SCMS JOURNAL OF INDIAN MANAGEMENT

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Volume 5 | October - December 2008 | Number 4

The Chairman speaks ...

Resurgence of Asia is one of the most remarkable developments of our time. Naturally, it has become a hot topic for discussion and debate world over today.

Once upon a time India and China were the richest nations on earth. It was the prosperity of these two countries that had attracted people from the West to the East centuries ago. Even as late as in the early half of the 19th century, India and China were the two most developed countries in the world and these two countries together accounted for almost 50 percent of the world GDP. But soon both the economies experienced a dramatic decline and were ultimately eclipsed by Europe and the US.

The revival of China's fortunes began in the last quarter of the 20th century with the adoption of market oriented economic policies. India's revival also followed with the initiation of the policy of economic liberalization. Now the resurgence of these two countries is once again making the westerners turn towards Asia.

Asia's resurgence is revolutionary because it is shifting the global economic focus towards Asia once again. It is expected that the 21st century will belong to Asia, just as the 20th century belonged to America and the 19th belonged to Europe.

The lead article in this issue is on "Resurgence of Asian Tigers." I hope you will find it interesting to read.

Increasing number of business organizations are now looking for tools and techniques that will enable them to achieve excellence in performance. TQM and business excellence have to be the culture of a progressive organization that is committed to continuous improvement. The second article in this issue is on "Organisational Excellence and TQM."

As usual, this issue brings to you a collection of informative articles that will provide useful insights into contemporary thoughts and practices in the area of management.

Wish you happy and prosperous New Year.

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

SCMS Journal of Indian Management

A Quarterly Publication of

SCMS-COCHIN

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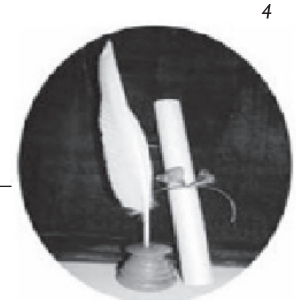
Editorial



Business and Climate Change

An ontological enquiry into business will lead to many revelations, of which one is: business exists physically on earth. Spatially, the earth thereby emerges as the subject of study in business. The earth is a source of resources for business. Man taps the perennial resources of the earth. Are they really perennial? These "perennial" resources are under severe threats. Among them the climate change is one, though this had been taken for granted by man for a long time. It's high time we took up the causes of climate change and its after-effects on human life, as the subject of study and research. This can help us evade them in the days to come.

Alarm bells ring. People still deem it a false alarm. They don't lend their ears to the calls of scientists forewarning them of imminent havoc to befall them if they ignore the phenomenon, climate change.

What is surprising is that, though late, interest in climate change at length is noted in developed countries as a corrective strategy, in developing countries an agonizing reality and in under-developed countries, a frightening daydream. The climate has always been changing. Past changes, etched on the landscape, have influenced the evolution of all life forms. Past changes are the subtext of our economic and social history. Current changes form the centre of the debate about the consequences of human activities on the global environment especially in developing countries.

There are two principal reasons for this development. It was not until the work of a few dedicated researchers such as Hubert Lamb in England and J. Murray Mitchell in the USA, in the 1950s and 1960s, that the reality of recent climate change became an accepted scientific concept. The second reason for increased interest has been the growing realization during the last few decades that recent climate changes may well be, at least mostly, the result of human activities. Over and above these, an essential component of climate studies has been the explosive growth of computer technology.

Business can survive only if resources are aplenty. The earth is the resource provider. Only when man disturbs the equilibrium of earth, it invokes destruction. For the well-being of the living beings on earth, the space for business, climate-related matters shall be given maximum concern aided by the know-how of the scientists. **Our Journal welcomes articles from intelligentsia on the subject**.

Dr.D.Radhakrishnan Nair

Editorial Assistant: Mr. E.V. Johnson **Assistant Editor: Dr. Susan Chirayath**

The 'Great Wall' and the 'Gateway:' Resurgence of Asian Tigers

Nageshwar Rao and Dhermendra Mehta

China and India almost constitute 40 percent of the world's population. Historically, India is known as erstwhile 'Golden Sparrow' while China was known as erstwhile 'Middle Kingdom.' Business approaches have to be innovative and agile. Business Community of both countries has to contemplate about serious strategic issues like FDI, Business Expectations, Sino-India Business Experiences, Resurgence of Indian Economy and Lessons for Asian Tigers. The present paper makes an attempt to discuss the related issues and throws light on Indo-Chinese Business approach and resurgence of Sino-Indian Consumers.

China and India almost constitute 40 percent of the world's population. Historically, India is known as erstwhile 'Golden Sparrow' while China was known as erstwhile 'Middle Kingdom.' After 60 years of independence – Hindu rate of growth, socialism and bureaucracy, India appears to be on a different track. Among the BRIC economies, India seems to lead the pack when it comes to sharing the Chinese experience. Being the world`s largest democracy, India uses persuasion and spreading global awareness, while Russia and China to a large extent use the hand of law to achieve the same. China is growing at such a break-neck speed that it may look superfluous to say how to do better. Their growth is largely driven by capital accumulation and exports. Many experts feel that China's investment to GDP ratio has been high and rising in recent years, growing from less than 35 percent a decade ago to more than 40 percent by year 2006-2007.

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Chinese data suggests that China houses 1.3 billions people while Indian middle class with 300 million + size is not simply a large market but has got Renaissance effect with global pheno-menon. India is far ahead from other countries like - Brazil, Russia, Israel, Indonesia, Malasiya, Mexico when we discuss the comparative creative corporate business styles in Indian perspective. Approach of business organizations is clearly reflected in the quality of policy decisions and strategic thinking. Business approach had already thought out their visions as early as in 1991 reforms age and started their corporate endeavours in the same direction. Same corporate leadership is now busy in implementing action plan- "INDIA - A Transition to Knowledge Economy by 2020."

Given this backdrop, the business approaches have to be innovative, agile, and specific-solution-oriented towards consumers' wants and not what the organization thinks the best. Business Community of both countries has to contemplate about serious strategic issues like FDI, Business Expectations, Sino-India Business Experiences, Resurgence of Indian Economy and Lessons for Asian Tigers. Our paper makes an attempt to discuss the related issues and throws light on Indo-Chinese Business approach and resurgence of Sino-Indian Consumers.

Business Expectations

Environmental degradation, traffic congestation, people congestation, population and mass market challenges are also putting pressure on our infrastructure, but at the same time construction of Super-Highways, Airports expansion, Port trust developments, Golden Quadrangle Road projects- Prime Minister Gramin Sadak Yojna, FDI in Retail, Retail Revolution, Science and Technological advancements - all these developments manifest the creativity and thinking of Indian business. In Indian context Creative business approach, be it of private sector enterprises or public sector undertakings, should be process oriented, should follow the laws of the land and permit the subordinates to take measured risks.

According to "World Investment Prospects to 2010: Boom or Backlash" by the Economist Intelligence Unit and the Columbia Program on International Investment (CPI) Report. China has been far and away the major FDI recipient among emerging Asian Market and is likely to attract more than $87 Billion by the year 2006-2007. While India has still to build a critical mass in Foreign Direct Investment, "The world is going to need (software alternatives) India. Only China has enough human resources, enough human capital to be able to make a difference." – *Leonard Liu, CEO of Augmentum, a three-year-old Silicon Valley Company, in Business Week (Verbatim, October 8, 2006, Business Today, pg.35).*

E-governance models in several sectors, particularly in rural India and in the field of agricultural products through "E-Choupals" have confirmed that Indian corporate leadership wants to speedup the processing. PPP (Public Private Partnership) concept has made inroads in projects like-sea ports, power sector, building roads, airport services modification, commitment in capital expenditure, and investments in urban infrastructure. Likewise, private sector is also reacting positively to the emerging concept of PPP. Our models of PPP have proved that "Corruption free" service in infrastructure development is the core issue. Creative business has to understand that even "One Point Contact System" also known as "Single Window System" was by and large quite successful in the Indian context.

Creative business approach must be open to the exploring of new ideas, planning, and divergent thinking, as necessarily required in Indian situations. From renaissance point of view Indian corporate leadership is entrepreneurial and risk bearing. Indian business approach knows how to work in odd political, economical, financial, social, legal and regional and religious chaos. Indian business community is fully aware of cultural challenges, differences. Though, Indian leadership rejects materialism and has adopted cosmological transcendence. The success stories of Karsan Bhai Patel, Narayana Murthy, Late Dhirubhai Ambani, Azim Premji, Tatas and Birlas, Mittals, Chandra's Goyal's reflect effective utilization of scarce resources in their early days in the Indian environment.

FDI Performance

There exist significant differences in the FDI performance of China and India. FDI in Indian manufacturing has been and remains domestic market seeking while FDI in China has been efficiency seeking, resource seeking and lastly market-seeking. On the basic economic determinants of inward FDI, China does better than India. China's total and per capita GDP are higher. China's higher literacy and education rates suggest that its labour is more skilled making it more attractive to efficiency-seeking investors. In addition, China's

Table-1: FDI Inflows: China and India

In Current $ Terms	2005 (in $ Billion)	2006 (in $ Billion)	2010 (in $ Billion)
Inflows	146.0	199.4	227.5
Percent of world total	16.0	18.1	17.3
China	79.1	86.5	80.0
India	6.7	9.5	14.3

Source: Compiled on the basis of "World Investment Prospects to 2010: Boom or Backlash?"

physical infrastructure is more competitive, particularly in the coastal areas. In retail trade, China has already opened and attracted FDI from nearly all the big-name department stores and supermarkets such as Auchan, Carrefour, Diary Farm, Ito Yokado, Jusco, Makro, Metro, Pricesmart, 7-Eleven and Wal-Mart.

The prospects for FDI flows to China and India are promising, assuming, that both countries want to accord FDI a role in both countries development process. The large market size and potential, the skilled labour force and the low wage cost will remain key attractions.

China will continue to be a magnet of FDI flows and India's biggest competitor. But, FDI flows to India are set to rise-helped by a vibrant domestic enterprise sectoral growth. "Saying we are a back office and China is a factory is a backhanded compliment." *Kamal Nath, India's Commerce Minister, in New York Times.*

Entrepreneurial Success

Despite the capital constraints and Licence Raj, our entrepreneurial success has been phenomenal - likes of Mittals, Chandras, Goyals, Biyanis, Mahindras and Bajajs have learnt lessons from Chinese experience and moulded their business approaches as per macro Indian Business Environment. The following Table provides at a glance the lessons learnt by creative Indian leadership:-

Table - 2: Entrepreneurial Creativity in India

Entrepreneurial Mind	Existing Products	Creativity at it Best
G.M.Rao	Jute, Rice, Oil Mills and Ferro Alloys	Infrastructure Development
Uday Kotak	Financial Services Firm	Kotak-Mahindra Bank with 78 Branches, Global Financial Services Power
Sunil Mittal	Bicycle Parts, Imported Generators, manufactured push-button phones	Bharti Enterprise with 30 million subscribers, Retail and Financial Services
Naresh Goyal	Travel Agent	Jet Airways-Enjoying Open Skies
Subhas Chandra	Rice Trading and Packaging,	Satellite TV Business, DTH, Film Production, etc.
Kishore Biyani	Traditional Textile Business	Retail and Real Estate Business

Source: Compiled and Developed on the basis of "Poster Boys of Liberalization" Business Today, Jan. 14, 2007: BT Research

Below mentioned views confirm that undoubtedly economic reforms in India have energized and resurged the creativity in Indian business approach. Reforms have allowed their creativity to bloom.

View -1 In the words of Sam Palmisano, Chairman and CEO, IBM- "What we are trying to do is connect all of our capabilities-from our most advanced skills, that exist today in innovation, invention and all other work we do in our research and all our other necessary skills we use to solve our client's problem. India represents our ability to connect these two dimensions."

View - 2 "We don't think that India is preferred over China. However, as has been often stated by many it is more a case of "India and China," now as opposed to the earlier – "China first, then India." – Devika Mehndiratta, Economic Analyst, *Economics and Corporate Research Group – CII.*

View - 3 "Future is not about pedigree, it is not about heritage. Future is about Innovation, and how nimble you are. The future is all about hoe open minded you are to learn from people." N.R. Narayana Murthy, Non-Executive Chairman and Chief Mentor, Infosys Technologies.

Chinese Growth Experience

"China seems to be stable on the surface, but chaotic underneath, while India is chaotic on the surface, but stable underneath." - McGregor, James (2006) Partner BlackInc China and Author of "One Billion Customers."

Chinese business believes in more decentralization and delegation. Chinese business approach though innovative but also it is "Execution Driven." The Chinese believe in business friendly policies and productive disciplined workforce. Renaissance of Chinese business is manifested in formidable production capacity building with strong value chains. It is fully equipped with "ever expanding" world view coupled with trenchant ambition. Creative Chinese business is more "Cost Conscious" with "Linear" thinking approach. Renaissance of Chinese business is reflected in "Building Factories" with well developed, modern world class infrastructure.

Even after the existence of extremely authoritarian political system China has been successful in establishing itself as a manufacturing Hub of the world. Growth of Chinese Entrepreneurial Success is yet to be tested on following challenges:

- Challenge of growing unemployment.
- Challenges regarding Sizeable non-performing loans particularly in the Banking Sector.
- Regional imbalances in the economic development
- Existence of huge military creates fear
- Problem of Ineffective legal protection system
- Lack of strong financial system and rise in unethical business practices.

Thus Chinese leadership, though visionary but getting ready for "Chinese century" by 2020, still has to work a lot on new models and actions/priority plans to become a strong global power. Chinese leadership is working on the concept of Top Management Teams (TMTs). Cooperative goals among team members and leader, production and people are important bases for effective TMT and leadership in China.

China innovation is considered a critical strategic advantage. Chinese leadership is fast in decision making and diplomatic - enjoying good relations with world's leading economic super powers. In Chinese enterprises the cooperative network of leaders/managers follow a "Guanxi" relationship, integrating emotional and mutual benefits over transactional decisions through Relational Mark Down (RMD) and Compensatory Mark Up (CMU) approaches. The Chinese leadership has utilized an incubator system in "Xian" Hitech Park for leadership development.

Comparative Profile of Indian and Chinese Consumers

"India's Individual Purchasing power is likely to go upto $5,653 (Rs.2,543,85) per person by 2020 as against of $2,149 (Rs.92,407) of 1999. Indian consumers don't fear from "Credit Trap" - Gurucharan Das - Strategic Consultant.

With more liberalized economic policies, social transformations, increased media exposure, rise of nuclear families, consumer culture has grown immensely in India.

