tough Interview Questions' takes the reader through the whole process of job-searching—from the preparation of his CV to the negotiation of salary, and to the dreaded interview questions. The reader can find plenty of the tough, sneaky, mean and low-down questions, which interviewers often throw at the interviewees. This book gives answers to all these questions. It also deals with the worst one can expect in 'the stress interview.' The book guides the reader in winning his dream job. It also definitely enthuses the reader to make all possible efforts in job-hunting.

One point to be kept in mind while reading the book is that whether some of the tips given are universally applicable.

Dr.Jose Payyappilly
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Changing Face of Automobiles
And
Their Advertisement in India

(A Case Study of Maruti Udyog Limited)

Dr.Mohammad Khalid Azam & Dr.S.M.Imamul Haque

Introduction

Passenger car industry in India is growing at a very fast rate. Its growth during the last two decades has been phenomenal. After the good-bye to the license permit raj in the early 90's, the industry is free from protection by the government and is open to all types of external competitions. It is a fact that during the protection period it was not on the priority list for development as car was thought to be an item of luxury for a developing country like India. The excise duty imposed on the production of cars was once kept very high. At present it is only 24 per cent. This is an indication that the car is no more a luxury item. Now it is meant for the middleclass people.

Production and marketing of cars have created a separate place in the development of the economy. Ten times increase in production and sales during last ten years with sales of more than six lakhs vehicles per year itself speaks the success story of the industry. Today it is in its top gear and is fast being an outsourcing hub for automobiles companies worldwide. Export of passenger cars has nearly trebled in five years from 28122 units in 1998-99 to more than

71653 vehicles in 2002-2003. According to an online survey conducted by AT Kearny, 24 per cent of American Automotive executives responded that India is right on top of the auto outsourcing heap. Larger manufacturers like China, and Mexico are lagging behind at 15 per cent and 13 per cent respectively and only ten per cent voted for Brazil. The United Kingdom Auto magazine "Autocar" added that the hottest idea in car design is happening right now in the back streets of Mumbai. India is the ninth country in the world to design a vehicle on its own. There are many more to say about this industry. It has jumped two places to the 13th position in the latest automobile production ranking of International Organisation of Motor Vehicle Manufacturers[1].

At present there are many brands of foreign origin produced or assembled and marketed in India, for example Suzuki, Toyota, Ford, Hyundai, Daewoo, GM, Mercedes – Benz, Skoda, Opel. Many more are under the process of their launch. The Maruti Udyog Limited, (MUL) with its many brands for almost all the segments, dominates the market scene. More than 50 per cent of the market share is in its hands with Maruti 800CC car, Zen, Alto,

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Esteem, Wagon-R, Gypsy and Omni. In the economy and mid-sized segment it occupies the leadership position with Maruti 800, Zen and Esteem.

The present market has changed drastically and the customers are no more after the dealers for purchasing the same old-fashioned poor quality cars with inadequate service back up. Today the customers dictate their choice and the companies are introducing new models time to time. In this changed market scenario the role of promotion has also increased drastically as the company has to motivate the customers to purchase its product. With the above ideas in mind, this paper deals with the following objectives:

    i)   to analyse the changes in sales and production of automobiles in India,

    ii)   to segment the market and place different brands in those segments, and

    iii)   to analyse the contents of advertisements of different brands of Maruti Udyog Limited.

Data Source and Methodology

For the purpose of satisfying the above objectives, the data have been collected from different secondary sources, which include internet, magazines, journals, company brochures and newsletters and newspapers. The main source of data supplier for the automobile production, sales and export is the Society of Indian Automobiles Manufacturers (SIAM), New Delhi. The monthly data are available on Internet. The website used for this purpose is indiainfoline.com where they are placed in the sector report of automobiles. Newspapers and magazines of different periods are used for the content analysis of advertisements of MUL.

Changes in production and sales have been analysed over the periods by taking the previous year as base. It simply gives an idea about the percentage change in production and sales from the previous year.

Profile of Passenger Cars in India

The demand for cars in the past was supply driven and the demand did not match the supply. The high price and long waiting period were the main features of the market. But the changes in the government policy, international economic scene and aggressive addition of capacity and upgradation of models in the last decade by many manufacturers led to increase in supply. At the same time, the extension of loan for the purchase of cars from the employing organizations and from the financial institutions and availability of finance from banks have changed the market condition. There is no more waiting period required and the person can roll his car from the show room as and when he wishes.

The total number of cars sold in the financial year 1959-60 was 15,714 units, which increased at an annual growth rate of 3.5 per cent and nearly doubled in two decades. The entry of Maruti as a *"people's car or small family car"* in the year 1983 supported with favourable policies resulted in an annual growth rate of 18.6 per cent in between financial year 1980 to 1990.

The Table 1 gives an idea of total sale of passenger cars during different periods. In these years the industry has shown an ever-increasing sales except in the years 1998-99 and 2000-01 when they reduced.

Table 1: Total No. of Units of Automobiles Sold

Year	No. of Units sold	Percentage change
1959-60	15,714	- - -
1969-70	23,819	51.57
1979-80	30,989	30.10
1989-90	186,872	309.4
1990-91	189,763	49.5
1991-92	193,601	2.02
1992-93	201,494	4.07
1993-94	209,203	3.82
1994-95	264,822	26.58
1995-96	345,486	30.45
1996-97	410,992	18.96
1997-98	417,736	1.64
1998-99	409,624	(1.94)
1999-00	638,815	55.95
2000-01	605,628	(5.19)

Source: Society of Indian Automobiles Manufacturers (SIAM)

The demand for cars in future may be estimated with the help of macro economic variables like growth in GDP and per capita income etc. But it is expected that the demand for car in future is expected to come from the owners of two wheelers who will go for replacement to four wheelers as and when their income is going to increase and they feel the need to have means of personal transportation for family. The other feature of the market is that the replacement demand will be coming from the other set of people who will be more interested in purchasing cars of high-end model leaving scope for second

the developed nations. In India the economy segment is the largest segment which is not true for the developed nations where the mid range segment dominates.

There are many other cars in all the categories sighted above which have either been introduced or are expected to be introduced in near future. Most of the cars are having different versions and their price range is going to vary. In Indian market one category of difference is of

Table 3: Segmentation of Domestic Car Market

Segment	Price Range (Rs. in '000)	Models
Economy- Segment A	Up to 200	Maruti 800, Alto, Maruti Omni
Mid Range Segment B	250-450	Uno, Zen, Fiat Palio, Hyundai Santro, Indica, Wagon R and Corsa
Premium Segment C	450-750	Esteem, Indigo, Opel Astra, Ford Ikon, Mitsubishi Lancer, Baleno and Honda City
Luxury Segment D	750-1400	Octavia, Corolla, Skoda and Optra
Super Luxury Segment E	More than 1400	Mercedes Benz, BMW Honda Accord, Camry and Opel Vectra

hand economy model car, adversely effecting the demand for economy model new cars.

Passenger Car Segmentation

The segmentation of passenger cars in India is definitely different from that of

air-conditioned vs non air conditioned cars and power vs manual steering etc. These variations have not been listed in the above segmentation as only the brands have been considered. The segmentation is also based on the price range and not on the other factors.

Advertising Messages of Indian Cars

Promotion is an important factor in selling the cars. Among the promotion elements the main element is advertising. Almost all the media of advertisements are used for promoting cars whether print or electronic. All the manufacturers are using some of the media. One can see the advertisements of Maruti cars on the TV channels for example Maruti 800, Esteem, Alto and Versa. Similarly the advertisements of the car manufacturing companies like Chevrolet, Hyundai, Honda and Telco's brands can also be seen on the Television networks.

The advertisements are concentrating on the target market and have different appeals-some rationally appeal to the customer while the others go for emotional appeal. To make the advertisement more appealing, interesting and memorable, use of visuals, colour, music, celebrity and copy are commonly used. A variety of options and combinations are being used for promoting the passenger cars in the market. Telco launched its Indica and released a full-paged colour advertisement in the national dailies and magazines.

The use of celebrity in car advertisement is very common. Mainly the film star's services have been hired for this purpose. Amitabh Bachchan and Abhishek Bachchan were featured in the advertisement of Maruti Versa. Shah Rukh Khan and Pretty Zenta are featured in Santro while the cricket superstar Sachin Tendulkar is featured for the Fiat Palio.