Table–3: Chinese Growth: At a Glance

- Current Growth sustainability – At stake
- Entry of Qualified Foreign Institutional Investors (QFII) into RMB Denominated Securities through QFII Act.
- Rise in interest Rates
- China securities regulatory commission controlled by the Govt. unlike SEBI.
- Chinese stock market at Nascent Stage.
- 21 million people (Urban Resident) on minimum subsistence allowance.
- Strong state intervention – 50 percent listed companies State Owned Entities.
- Chinese Business Websites totally dominated by Laws, Acts etc.
- Low level of Investor Education.
- 26 million people (in Rural Areas) living in poverty.
- Corporate sector largely dominated by State Owned Entities.
- Motorway Network - 34000 kms.
- Power Generation - 2500 Billion Kilowatts.

Source: Compiled and Developed on the basis of Review of Literature.

Total consumption was estimated $550 billions in year 2006 as against $300-340 billions in 2002. A decade ago, luxury products market was almost non-existent but in the beginning of 2007 it is estimated at $444 million.

"India Is The Flavour of Moment In China."
- Hong Chen, Chairman and CEO of the Beijing-based Hina Group.

"The Average Chinese Knows very Little About India."
- Girija Pande, Head (Asia Pacific), Tata Consultancy Services (TCS).

Today, be it a hyper market, super market/mall or corner of a street, Indian consumer is everywhere. 15 years ago, Indian consumers were considered thrifty, traditional and money savers. But today the situation is exactly different with 181 million middle class households, constituting over 30 percent of total population itself is a vast consumer market.

Indian consumers are considered price sensitive consumers, but now they have also become value sensitive. The demand for premium stuff has gone beyond market estimates. Robust growth of economy is main reason behind this phenomenon. This vast market needs product innovation, simple designs, direct distribution and overall comprehensive business system. Indian middle class has grown over part several decades. Increased level of industrialization and subsequent rise of services sector, opportunities for employment and income levels have also gone up.

"China is a country of extremes; it is also a country of contradictions." - Harjot Singh - Strategic Planning Director, AD Agency BBDO, China.

Chinese consumers are also enjoying winds of changes. Their mood and optimism is reflected in their interest in "Beyond China" products. Now Chinese consumers are also using other countries products. Readymade garments, bicycles, footwears, fashion products have seen splurge in demand patterns. Chinese consumers are regionalized in their buying patterns. Chinese consumers are price conscious but they also expect the service providers to cut down the costs of their services with large scales of economic being achieved. Chinese MNCs Hair and Huawei Telecom are continuously expanding their business.

Consumers in China display varying levels of ethnocentrism, similar to consumers in developed countries. But like Russian consumers, Chinese view of domestic good as inferior to

Table–4: Profile of Indian Consumers 2000-2007

2000:	Emergence of Private Sector Life Insurance Companies.
	Credit Card Holders - 4 Million.
	Cable and Satellite Television: 30 mn.
	TV Homes: 64.4 mn.
2001:	Emergence of “Big Bazar” Hyderabad as Hyper Market.
	CDMA Mobile Operations Start.
	First Indigenous Motor Bike TVS Victor.
2002:	Total Consumption $ 300-350 Billion.
	Sports Utility Vehicle “M&M Scorpio” Launched.
2003:	Low Cost Carriers Offer Consumers’ Delight.
	No. of Middle Class Households 181 Million.
	Rich Households with Per Annum Income of more than Rs.2, 10,375: 3 Million.
	“Aspirers” with Per Annum Income Between Rs.43,875 - 2, 10,375: 46 Million.
	Strivers with Per Annum Income < Rs.43,875: 131 Million.
2004:	Passenger Car Turnover Reaches 1 Million Mark.
2005:	Mobile Phone Users 50 Million.
2006:	Organized Retail Size Rs.42,000 Crores.
	Debut of IPTV.
	H1B Visas Issued: 43,167.
	Domestic Air Passengers: 25 Million.
	Total Consumption Estimated: $ 550 Billion
	FMCG Industry worth Rs.60,000 Crores
	21 Million Indians Owe Home Loans.
	Luxury Product Market: $ 444 Million.
	Passenger Car: 0.68 Million.
	PC Penetration: 18 (Per 1000)
	PC Sales: 4.6 mn.
2007:	Internet Users: 40 mn+ (estimated)
	Two Wheeler Sales: 5.5 mn+ (Estimated).
	Telecom (Landline): 50.20 mn+ (estimated).
	Telecom (Mobile): 100 mn+ (estimated)
	TV Homes : 114 mn+ (estimated)
	Cable and Satellite TV: 70 mn+ (estimated)

Source : Compiled and Developed on the basis of NCAER/Industry Reports as well as Compiled from Business Today, Jan 14, 2007 & Compiled and Developed on the basis of Review of Literature

Table - 5: Profile of Chinese Consumers

⇒	Phenomenal Growth in Sales of CTVs, Beer, Mobile Phones, Personal Computers etc.
⇒	China Houses 1.3 Billion People.
⇒	25 - 30 million Middle Class Households in China
⇒	MNCs like Procter and Gamble, General Motors and Carrefour catering Chinese Mass Market.
⇒	Urban Consumers: 400 millions.
⇒	Mass Affluent Households' Income: $8700-11600.
⇒	Annual income of $4300 to $8700 (Middle Class Households)
⇒	More than 1,00,000 Advertising Agencies.
⇒	Affluence in spending.
⇒	Non-existence of Consumer Credit.

Source: Compiled and Developed on the basis of NCAER/Industry Reports as well as Compiled from Business Today, Jan 14, 2007

imported goods. Consumer ethnocentrism means that it is inappropriate to purchase foreign products in the interest of the domestic economy. Chinese companies understand that their mass production may lead to overstocking, extra marketing expenses and low profitability i.e. they are now implementing consumer order driven approach. Chinese consumers are have been excited by the presence of more than 1,00,000 advertising agencies mostly managed as Bucket Shops. China's own service sectors Bank, travel, financial services are at nascent stage.

In general, the growth in middle class income has been one of the key influential factors in consumer product categories like CTVs, Beer, Mobile Phones, and Personal Computers. These products enjoy high penetration in China. According to Joseph Wan, Director and Vice President of Boston Consulting Group (Hongkong) - MNCs and other companies have now realized the changing face of Chinese consumers as well as their buying behaviour. Companies operating in China have to understand that consumers in the western parts of China differ a lot from eastern part of China.

There exists a wide difference in distribution of wealth in the Chinese cities and countryside consumers. China houses 1.3 billion people as 400 millions are in the urban areas. Middle class Chinese consumers are categorized as savers and spenders. Chinese consumers have more money at their disposal than ever before. Per capita income has grown by a factor of seven between 1980 and 2000. There are 25 million to 30 million middle class households in China, with an annual income of $4300 to $8700.

Sino-Indian Business Progress: Number Game

"At the end of the day, mutual trade and business drives growth. All major newspapers and TV stations in China talk about India. Two neighbouring countries have to do business with each other." – Malvinder Singh, MD and CEO, *Ranbaxy Laboratories Ltd.*

Till 1990, the mutual trade between India and China was poorly placed at $260 million. The figure stood at a little over $18 million (Rs.81,000 crore) and now looking set to pass $40 billion (Rs.1.8 lakh crore) by year 2010. Many Indian companies like Ranbaxy, Infosys and M and M

Table - 6: Sino-Indian Trade: At A Glance (In $ Million)

Category / Year	2004-2005	2005-2006	2006-2007
Export	5615.88	6759.10	1816.86
Growth (percent)	90.04	20.36	-73.12
Share (percent)	6.72	6.56	6.25
Import	7097.98	10868.05	3650.24
Growth (percent)	75.12	53.11	-66.41
Share (percent)	6.36	7.29	8.92
Total Trade	12713.86	17627.15	5467.10
Growth (percent)	81.41	38.65	-68.98
Share (percent)	6.52	6.99	7.81

Source: Compiled and Developed on the basis of Review of Literature.

and others have acquired companies in China to take advantage of its low costs. Following table explains the Sino-Indian Business through numbers:

Lessons for Asian Tigers

"The Chinese Government will continue to encourage competitive Chinese companies to make investments and do business in India and Indian companies are welcome to explore business opportunities in China." – Chinese President Hu Jintao. The Chinese President Hu Jintao while addressing a meeting of Shanghai Cooperation Organization on June 15, 2006 said - "China-India relations have now entered a "New Phase" what we call as Renaissance of Indo-Chinese Economies." Business Renaissance of Indo-Chinese consumers can take place in form of market access for agricultural, industrial goods and services, fast moving consumer goods, non tariff barriers and removal of restrictive regulatory practices. The creativity of leadership of both countries lies in understanding the need to constantly engage on issues like mutual trade, investment and "Go Without Suspicion Approach" leaving behind the history. Both countries are on course to become Global Powers. Both economies are emerging with complementary strengths and weaknesses. Corporate leaderships of both countries need to encourage "Masses" or "Consumers" to celebrate "cultural consumerism" inside their respective countries to make "Chindia" a reality. The following Table provides a conclusive

Table - 7: Sino-India Economic Progress: At a Glance

Economic and Non-Economic Variables	China	India
Probability of Not Surviving Above 40 years of Age	6.9 percent	16.6 percent
Adult Literacy Rate	9.1 percent	39 percent
Life Expectancy at Birth	71 years	63 years
Children who are under weight (Below 5 years)	8 percent	47 percent
Population Living on $1 a day	16.6 percent	34.7 percent
Annual Growth Rate of Population (2004-2005)	0.6 percent	1.3 percent
Per Capita Health Expenditure	$278	$82
Physicians per 100000 People	166	60
Population With Access to Proper Sanitation	23 percent	14 percent
Population Under Nourished.	12 percent	23 percent
HIV Prevalence (15-49 years)	0.1 percent	0.9 percent

Infant Mortality Rate	85	127
Maternal Mortality Rate	56	540
Public Expenditure on Health (percent of GDP)	2 percent	1.2 percent
Human Development Index Value	0.768	0.611
HDI Ranking	81	126
Six Lane Highways	25000 kms	3000 kms
Power Cuts for Companies (1 month)	05 times	17 times

Source: Compiled and Developed on the basis of UNDP Reports

look over the economic and non-economic parameters which can be translated into hard lessons for both countries:

Thus, analysis of above table clearly envisages that despite all these above mentioned dissimilarities and similarities between Indo-Chinese creative entrepreneurial styles and consumers India's trade with China is all set to grow to $20 billion by the year 2007. During 2000-01 India-China trade volume was just $2 billion but is rose sharply to $11.3 billion in 2004-05.

Concluding Remarks

Largely state-owned firms have low returns to capital than private or foreign firms. Returns to capital are not equalized across ownership types and State owned Enterprises have lower returns than private firms. In China, there is an allocation bias at the sectoral level like printing and copying products, wood processing, receive greater investment than refinery, leather and associated products. China is made considerable progress in reforming and privatizing state enterprises. The inflation in China is under control at 1.5 percent while in India the figures are preposterously high. The purchasing power parity for India is $3139 while the same figure for China is $7532. The per capita income at constant prices in India is $355 while China has reached US $1740. This clearly indicates that India has to learn and earn from Chinese experiences. Unlike China in Indian perspectives wages have not risen, Labour reforms are to be done on a rational note. Large no. of people is involved in petty manufacturing and retail trade. Blue Collar workers' interests are to be safeguarded. It would be apt to take into account the following view of *Kiran Karnik, President, NASSCOM*- "India will have to work hard to maintain lead. It requires a favourable policy and tax environment, a huge thrust in education and vastly improved infrastructure."

Above observation makes it very clear that India has to strike a balance between Investment Policy and Tax Incentives for example "acceleration depreciation" can take away huge and heavy investments in infrastructure sector. Chinese experience particularly in the Exports Manufacturing Sector is noteworthy. Chinese Govt. has been able to save small scale sector and ensured job security with protection from overseas competitive forces.

Agricultural land being taken away from peasants for setting up special economic zones has become another important issue where government has to be careful otherwise political problems may endanger the overseas investments. States are competing with each other over this issue. States' proactive approach is welcome. Unlike Chinese case we do not have a coherent strategy to ensure that the small-scale sector growth takes place consistently. For example – if a small shop employs 10 persons, the incentives from the state to enable the small scale entrepreneur to grow and multiplied four times to make it 40 is surely absent. Several kinds of restrictions still inhibit our growth.

Above discussions clearly highlight that we have to set on a growth rate of at least 7.5 per cent. We have a window of the next 20 years to improve our productivity issues massively. The real development task lies in people i.e. education, health, irrigation sector, reforms and agriculture patterns, up gradation in manufacturing sector with the help of entrepreneurial spirit. China and India can become effective trading partners despite not having natural affinity but there is no reason to be afraid of each other. India has to tighten up its intellectual property rights and sale it as a strong point foreign investor.

We can conclude that structural measures and changes like improvement in lending practices of banks, easy access of private sector to stock markets, rational FDIs, better utilization of resources, continuous privatization can help both countries economic objectives of rapid growth, keeping in mind high investments and huge consumption patterns along with different political ideologies.

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Organizational Excellence: Total Quality Management

Kavitha Srivastava, Saroj Kumar Mishra and Smita Pandey

Today's rapidly changing business climate challenges companies to continuously improve performance. Only companies with a commitment to organizational excellence will remain competitive. This article discusses organizational excellence in context of Total Quality Management (TQM), facilitated by effective leadership. It describes how excellence can be achieved with TQM. It focuses on the nature, various forms and five important pillars of organizational excellence and elaborates further to explain that effective leadership plays a vital role in connecting the vision and mission statements of the organization maintaining a total quality approach to excellence. The paper concludes that TQM efforts must be integrated with organization's business strategy and follow the top leader's vision if a total quality oriented strategy is to be implemented and excellence is to be achieved.

Excellence means surpassing or outstanding achievement. We recognize readily when someone breaks a record in an Olympic event or is the first to climb a previously unscaled peak; or writes a bestseller or win a noble prize for contribution in any discipline of science; or gives the best year of its youth in selfless serving to the down trodden or is outstanding productive or successful in his or her field of work. Excellence is important to society because it sets an example, a standard of behaviour that is socially useful. In a world of mediocrity and incompetence, human excellence acts like adrenalin. It dispels and despairs and galvanizes those who wish to do something worthwhile but are discouraged or intimidated by the odds against them.

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To survive in today's competitive environment, one need to excel. Good is no longer good. To excel, an organization needs to focus on all parts of the organization, optimizing the use and effectiveness of all its resources.The organization that effectively meets the needs and expectations of all stakeholders is an excellent organization. The emphasis is not just on the performance of the organization in terms of profitability growth or efficiency. It is on the satisfaction of the needs of its staff, on meeting its social responsibilities and commitment to other important stakeholders. Today's rapidly changing business climate challenges companies to continuously improve performance. Only companies with a commitment to organizational excellence will remain competitive. Literature has given evidences where the organizations have excelled, owing its success to its leadership dimensions.