The message which the company wants to put across depends on many factors including the target market, advertising objective, company policy and the stage of product life cycle etc. Below are given some of the advertising messages of Indian cars:

Table 4: Advertising messages of Indian Cars

Manufacturer/ Brands	Advertising Messages
Alto	"Let's Go." A little car which is strong enough to move fast and on tough terrian
Mitubishi Lancer	Nothing drives like a Lancer
Honda City	Mix of power and Elegance
Fiat Siena	Take control Driven by passion
Opel Corsa	Acting Baby
Ford Ikon	The josh Machine
Tata Indica	Size matters so do the power, economy and style,
Hyundai Santro	A complete family car, the sunshine car

Source: Compiled from different issues of India Today and Business World

A Case Study of Maruti Udyog Limited (MUL)

As a result of oil crisis of early and mid seventies the need was badly felt to have motor vehicles which should be fuel efficient and so designed that it should be comfortable and suitable for the Indian roads. Similar thinking was also going in the minds of car manufacturers in other countries as all of them were faced with the same problem of high fuel consumption. Consequently this led to an increased emphasis on weight reduction, optimum product design, appropriate quality and fuel efficiency. The government ultimately decided to have a car manufacturing company in public sector, which should produce "people's car". For that purpose a wound up car manufacturing company known as Maruti Limited (Set up in 1971) was acquired and Maruti Udyog Limited was incorporated in 1981. A joint venture agreement was signed with Suzuki Mortor Corporation of Japan in 1982, which is a majority shareholder of MUL. The marketing of Maruti 800 started in the year 1983 and at that time the other brands introduced were Omni and Gypsy to suit the different ranges of customer. At present following brands of cars are being manufactured by Maruti Udyog Limited which are given as per segments in the Table 5.

Table 5: Different Brands of Maruti and their Segments

Small Car Segment	Medium Range Segment	Luxury Segment
Maruti 800	Zen	Esteem
Alto	Wagon R	Baleno
Gypsy	Omni	Versa

Maruti 800 models are still most popular cars in Indian market and hold more than 60 per cent of car segment of India. It is having a privilege of keeping a waiting list of about two to three weeks despite a number of similar brands available in the market.

But after the introduction of Maruti Alto, the position of Maruti 800 CC is changing fast. The company is trying to project Alto as a tough car and it is gaining strength in the domestic and foreign markets. It is becoming more popular car than Maruti 800 CC. Its recent advertisement of "let's go" has caught the imagination of the people to be a good alternative to Maruti 800 CC. Its advertisements and write-ups in magazines concentrate on this feature. "Challenging the might of the Himalayas in a Peppy little in Alto VX 1.1 is a breathtaking experience"[3] narrates the story of four days of Himalayan tour by two persons. A trouble free and reliable car even for tough and cold terrain of Himalayas tells its own story. This ultimately will affect the market position of Maruti 800CC. In a recent press release

the Chairman has disclosed that to meet the upsurge in the demand of Alto, the company is planning to increase its capacity by January 2005. Similarly the company is also trying to push the demand of its till now most popular car i.e. Maruti 800 CC among the teachers and a new scheme is going to be introduced for the Motor cycle owners to replace it by Maruti 800 CC for an installments of Rs.2,999 per month for seven years[4].

Production and Sales of MUL Cars

The production and sales of MUL brands in different periods are given in Table 6.

Table 6: Production and Sales of MUL Cars

Year	No. of Units Manufactured	% Change over previous period	Sales in Units	% of sales to production
1983-84	852	-----	852	100
1988-89	105547	123 times	105592	100
1993-94	155780	1.5 times	160132	102.8
1994-95	205948	32.2	205987	100
1995-96	277776	34.9	275411	99
1996-97	338848	21.9	338746	99.9
1997-98	354336	4.6	353088	99.6
1998-99	333198	(5.9)	333773	100
1999-2000	407589	22.8	406291	99.6
2000-01	350374	(14.03)	350624	100
2001-02	358108	2.2	351949	98.2

Source: SIAM

With a modest beginning MUL could reach a very high level of production. In the first five-year period i.e. 1983-84 to 1988-89 the production rose up to 123 times and during ten years duration it has gone up to 182 times. In mid 90's the production registered growth every year at a handsome rate of more than 20 per cent but in later 90's, it reduced to the extent of six per cent. In the year 2000-01 production decrease was up to 14.3 per cent from its previous year. If we see the sales and production relationship we find that every year the sales of the company is either 100 per cent or more. It means that whatever is produced is sold during the year and if in some year something was left without sale, it was sold in the subsequent year and so the percentage rose up to 100 per cent.

The year 1998-99 witnessed a discouraging sale in the passenger car industry due to rise in prices that were the result of uniform sales tax regime. And Maruti was one of the badly effected company as it has major market share in and around Delhi where sales tax increased from six per cent to 12 per cent. The company reported 5.47 per cent drop in sales over its previous year. In December 1998 the company took a decision to reduce the price of Maruti 800 and Zen by about Rs.24,000 and Rs.51,000 respectively. This decision helped the company in maintaining its market share and increasing its sales in 1999-2000 by 21.72 per cent over its previous year.

The market share of MUL of Indian passenger car market which was 1.92 per cent in 1984-85 went up to 60 per cent in five years time. After ten years the market share of the company was 75 per cent. In the year 1997-98 the market share was maximum at 82.66 per cent but after that it is sliding down every year. This phenomenon is due to the introduction of many new brands by internationally reputed companies in India. The competition has become fierce and to capture even 50 per cent of the market share is not so easy a task[5]. During the period of April 2003 to January 2004 the market share of Maruti Suzuki was 55 per cent with its 14 brands on offer. It is facing a very competitive market as many new brands are coming from the reputed international car manufacturers and marketers. Its two brands Wagon R and Zen have been ranked No.1 in product quality in a NFO total customer satisfaction study. It is making its presence felt in 1000 cities with 1885 strong service network which makes it a favourite car in the country[6].

Promotion Strategies of MUL

The Company to be successful at the market place has to adopt strategies that may attract customers and give them a chance to purchase, taste and use the product. MUL is no exception. It has designed promotion mix, which is in consonance with the customer requirement and competition from the manufacturers. The promotion mix adopted by MUL mainly consists of Advertising, Publicity, Personal Selling and Sales Promotion and goes beyond these promotional tools like product

design, package and shape, price, after sales services, dealers network etc.

Advertising Strategies

It is one of the major promotional tools adopted by the company to communicate directly with the customers. Earlier it was taking help from the Hindustan Thompson Associates (HTA), a leading advertising agency in India for the promotional activities of Maruti 800, Omni and Gypsy. After it introduced the other brands and faced fierce competition in the market from many new foreign brands the other agency was commissioned for the purpose and it was Lintas, which handled the advertisement campaign of Baleno, Esteem and Zen brands. Maruti 800, Omni, Gypsy and Wagon R are now handled by Rediffusion[7]. In developing advertising programmes, the Marketing Department of MUL makes decision about the target market, advertising objectives, advertising budget, advertising message and media.

Most of the advertisements of MUL are informative in nature - telling the market about a new product, informing about changes in price, location from where the product can be had, availability of after sales service points, credit procurement systems, repair and maintenance, safety measures, the changes in certain policies affecting customers such as booking procedures, credit schemes and procedures and price cuts and gift on purchases. The advertisements of price reduction of Maruti 800 and Zen in December 1998 by Rs.24,000 and 51,000

respectively can be sighted as examples of price cut information advertisement. Invitation for dealership, service station and spare parts; explanation of vehicles working by showing its innovations and superior technology; and introduction of electronic power steering are some examples of this type of advertisement[8].

Persuasive advertisement gains importance in competitive market condition and the company going for advertisement has to emphasize selective demand for its products. Maruti used persuasive advertisement for Maruti 1000 CC, Zen, Baleno and Gypsy. Maruti 1000CC was improved to 1300CC and renamed as esteem with some additional features was projected by the company as " Luxury Executive Sedan." The advertisement of Omni was with the objective to project it as a spacious, family and versatile car.

The advertisement of Zen focused on unbeatable combination of looks, space, performance and features. The Baleno advertising campaign concentrated on style, power and luxury. The gypsy advertising campaign was for the institutional segment highlighting the various features of the vehicle and its suitability of off road usage[9].