The focus of this paper will be to bring to light the role of leadership in uniting the workforce towards achieving the mission statements of the organization and turning the goals and strategies to reality. The paper will focus upon the nature, various forms and important pillars of organizational excellence and will elaborate further to explain that effective leadership plays a vital role in connecting the vision and mission statements of the organization with maintaining a total quality approach to excellence. The paper demonstrates the relevance of leadership towards total quality management; thereby achieving organizational excellence.

Organizational Excellence

Organizational excellence means the whole gamut of corporate management and the way the entire organization is run and creating a world-class organization. The concept of organizational excellence provides a powerful way to implement its mission statement and achieve its objectives. Hui and Chuan (2002) described nine national quality level awards that served as models for managing organizational excellence. Each award represented the host country's differences in managing all aspects of an organization. They digested the criteria of the various awards into twelve critical aspects of total organizational excellence. These are:

1. Establishing a strong vision and mission
2. Forming policies and strategies
3. Commitment to excellence
4. Management values and ethics
5. People development
6. Empowerment and innovation
7. People well being
8. Use of new technologies
9. Suppliers and business partnerships
10. Providing customer care service and satisfaction
11. Fostering good working relations
12. Responsibilities to the public.

On the basis of each criterion mentioned above the paper then described the nine awards more which play important role in managing organizational excellence. Various studies in the literature gave utmost importance to vision and mission statement of the organization.

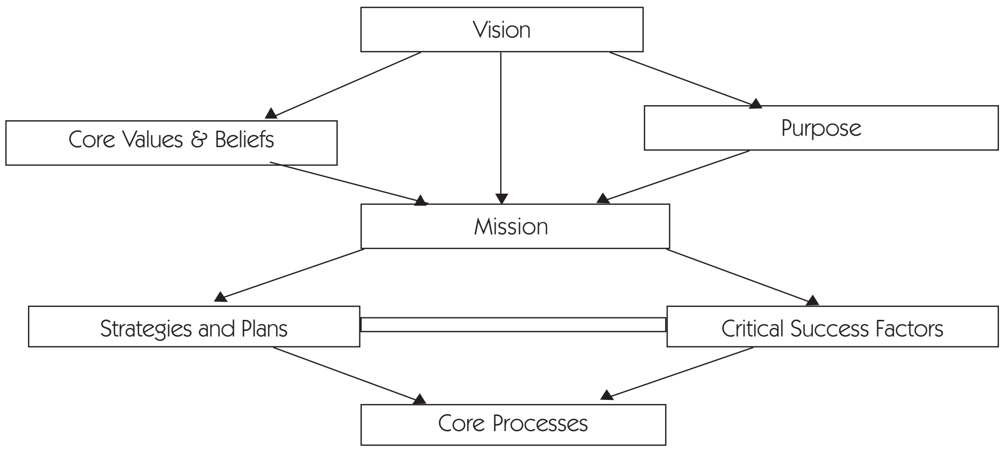
Mission statements and visions are goals that direct the entire organization. An organization's mission is its purpose and reason for being, and its vision is an "image it seeks to create." Successful business organizations have strong visions of what they want to do and where they want to go. Apart from stating strong visions and missions, researchers have highlighted importance to strategies and plans. Strategies help an organization to determine its current and future changes in customer and market needs and expectations, competitive environment and industry structure as well as how plans are deployed to departments, teams and individuals.

Thus, a typical mission statement summarizes core belief and values, some of which are people oriented and some business related. A well constructed mission statement touches upon everything that is valued highly by the organization. It concisely describes basic strategies as well as aspirations about treating people fairly, leadership qualities and similar values. In fact, if your mission statement does not reflect your organization's top level strategic goals, then one or other is defective because a proper definition of organizational excellence is based on these same values.

The vision framework (Fig. 1) describes that an organization is a collection of its beliefs and values. Together they make the culture of an organization. The specific collection of values and norms shared by people and groups in the organization is defined by what is known as "culture" of the organization. Organizational culture or corporate culture comprises the attitudes, experiences, beliefs and values of an organization. From organizational values develop organizational norms, guidelines or expectations that prescribe appropriate kinds of behaviour by employees in particular situations and control the behaviour of organizational members towards one another.

Figure 1: Vision Framework for an Organization

(Source: Oakland, 2001)



Culture has a vital and measurable impact on the organization's ability to deliver on its strategy. That's why one can't ignore it when tackling issues such as risk management, customer relationship management, business process outsourcing, change management, wellness, growth, or leadership. Thus culture is central for a successful operation and to long-term effectiveness of the company.

Organizational hierarchy plays an important role for developing the right culture in an organization. Top officials instill the commitment to excel in the minds of human assets of the organization. Motivated and committed workforce would lead the organization to excel. Gandossy (2005), in this respect, did an exciting study to show that top management is committed to develop leadership talents and good leaders make a difference to an organization. He compared numerous business and people practices of double digit growth companies (DDGs: who has at least 10 percent annual revenue growth in three of the five years plus a five year compound annual revenue growth of 10 percent or more) with the practices of single digit growth companies (SDGs: those with compound annual growth of less than 10 percent). The study demonstrated that CEOs and Board of directors from the DDGs in the leadership, top 20 expressed far more commitment to develop leadership talent than did their SDGs and other DDG counterparts. Gandossy (2005) discovered that leaders of companies that consistently achieve double digit growth have a number of approaches and behaviours in common. Most of all they are clear about their directions and priorities and they consistently strive to be in touch with both customers, markets and their employees. They nurture talent and focus on their organizations' core capabilities.

Forms of Organizational Excellence

Just as human excellence takes many forms, so does organizational excellence. There are five basic forms of organizational excellence. These are:

Competitive Organizational Excellence

It is a champion type of organizational excellence - the best performance in a competitive field during a particular period. We may call this competitive excellence. The chief characteristic of this form of excellence is being outstanding within a field of competitor vis–a–vis a clear cut criteria for a few reasonable performance. The company with the best outstanding return on investment and/or the fastest growth rate within an industry in a given year is a typical example of this sort of excellence. Some other examples are: a school within a city with a highest percentage of students getting a first class at school leaving examinations, the public hospital winning an award for the lowest mortality rate, the bank with the best loan recovery performance, the newspaper with the highest circulation and so on.

To be able to beat competitors, the champion organization must have a clear-cut goal and strong management commitment to excel at this goal or these goals. It must have tight control over operations and coordination of activities through teamwork. It would need excellent mechanism for monitoring the field of operations, the action of competitors and the organizational performance. A resourceful management that can quickly respond to eddies and currents of competitions and culture of quickly adopting the tried effective practices in other organization would be very helpful for it. On the hard competitive track, the organization resembles a compact streamlined, power packed racing car racing to win.

Rejuvenatory Organizational Excellence

The main characteristic of this form of excellence is the vast improvement over previous performance. Many organizations turnaround from sickness or decline exhibit this form of excellence. The sort of management that may be needed for this form of excellence is distinctive, strong and highly energetic leadership that galvanizes the organization and leads from personal example; quick pay of actions that restore faith in the ability of organization to tackle problems and solve them successfully, a great deal of internal communication to mobilize the rank and file for the great effort needed to rejuvenate the organization; negotiations with external stakeholders like financial institutions, suppliers and government for their support to rejuvenation effort, a culture of getting things done quick fixes, improvisations, resourcefulness, extensive participation of lower level staff in evolving a turnaround strategy and implementing it.

Institutionalized Organizational Excellence

The chief characteristic of this from of excellence is sustained high achievement over a long period of time on important performance parameters even when there is a little pressure by way of competition for excellence. The organization may not necessarily be the best on all or even one of these parameters. But it has, like the example of HMT (Hindustan Machine Tools, India), a distinguished track record stretching over decades. Such sustained performance may require institutionalization of good management practices and a high order of professional management. It may need top management continuity and orderly succession through carefully selected successors and chief executives well acquainted with the organization's excellent traditions and norms of excellence. Also needed may be the widespread commitment of the staff to a vision of excellence and to core values related to this vision.

Creative Organizational Excellence

The chief trait of this type of excellence is the commitment to pioneering innovation, experimentation and discovery. The organization is in a constant state of flux, shedding or modifying current activities, practices, products and adopting new ones. Organizational flexibility, some indifference towards rules and procedures, and openness in communications may be widespread. A leadership rooted in expertise, competence and creativity rather than in formal position is a likely feature of such type of organization. A culture of creativity and innovation is likely to prevail.

Missionary Organizational Excellence

The chief feature of this type of excellence is the desire and ability to meet the expectations of all the significant stakeholders of the organization such as owners, staff, suppliers, customers, government, bankers, unions etc. The management tends to think of itself as a trustee for the benefit of these stakeholders. The organizations have multiple goals corresponding to the diversity of expectations the organization is trying to meet. For example, it may seek reasonable profitability to keep its owners happy; a good growth rate may create opportunities for growth of its staff and managers; a reputation for social responsibility to please the government; good customer service to place to customers and cordial industrial relation to keep unions happy.

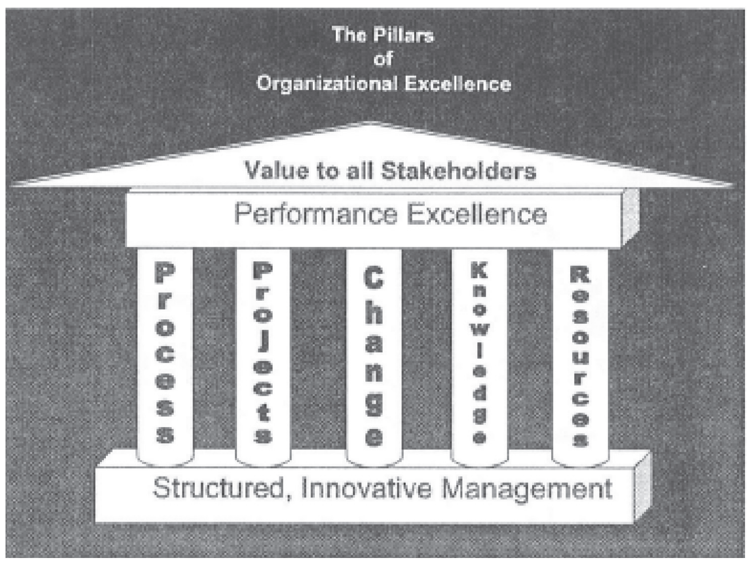
Five Pillars of Organizational Excellence

Literature has emphasized that after years of working with all types of organizations using various approaches to improving performance, it has been realized that there are only five things that need to be managed in order for an organization to excel. It has been called as "The Five Pillars of Organizational Excellence" (Harrington, 2004). All five must be managed simultaneously to be excellent in every sphere. Top management's job is to keep all of them moving ahead at the same time. To concentrate on one or two of them and let the others slide is a surefire formula for failure.

Organizational excellence is designed to permanently change the organization by focusing on managing the five key pillars of the organization. Each of the five pillars is not new by itself. The key to organizational excellence is combining and managing them together. We call the methodology that provides a holistic approach to proving the organizations performance, "organizational excellence," which is supported by five pillars that must be managed simultaneously (Fig. 2).

Figure 2: The Five Pillars of Organizational Excellence

(Source: Harrington, 2004)



- **Pillar I - Process management:** Organizations need to manage their processes and continuously improve them for betterment.

- **Pillar II - Project management:** Organizations need to manage their project, for that is the way they obtain major improvements in their processes.

- **Pillar III - Change management**: It is necessary to manage the changes in organizations so that it is prepared for the chaos that it is being subjected to, due to the magnitude and quality of changes that must be implemented.

- **Pillar IV - Knowledge management**: It is needed to manage the organizations' knowledge; that is the organizations' most valuable asset. It is the organizations' knowledge that gives an organization its competitive advantage, as technology can easily be reverse engineered and transferred to any place in the world.

- **Pillar V - Resource management**: Organizations need to manage their resources and assets for they drive their business results.

By effectively managing these five key pillars and leveraging their interdependencies and reactions, an organization can bring about a marvelous transformation within itself. Learning to manage them together is the key to success in the endless pursuit of improved performance. Leaders here play the role of binding all the five pillars in one thread.

Chain of Excellence

A chain of excellence had been developed which describes the relationship among the different pillars of excellence. The concept starts with the chain of excellence (Fig. 3) in which excellent leadership creates excellent employees. These employees than provide excellent service to the customers who will then come back again and therefore be responsible for good financial results.

The studies in the area of human performance have supposed relationship between the separate blocks. Hesselink and Assem (2002) studied one of the largest companies for temporary labour in the Netherlands, namely "Start." It implemented a service excellence program that was initiated to help the organization to become one of the leading companies in Europe with respect to service behaviour and service culture. They borrowed the concept from world wide Walt Disney Company (WDC) which has a special division, called the Disney institute, which supports different organizations in creating and managing a culture of service. The chain of excellence has been used by Walt Disney Company to describe that it is possible to explore the relationship between the different blocks in a separate manner. This chain of excellence can be used by organization for excel.

Figure 3: Chain of Excellence

(Source: Hesselink, 2002)

Examples of Some Organizations that worked their Way to Excellence

Hindustan Machine Tool (HMT): It became a legend in India in the sixties and seventies. The government of India set it in 1953. By eighties, HMT set up a number of machine tool units and diversified into watches, tractors, press, bulb etc. Between 1960 and 1980, it had been profitable in all. The productivity of HMT grows at 3.6 percent per annum. HMT had also ventured abroad and was a modest exporter. It had bought to India, a wide range of technologies through collaboration agreement with foreign companies. It is an example of institutionalized and versatile excellence in competitive domain of the third world.

The State Bank of India: It is the largest bank of India. It was known as the imperial bank of India, and was nationalized in mid fifties. Initially it catered mostly to urban customers and extended credit mostly to select business houses. But it rapidly grew and diversified into banking related services thereby significantly helped in extending the banking habit to the countryside. Now it has internationalized its operations. It is an example of institutionalized and versatile and missionary excellence in competitive domain.

Nirma Chemicals (Detergent): It was started in 1969. The company had grown at 50 percent per year during 1986. It possessed a serious competitive threat to the multinational firms. It is a lean organization, wide distribution network, and adopts shrewd price-based competitive strategy. Nirma Chemicals is an example of competitive excellence.

Reliance Group, India (Textile, Polyester, Yarn Petrochemicals etc.): It was formed by Dhirubhai Ambani in 1966. By the end of the eighties it had grown to be the third largest in the country with huge diversification and vast growth plans. It has been known for its entrepreneurial style of management. It is an example of competitive institutionalized excellence.

Hindustan Lever Limited, India (Soaps, Detergents, Cosmetic products etc): This multinational subsidiary is the best-managed company of India. It has a nice track record of profitability and growth for a long time. It practised social responsibility by locating several plants in background areas and by reviving sick units. It's a strong exporter. It has also its strength in import substituting R and D. It is the best example of highly professional and versatile excellence.

TATA Steel, India (Steel and Allied products): It emerged as the best all round company of India. In 1980-90 the company had the largest sale of any private sector company in India. It is the best rated Indian company on eight criteria (quality of management, quality of product, innovativeness, financial soundness, and quality of personnel, responsibility to community, profitability and company to work for). A good long term record of profits and growth as well as other achievements such as running effectively a whole city, medical help to hundreds of thousand aborigines, contribution to Indian sports and a pioneering role in the third world in the area of human resources and industrial relations management. It is an example of institutionalized and versatile excellence.

A close study of these organizations brings out certain features that must be analyzed to what made them grow into successful organizations. A close look at them brings to light the quality of work that they offered to the consumers. The long term survival of many manufacturing and service organization has been linked to the ability of these organizations to produce goods and services that meet or exceed customers' quality expectations. These Organizations consistently searched for approaches to manage people and productions systems in a way that assures transformation of inputs into quality outputs that meets or exceeds customers' expectations. In this process they identified Total Quality Management (TQM) as a concept that has recently been recognized all over the world as an important factor that stimulates the organizations to excel. TQM focuses on quality and is a widely discussed approach that directs organizational efforts to excellence. Its tenets are continuous improvement, top management leadership commitment to the goal of customer satisfaction, employee empowerment and customer satisfaction (Ugboro and Obeng, 2000).

Total Quality Management

The increasing pace of change in the quality movement has led to the emergence of three key terms: Total Quality Management, Organizational Excellence and Business Improvement (McAdam, 2000). The international quality systems standard ISO 9000 is changing dramatically and ISO 9002 will no longer exist. The new version of ISO 9001 places emphasis on process management and resource management and has commonality of architecture with ISO 9004, so that quality assurance requirements and quality management aspirations can be aligned holistically (Bendell, 2000). Therefore, due attention to quality should be given by organizations to gain recognition and achieve excellence. The term 'Total Quality Management' conveys total company wide effort that includes all employees, suppliers and customers and that seeks continuously to improve the quality of products and processes to meet the needs and expectations of customers. Dean and Evans (1994) stated three basic attributes of TQM. These are:

1. Customer focus
2. Strategic planning and leadership
3. Continuous improvement and empowerment and team work.

The utility of the definition is that it encompasses the key internal and external factors and stakeholders of an organization, and recognizes the crucial role of leadership, including the empowerment of all employees to lead.

TQM is a management philosophy, introduced by Deming (1989) and Juran (1986), both working hand in hand. TQM calls for customers' satisfaction, continuous improvement, teamwork and strong aspirations to self actualization. The TQM inventors focused less attention on tools, techniques and training but gave more attention to the human aspect of production. They recognized that tools alone cannot automatically produce TQM but it is the power of the human mind to identify the correct problems more efficiently than all the quality tools invested (Williams, 1994).

TQM has been described as a process of creating an environment in which management and workers strive to create an organizational culture, which helps to achieve the goal of creating the highest possible quality in products and services for the purpose of customers' satisfaction (Ehigie and Akpan, 2004). TQM depends on both the leaders and subordinates to work. The way the leader relates to the subordinates, influences the willingness of subordinates to adapt to change (Ehigie and Akpan, 2004).

Leadership as a Facilitator to TQM

Implementation of TQM implies an inevitable change in the organizational activities. The readiness on the part of the work force/employees, is a challenge that confronts an organization. Human factor often makes change difficult and at times outright impossible

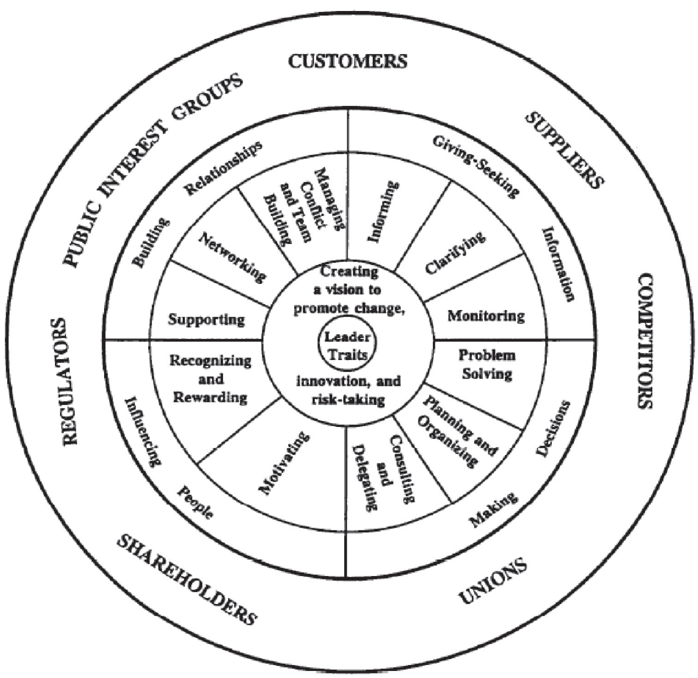
Many researchers have identified the style of managerial behaviour to be one of the most important factors in the successful implementation of organizational change need of effective leadership is felt here. A leader should be able to apply a leadership style that would be favourable to the practice of TQM and for the purpose of gaining the benefits of TQM. If an organization successfully applies the attributes of TQM with the help of effective leaders, then it is bound to excel.

Leadership is a relationship though which one person influences the behaviour or actions of other people. Top management leadership and employee empowerment are considered two of the most important principles of TQM because of their assumed relationships with customer satisfaction. As a result many top management leadership and employee empowerment strategies and practices have been suggested in the management literature.

Figure-4 clearly explains the role that leaders play in maintaining a balance between the internal and external organization of any organization. The traditional theories on leadership have assumed that leadership focuses on internal processes and outcomes assuming that positive organizational performance would follow positive internal activities.

Figure 4: Leadership Framework for TQM

(Source: Puffer and McCarthy, 1996)



The framework supposes a distribution of leadership throughout the organization as well as in collaboration with key external stakeholders. The nucleus of the framework consists of traits require for effective leadership. Possessing these traits is the first requirement of effective leadership. Without them the top leader would be less equipped to create a vision for the organization centered upon TQM. Emanating from the centre are four clusters of leaders activities and behaviours required for implementing a vision of total quality for an organization. These clusters have several specific activities associated with them and these must be performed by the top management in such a way that it infuses the values and inspiration to transform an organizational culture in a way that fosters such universal behaviours.

Ugboro and Obeng (2000) surveyed organizations that have adopted TQM to determine the relationship between top management leadership and employee empowerment, job satisfaction and customer empowerment. The results revealed positive relationship between top management leadership, employee empowerment and job and customer satisfaction. Employee empowerment and improved levels of job satisfaction are facilitated by top management leadership and commitment to the TQM goal of customer satisfaction by creating an organizational climate that emphasizes total quality and customer satisfaction- leading to organizational excellence.

Conclusion

One of the most admired organizations for its continued success and successfully implementing TQM is Motorola. Motorola has consistently demonstrated how it can put in place all the necessary conditions for operating not only towards survival but how it could thrive and dominate in global markets. Its sales in 1995 increased 22 percent to $27 billion from $22.2 billion in 1994. Motorola has been described as: "Titan of TQM, epitome of empowerment, tribune of training, icon of innovation, price of profits ... a big Company that sizzles" (1997). Motorola is, perhaps, one of the very few organizations that has clearly demonstrated that it drives its vision with clear intent; it manages itself through renewal; it engages the energies of all of its employees and it does not compromise on quality. Their six-sigma philosophy has been a service of inspiration to thousands of organizations all over the world. It can be said that inimitable competitive advantage can be gained through a deeply embedded quality ideology. It is important for managers to understand the leadership strategies for TQM implementation in order to capitalize on the strength that these strategies generate in the company's pursuit of business excellence.

Modern organizations are passing through highly competitive battlefield scenario. The barriers across the world are gradually diminishing under the fast changing economic, fierce global competitiveness, cross cultural/cross functional settings and the ever changing technological environment. Also, with the strong waves of globalization and liberalization sweeping across the world, organizations need to take a bold initiative to make qualitative changes in the economic as well as technological policies.

The paper recognized that the leader alone cannot control external environmental forces. It is suggested that every employee should take a leadership role and deal proactively with environmental issues, the organization would then better cope with the external pressures. The top leaders however must provide a vision that directs and coordinates employees' efforts to deal with these external pressures which are necessary if TQM is to succeed. This external focus, vision and diffusion of leadership are less characteristic of leadership in traditional organizations. In essence TQM efforts must be integrated with organization's business strategy and follow the top leaders' vision if a total quality oriented strategy is to be implemented and excellence is to be achieved.

Keywords: Organizational Excellence, Leadership, TQM.

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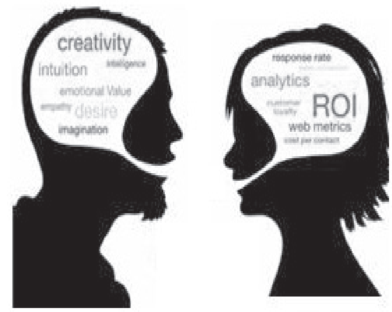
Candour and Probity in Telecom Marketing



Cherukuri Jayasankara Prasad and Ramachandra Aryasri A.

Customer loyalty presents a paradox in telecom service sector in India. In the current competitive scenario, customer loyalty is difficult to maintain as the customers are offered a wide variety of products and services from competitors. As a result of that, the relationship marketing has become one of the well recognized and widely accepted strategies for acquisition and retention of telecom customers. However, little is known about the actual influences of the underpinnings of relationship marketing on relationship quality and customer loyalty from an empirical analysis in the context of changing trends of telecom sector in India. This paper attempts to understand and examine the impact of relationship marketing underpinnings namely, trust, commitment, communication, brand image, value for money and network coverage on attitudinal outcomes such as relationship quality and behavioural outcomes such as customer loyalty.

The popularity of customer loyalty programs has attracted widespread attention among marketing scholars in recent years (Nunes and Dreze, 2006; Uncles et al, 2003). Companies today are trying to build strong relationships with customers by developing and implementing loyalty strategies (Duffy, 1998). Reasons for focusing on customer loyalty are varied such as increasing competition, customer having easy access of information regarding products and services. Cost of acquiring new customers is getting expensive day by day. Loyalty is expected to lead to positive attitudes and behaviours, such as repeat patronage and purchases, positive word of mouth that may influence other potential customers. A loyal customer base can be a valuable asset for any organization as it reduces the need of acquiring new customers (Rowley, 2005). In the current competitive scenario, customer loyalty is difficult to maintain as the customers are offered a wide variety of products and services. Industries today are under great pressure to keep the current customers happy (Duffy, 1998) and services sector like telecommunications is one that is having

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such numerous pressures. Looking in to the telecom industry, phenomenon of losing customers has been a costly exercise. With slowing down market growth, the extraordinary competition and the increasing pressure to reduce customer retention, retention management has become first priority in the broadly liberalized telecommunications market. In reality fighting against retention is a tough task. Determining 'which customers have left the company and why' is still very difficult task for some telecom operators. Therefore, it would be even more difficult to predict which customers are likely to leave and to identify the right incentives to convince them to stay loyal. Hence, it has become imperative on telecom industry to focus on relationship marketing to enhance customer satisfaction that would further lead to customer retention and customer loyalty. The relationship marketing, apart from its ability to help understanding customer needs, also result in reducing costs, increasing market share and profitability (Shani et al, 1992). Heskett (1997) reported that serving existing loyal customers would be much cheaper and profitable than serving new customer. Maintaining good relationship with the customer will create mutual reward to both companies and customers (Rapp and Collins, 1990). Thus, the relationship marketing has come to the existence and occupied center stage as one of the goals of modern business world to develop ways that attract and motivate potential customers to remain staunch loyalists forever.

Despite the growing importance and emphasis on relationship marketing, the influence and impact of relationship marketing factors on relationship quality and loyalty are still unclear in telecom service sector. Besides, to date, there is lack of studies that examine the various aspects of service that are vital to customer retention (Zeithaml, 2000). Furthermore, there is lack of studies that examine the influencing factors such as trust, commitment, communication, brand image, value for money and network coverage on relationship quality and customer loyalty. In view of the above, the study attempts to examine the customer perceptions of relationship marketing factors such as trust, commitment, communication, brand image, value for money and network coverage, which influence the nature and degree of relationship marketing outcomes (e.g. overall relationship quality and customer loyalty behaviour) in telecom service providers in Visakhapatnam in Andhra Pradesh. The present study has conceived the following objectives:

- To understand the concept of relationship marketing in service sectors in general and telecom sector in particular,
- To investigate and examine factors that contributes relationship quality and customer loyalty towards mobile service operators of Andhra Pradesh, and
- To examine the impact of relationship quality on customer loyalty.

Literature Review

Many research studies have highlighted the significance of customer relationships marketing and the influences of its underpinnings on the performance of its growth of service sector in fierce competition (Palmer, 2002). Increasing competition and strong rivalry in today's business while operating both domestic and a global market has resulted in building stronger firm-customer relationships (Ndubisi, 2005). Company's focus shifted on to the aspects of how to maintain positive relationships with customers, how to raise customer loyalty, and how to enlarge customer life time value. Today more and more firms are concentrating on strong firm-customer relationship to gain very valuable information on how to serve customers best and reduce the risk of competing brands stealing customers (Ndubisi, 2004). Building effective customer relationship creates mutual rewards that benefit both firm and the customer. Service providing firms are mainly dominated in practice of relationship marketing activities (Zineldin, 2000). Organization can also gain quality sources of marketing intelligence for better planning of marketing strategy by building good relationship with customers. Rust and Zahorik (1993) reports that Good relationship and quality service will lead to customer satisfaction, satisfaction will lead to customer loyalty, customer loyalty will lead to customer retention which will lead to profitability.

Trust

Moorman *et al* (1993, p.82) defined trust as "... a willingness to rely on an exchange partner in whom one has confidence." The belief that the customer is having on the service provider will make him to maintain good relationship with the service provider and develop loyalty towards the organization. If supplier or the service provider betrayed this trust, it could lead to defection and customer switching. Previous research studies emphasized that making promises is not only important but keeping promises is also important, which will create quality relationship and customer loyalty. Reichheld and Sasser (1990) reports that fulfilling promises plays important role in creating customer satisfaction, customer loyalty, retaining the customer base and long-term profitability. Hence the following hypotheses: H1a. There exists a significant association between customer trust and loyalty in the telecom services and H1b. The higher levels of customers trust is positively correlated with relationship quality in telecom services.

Commitment

Previous literature suggests that commitment is another important factor of relationship marketing, and also a useful construct for measuring the possibility of customer loyalty and predicting future purchase frequency. Wilson (1995) reposts that the most common dependent variable used in buyer-seller relationship was commitment. In the past decade, marketing scholars have conceptualised commitment to be an attachment between two parties that leads to a desire to maintain a relationship that is sometimes characterised as a "pledge of continuity" between customers and firms (Kuan-Yin Lee, *et al*, 2007). Commitment has been treated as a multidimensional construct in marketing research (Fullerton, 2005). Previous researches also showed that highly committed firms would continue to enjoy the benefits of customer satisfaction and customer loyalty.