Advertising Messages

The advertisement massages for the different brands have been changing form time-to-time depending upon market condition and inclusion of special features in the cars. The earlier message of Maruti 1000 was based on luxuriousness.

In some of the advertisements, certain parts of the car were shown. In 1991 the advertisement was based on financing and luxuriousness. In recent years, the company is more on rational side of the appeal where messages are more about the product therefore; the focus is on quality, economy, value and performance. The advertisements of Esteem were also based on the car's luxuriousness by showing it from various angles.

The advertisement of Maruti 800 was based on the economy and the people's car meant for the economical people. After some times the company changed its campaign of Maruti 800 as the India's most loving car, countries largest selling car, a compact car at low operating cost, minimal maintenance and constantly upgraded technology. The changes brought in the manufacture of Maruti have been reflected in the advertisement like hypertech technology, greater pulling power, enhanced air-conditioning, stronger suspension, radial tyre and easier intra city driving. These features are being highlighted in the recent newspaper and magazine advertisement.

The advertisement of Omni in the print media concentrated on the space it possesses. Some of the headlines and appeals of earlier advertisement are " A birds eye view of the spacious car on the road."

" A side long glance of the most spacious car on the road."

" Omni travel in space."

But recently the emphasis of the advertisement changed to the most versatile vehicle on the road with fuel efficiency and low maintenance.

The advertising campaign of Gypsy is based on the toughness of the vehicle. Its advertisement is on "the vehicle that cares you, make fun and joy while driving." Some of the appeals in the headline of the advertisements are:

" Extra ordinary performance in the rough, Adventures Unlimited, solid steel frame contraction and there is a gypsy in every one." In recent times also the advertisement is mainly concentrating on toughness and suitability on the rough roads.

The advertisement message for the Wagon R is mainly on safety, convenience and comfort. The appeal and headlines used are "More height and space than any ordinary car, it has power and convenience, it is comfortable and has unmatched safety, it can accommodate just about every one in the family with their entire luggage." In some of the advertisement certain part of the car were shown as it reflects the superiority of the engine, comfort of the seat as comfortable as the first class airline, inspired safety by reflecting braking system, sturdy suspension, central locking and child safety rear doors locking system.

The advertisement of Zen is emphasizing on the power and comfort. The advertisement is simple like "Add Zen to your life." It has changed the features of the brand and conforming to Bharat II specifications, which are prominently displayed on the backside of the car.

The brand Alto is coming up as a most successful brand from the house of Maruti. At present the company is truly advertising it No.1 in comfort and power. It is making its customer believe in its power by emphasizing, "Let's go."

The Versa is the new addition in the list of brands of MUL. It has got the space to accommodate the whole family to go on long trip. The advertisement is emphasing on space, comfort and power. The advertisement is on flexi-seating option that accommodates eight persons in complete comfort, a twin air-conditioner and double the luggage space. The company is using the appeal of family car showing all the members of the family going together to see the newborn grandson. Some of the messages are "Versa is a car with endless possibilities, Versa is a perfect combination of both space and luxury, Versa is a two luxury cars in one."

The advertisement of Baleno was based on the luxuries, performance and style. It emphasizes that Baleno oozes luxury for every people. The advertisement message used is "Baleno the sleek, silent and spirited." But the advertisement campaign for Baleno Altura is based on luxury wagon with space, beauty and power. The advertisement reflects that this is the India's first luxury station wagon with breath-taking beauty, space power and fastness for the people who enjoy zipping out of town. The message is "Luxury Estate."

After facing fierce competition in the market from the foreign-origin firms, the company started to advertise not simply the brands in its hands but the image of MUL as a whole. The company used full one or half page advertisement in print media stating its customer satisfaction level as "three times in a row" as it achieved No.1 position in customer satisfaction in the study of JD Power Asia Pacific study on customer satisfaction from Indian cars. MUL received number one position in its sales, service and performance.

The Advertising Media

No company will depend on only one medium to promote its product and MUL is no exception. It uses all types of media available in the market. The newspapers used include *The Indian Express, The Hindustan Times,* and *The Times of India* in English and *Nav Bharat Times* in Hindi. All the leading Magazines of the country are used to place advertisement of Maruti cars like *India Today, Outlook, Business World, Business Today* and *Auto India* etc.

The hoardings are very common for the advertisement of cars and transport equipments. Maruti is using hoardings in big way on either side of the roads in the metropolitan cities. It is using banners on the walls of huge buildings and at the Zebra crossings in the metropolitan cities. Changes in the technology have brought about changes in the advertising strategies too. This is the time of e-marketing and the company has its own website where it gives information to the customers about the product, price, delivery instructions, service and dealer

network. It provides free newsletter to the internet subscribers where the customers can get expert advice.

The Advertisement Budget

It is said that roughly one third of the advertising budget of the car and trucks is spent by the car company itself. The dealers co-operative spend the other third of the advertising budget on local advertisements and the company pays that amount. Dealers spend the last third on the ads and emphasise that purchase Brand X form our dealership today[10].

The MUL makes its budget based on the objectives of advertisement and the task to be accomplished through advertisement. During 1990 to 1998 the company spent more than 70 lakh rupees on advertising every year except the year 1991-92 when it was only Rs.63 lakhs. In 1998-99 it spent Rs.135 lakhs that shows a sharp increase in advertisement spending by 73 per cent. In the year 1999-2000 the advertisement expenditure increased by 65 per cent over the previous year. This is the period when the sales of the company dropped and the company introduced either improved version of the cars and wagons or introduced a new brand like Baleno, Versa and Zen with diesel engine etc. For promoting these brands the advertising expenditure was to be enhanced and the company did that and reaped a rich harvest and challenged the competitors.

The company does not depend on advertising only but adopts the other promotional mix elements like publicity and sales promotion methods. No company can survive in the market unless it recognizes the power and need of all the elements of promotion mix and formulates strategies keeping them in mind and MUL is always ahead in implementing them.

Concluding Remarks

The production and sales of passenger cars are increasing at a very fast rate. The competition is also becoming fierce day by day due to the introduction of well-established world-class brands in India. The car sales in domestic and international market have increased during the last decade barring few years of the last period of the decade. The present decade witnessed a positive shift in sales of cars in domestic market.

The design of the cars is improving and the country is advancing in this area very fast. For all types of segments the cars are available from different manufacturers. The advertising messages are developed considering the features of the car and almost all the media available are used.

The Maruti Udyog Limited at present is the market leader and captured about 55 per cent market share. Though it occupied more than 82 per cent market share in the past but the introduction of many brands by the different companies has forced it to be satisfied at reduced share. The company's effort to retain its number one position in the market has led it to reduce the price of some of its popular brands in the past.

The company places different brands for its three different segments namely,

economy, mid range and luxury. At present its most popular brands are Maruti 800, Zen, Wagon R and Esteem. Its recent introduction Alto has caught up the market very fast is widely acceptable in international market. Its domestic sale is expected to be reduced as the foreign market commitments are to be met. It is an encouraging sign for the company and it is rightly on the move to increase its capacity of production of Alto in the next year.

The company is using aggressive promotional strategies. It is not relying on one agency for all times to come but has changed it from time to time. At present, Lintas and Rediffusion are the agencies engaged for this purpose. As the range and version of cars are many so the company is using different appeals for different brands. Print and electronic media are used in a big way and the company is also using publicity and sales promotion. The promotion budget of MUL is increasing every year and the company is justified in doing so because it is facing tough competition in the market.

The company is very much engaged in repositioning of its existing brands with the help of product improvement and advertising messages changes. The brand Zen has been re-launched with many additional features and is occupying a prominent position in the mid segment market.

The market is full of potential and is expected to grow as the present state of the economy is concerned and so the company should adopt a strategy of improvement in its existing brands and its R&D efforts should be augmented so that the company should not face any constraint at any time in future in challenging its competitors. It should properly position its existing brands and adopt advertising strategies properly focused depending upon the informational requirements of the customers and the attractive features of the product.

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Corporate Governance – Corporate Social Responsibility: Interface

(A Study of Selected Organisations in India)

Mr.Shashank Shah & Prof.V.E.Ramamoorthy

Introduction

In recent times, the primary goal of any organisation is the maximisation of the shareholders' wealth in a legal and ethical manner. The shareholders have entrusted the company with capital. The Management is accountable to the Directors in running the company. The Board of Directors, in turn, are answerable to the shareholders. All are together expected to effectively manage the corporation, both legally and ethically. The responsibility of the Board pivots around ensuring accountability of the Management to the Board and that of the Board to the public. The Directors' role is to keep vigil over the Management to ensure proper use of the nation's wealth.

A number of Committees on Corporate Governance from all over the world have come up with codes of Ideal Corporate Governance practices stressing on greater transparency and accountability by the corporates. But only a few of these Committees have stressed on the importance of responsible stakeholder policies. However, none of them have given any guidelines regarding the responsibility of corporate organisations towards the community and society at large. Though the corporate organisations are performing their responsibility towards other stakeholders such as the employees, customers, suppliers and government; the community and society need to be given more attention.

Statement of the Problem

As stated in the introduction, much has been said about ideal Corporate Governance practices but nothing substantial has been mentioned by the various committees on corporate governance about the responsibility of corporate organisations towards the local community and the society. No specific legal guidelines are available regarding the same. Thus whatever initiatives that have been and are being taken by the corporate organisations in this area are voluntary and in accordance with the individual company's philosophy and ideology. No significant or substantial information is available about the relationship between good corporate governance practices and good corporate social performance.

Need and Significance of the Study

The society plays a pivotal role in the success of any corporate organisation.

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Hence no corporate organisation can succeed for long without fulfilling its responsibility towards the society. At the same time, good corporate governance practices are important for greater transparency and accountability on the part of the firm. Thus it is a blend of both good corporate governance coupled with good corporate social practices. It is thus with the intention of understanding this relationship and the performance of corporate governance and corporate social responsibility that this study has been undertaken.

Scope of the Study

The scope of the study is limited to the analysis of the Corporate Governance practices, the Corporate Financial performance and the Corporate Social initiatives of eighteen Indian companies. The scope also includes the theoretical aspects of Corporate Governance and Corporate Social Responsibility.

Nature of Study

The present study is analytical in nature and is predominantly based on secondary data. It is aimed at analysing various aspects relating to corporate governance and more importantly corporate social performance based on a number of parameters. The study has adopted the case study method to undertake an in-depth analysis of eighteen Indian companies representing various industries. This study could be regarded as a humble attempt to shed light on various aspects of corporate governance and corporate social responsibility with particular reference to the Indian scenario.

Objectives of Study

The project attempts to explore the field of corporate governance and corporate social responsibility with the following objectives:

- To review the conceptual and theoretical aspects of corporate governance and corporate social responsibility

- To examine and analyse the performance of selected companies in the field of corporate governance and corporate social performance with special stress on various projects undertaken by the companies for the betterment of the community and society at large

- To identify any direct or indirect relationships that may exist between a company's governance practices and the company's social projects and initiatives

Methodology of Study – Data Collection

The project is predominantly based on secondary data, literature and information. These have been sourced from:

- Extracts of various articles, books, theses and research papers from national and international journals

- Published studies on corporate governance by various committees

- Qualitative and descriptive information from the companies' annual reports and websites

- Quantitative and statistical information from various

databases and companies' annual reports and publications

Company Name and Industry Type

Eighteen companies from the fifty Nifty Index companies have been selected in our study for analysis. These companies are from diverse industry backgrounds.

The details regarding the same are mentioned below:

Figure 1

NAME OF THE COMPANY AND TYPE OF INDUSTRY	
NAME OF THE COMPANY	INDUSTRY TYPE
1. ASSOCIATED CEMENT COMPANIES LTD.	1. CEMENT
2. COLGATE - PALMOLIVE (INDIA) LTD.	2. PERSONAL CARE
3. DABUR INDIA LTD.	3. DIVERSIFIED
4. DR.REDDY'S LABORATORIES LTD.	4. PHARMACEUTICALS
5. GLAXOSMITHKLINE PHARMACEUTICALS LTD.	5. PHARMACEUTICALS
6. HERO HONDA MOTORS LTD.	6. AUTOMOBILES-MOTORCYCLES/MOPEDS
7. HINDUSTAN LEVER LTD.	7. DIVERSIFIED
8. HOUSING DEVELOPMENT FINANCE CORPORATION LTD.	8. FINANCE – HOUSING
9. INDIAN PETROCHEMICALS CORPORATION LTD.	9. PETROCHEMICALS
10.ITC LTD.	10. DIVERSIFIED
11.ICICI BANK LTD.	11. BANKS – PRIVATE SECTOR
12.INFOSYS TECHNOLOGIES LTD.	12. COMPUTERS – SOFTWARE
13.MAHINDRA & MAHINDRA LTD.	13. AUTOMOBILES – TRACTORS
14.RANBAXY LABORATORIES LTD.	14. PHARMACEUTICALS
15.RELIANCE INDUSTRIES LTD.	15. DIVERSIFIED
16.TATA MOTORS LTD.	16. AUTOMOBILES – LCVs/HCVs
17.TATA IRON & STEEL COMPANY LTD.	17. STEEL
18.WIPRO LTD.	18. COMPUTERS – SOFTWARE

Thus nine major industries have been covered in the above 18 companies selected for our study.

Thus nine major industries have been covered in the above eighteen companies selected for our study.

Criteria Used to Analyse the Various Companies on each of the Aspects

Corporate Governance

The parameters used to analyse various aspects of Corporate Governance are based on the recommendations of the Kumar Mangalam Committee on corporate governance. These include:

1. The Role Separation between the Chairman and the CEO: This parameter is critical as it would enable us to know whether there are enough Non-Executive/ Independent Directors on the Board who can protect the interest of the minority shareholders.

2. The number of Non-Executive Directors: This is computed as a percentage of the total number of Directors. As per the Committee Report's mandatory recommendation, the percentage of the Non-Executive Directors should be at least 50 per cent.

3. The number of Independent Directors: This is computed as a percentage of the total number of Non-Executive Directors. As per the mandatory recommendation of the Committee, where the Chairman of the Board is Non-Executive, at least 33 per cent of the Board should comprise Independent Directors. In case of an Executive Chairman, 50 per cent of the Board should be Independent.

4. Quality of the Directors: This is computed as a percentage of Directors out of the total who sit on more than three Boards. This is based on the study done by Business Week on the best and worst Boards.

5. Presence of other Committees: Three basic committees have been included in the study – Audit, Remuneration and Nomination. The presence of the Audit Committee is a mandatory recommendation of the Committee. The presence of the Remuneration Committee is a non-mandatory recommendation.

6. Frequency of Board Meetings: This gives the number of times the Board met during the given financial year. This parameter is selected on the assumption that the more frequent the Board Meetings the more visibility that the Directors have into the performance of the Management. The Board is responsible for questioning the practices being followed by the senior management and ensuring that the shareholders' interests are not compromised under any circumstances.

7. Attendance at the Meetings: This is the percentage of the total number of Directors who attended all the Board meetings in the given financial year.

Corporate Social Projects Analysis

For this purpose the details available on the various company websites and the company annual reports about the various corporate social projects undertaken by the companies are used.

Limitations of the Study

- The study concentrates only on eighteen Indian companies.

- The study is based predominantly on secondary data due to the constraints in acquiring primary data.

- The analysis and the conclusions are drawn based on the facts and opinions obtained from the available sources.

- The qualitative data in case of corporate governance is indicative of the actual compliance to the committee directives. Nothing much can be commented on the qualitative aspects such as effectiveness of a meeting or the competence of the Directors. It is assumed that the recommendations of the Committee are fulfilled both in letter and spirit.

- The corporate governance related details and the details regarding corporate social Projects are for the year ending 31.03.2002 and for some of the companies it is for the year ending 31.03.2003. This was due to the non-availability of adequate data at the time of the study, which was conducted during the months November – December 2003.

Theoretical Background

Social/Stakeholder Responsibility of Corporates

It is believed that a business firm must view itself as a socially responsive entity and assume wider responsibilities. According to N. Gopalsamy it is based on the following three premises:

- A company operates with the franchise given to it by the society, and hence the society legitimately expects it to shoulder social responsibility

- It is in the enlightened self interest of a company to promote public welfare

- If a business assumes social responsibility, it mitigates the pressure for as well as the incidence of, governmental regulations

Kenneth Andrews, an eloquent advocate of social responsibility says: "Corporate

executives of the caliber, intelligence and humanity required to run substantial companies can not be expected to confine themselves to the narrow economic activity and to ignore its social consequences."