Therefore, the following hypotheses: H2a. Higher levels of commitment displayed by service provider will develop the loyalty in customer and H2b. A higher level of commitment displayed by service provider is positively correlated with relationship quality.

Communication

Communication is not only an ability to provide timely and trustworthy information and it is also an interactive dialogue between the company and its customers that takes place during the pre-selling, selling, consuming and post-consuming stages (Anderson and Narus, 1984). Keeping in touch with valued customers, providing timely and trustworthy information, responding quickly when problem occurs through effective communication will build customer satisfaction and customer loyalty. Good communication will lead to quality relationship, customer satisfaction and customer loyalty (Ball *et al,* 2004) and therefore, the following hypotheses: H3a. The effective and prompt communication between the customer and telecom services providers has significant bearing on customer loyalty and H3b. The effective and prompt communication between the customer and telecom services providers is positive and significant on relationship quality.

Brand Image

The variable that has positive or negative influence on marketing activities and customer loyalty is organization's image (Kandampully and Suhartanto, 2000). Brand image has an influence over customer buying behaviour as it has ability to influence customer perception of the goods and services offered. Previous researchers also found brand image was positively associated with customer loyalty and customer satisfaction (Kandampully and Suhartanto, 2000). Gronroos (1990) reported that service quality was the most important determinant of brand image. In telecom industry many subscribers switch to the other service providers even on brand image (IT Business Weekly, 2003) and hence, the following hypotheses: H4a. Brand image has a significant role in creating customer loyalty and H4b. Brand image plays significant role in building customer relationship quality.

Value for Money

Much of the previous research studies showed that factors leading to customer dissatisfaction and eventually to the customer churn are pricing plans (value for money), and Network coverage. In this competitive market companies should take important measure in providing value for money by taking care of weaknesses like uncompetitive prices (Coyles and Gokey, 2005). The customers are likely to churn if the service provider is not offering the value-added services provided by the competitors. The following hypotheses are proposed: H5a. Value for money given by telecom services providers has significant influence on customer loyalty and H5b. Value for money given by telecom service providers has significant influence on the relationship quality.

Network Coverage

Lack of wide network coverage and performance is the major issue that causes dissatisfaction and consequently leading to customer churning (Navarro, 2005). Dropped calls that occur in places where network coverage is thin and network busy message that occurs when demand for network services exceeds capacity are the factors that leads to the customer churn (IT Business Weekly, 2003). When the customer notices the gaps in Network coverage so called blanket coverage, he is more likely to leave and hence the following hypotheses: H6a. Better network coverage builds the more loyal customer base to the business and H6b. Better network coverage is positively correlated with relationship quality.

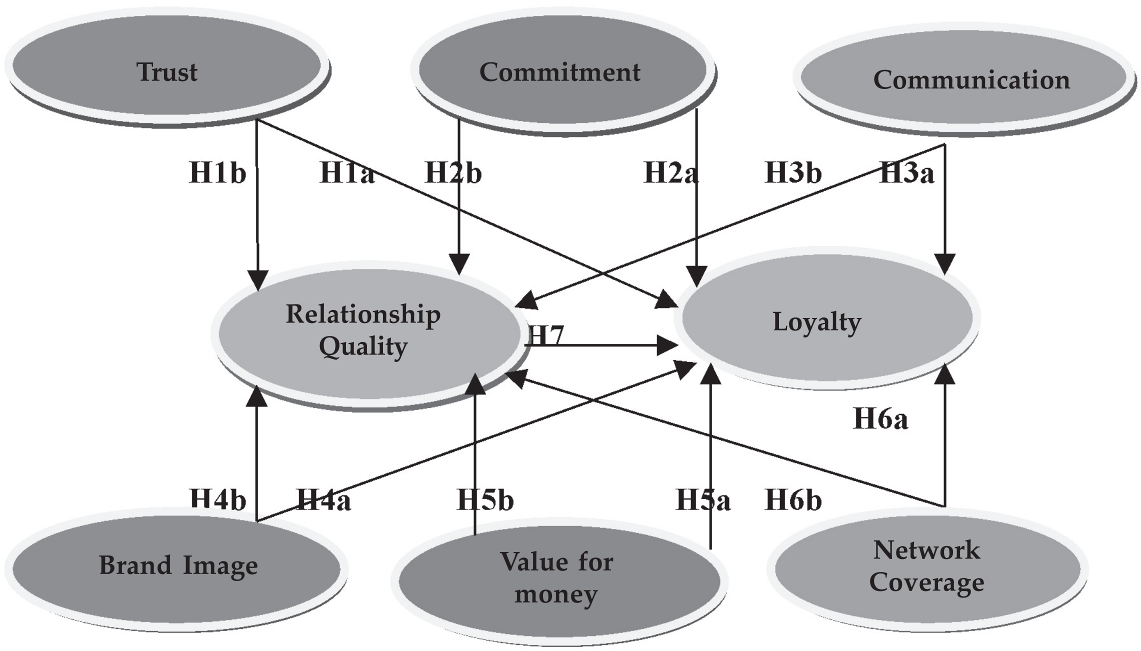
Relationship Quality and Customer Loyalty

Relationship quality and customer loyalty are the two vital ingredients of the recipe for success in the customer oriented business such as retailing. Relationship quality has been a bundle of intangible value, which augments products or services and results in an expected interchange between buyers and sellers (Levitt, 1983). The general concept of relationship quality describes the overall depth and climate of a relationship (Johnson, 1999). Relationship quality refers to a customer's perceptions of how well the relationship fulfils their expectations, goals, and desires (Jarvelin and Lehtinen, 1996). It is cited that quality in a relationship as a necessary element in defining loyalty (Chen and Ching, 2007). On the other hand, Loyalty as a deeply held commitment to re-buy or re-patronise a preferred product/service consistently in the future, thereby causing repetitive same-brand or same-brand set purchasing, despite situational influences and marketing efforts are having the potential to cause switching behaviours (Bowen and Shoemaker, 1998). Old-fashioned word has traditionally been used to describe fidelity and enthusiastic devotion to a cause, or individual. Cultivating loyal customers can lead to increased sales and customer share, lower costs, and higher prices. Customer loyalty, a key mediating variable in explaining customer retention (Pitchard and Howard, 1997), is concerned with the likelihood of a customer returning, making business referrals, providing strong word of mouth, as well as providing references and publicity. Loyal customers are less likely to switch to a competitor due to a given price inducement, and these customers make more purchases as compared to a less loyal customers (Baldinger and Rubinson, 1996). Customer loyalty is a deeply held commitment to re-purchase or re-patronize a preferred product or service in the near future despite there are situational influences and marketing efforts having the potential to cause switching behaviour (Oliver, 1999). Hence, it advances to the following hypothesis: H7: there is a direct positive correlation between relationship quality and customer loyalty.

Research Methodology

The present study is an empirical enquiry into the factors which influence relationship marketing, relationship quality and customer loyalty. The schema of the research construct is shown as figure 1. The study is purely based on primary data and necessary secondary data to support the model. The population of this study is customers of seven well known telecom service providers in the city of Visakhapatnam in Andhra Pradesh in India. The service providers considered were BSNL, Hutch, Airtel, Reliance, TATA, Spice and Idea. Respondents were selected randomly and participation was voluntary. A total of 175 customers were surveyed and only 150 completed and returned the questionnaire. This is an 85.71percent response rate. Out of this, only 135 were usable as 15 were voided because of incomplete data. The objective was to find the factors contributing of customer loyalty in Mobile Service Providers. To fulfill this objective, a specially designed questionnaire was framed with variables adopted from different sources shown in the literature review. The questionnaires containing customer's demographic profile and measures estimated by using dichotomous questions, multiple- choice questions, five point Likert scales and open-ended questions were administered during peak hours. It was framed in a prearranged order with variables adopted from different sources for the purpose of primary data. The variables considered were Trust, Communication, Commitment, Brand Image, Value for money and Network Coverage. Trust, communication, commitment were adopted from Yau *et al* (2000) and Ndubisi (2004). Communication was made up of 4 items such as providing trustworthy information, keeping customers informed about new product arrivals and product extensions, providing assistance if problem occurs. Items such as offering personalized services, flexibility in serving customer were taken to build up commitment question. Variable trust was made up of five items such as reliable in words and promise, security concerns

Fig.1 Research Framework



etc. the secondary data was collected from various journals, reports, news articles, textbooks and websites. The hierarchical Multiple Regression analysis Model was used to predict the relationships among constructs. The independent variables (i.e. trust, communication, commitment, brand image, value for money and network coverage) and the Intervener (relationship quality) were entered into the model in different stages. The increase in R^2 corresponding to the inclusion of each category of independent variables and the unique variance in the dependent variable explained by the independent categories could be examined. These increments in R^2 are squared multiple semi-partial correlation coefficients. The Statistical Package for the Social Sciences (SPSS) 14.0 for windows was used to analyze numerical data.

Statistical Analysis

The demographic profile of the respondents reveal that 63.70 percent of the respondents are male and the rest 36.30 percent are females. 24.44 percent of the respondents are from the age group of below 25 years, 40.74 percent of the respondents belong to 26-39 years of age group and 30.37 percent of the respondents belong to 40-59 years of the age group. The occupation of the respondents reveals that 24.44 percent are from student category, 30.38 percent are from paid employment, 27.41 belong to business category and the rest 17.77 percent are from house wives. The income levels of respondents are: 41.47 percent are from Rs.5000-10000 and 20.73 percent are from Rs.10000-20000 group and the rest are above Rs.20000. The educational qualification of the respondents reveals that 45.93 percent are from the post graduate and 40.0 percent from degree and the rest belong to SSC/Diploma category. In addition to that, information on the respondent's relationship quality and loyalty with the telecom service providers based on the number of years of association they have been with the particular service provider show that 31 percent have been with the service provider for less than one year, 52 percent have been with the service provider for three years, and 17 percent have been with the service provider for more than three years. These results proved that respondents have a significant level of re-purchase behaviour towards the service providers.

Correlation was used to examine the strength and direction of relationship among all six variables (Trust-TRS, Commitment-CMT, Communication- COM, Brand image- BI, Value for money-VFM and Network coverage-NC) and two outcome variables like Relationship Quality-RQ and Loyalty-LOY. The statistical significance of correlation is indicated with double asterisks marks for significance less than 0.01 (shown in table 1). The

Table 1: Descriptive Statistics and Correlations of RM Factors and Relationship Quality and Loyalty

Variable	Mean	S.D	1	2	3	4	5	6	7	8
1. TRS	4.01	.639	1.000							
2. CMT	3.90	.616	.458**	1.000						
3. COM	4.29	.621	.528**	.532**	1.000					
4. BI	4.12	.625	.298**	.312**	.265**	1.000				
5. VFM	4.05	.623	.321**	.290**	.298**	.278**	1.000			
6. NC	3.99	.612	.298**	.321**	.356**	.376**	.321**	1.000		
7. RQ	4.17	.628	.589**	.533**	.498**	.456**	.487**	.398**	1.000	
8. LYT	4.20	.646	.515**	.536**	.496**	.483**	.453**	.478**	.843**	1.000

** Correlation is significant at the 0.01 level (2-tailed).

internal consistency of the instrument was tested through reliability analysis. Reliability estimates (Cronbach's Alpha) for the construct's variables are, Trust (0.79), Commitment (0.76), Communication (0.74), Brand image (0.72), Value for money (0.73), Network coverage (0.85), Relationship quality (0.82) and Customer loyalty (0.86) revealing a high degree of reliability. All reliability results are well-exceeded 0.60 lower limit of the acceptability (Hair *et al*, 1998). Regression analysis was applied in testing for relationship.

Results and Discussions

The hypotheses of association for relationship marketing factors and loyalty are tested by multiple regression analysis and results are analysed, how that trust, commitment, communication, brand image, value for money and network coverage contribute significantly and predict 49.3 percent of variation in customer loyalty and the corresponding ANOVA value for the regression model is 20.756, p (sig.) < 0.001 reveal that dependent and independent variables are related as shown in table 2. The coefficient summary as shown in table 3 reveals that Beta values of Trust (TRS), Commitment (CMT), Communication (COM), Brand image (BI), Value for money (VFM) and Network coverage (NC) are 0.372, 0.298, 0.256, 0.090, 0.381, 0.400 respectively, which vindicate of its obvious influence on customer loyalty. Thus, Network coverage (NC) has emerged as a major influencing variable followed by Value for money (VFM), Trust (TRS), Commitment (CMT), Communication (COM) and Brand image (BI) for customer loyalty. The positive sign of the estimates show that the greater the extent of these underpinnings, the more significant loyal customers will be. Thus, there is validity

Table 2: Regression Model and ANOVA Summary for Loyalty as Dependent Variable Reliability Assessment

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate	Change Statistics				
					R^2 Change	F Change	df1	df2	Sig. F Change
1	.702 (a)	.493	.469	.47758	.493	20.756	6	128	.000

a Predictors: (Constant), Communication, brand image, Commitment, Network coverage, Value4money, Trust

b Dependent Variable: Loyalty

Table 3: Coefficient Summaries for Loyalty as Dependent Variable

Model		Unstandardised Coefficients B	Std. Error	Standardized Coefficients Beta	t-value	Sig.
1	(Constant)	-2.152	.635		-3.391	.001
	TRS	.348	.064	.372	5.412	.000
	CMT	.262	.060	.298	4.363	.000
	COM	.240	.060	.256	3.970	.000
	BI	.073	.052	.090	1.412	.160
	VFM	.353	060	.381	5.853	.000
	NC	.337	.054	.400	6.189	.000

a. Dependent Variable: Loyalty

for hypotheses 1a, 2a, 3a, 5a and 6a as their p-value are less than 0.05. But in the case of fourth variable i.e. brand image is insignificant though its beta coefficient is positive value. Thus, the hypothesis 4a is rendered invalid as its *p*- value is more than 0.05. This result proves that customers are not brand conscious in telecom services as they have given least value to it. They prefer to be loyal to those who provide wide network coverage with more value added services, more trust worthy, greater levels of commitment and prompt and effective communication in delivering quick response to customer problems.

RM Factors Contributing Relationship Quality

The results of the regression analysis in table 4 show that trust, commitment, communication, brand image, network coverage and value for money contribute significantly and multiple correlation coefficient R= 0.574 indicates that there is a positive correlation between relationship quality and its dependent variables and also predicts 33.0 percent (R^2) of the variation in relationship quality. In other words, these variables predict a significant change in relationship quality. The corresponding ANOVA values for the regression model, shown in table 4, reveal validation with F- value 10.507, p (sig.)< 0.001 and so conclude that at least one of the independent variables are related to dependent variable relationship quality. The coefficient summary as shown in table 5 signifies the Beta coefficient values of Trust (TRS), Commitment (CMT), Communication (COM), Brand image (BI), Value for money (VFM) and Network coverage (NC) are 0.267, 0.182, 0.279, 0.113, 0.235 and 0.384, which signifies the conspicuous impact on Relationship Quality. Here also, wide

Table 4: Regression Model and ANOVA Summary for Relationship Quality as Dependent Variable Reliability Assessment

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate	Change Statistics				
					R^2 Change	F Change	df1	df2	Sig. F Change
1	.574(a)	.330	.299	.533	.330	10.507	6	128	.000

a. Predictors: (Constant), Communication, brand image, Commitment, Network coverage, Value4money, Trust

b .Dependent Variable: RQ

Table 5: Coefficient Summaries for Relationship Quality as Dependent Variable

Model		Unstandardised Coefficients B	Std. Error	Standardized Coefficients Beta	t-value	Sig.
1	(Constant)	-.757	.709		-1.068	.288
	TRS	.243	.072	.267	3.381	.001
	CMT	.156	.067	.182	2.321	.004
	COM	.254	.067	.279	3.763	.000
	BI	.089	.058	.113	1.536	.127
	VFM	.211	.067	.235	3.139	.002
	NC	.314	.384	.384	5.168	.000

a. Dependent Variable: Relationship Quality

network coverage has emerged as the most influential variable with its Beta coefficient value 0.384 followed by effective communication, trust, value for money, commitment and brand image in building relationship quality because *P* value for these variables were less than 0.005. Beta coefficient for value for communication is 0.254 and *p* value is 0.000, which shows that it is highly significant and has greater contribution towards building relationship quality. This result agrees with the argument made by Ball *et al* (2004) that good communication will lead to quality relationship. In the case of variable trust with 0.267 Beta coefficient value plays a significant role in building relationship quality as it's *p*-value is 0.001<0.005. This result supports the argument made by Ndubisi (2007); customer trust on the service provider will build quality relationship and customer loyalty. The variable commitment with its Beta coefficient value 0.182 and *P* value is 0.004< 0.005, which supports the argument made by Wilson (1995) that the most common influential variable in buyer–seller relationship is commitment. Brand image has very less contribution (11.3 percent) in building quality relationship. Though it has positive beta coefficient value yet its *P* value is 0.127 is more than 0.005. Therefore, there is validity for hypotheses 1b, 2b, 3b, 5b and 6b. The hypothesis 4b is hereby rejected as it is rendered insignificant.

Relationship Quality and Customer Loyalty

A simple regression analysis conducted (shown in table 6) to estimate the effect of relationship quality on customer loyalty shows that the former contributes significantly and predicts 68.6 percent of the change in the latter. Further, the corresponding ANOVA value for regression model shown in table 6 indicates validation that there is strong correlation between loyalty and relationship quality with F-value 290.0 at p-value 0.000 significance. The coefficient summary as shown in table 7 proves that Beta coefficient value of Relationship

Table 6: Regression Model and ANOVA Summary for Loyalty as Dependent Variable Reliability Assessment

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate	Change Statistics				
					R^2 Change	F Change	df1	df2	Sig. F Change
1	0.828 (a)	0.686	0.683	0.366	0.686	290.001	1	134	.000

a. Predictor: RQ

b. Dependent Variable: Loyalty

Table 7: Coefficient Summary for Loyalty as Dependent Variable

Model		Unstandardised Coefficients B	Std. Error	Standardized Coefficients Beta	t-value	Sig.
1	(Constant)	.622	.213		2.914	0.004
	RQ	.857	.050	.828	17.03	0.000

a. Dependent Variable: Loyalty

(RQ) 0.828, which substantiates the arguments made by Wong and Sohal (2002) that the better quality of the relationship between customers and the telecom service provider, the more loyal customers would be. Hence, there is validity for hypothesis 7 as its p-value is less than 0.005.

Managerial Implications

This empirical analysis has a number of managerial implications on customer relationship management practices followed by telecom operators. The factors on which mobile service providers should focus in order to gain customer loyalty are:

a) They should focus on providing customer services as and when promised in order to create an image of trust, which was analyzed as one of the most important factors to create loyal customers. The service provider must provide customers with services as promised and the special schemes and offers should be stated clearly without any hidden costs, as hidden costs will create a negative image in the minds of the customers.

b) The commitment levels they have put in with the customers show that it need to be augmented as mutual commitment is the vital ingredient in the recipe for nurturing relationship quality and further loyalty.

c) They should also train their employees in such a way that they are able to instill confidence and trust in the customers. They should offer prompt services and must be polite in handling customer problems. Customers expect the employees to communicate effectively and handle their problems immediately without suspecting on them. According to the concept of service paradox customers become more loyal once they are satisfied by the service recovery.

d) By maintaining strong positive quality relationship with customers, mobile service providers can better understand their needs and serve these needs more remarkably than competitors and by closely observing and sensing customer needs mobile service providers can serve customers satisfactorily.

e) Mobile service providers should segment their database, considering the factors such as income level, occupation, age etc. This would let the service provider to design the suitable marketing approach to each segment and promotional schemes can be run based on customer exportations. Service provider should also focus on analyzing customer lifetime value (LTV) analysis.

f) Network coverage was considered as an important factor for generating customer satisfaction. Thus, service providers must try and make sure that they provide good network coverage. As people in up-market and business people are showing more inclination towards better network coverage, mobile service provider should maintain good network coverage in high status, industrial, business centers etc to keep these customers loyal.

g) The creation of brand image and brand loyalty is also assumed paramount importance in the present fierce competitive telecom sector. Once they have taken care of the impeding and hindering factors in the creation of relationship quality and customer loyalty by effectively managing relationship marketing influential factors.

Conclusions

The study was helpful in finding out some very important results related to the existence of customer loyalty in Mobile service providers and the impact of relationship quality on customer loyalty. It was found that students were interested more in value for money while business people were looking more for network coverage. The study proved that low-income segment is looking more for value for money and majority of high-income people are looking for network coverage. Results related to network coverage and value for money supported the literature review, that network coverage and value for money were having great impact in developing brand loyalty in mobile service sector. The next significant variables having impact on the customer loyalty in the mobile service industry were proved to be trust, communication, and commitment. It was proved that customers tend to be more loyal if the service provider keeps his promises. Customers want commitment from the mobile service providers in delivering quality, customized, prompt and flexible services. It was found that customers were expecting to get advised about promotions and quick responses as the problems arose. It was also proved that the variables such as trust, commitment, communication, network coverage and value for money were very important in maintaining quality relationship.

Quality relationship was also determined to have good impact on customer loyalty. It was found that quality interaction between the firm and customer would generate customer loyalty. It was also found that good proportions of educated people were expecting good relationship marketing factors such as trust and commitment from the company. Even though brand image was considered to be the variable having great impact on customer loyalty in many service sectors, it was determined that it is having negligible impact in creating customer loyalty for Andhra Pradesh (area where research was done) mobile service providers. Brand image even have very less influence in maintaining quality relationship. Mere brand image is not sufficient in mustering customer loyalty in telecom sector especially in the developing country like India where socio-economic forces wield a lot of clout in the business environment. It was determined that customers were satisfied buyers but were having certain Economic barriers i.e. customer loyalty is not only the reason that is stopping customer switching but also the switching cost involved and inconvenience due to change in number. Regardless of the fact that the Mobile service market environment is highly competitive in nature due to the presence of large number of players but still the customers are hostages due to the high switching cost and inconvenience caused because of change in number. The customers of mobile service providers do not suffer from any psychological barriers, as customers do not have any preference for brand image.

Key Words: Relationship marketing, Relationship quality, Customer loyalty, Trust, Commitment, Communication, Brand Image, Telecom Sector.

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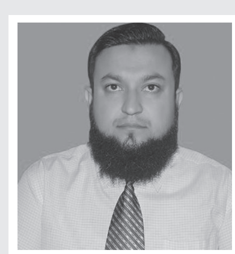
"Translation" and "Transaction" in Pecuniary Management

Asad Rehman

In the present world where every economic function whether production, consumption or investment, reflects the global nature of world economics, it is imperative to ascertain the implications of International accounting practices on business. A slight change in the Foreign Exchange rates can have tremendous bearing on the book of accounts especially when they are being consolidated for the sake of reporting and disclosure requirements. This paper seeks to understand the nature and scope of translation/ accounting exposure and to verify whether it is a fact or a fiction? What implication does accounting exposure has for the stake holders of the firm and how does it influence the corporate ratings? It also attempts to identify the problems related to managing translation exposure and to provide feasible solutions.

In today's world Foreign Exchange (FX) Exposures threaten long-run corporate performance by affecting a company's customers, suppliers, competitors, and, hence, the very competitive structure of global industries. Corporations including those with no foreign operations and no foreign currency assets, liabilities, or transactions, are generally exposed to changes in forex rates. It has its origins in traditional trade theory and the notion that exchange rate changes can cause, or coincide with, fluctuations in domestic aggregate demand, employment and output and, therefore also with the activities of non-trading domestic firms.



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Foreign exchange exposure is the sensitivity of changes in the real domestic currency value of assets, liabilities, or operating incomes to unanticipated changes in exchange rates. It is not uncommon to hear the term foreign exchange exposure used interchangeably with the term foreign exchange risk. Forex risk is related to the variability of domestic currency values of asset, liabilities, or operating incomes due to unanticipated changes in exchange rates, whereas forex exposure is what one has at risk.

Foreign exchange exposure is typically broken down into three types: transaction exposure, translation/ accounting exposure, and economic exposure.

Economic Exposure

Economic exposure can be defined as the effect of foreign exchange movements on corporate revenues, costs, profits, cash flows, assets and liabilities and, thus ultimately, on total corporate value over longer time periods. Because it focuses on the impact on operating cash flows, economic exposure is also known as *operating exposure*.

Transaction Exposure

Transaction exposure occurs when one currency must be exchanged for another, and when a change in foreign exchange rates occurs between the time a transaction is executed and the time it is settled. The risk here thus involves uncertainty about a specific identifiable cash flow; it is referred to as "transaction" exposure because it involves an actual gain or loss due to conversion of one currency into another.

Translation/Accounting Exposure

Translation exposure arises in multinational firms from the requirement to produce consolidated financial statements. Subsidiaries of multinational companies operating in different countries typically transact in their local currencies. Periodically, these subsidiary statements must be summed into consolidated statements for the entire multinational enterprise and denominated in the home currency. Although there is a restatement of values into a different currency, there is no actual *conversion* of one currency into another.

The Three "Types" of Exposure — How are they related?

Economists, naturally enough, tend to pay most attention to economic exposure, accountants to translation effects, and financial officers to transaction exposure.

Translation is the accounting system's attempt to measure economic reality when some assets and liabilities and some cash flows are denominated in foreign currency terms. Translation *exposure* is thus accountants' attempt to measure economic exposure *ex post*.

Transaction exposure is simply economic exposure that occurs during an explicit period of time because of the interplay of forex rates and relative prices. Economic exposure, by contrast, is not measured by any accounting systems. While there is only one basic form of currency exposure i.e. economic exposure, the convention of treating transaction, translation, and economic exposure as separate "types" provides a sensible classification scheme for dealing with FX exposure in practice, so long as the relationships among the three are understood.

Economic exposure, then, when properly defined and measured, takes account of all transaction and translation exposures (Pringle, 1991).

Why do we care about Translation Exposure?

There is broad agreement among finance theorists that translation losses and gains are only notional accounting losses and gains. Accountants and corporate treasurers however do not fully accept this view. They argue that even though no cash losses or gains are involved, translation does affect the published financial statements and hence may affect market valuation of the parent company's stock. Whether investors indeed suffer from "translation illusion" is debatable. Some studies of the valuation of American multinationals have indicated that investors are quite aware of these notional losses and gains and therefore discount them in valuing the stock. Translation may still be needed for the following:

- ✦ Managers, analysts and investors need some idea about the foreign business's translated accounting data.
- ✦ Performance evaluation for bonus, hiring, firing, and promotion decisions.
- ✦ Accounting value serves as a benchmark to evaluate valuation.
- ✦ Income tax purpose and Legal requirements.

Alternative Currency Translation Methods

What exchange rate should be used in making the translation? This issue has been the center of a longstanding controversy among accountants and financial officers. Should it be the *current* exchange rate at the time the translation is done? Or should it be the *historical* rate at the time the asset or liability went on the books? It can make a big difference, especially in the case of long-lived items such as fixed assets. Four principal translation methods are available:

Current/Noncurrent Method: Current assets /liabilities translated at the spot rate. Noncurrent assets /liabilities translated at the historical rate in effect when the item was first recorded on the books.

***Monetary/Nonmonetary Method*:** All monetary balance sheet accounts are translated at the current exchange rate. All other balance sheet accounts are translated at the historical exchange rate in effect when the account was first recorded.

Temporal Method: Items carried on the books at their current value are translated at the spot exchange rate. Items that are carried on the books at historical costs are translated at the historical exchange rates.

Current Rate Method: All balance sheet items (except for stockholder's equity) are translated at the current exchange rate. A plug equity account named cumulative translation adjustment is used to make balance sheet balance.

Problems with Translation Exposure

Translation fails in the attempt for several reasons, not the least of which is the use of historical costs. In general, the distortions caused by the use of historical costs and other accounting conventions render the forex gain/loss measures virtually useless as measures of actual economic gains and losses. Translated balance sheets likewise provide unreliable measures of true economic position. All these difficulties aside, translation could tell us only what economic gains and losses *were* in the past, not what the exposure is looking ahead.

Financial Accounting Standard (FAS) #8, promulgated in the U.S. in 1975, mandated the so-called *temporal* method, which uses the rate at the time the asset or liability was booked. A major source of corporate dissatisfaction with FAS#8 was the ruling that all reserves for currency losses be disallowed. Before FAS#8, many companies established a reserve which was used to cushion the impact of sharp changes in currency values on reported earnings. The most controversial ruling of FAS#8 is that exchange gains or losses resulting from both the conversion and translation processes are to be included in the net income for the accounting period in which the exchange rate change actually occurred. Also controversial are the provisions calling for the treatment of long term debt as an exposed item and whereas inventory would generally be considered as non-exposed. This has been questioned by Aliber and Stickney (1975) who argue that if the Fischer effect holds, monetary items generally treated as exposed items are essentially non-exposed. By contrast treating non-monetary items as non-exposed items essentially assumes that purchasing power parity will hold, which will generally not be true in the short-term.