This view is explicitly and implicitly subscribed to by large number of companies that make commitments to various social programmes and projects.

According to the emerging consensus on the matter, corporates should have the social responsibility of giving due weightages to protect the environment and safeguard the interests of customers, employees, suppliers and community rather than concentrating on maximisation of profits. There is an increasing resistance from different groups against business outfits' incessant drive to maximise profits. The industry should shed its traditional attitude of exploiting the customer and adopt the customers' perspective in every action of business. Similarly, there is a need to provide work to the employees in a manner that is dignified, fulfilling and meaningful.

In this context, N. Gopalsamy says that social responsibility and corporate governance should become the philosophy of the corporate entities in carrying out the following:

§   It is a prime social responsibility of business to set standards of quality and integrity which give the customer a fair deal. A manufacturer who short-changes his customer would over time find himself out of business through the forces of competition.

§   The social responsibility in respect of the physical environment in which we live. The callous and irresponsible manner in which we pollute air and water, denude forests and other natural resources, reflects social irresponsibility of a high order.

§   The dignity and worth of every human being working in the organisation should be recognised.

§   The business should also use its talents and resources to innovate products and services designed to meet the unfulfilled needs of the community. Attention can be directed towards cheap, appropriate building materials for housing, low cost, mass produced protein foods, clean drinking water, programmed literacy, and so on.

Thus it is clear that the business organisation has a great social responsibility to discharge towards its stakeholders as stated above. But the society is one of the most important stakeholders, which is most often neglected by the corporates. The shareholders, employees, customers and suppliers are well taken care of by the company, but the duty towards society, which is very important and fundamental for the very existence of the corporate

organisation is often overlooked. The following explanation will throw more light on this aspect.

The Social Responsibility Goal

C.Gopala Krishna in his study on corporate social responsibility in India states that the social responsibility goal is based on the belief that society is one of the major participants in the business and it has a right to demand its due share. The claim is substantiated by an argument that embodies the risk-return principle. Society provides the basic infrastructure for the establishment, protection, operation and development of business. Further, in case of heavy losses businessmen lean upon the society, which has to bear the ultimate risk by completing the deficit arising out of the depletion of the insolvent's resources, money and property.

Thus the society is the residual beneficiary of the business.

The following points highlight the same:

Ø It is in the long run self-interest of the company to get directly involved in business. Kenneth Arrow writes: "Social responsibility is in the firm's long-run best interests. The firm that ignores the interest of society in a pell-mell pursuit of profit neglects the long-run consequences of such a strategy that could prove too costly or even suicidal."

Ø Social action programmes create a favourable public image, socially responsible firms attract shareholders who cherish democratic values, build strong consumer loyalty, provide scope for the utilisation of employees' talents in the reconstruction of society and finally create a sense of pride for itself and for the related groups. Socially responsible firms fare better in the public opinion polls and stand fair chance of being rated as among the 'best firms' and receiving 'business leadership' awards from public organisations!

Ø Industry has necessary resources and talent to engage in social action programmes. The business community is probably the most effective force in the country and if it applies its talents, energies and resources constructively many of the ills and inequities of our society can be improved and in fact cured.

Ø Social action programmes will help preserve industry as a viable institution in society. Profits are important, but profitability is not the sole measure of the success of an enterprise. Growth, service, health and progressiveness are all part of the criteria of success.

Thus it is very clear that the responsibility of the organisation towards the community and society at large is vital and of paramount importance for the organisation.

To sum it up in the words of Shri J.R.D. Tata:

Every company has a specific and continuing responsibility towards the people of the area in which it is located and in which its employees and their families live. In every city, town or village, large or small, there is always need for improvement for help, for relief, for leadership and for guidance.

I suggest that the most significant contribution organised industry can make is by identifying itself with the life and problems of the people of the community to which it belongs and by applying its resources, skills and talents to the extent that it can reasonably spare them to serve and help them.

Findings of the Study

Corporate Governance-Corporate Social Responsibility: Interface

In this study, an attempt has been made to rank the selected companies on the basis of their corporate governance practices. The following parameters are used for the same and are given equal weightage:

1. Composition of the Board: Number of Non-Executive Directors

2. Composition of the Board: Number of Independent Directors

3. Composition of the Board: Quality of Directors who sit on the Board (Percentage of Directors who sit on less than three other Boards)

4. Regularity at Board Meetings: Percentage of Directors who have attended 100 per cent of the Board Meetings

The various corporate social projects undertaken by these organisations have been classified into seven broad categories. The seven categories are given below:

1. Community Development & Social Welfare

2. Family Welfare & Health

3. Rural Development

4. Education, Arts & Culture

5. Sports & Games

6. Environment

7. Natural Calamities

The following table gives us the ranking of the companies selected in our study for their corporate governance practices based on the parameters stated earlier. Along with that, the broad areas in which each of the eighteen companies has undertaken social projects have also been mentioned.

COMPANY RANKINGS BASED ON CORPORATE GOVERNANCE

SERIAL NO.	RANK NO.	NAME OF THE COMPANY	TYPE OF SOCIAL PROJECTS & NUMBER OF AREAS
1.	1	INFOSYS TECHNOLOGIES LTD.	CD&SW, FW&H, RD, E,A&C = 4
2.	1	DR. REDDYS LABORATORIES LTD.	CD&SW, FW&H, RD, E,A&C = 4
3.	2	WIPRO LTD.	E, A&C, NC = 2
4.	3	RANBAXY LABORATORIES LTD.	FW&H, E = 2
5.	3	ACC LTD.	RD, E = 2
6.	4	RELIANCE INDUSTRIES LTD.	CD&SW, FW&H, RD, E,A&C, NC = 5
7.	5	HINDUSTAN LEVER LTD.	CD&SW, FW&H, RD, E,A&C, E, NC = 6
8.	6	HERO HONDA MOTORS LTD.	CD&SW, FW&H, E,A&C, S, E = 5
9.	7	ITC LTD.	CD&SW, RD, E,A&C, E = 4
10.	8	HDFC LTD.	CD&SW, RD = 2
11.	9	MAHINDRA & MAHINDRA LTD.	CD&SW, FW&H, E,A&C, NC = 4
12.	10	ICICI BANK LTD.	CD&SW, NC = 2
13.	11	TATA IRON & STEEL COMPANY LTD.	CD&SW, FW&H, RD, E,A&C, S, E, NC = 7
14.	12	COLGATE-PALMOLIVE (INDIA) LTD.	CD&SW, FW&H, S = 3
15.	13	IPCL LTD.	CD&SW, RD, E,A&C, S = 4
16.	14	TATA MOTORS LTD.	CD&SW, RD, E = 3
17.	15	DABUR INDIA LTD.	FW&H, RD, E = 3
18.	16	GLAXO SMITHKLINE PHARMACEUTICALS LTD.	FW&H, E,A&C

ABBREVIATIONS USED: **CD&SW** - COMMUNITY DEVELOPMENT & SOCIAL WELFARE;
FW&H – FAMILY WELFARE & HEALTH; RD - RURAL DEVELOPMENT; **E,A&C** - EDUCATION,
ARTS&CULTURE; **S** - SPORTS; **E** - ENVIRONMENT; **NC** - NATURAL CALAMITIES

Inferences

From the details provided in the table the following observations can be made:

- The companies having the top ranks in the Corporate Governance practices based on our study and parameters selected are making modest contributions in the field of social projects and Initiatives. But they have a lot of scope in improving their contribution towards the society and community by undertaking projects in a variety of areas, especially those that will have enduring/sustainable impact.

- The companies having the middle ranks in the corporate governance practices are making substantial contributions in a variety of social projects and even in the number of areas in which the social projects are undertaken. They can improve their corporate governance performance ranking by improving the quality of their board composition and regularity in the board meetings.

- The companies among the lower ranks in the corporate governance practices are also making sizeable amount of contribution in the field of corporate social projects and initiatives. They can improve their corporate governance performance by improving their board composition. At the same time they can also improve their social performance by undertaking social initiatives in diverse areas.

Observations and Suggestions
Observations

- Two-thirds of the total number of companies in our study has a Non-Executive Chairman.

- For all the remaining one-third companies, more than 50 per cent of Directors on the Board are Independent Directors.