FAS #8 was widely criticized and gave way to FAS #52 in 1982, which mandates the *current rate* method. The most important aspect of the new standard was that unlike the FAS#8, most FAS# 52 translation gains and losses by pass the income statement and is accumulated in a separate equity account on the parent's balance sheet. FAS#52 for the first time differentiated between the functional currency (the currency of the primary economic environment in which the affiliate generates and expends cash) and the reporting currency (the currency in which parent firm prepares its own financial statements). After all financial statements have been converted into the functional currency, the functional currency statements are then translated into reporting currency, with translation gains and losses flowing directly into the parent's foreign exchange equity account. In sum, the temporal method is misleading because it completely ignores the exposure of foreign assets to forex movements over time. The current rate method does attempt to take account of the exposure, but mis-measure it. For example:

A profit of FF 10 million in ABC France would translate into USD 1,960,784 at an exchange rate of FF 5.1 per USD. But if the dollar strengthens to FF 6.0 per USD, the same FF 10 million falls to USD 1,666,667. An asset worth FF 25 million translates into USD 4.902 million at an exchange rate of FF 5.1 per USD, but into only USD 4.167 million at 6.0. The shareholders of the parent company ABC Corporation are ultimately interested in results expressed in dollar terms. There is no impact on the subsidiary's financial statements in FF terms; the impact is only in the dollar equivalents. Problem occurs with translating historical costs, because balance sheet items are carried at historical values, however, the translation process can seriously distort forex gains and losses.

Managing Forex Exposure

Both internal and external (market-based) hedging techniques are used to manage forex exposure. Examples of internal and external hedging techniques are respectively, currency matching and FX forward contracts. The empirical evidence (Mathur, 1985) indicates that most U.S. MNCs have written policy statements about FX exposure both to ensure that consistent policies are pursued and that the desired impact of exposure management decisions on the firm's asset structure is attained. A formalised FX policy would document the firm's FX exposure management objectives, reporting procedures, assignment of responsibility, among others, which should be followed. Indeed, it may be difficult to separate the responsibility for policy formulation from responsibility for policy implementation. Thus, while much of the literature suggests that a centralised treasury function would be the most effective means of controlling, coordinating and managing global exposure (Ankrom, 1974;Giddy, 1977), centralised-decision making often results in a loss of initiative and motivation from local treasury managers, and an inflexible common standard for measuring divisional performance. Both U.S. and U.K. MNCs exhibit a strong tendency towards centralised treasury management functions (Mathur, 1985; Collier and Davis, 1985). The centralisation of the treasury management function is a prerequisite for managing and hedging global exposure since it allows firms to offset their exposures in various currencies and facilitates the attainment of economies of scale in the use of financial instruments. Centralisation also encourages personnel to develop specialised treasury skills.

Empirical evidence also shows that treasury managers are asymmetrically risk-averse and that hedging decisions can be influenced by financial reporting requirements and managers' perceptions regarding the behaviour of the FX market. Under the Statement of Financial Accounting Standards (SFAS) No. 8, U.S. firms placed more emphasis on translation exposure compared to transaction and economic exposures. Rodriguez (1981) indicates that under SFAS No. 8, U.S. firms preferred to use money market instruments, such as, foreign currency borrowing, rather than forward exchange contracts, because it was possible to report the interest and expenses associated with money market instruments with the firm's main income and expenses. On the assumption that the FX market is efficient, Rodriguez (1981) shows that managers appear to adopt a defensive approach to hedging decisions although they do not regard attempts to opportunistically benefit from FX rate changes as an appropriate objective. Similarly, Dolde (1993) shows that a significant proportion of U.S. firms hedge their expenses fully, irrespective of their views on the direction of the FX rate change. FX rate forecasting is also an important activity among MNCs. Mathur (1985) shows that for the majority of the firms in his sample, forecasting effort was directed mainly at those currencies in which firms had exposures.

Management of Translation Exposure

The general recommendation of the finance literature is not to worry about this type of exposure and thus not to hedge it. There are two main reasons for this. First, translation gains (losses) tend to be unrealized and have little direct impact on firm's cash flows. Second, translation gains (losses) can be poor estimators of real changes in firm value.

Bodner and Gebhardt(1999) show that the vast majority of US and German firms follow this recommendation. However, a considerable number of US companies do care as they declare to hedge translation exposure frequently (15.3 percent) or sometimes (14.1%). German firms hedge this type of exposure less frequently consistent with the particular emphasis placed by German companies on accounting earnings. It should be noted that in Germany corporate income taxes and dividend distributions are, in principle, *not* based on the consolidated group financial statements but on the individual financial statements of the parent company and its subsidiaries.

Unlike US, for Germany, there is no explicit legal requirement covering foreign currency translation. The law only requires the firm to report on the method used (§313 sec. 1 Nr. 2 Commercial Code).

Hakkarainen, et al (1998) report that Finnish firms hedge a much higher proportion of both transaction and translation exposures compared to economic exposure. This may be partially attributed to the requirements of the Finnish Accounting Act, 1993.

Hagelin and Pramborg (2004) in their study of Swedish firms' report the usage of foreign denominated debt as well as currency derivatives in reducing ûrms' foreign exchange exposure. Translation exposure hedges have also been found to reduce exposure.

Conclusion: The Need for Special Accounting Systems

It is obvious that information based on retrospective accounting techniques may bear no relationship to a firm's actual operating results and may lead to financial policies that will adversely affect the real economic growth of foreign operations. The myopia of acting on the basis of balance sheet exposure rather than economic impact has been scathingly portrayed by Gunter Dufey (1978). In Dufey's example, the French subsidiary of an American MNC was instructed to reduce its working capital balances in light of forecasted French franc devaluation. To do so would have forced it to curtail its operations. The French subsidiary was selling all of its output to other subsidiaries located in Germany and Belgium. However, the French manager, argued (correctly) that the plant should begin expanding its operations rather than contracting them, to take advantage of the anticipated devaluation. Thus a subsidiary operating in a devaluing country may find itself benefiting rather than suffering from such devaluation if part of its revenues is derived from export sales.

Is there a solution to this dichotomy between accounting and economic reality?

As long as there is complete disclosure, it probably does not matter which translation method is used. In an efficient market translation gains and losses will be placed in a proper perspective by investors and therefore should not affect an MNC's stock price. Moreover, nothing prevents the management from including a note in the financial statement explaining its view of the economic consequences of exchange rate changes.

The objective of translation should be to measure properly the real economic value of overseas assets and operations in home currency terms.

Estimates of market values rather than book values are the appropriate measures, and a useful system of measuring exposure must focus on the potential impact of forex changes on market value.

The firms should also use international standards in accounting practices. Tarca (2004) investigated the use of ''international'' standards (US GAAP or IAS) in the UK, France, Germany, Japan and Australia in 1999–2000. Firms that used ''international'' standards were larger and had more foreign revenue. The relationship between the use of ''international'' standards and activity in product markets supports Zarzeski's (1996) suggestion that more international firms seek a global reporting culture.

Firms using ''international'' standards were more likely to have a foreign stock exchange listing, consistent with Ashbaugh (2001). The results revealed that there was some use of ''international'' standards in all countries, but the extent of use, and the way standard were used (that is, by adoption or supplementary use) was in accordance with the institutional framework in each country.

Thus it is imperative on the multinational firms to move towards greater convergence of accounting practices.

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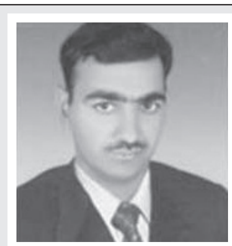
The "Economic Value Added" as Touchstone

Ashok Kumar and Karam Pal

Shareholder Value is a concept of capitalist economy. It is based on the principle of "The survival of the fittest" of Economics. In India, all business decisions are to be taken purely on commercial basis. So, it can not be fully implemented in an economy wherein business decisions are influenced by socio-economy factors. Economic Value Added is an appropriate tool for measuring Shareholders' Value. EVA is tool for identifying whether the company has created or eroded the wealth of shareholders. The study reviews previous literature and finds that majority of authors recommend that EVA is a better measurement tool as compared to other traditional methods and companies should adopt this tool to measure Shareholders' Value.

Measuring shareholders' value has been the subject of intellectual interest among the academician, corporate managers and practitioners in recent times. Earlier academic studies have documented the literature that can measure the share-holders' value through different traditional models. The Recent studies, using a variety of evaluation technique and wide data base, have however re-examined the issue and found the earlier conclusion less unequivocal than was thought to be. Stern (1990) documented that Economic Value Added (EVA) as a performance measurement model captures the true economic profit of an organization. EVA based financial management and incentive compensation scheme gives manager better quality information and superior motivation to make decisions that will create the maximum shareholders' wealth in an organization.

EVA is a performance evaluation model, which is most closely linked to the creation of shareholder's wealth over a period of time. The financial management and the incentive compensation system based on EVA give the manager superior information and higher motivation. Accordingly, EVA makes the measure-



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ment process as the focal point for financial reporting, planning, and decision-making. The executives of an organization need to look out for appropriate techniques that may guard them against any future attacks from corporate offender. The best way of maximizing shareholder's return is to offer incentives to managers for making decisions that boost long term corporate value. A major step is to provide cash bonus or stock option arrangements with incentives that create built-in share value. The objective is to motivate the managers to look beyond short-term measures of economic performance by essentially turning them into owners. The managers may be guided by EVA and pursue such objectives that improve operating profits by investing more capital. The managers can be remunerated a proportion of both the total EVA and the positive increase in EVA.

Mechanism of EVA

The mechanism of EVA is very simple. It seeks to jog managers' memories by deduction from a firm's net operating profit, a charge for the amount of capital it employed. If the result is positive then the firm created value over the period in question, if EVA is negative, then the company has eroded the value of its shareholders.'

Theoretical Background and Literature Survey

The present section briefly throws light on the researches carried out so far by the scholars actively engaged in the field. The studies have been appraised and summed up in the subsequent paragraphs in their chronological order.

Ghanbari and Sarlak (2006) make it clear that maximizing shareholder's value is fast becoming a corporate standard in India. EVA is an appropriate performance measure, which evaluates the manner in which managerial actions affect shareholder's value. EVA is a tool for determining whether the management of the company has created wealth or destroyed it. In his study he reviews the trends of EVA of Indian automobile companies. The result indicates that there was a significant increasing trend in EVA during the period of the study and the firms of the automobile industry were moving towards the improvement of their firms' value.

Mohanty Pitabas (2006) argues that contrary to popular perception, EVA is actually the excess free cash flow the company generates to meet the expectations of the investors. In this sense, it is not only a cash flow based measure, but also positively associated with the return the investors get on their investment in the company. The study recommends an alternative performance measurement that addresses some of the limitations of both the traditional EVA-based and ESOP-based performance measurement system.

Irala Lokanadha Reddy (2005) finds that EVA stories in the west are quite encouraging; empirical research is not sufficient for establishing the claim of EVA as a better measure. There is also not much research to prove it otherwise. In the case of India either way research is very inadequate. Although not a panacea, EVA based compensation plans will drive managers to employ a firm's assets more productively and also to reduce the difference in the interest of managers and shareholders, if not, perfectly align them.

Karam Pal and Garg (2004) concluded that EVA may be a broader gauge for judging the contribution of an organization towards the national economic development and growth. Pressure for better financial performance is increasing mainly because of cutthroat competition in the present globally competitive era. The researchers are duty bound to evaluate their previous recommendations and to develop newer ways of analyzing and interpreting corporate financial statements. Now, Economic Value Added is, to a certain extent an acceptable model around the globe.

Fernandez, Pablo (2003) analyzed 582 companies in respect of correlation between increase in the MVA and EVA, NOPAT, and WACC for successive ten years. The results revealed that the average correlation between the increase in the MVA and EVA, NOPAT and WACC was 16 percent, 21 percent and 21 percent. The author has also analyzed the relationship between shareholders' value creation and various other parameters, including economic profit and EVA, from 1991 to 1997. The increase in the firm's value was basically determined with the changes in the growth in the firm's cash flow, and by the changes in the firm's risk, which lead to changes in the discount rate.

Mclaren (2003) in his study, conducted on three firms in New Zealand, observed that none of the company saw EVA as a complete measure of performance. They all made use of extra measures such as payback period for investment decision making, earnings before interest and tax both internally and externally, and balanced scorecard for its focus on value drivers. In findings he suggested that it is meaningless to classify firms simply as EVA users and non-users, because usage level can differ widely. The three firms could all be described as integrated network business, yet they all varied in how they used EVA.

Mitalisen and Pattanayak (2003) find that there are basically two fundamental drivers of shareholders wealth to which managers should be sensitive. First being, the identification of the fact that all the capital lodged in the business generates returns in excess of the cost of capital, with the intention of returning non-productive capital back to share holders. Second, the finance managers should constantly go for investing in value creating projects and strategies. These two drivers adopted systematically empower the managers to develop strategies by which the company can become EVA positive and continues to add value to shareholder's wealth. In the present study an attempt was made to analyze the EVA trend of TATA STEEL for a period of 11 years i.e. from 1990-91 to 2000-01 and to chalk out the course of action for making TISCO's EVA positive through sensitivity analysis.

Bardia (2002) described that the concept of EVA had made a status in the mind of investment analysts as a tool of measuring corporate performance. In a dynamic corporate environment a common investor finds it increasingly difficult to monitor his investments. It is claimed that EVA is the sole method of accounting various dimensions by which a company's value may be added or lost. In fact the method emphasizes the quality of earning and not just the quantity. As a matter of fact the number of companies adopting EVA as a tool of performance measurement is increasing sharply in India.

However, no system or technique will bear fruits until it is well implemented under certain set of principles and has the support of all the concerned parties. EVA is no exception to this general rule. Further, as with any other system, EVA also has limitations especially in the context of various adjustments necessarily made at the time of its computation out of accounting profit, but it still stands as an improvement over trade performance measures like Return on Investment (ROI), Earning Per share (EPS), Return on Net Worth (RONW), Price Earning Ratio etc. If the concept of EVA is implemented well taking the limitations into account, it will reveal better results in analyzing the performance of a corporate entity.

Jagannathan (2002) observed that companies thought more about squeezing higher revenues in protected markets and less about the cost of achieving these revenues. But another equally important reason is the way companies have been looking at returns; earning per share, which is basically after tax profits per share. For an accountant company is doing fine as long as debtors and the taxman are paid and depreciation provided for. Since equity is post tax charge on profit, it doesn't figure much in calculation. Management has been happy to treat equity as 'free' money on which no return is due unless there is profit. Result: shareholders' value is often the result of fortuitous circumstances rather than great management.

Mangala and Simpy (2002) clarified that maximizing shareholder's value had become the new corporate perception. Although shareholder's wealth maximization the ultimate corporate goal had already been recognized by managers and researchers, it has gained a new dimension only in the recent years, due to the introduction of the concept Economic Value Added (EVA). EVA was invented and registered by Stern Stewart and Co., New York.