- Associated Cement Companies Ltd. and Ranbaxy Laboratories Ltd., in spite of having Non-Executive Chairman have 71 per cent of their total number of Directors who are Non-Executive as well as Independent.

- Percentage of Directors who sit on more than three Boards ranges from 33 per cent to 87 per cent. Hindustan Lever Ltd. has the least number of Directors (i.e. only one-third of its total number of Directors) sitting on more than three Boards.

- All the companies in our study have the Audit and Remuneration Committees in place, except Ranbaxy Laboratories Ltd. which has only the Audit Committee.

⊙ Only two companies in our study i.e. Dabur India Ltd. and Infosys Technologies Ltd. have all the three Committees - Audit, Remuneration and Nomination.

⊙ The number of meetings held during one financial year range between four to eleven Board Meetings with Colgate-Palmolive India Ltd. having 11 Board Meetings for the year ending 31.03.2002 – the highest in our study.

⊙ The percentage of Directors who were present for all the meetings in a financial year ranges from ten per cent to 90 per cent with Dr. Reddy's Laboratories Ltd. having 90 per cent of its Directors for all its Board Meetings.

⊙ Based on the analysis done at the Indian Institute of Management, Bangalore, among the companies from our study, Wipro Ltd. was ranked as the company having the maximum extent of compliance to the Corporate Governance Report and in the perception of the Financial Analysts. Dabur India Ltd. ranked second. Among the others at the third position are Tata Motors Ltd., ICICI Bank Ltd. and HDFC Ltd.

⊙ Not all the companies follow the same standard format for disclosure of Corporate Governance related information.

Suggestions

✳ Almost all major Committees on Corporate Governance have mentioned about Corporate Responsibility towards other stakeholders but have not given clear guidelines about what can and should be done towards each of them. Such guidelines, if given, will provide a basic framework for organisations to conform and act in accordance with it.

✳ Corporate governance and corporate financial performance related information is given very exhaustively in all Annual reports of the companies. But very little is mentioned about the social projects undertaken by them. Details are mentioned on the company websites, but all the stakeholders and interested agencies/parties may not have access to the same. Hence the companies can and should mention in greater detail about their projects in their annual reports.

✳ It is observed in our study that not much quantitative

information is available about various social projects undertaken in terms of the funds involved in each of them. Such information if given will facilitate the stakeholders to know how much money is spent in this field out of the total earnings of the company. This will also be of interest to researchers, academicians and consultants to analyse corporate behaviour in this regard.

If the above-mentioned suggestions are followed the companies will have a wonderful combination of ideal corporate governance practices coupled with outstanding corporate social performance.

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The Measurement of Service Quality Perception in Banking Sector

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Introduction

The conceptualization and measurement of service quality (Servqual) continues to play a paramount role in services marketing for both academics and practitioners on equal footing. Berry (1983) in his pioneering study on relationship marketing indicated that the development and maintenance of relationship with customers represent a significant strategy for long-term success especially in services sector. The Servqual scale was developed in an attempt to measure how consumers perceive the quality of service (Parasuraman et al, 1985, 1988, 1991,1994a,b). Subsequently that scale has undergone several revisions, extensions and modifications to suit the needs of different sectors. Recent studies have tested the validity of the Servqual scale in different industries including health care (Dean 1999) gas and utilities (Babacus and Boller 1992) and retail banking (Lam 1995). Using the Servqual as base, Alfred (2001) has developed a more comprehensive scale to measure service quality in banking sector. However the studies pertinent to banking sector in Indian context are scarce. Over the past decade, wide spread bank deregulation and increased competitive pressures have created dramatic changes in financial services industry in India (Sathya Debasish, 2002). This, in turn, has led the banking industry in India to adopt the universal norm 'relationship banking' through providing better services in terms of increased service quality attributes. Taking a sample of four banks, two from public sector, namely, State Bank of India and Canara Bank, and two from private sector namely HDFC and ICICI, the perceptual map is drawn through a sophisticated multivariate non-parametric technique called Correspondence Analysis.

Review of Literature

Interest in the measurement of service quality has been understandably high as it holds the key for the service providers to strategically position themselves more effectively in the market place (Brown and Swartz 1989; Rudie and Wansley 1985; Thompson, De Souza and Gale 1985). Several models have been built over the years to evaluate the service quality offered by providers. The first model by Christian Gronroos in 1984 clearly outlines that the principal components of Service Quality are technical quality, functional quality and corporate image

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which in turn together determine the service quality of an organisation. Though legitimacy of the Gronroos model on service quality has never been questioned, a multi-dimensioned structure developed by Parasuraman, Berry and Zeithaml in 1985 been used as the base concept for service quality (Parasuraman, Berry and Zeithaml – PBZ 1988). Subsequently the numerous suggestions regarding reappraisal and restructuring (Robinson 1999) of service quality measurement has fed the researchers to delve further into the mainstream research on service quality perception and evolve different models of evaluation on various parameters (e.g. Furrer et al. 2000, Lee et al 2000; Wirtz and Bateson 1999).

Recent literature holds that (e.g. Ravald and Gronroos 1996; Parasuraman and Grewal 2000; Woodruff 1997) service quality primarily determines the customer value. Customer value is perceived as one of the principal drivers of customer satisfaction, which, in turn (Jones and Sasser 1995) acts as a key determinant of repurchase and ultimately of customer retention and loyalty. Increasing numbers of researchers are attempting to understand various other underlying factors, which would ultimately contribute to customer loyalty (e.g., Bansal and Taylor 1999 b; Bhattacharya 1998; Bolton, Kannan and Bramlett 2000; Jones et al 2000; Keaveney 1995; Sharma and Patterson 2000). However, as Dube and Shoemaker (2000) pointed out, research on this topic is still in its infancy. The most commonly studied drivers of service provider switching and customer retention and loyalty include satisfaction, switching

costs and more recently, alternative attractiveness and social influences (e.g., Bansal and Taylor 1999 a, 1999 b; Jones et al 2000; Ping 1993; Sharma and Patterson 2000). These studies obviously bring out missing aspects of 'relationship' between service providers and customers (Dube and Shoemaker 2000). Allred (2001) did a notable work incorporating this vital aspect through his study on service quality at Banks. The present study considers the work of Allred as a valuable contribution to service quality literature and utilises the instrument developed by him as a base for conducting the survey.

Measuring Service Quality

The key focus of this study is "How to measure the service quality in a banking sector?" To find an answer to this question, a survey was conducted based on the prominent work of three outstanding authorities of services marketing - Berry, Parasuraman and Zeithaml (1994). Through focus group interviews and later empirical investigation, Parasuraman et al, (1985, 1988, 1994) found that customers used ten determinants to evaluate the service quality of any organization. In hierarchical order the list includes:

1. Reliability
2. Responsiveness
3. Competence
4. Accessibility
5. Courtesy
6. Communication
7. Credibility
8. Security
9. Understanding
10. Tangibility.

Alfred (2001) after umpteen number of empirical investigation on these ten determinants has come out with 15 attributes, which the customers consider for evaluating any service quality. As, these attributes are found to be suitable for Indian banking sector in the current scenario; the same instrument is used for the present study and are listed below:

1. Reliable (consistently do what they say)

2. Responsive (cheerfully do what they)

3. Competent (has knowledge and expertise)

4. Accessible (is available to talk to)

5. Courteous (treat with respect)

6. Communication (listens carefully and explains expectations)

7. Credible (honest and trustworthy)

8. Security (information kept private and confidential)

9. Empathy (understands views and shows genuine concern)

10. Tangible (maintains clean office and dresses up appropriately)

11. Surveys needs (asks and understands needs and expectations)

12. Need fulfillment (needs and expectations are identified and met)

13. Fairness (fair treatment)

14. Mistakes (mistakes are promptly corrected)

15. Treatment (treat the way the customers should be)

Correspondence Analysis Approach

Also called correspondence analysis, perceptual mapping, and social space analysis, this technique aims at explaining the inertia (variance) in a cross-tabulation with 'n' number of categories and columns. While one may argue that chi-square analysis can be performed in such a situation, it should be emphasized here that, chi-square is not effective for a large number of categories and columns with different frequencies in the cells. Further, even though one can establish the association between the row and column variables, it is hard to locate which categories of row and column variable are associated together. Moreover, it is an utopian task to locate on a graphical map those categories that are related on several variables, say, two or more category of row variable and similar category column variable - a multiple correspondence analysis does perform this job well.

Correspondence analysis output provides key statistics for the attributes and objects being studied. Among these are absolute and relative contribution to the inertia of each attribute and each object. It is useful in determining the relative association or positions of attributes and objects in the same two-dimensional map. The input to correspondence analysis can be simple binary data such as 'Yes'/No' responses, which can be aggregated over respondents to form a correspondence table of frequencies as displayed in the present study in Table 1. Since we obtain the graphical map, the results of correspondence analysis are easy to interpret. Behavioural scientists consider this technique as analogous to factor analysis of rows and columns in the contingency table. The correspondence analysis is usually performed through advanced statistical packages like SPSS,

SYSTAT and SAS. For the present study it was performed through SPSS 11.0 version. The output to correspondence analysis performed through statistical packages like SPSS, SYSTAT and SAS bring out the following among others:

a) Correspondence Table It is nothing but the cross - tabulation of two nominal variables with number of categories in it. It is given along with marginals (nothing but totals). Whether asked or not, correspondence analysis output does bring this table out first.

b) Points The values of categories of the variables and are known as 'profile points'. For example, 'married' is a point for nominal variable 'Marital status'.

c) Point Distance Indeed correspondence analysis uses chi-squared distance between two points rather than Euclidean distance. Therefore the chi-squared distance matrix serves as input to principal component analysis that yields factors (dimensions) which correspondence analysis uses to map points.

d) Contribution of Points to Dimensions The contribution of points to dimensions indicate the percentage of inertia (variance) of particular dimension which is explained by a point. Contribution

of points to dimensions will equal to '1' across the categories of any one variable. Then, the summation of contribution of points to dimension across all points will be '1'. The SPSS output indicates this as 'contribution of row points to the inertia of each dimension'. By looking at the magnitude of points in a dimension one can derive meaning of the dimension. For example, if variables such a colour, fragrance, appearance etc are highly loaded on a dimension, we can interpret the dimension as 'aesthetic'.

e) Contribution of Dimension to Points It is also known as 'squared correlation' and is the per cent of variance in a point explained by a given dimension (just opposite to contribution of points to dimension). Naturally, one will expect a high contribution of dimension to the point value. The sum of contribution of dimension to a point will add to '1' in a full solution where all the possible dimensions are considered. Generally, if a point that explains a lot of variance in a dimension, then that dimension will also describe the point very well.

f) Eigen Values Each dimension will have one 'eigen value'. It is also known as the inertia of a dimension and represents the relative importance of the dimension. Usually, the first

dimension will have a high inertia and therefore has the largest eigen value, the second dimension, the next largest eigen value and so on. The sum of the eigen values is the total inertia which reflects the spread of points around the centroid. It should however be remembered that only the first two dimensions are used in correspondence map and an effective correspondence model will explain the high percent of inertia in first two dimensions itself. The significance of total inertia is tested through a chi-squared value.

g) **Proportion of inertia accounted by a given dimension** It is nothing but the value obtained by deciding the given eigen value of the dimension by total inertia. For example, if the proportion of inertia accounted for by dimension one is 0.632, then dimension 1 explains 63.2 per cent of variance of the total inertia in the original correspondence table. Therefore, if total inertia is 0.271, which means all the dimensions explained 27.1 per cent (and not 63.2 per cent) of the variance in the original table which is often misinterpreted.

h) **Singular Value** It is nothing but the square root of eigen value and is interpreted as the maximum correlation between categories of variables in the analysis for a given dimension.

i) **Row and column profile** As described earlier, profile elements are simply the entries in row and column. Generally, row variable is dependent and column variable is independent.

j) **Centroid** In correspondence analysis, it is the mean of row and column profiles and is the origin in a correspondence map.

k) **Masses** Nothing but the marginal (total) proportions of a variable and is used to weight the point profile when computing the point distance.

Assumptions

The following are some of the assumptions of correspondence analysis.

i)   It is an exploratory and not a confirmatory technique.

ii)   Correspondence is the measure of chi-square distance between the points and can be treated as correlation among the variables.

iii)   Labeling of dimensions is subjective in nature.

iv)   Even though Correspondence Analysis can be used for handling 'N' way tables, it is efficient in handling maximum of three variables.

v) It is a non-parametric technique and makes no assumption of distribution.

vi) It is suitable for variables with many categories.

vii) The values in a particular cell can never be negative.

Method

Based on the review of service quality literature, the Servqual image measurement for the present study adopted the highly revised format of the questionnaire developed by Alfred (2001). The instrument (questionnaire) contained 15 attributes like reliability, responsiveness, competency, tangibility, treatment and the like. The specimen of the instrument used in the study is appended at the end of the article. It is mentioned here that even though these attributes were borrowed from Alfred (2001), the scale points used for measuring the customer perception on each of these service quality attributes were different. The respondents were simply asked to put a tick mark in any of the cells indicating the corresponding bank for the availability of such service attribute in those banks. This method is popularly known as 'pick any-tick any' method, whereby each respondent would have placed a tick mark against a corresponding bank for a particular service quality trait which he or she believes that the bank is good in providing such attribute. For example, for the trait of 'courteous behaviour of bank employees' if the respondent feels that

all the four banks provide this, then he will tick mark all those banks and like that. A total number of 400 respondents were contacted with the aim of obtaining an equal representation of 100 respondents from each of the selected banks. The survey lasted for 2 months period as it involved collection of responses from those customers who are either the customers of all banks or any of them or those who have encountered the banks for obtaining a home loan. The respondents who have encountered the banks during the home loan mela were excluded from being part of the sample. This was felt necessary as the servicescape and service encounter scenario will be totally different in those melas from the natural work environment in the actual location of bank itself. A snowball sampling method was adopted wherein the researchers first contacted the respondent who happened to have visited all these selected four banks and collected information through personal interview. The same respondent was then asked to direct the researchers to another respondent who have visited these four banks for the purpose of availing the loan. By fielding 10-second year MBA students who have opted services marketing as elective, the process of contacting the respondents was complete with data collected from a total sample of 363 respondents', thus yielding a response rate of 90.75% which is quite satisfactory. The students who volunteered to conduct the survey over a period of month were adequately rewarded by way of awarding marks for their term paper/mini project.

Correspondence Analysis of Data

The correspondence analysis was performed on the data collected from all the 363 sample customers drawn from the banks studied. Using the SPSS package (version 11.0), the results were obtained and are presented in Table 1. As shown here, the correspondence analysis (CA) revealed a total number of 3 dimensions accounting for 100 per cent variance explained. However, since the objective of CA is to reduce the set of data into a two-dimensional map, it was proposed to find out the amount of variance explained by these two dimensions. As shown in Table 2, the cumulative percentage of variance explained amounts to 96.5 per cent for both the dimensions, leaving only 3.5 per cent for dimension 3 that was quite negligible and was therefore dropped from analysis.

Table 1 - Correspondence Table

	ATTRIBUTES	BANK				
		SBI	Canara	ICICI	HDFC	Active Margin
1	Reliability	93	34	38	45	210
2	Responsiveness	45	32	15	96	188
3	Competency	23	36	89	47	195
4	Accessibility	45	31	45	88	209
5	Courteous	22	27	86	46	181
6	Communication	32	38	92	32	194
7	Credibility	82	41	52	31	206
8	Security	92	32	56	51	231
9	Empathy	37	27	87	46	197
10	Tangibility	56	31	51	92	230
11	Surveying Needs	36	36	53	46	171
12	Need fulfillment	48	47	61	89	245
13	Fairness	49	36	63	32	180
14	Mistakes	65	33	58	76	232
15	Treatment	23	32	92	56	203
	Active Margin	**748**	**513**	**938**	**873**	**3072**

The inertia explained for this third dimension is also found to be insignificant (a mere .004). Therefore, the two-dimensional reduced data set was used for making out the correspondence map. The total inertia explained by these two dimensions is 12.5 per cent and the chi-square value of 386.14 was found to be significant at .01 level (see Table 2).

Table 2

Correspondence Analysis: Summary Table

Dimension	Singular Value	Inertia	Chi Square	Sig.	Accounted for	Cumulative
1.	.274	.075			.598	.598
2.	.215	.046			.367	.965
3.	.066	.004			.035	1.000
Total		.125	386.14	.000	1.000	1.000

It is customary in CA to look for the loadings (contributions or correlations) of different points (points are simply the categories of column variable and row variable) to the variance of each dimension by comparing the contribution of points to the inertia of each dimension. The values of contribution of points to the inertia of each dimension for different points of attributes and banks are depicted in Table 3. The values of contribution made by attributes to each of the dimension indicate attributes such as competency; courteous behaviour, communication, empathy and treatment are heavily loaded on dimension 1. These values are printed in bold face. Similarly, attributes such as reliability, responsiveness, accessibility, credibility, security, tangibility, need fulfillment and fairness are loaded on dimension 2 exclusively and the same are printed in bold face.

Table 3

Contribution of Each Attribute to the Inertia of Dimension

Attributes		Contribution to	
		Dimension 1	Dimension 2
1.	Reliability	.118	**.151**
2.	Responsiveness	.157	**.201**
3.	Competency	**.121**	.004
4.	Accessibility	.027	**.099**
5.	Courteousness	**.119**	.006
6.	Communication	**.131**	.020
7.	Credibility	.025	**.208**
8.	Security	.053	**.115**
9.	Empathy	**.066**	.002
10.	Tangibility	.034	**.061**
11.	Surveying Needs	.002	.000
12.	Need fulfillment	.005	**.059**
13.	Fairness	.007	**.054**
14.	Mistakes Correction	**.021**	.002
15	Treatment	**.112**	.019

The contributions made by different columns for the variable 'bank' indicate that ICICI Bank is heavily attached to dimension 1 with the loading of .581 and HDFC Bank is heavily loaded on dimension 2 with a loading of .591 followed by SBI with the loading of .585. It is quite surprising that there is no place for Canara Bank in any of the dimension at all. Table 4 exhibits the details of contribution made by each bank to each of the dimensions.

Table 4

Contribution of Each Bank to the Inertia of Dimension

Banks	Contribution to	
	Dimension 1	Dimension 2
SBI	.315	**.585**
Canara	.002	.004
ICICI	**.589**	.020
HDFC	.095	**.591**

A comparison of contribution to dimensions by various points in tables 3 and 4 reveal that much of the service attributes identified under dimension 1 are related to ICICI while most of the attributes identified in dimension 2 are related to HDFC followed by SBI, with no clear picture emerging for Canara bank. The association of different service attributes to selected banks for both the dimensions taken together is better revealed through Correspondence Map which is shown in Figure 1. A perusal of the plots of various rows and column points clearly exhibit the pattern of association between them. It is clear that SBI is closely associated with reliability, credibility and security. The ICICI bank is closely attached to attributes such as competency, courteousness, communication, empathy and treatment of customers. It is interesting to note that HDFC bank is dominant for its rating on attributes such as accessibility, tangibility, need fulfilment and responsiveness. It is a mystery to observe why Canara bank has not been associated with any of the service attributes distinctly. The contribution of Canara bank is identified in the middle of the road milieu. Even though one may argue that attribute eleven, namely, 'surveying needs' is associated with Canara bank, its contribution to both the dimensions is turned to be zero (see table 3) – which is similar to zero values obtained for Canara bank in Table 4.

Figure 1

Correspondence Map

Row and Column Points Symmertrical Normalization
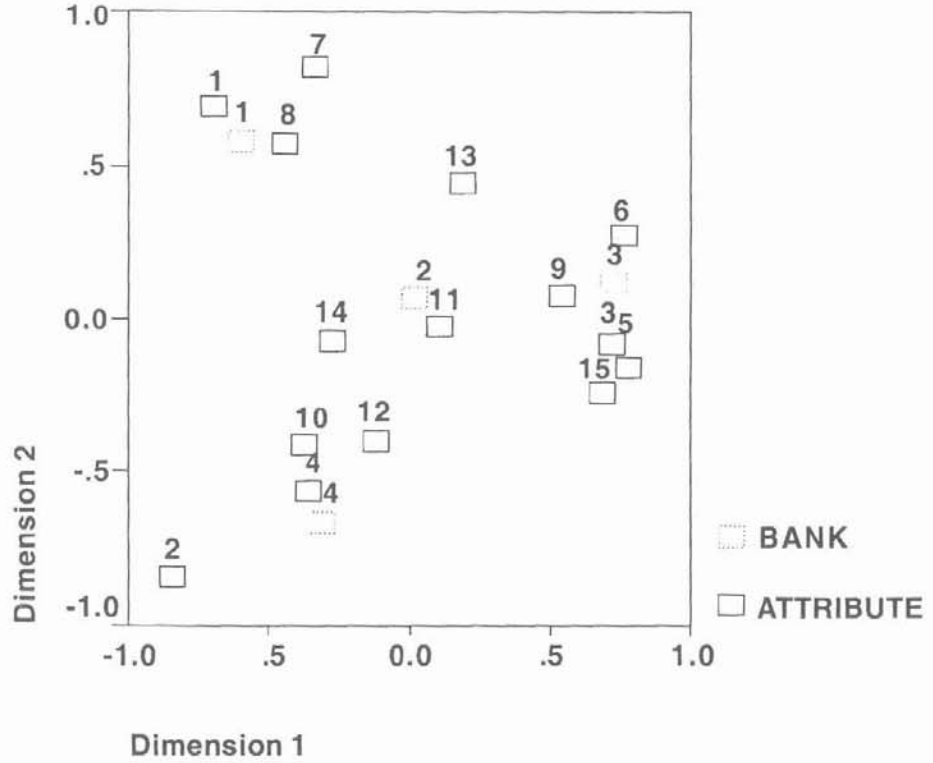
	Attributes		Banks
1	Reliability	1	SBI
2	Responsiveness	2	Canara
3	Competency	3	ICICI
4	Accessibility	4	HDFC
5	Courteous		
6	Communication		
7	Credibility		
8	Security		
9	Empathy		
10	Tangibility		
11	Surveying Needs		
12	Need fulfillment		
13	Fairness		
14	Mistakes		
15	Treatment		

Questionnaire

Service Quality Perception in Banking

Below are given some attributes that measure your Service Quality Perception. Please put a simple '◆' mark in the respective boxes given for each banks show. There is no restriction that you have to put only one '◆' mark for each attribute given. If you feel that all the four banks are superior in providing a particular attribute please put '◆' in all the four boxes shown against that attribute.

	SBI	CANARA	ICICI	HDFC
1. Reliability (consistency in doing)	☐	☐	☐	☐
2. Responsiveness (doing cheerfully)	☐	☐	☐	☐
3. Competency (knowledge expertise)	☐	☐	☐	☐
4. Accessibility (availability to talk to)	☐	☐	☐	☐
5. Courteous (treating with respect)	☐	☐	☐	☐
6. Communication (listening explaining)	☐	☐	☐	☐
7. Credibility (honesty & trust worthy)	☐	☐	☐	☐
8. Security (keeping information confidential)	☐	☐	☐	☐
9. Empathy (showing genuine concern)	☐	☐	☐	☐
10. Tangibility (clean office & neat dressing)	☐	☐	☐	☐
11. Surveying Needs (need assessment)	☐	☐	☐	☐
12. Need fulfillment (identifying & meeting needs)	☐	☐	☐	☐
13. Fairness (treating fair & just)	☐	☐	☐	☐
14. Mistakes (promptly correcting mistakes)	☐	☐	☐	☐
15. Treatment (treating the ways a customer should be)	☐	☐	☐	☐

Age: Gender:

Number of years having transaction with Bank:

Implications

. The findings of service quality attribute image survey of selected public and private sector banks reveal that much need to be done for public sector banks in improving their performance by revamping the service marketing strategies. While the public sector bank SBI is closely related to 'security', 'reliability' and 'credibility', still it needs to improve on aspects such as 'tangibility', 'fairness', 'and treatment' and more importantly on 'accessibility' and 'courteous behaviour' of employees towards the customers. At the same time, the Correspondence Analysis in the present study points out the need on the part of private sector banks for focusing on reliability, credibility and security aspects in delivering service to their customers. The findings also throw a challenge to Canara bank in calling immediately the resources for building up its positioning in the service quality image in the minds of customers. In conclusion, the study dissects the service attribute image enjoyed by the public sector and private sector banks through the application of modern multivariate analytical technique Correspondence Analysis. While this study is a maiden attempt in this aspect, future researchers can hopefully look for further avenues in exploring the area.

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