Stern believed that EVA is the most important driver influencing the market value of a share. So, if the company improves EVA by increasing its Return on capital employed and lowering its cost of capital, its market value will increase. The paper under discussion attempted to study the relationship between EVA and Market Value among various companies in India. The EVA of 15 companies among five industries (Fast Moving Consumer Goods, Information Technology, Pharma, Automobile, and Textile) has been computed. The results of the analysis confirmed Stern's hypothesis concluding that company's current operational value (COV) is more significant in contributing to a change in market value of shares in Indian Context.

Niranjan et al. (2002) explained that how market value added (a measure of external performance and considered to be the best indicator of shareholders' value creation) was correlated with the firm's performance in terms of financial measures of the company such as economic value added, Net Operating Profit After Tax, Return on Capital Employed, Return on Net Worth and Earning Per Share on the one hand and the purely economic factor of the company such as labour productivity, capital productivity, total factor productivity, sales and R&D expenditure on the other hand. They selected a sample of 28 Indian pharmaceutical companies 1992-93 to 2000-01 and conclude that EVA and NOPAT outperform other financial and economic measures in predicting MVA in most of the Indian pharmaceutical company.

Sangameshwaran and Prasad (2002) find that being EVA taking care of the performance-related aspects of compensation; many organizations like Godrej have decided to do without stock options (ESOPs), though not TCS. "You have to get into ESOPs. This EVA is certainly not in lieu of that," he says. EVA focuses on value creation and ESOPs provide the commitment as well as reward over the long term. EVA in TCS is being administered for a large number of employees whereas ESOPs will be restricted to a few.

Shrieves (2002) brings to light that the researcher should help the users of Discounted Cash Flow (DCF) methods by clearly setting up the relationship between the concept of free-cash-flow (FCF) and economic value added (EVA) and with the more traditional applications of DCF thinking. They follow others in demonstrating the equivalence between EVA and NPV, but there approach is more general in that it links the problems of security valuation, organization valuation and investment project selection, and additionally, our approach relates more directly to the use of standard financial accounting information. Beginning with the cash budget identity, they show that the discounting of appropriately defined cash flows under the free-cash valuation approach (FCF) is mathematically equivalent to the 'discounting of appropriately defined economic profits' under the EVA™ approach. The concept of net operating profit after-tax (NOPAT), derived by adding after-tax interest payments to net profit after taxes, is central to both approaches, but there are no computational similarities between the two. The FCF approach focuses on the periodic total cash flows obtained by deducting total net investment and adding net debt issuance to net operating cash flow, whereas the EVA™ approach requires defining the periodic total investment in the firm. In a project valuation context, both FCF and EVA™ are conceptually equivalent to NPV. Each approach necessitates a myriad of adjustments to the accounting information available for most corporations.

Saha (2000) observed that liberalisation of the Indian economy over the last ten years had led to a shift in the corporate goal of the public and private corporate in the country. Earlier it was mandatory for their goal to have a socio-economic focus. There is a major change with the focus now being primarily on enhancing the shareholders' value in a company. He examined the different ways of ascertaining shareholder value and recommended shift from Earning Per Share, Price Earning Ratio, etc to Economic Value Added and Market Value Added. He demonstrated how EVA was the best measure for measuring shareholders value enhancement.

Anand, et al (1999) noted that EVA, REVA (Refined Economic Value Added) and MVA were better measures of business performance as compared to NOPAT and EPS in terms of shareholder's value creation and competitive advantage of a firm. Since conventional management compensation systems emphasize sales/asset growth at the expense of profitability and shareholder's value. Thus, EVA is a measure that shifts focus on an organizational culture of concern for value.

Atul (1999) observes that shareholder's wealth is measured by the return they receive on their investment. Returns are in the form of dividends and in the form of capital appreciation reflected in the market value of the shares, of which market value is the dominant part. Various measures like EPS, ROE, ROCE, have been used to evaluate the performance of the business but he found that EVA is the best method to measure the shareholder's wealth.

Banerjee and Jain (1999) agreed upon that among the selected independent variables (EPS, EVA, Kp, Lp and ARONW) EVA proved to be the most explanatory variable, when MVA was taken as the dependent variable and Backward Elimination Method was applied to find the most explanatory independent variable in an empirical study. For this purpose the time frame was of eight years and all the variables were calculated over this period for the sample companies.

McIntyre (1999) reveals in his study that as other accounting income measures can be manipulated, EVA can also be increased in short run by actions that have harmful long term effects. For example, postponing or eliminating outlays for R&D, maintenance, advertising or training will increase immediate value of EVA, regardless of weather these costs are expensed or capitalized and amortized.

Thus, in evaluating EVA, companies may wish to estimate what it would be under different sets of accounting methods. They may also look for trends in other data to confirm value added. Trends in sales, market share and cash flow from operations, as well as changes in key financial ratios (such as inventory turnover) and non-financial data (customer satisfaction or rate of defects) may confirm or call into question reported changes in value added. The strongest advocates of EVA recommended using it as the sole basis for judging corporate performance and rewarding management. But, using multiple measures can improve the evaluation process by adding other relevant data and reducing the impact of the flaws inherent in the measurement of the value added.

Singh (1999) tried to provide a new framework of decision making based on EVA and BPR. Both of these technological models have gained a lot of attention of corporate managers in the fortune 500 companies but still a lot needs to be done. Many of the finance managers in India are not able to appreciate the potential of EVA and BPR. Although, Indian corporate sector has slowly started giving recognition to these critical concepts of success in the light of competitive global village but it seems that it may take a few more years for the corporate executives to realize the potential of the buzzwords of 21st century. It can be concluded that maximizing the value of shareholders is the prime concern of any business organization, and it should be kept in mind that change is the only thing which is permanent in nature. Obliteration should be welcomed if it is for the better and the managers of public organizations should take decisions as if it is a private organization so that the capital is optimally utilized and may result in maximizing the of shareholders' wealth.

Thenmozhie (1999) elucidated the concept of EVA and compared it with some other traditional measure of corporate performance viz.; ROI, EPS, RONW, ROE, ROCE etc. He used the coefficient of determination to demonstrate that the traditional measures did not reflect the real value of the shareholders, and thus EVA has to be taken into account to measure the value of shareholder's wealth. He also described the concept of EVA in the Indian scenario with specific reference to companies like NIIT, Hindustan Lever and ITC. He highlighted some of the deficiencies of the concept of EVA by maintaining it as a better measure of corporate performance in comparison to the traditional measures.

Pattanayak and Mukherjee (1998) found in his study that there are traditional styles to measure corporate income which are known as accounting concept, and there are also some modern styles to measure corporate income which are known as economic concept. EVA, which is based on economic concept, is apparent to be a superior technique to identify whether the organization's NOPAT during a period is covering its WACC and generating value for its owners. But it is very complicated to calculate EVA of a company. Companies trying to implement EVA are asked to incorporate 164 amendments to their financial accounts.

Saxena (1998) revealed that there is no single method that is totally perfect to measure financial performance. Thus, a method should be such that satisfies shareholders' expectations and is also being committed by top management. EVA is a measure that should be used by top management to evaluate investment centre managers, because it considers goal similarity between shareholders and manages.

Booth and Rupert (1997) observed that economic profit should be a part of company's performance measurement structure. Value based management and shareholders' value analysis have been well known concepts in 1980s. However, recently, there is a transformed interest in them and also the newer related concept of EVA. Previously many corporate strategies were criticized for destroying rather than creating shareholder's value. A device which can be used to reduce this risk is to build an analysis of shareholder's value into selection of corporate strategy.

Brands (1997) held that Management Accountants who want to grind their financial management skills, they can attend the Financial Management Workshop being offered by the Institute of Management Accountants to learn about theory as well as practical examples and cases, and are given handouts in addition to the course material. In workshop at the beginning of the course, a discussion on the financial manger's role is arranged. It is subsequently followed by the topics as capital budgeting, cost of money and international finance. Aside from these basics, the workshop also deals with current developments in the field of financial management. For instance, the concept of economic profit is discussed. Management accountants aiming to supplementary their education benefited greatly from the workshop.

Burkette and Hedley (1997) elucidated that the Economic Value Added concept can be used to assess organizational performance known as economic profit, which is useful for profit making companies, public sector organizations and non-profit organizations. EVA is being used by these entities in different ways, including management communication base, as a measure of corporate and divisional performance, to tighten management, stockholder interests, and to emphasize the long term benefits of industrial research and employee training. The profit can be calculated by determining the company's cost of equity capital, the weighted average cost of the firm, the adjusted operating income, the operating income plus back expenses providing a future benefit, assets employed on a book basis, the capital investment, and the difference between the readjusted operation and the capital charge.

Kroll (1997) describes with the help of examples that businesses with the intention of making use of an Economic Value Added system, or a system oriented to the cost of capital find that it improves both financial and operating results. Those who achieve the best results usually run the system with their organizational and business strategy.

Myfield (1997) concludes that the shareholder's value can be increased by investing in all those projects which give a positive NPV, and by discontinuing all those products and projects whose return on capital is less than the cost of capital. The major task is to encourage the managers to create long term value. The traditional accounting techniques are familiar with concept of residual value. When this concept is used in economic value measurement as a means of evaluating business performance, it involves some important modifications in traditional accounting concepts. EVA as a measure of financial performance provides an excellent tool for strategy planning, investment appraisal, pricing decisions and a basis for incentive compensation.

Ranjgopalan (1997) discussed that the added value is influenced by different factors, which are design, engineering, marketing, production, purchasing, manufacturing and servicing. All those who work in an organisation influence the added value. Added value per capita is an indication of the contribution per employee. Added value is sometimes used as basis for group incentive scheme. According to him different ratios may be developed using other factors such as sales, working capital, plant capacity all in association with added value. Here it is concerned with the mechanics of using added value as a means of measuring manpower productivity.

Todd Milbourn (1997) exposed that EVA is a better compensation measure than NPV because EVA is a flow measure whereas NPV is a stock measure. The author stressed on the use of measures that can be computed periodically as they are realized (i.e. a flow measure). EVA also takes into account the cost of capital and the amount of capital invested in the company. Thus, EVA is more useful than another flow measure (i.e. cash flow).

Tully (1997) disclosed that EVA is a method for understanding that what is happening to the financial performance of an organization. The paper presents the method for calculating EVA, and also shows some graphic presentations of EVA's of several companies like Bajaj Auto, Asian Paints, Procter and Gamble (India) Ltd., Siemens India. It has been concluded in the paper that EVA can be a better financial performance evaluation measure than other traditional measures.

Blair (1996) concludes that John Knight who operates HSBC's income trust unit has been giving outstanding performance since taking up this assignment in 1989. He evaluates the trends in the U.K. economy as part of his decision making, and he always tries to concentrate on the accounts of companies. In addition to Economic Value Added, he plans to invest in. 'Cash Flow Return on Investment' is another technique he uses. He argues that he evaluates the products in terms of disasters rather than selecting winners.

Lehn and Makhija (1996) state that Economic Value Added and Market Value Added are increasingly observed as alternative measures of business performance and strategic development. Despite the attention, however, the empirical research has been devoted to these two metrics. To provide clarifications on the subject, a study was conducted using data from 241 firms for the period 1987-1996, the study affirmed that EVA and MVA effectively measured the quality of strategic decisions and served as signals of strategic change. EVA and MVA were found to be significantly correlated with stock price performance and inversely correlated to turnover. Firms having more focused on their business activities had higher MVA and those having less focus had lower MVA.

Luber (1996) identified that MVA is in conformity with the direction of the market. It has been observed from the study that a company which shows a positive EVA over a period of time will also have an increasing MVA, while negative EVA will bring down MVA as the market looses confidence in the competence of a company to ensure an attractive return on the invested capital. The five topmost companies as the wealth creators - Coke, GE, Microsoft, Merck and Philip Morris - have strong EVA and are expected to remain in the top position in the imminent period.

Ochsner (1995) observed that through Economic Value Added we can examine the company's financial results in economic language. It also tells the annual constituent of free cash inflows minus total capital expenses. The methodology which is over 50-years old becoming popular once again because it is not an accounting based approach which mangers may have found unreliable. Moreover, EVA technique is making a comeback because they can judge whether a firm is generating economic returns. This capability of EVA technique to have such record of companies satisfies the investors. In addition, EVA can be used as a tool for assessing financial performance. This performance measure also has a negative aspect that makes it undesirable to some managers, who accept the fact that EVA uses software in computing financial results, resulting managers are unknown about how performance are derived.

Concluding Remarks

The research review evidently reveals that the concept is fairly clear in the minds of almost all these researchers whose studies have been reviewed above. It also appears that the entire business world is moving towards greater transparency, supporting financial disclosure mechanism and superior corporate governance. In such a fast changing business environment, the investor friendly financial performance measures may, perhaps, compose this corridor full of spanking new air. This is more so in the emerging international economic order where globally well-known companies are competing for lowest cost of capital and understandably the lower cost of capital may help them in providing some avenues.

From the academic appraisal of various studies on the subject under reference, it is evidently clear that the concept has originally emerged in the West and later turns out to be time-honoured across the world. Many researchers have applied sophisticated econometric tools for assessing the impact of EVA concept on corporate financial performance.

Shareholder Value is Concept of capitalist economy. It is based on the principle of "The survival of the fittest" of Economics. In India, all business decisions are to be taken on purely commercial basis. So, it can not be fully implemented in an economy wherein business decisions are influenced by socio-economy factors. As our economy approaching towards complete liberalisation and government control is gradually going away, companies are bound to take decision purely on commercial basis to safe guard the interest of their shareholders.' The concept of Shareholders' Value and Economic Value Added are well known to Indian corporate. But its applicability in our country is of recent origin. Hence the practitioner differs in regard to methodology of calculation of adjustment required for conversion for accounting profit to NOPAT, beta, and risk free rate of return.

Keywords: Shareholders' Value; NOPAT, Rate of Return, Profit margin and Residual Income, Costing system, Wealth Maximization.

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Customer Satisfaction Online Trading

Kameswara Rao P. and Prabhu N.R.V.

In this environment, some traditional service quality dimensions that determine customer satisfaction, such as the physical appearance of facilities, employees, and equipment, and employees' responsiveness and empathy, are unobservable. In contrast, trust may play a central role here in enhancing customer satisfaction. Online trading is simply a term that describes the buying and selling of securities and investment products by computer over the internet rather than transacted at more traditional brokerage office. Online trading will occur through online brokers who generally do not offer many of the research tools or financial advice that may be available at a more traditional brokerage. Since most online brokers are discount brokers, online trading is cheaper and is ever expanding, especially among sophisticated and self-informed investors. In this paper the authors have made an attempt to assess the level of customer satisfaction towards the online trading with Indiabulls Ltd., at Chennai, Tamil Nadu, India.

Before we begin to create tools to measure the level of satisfaction, it is important to develop a clear understanding of what exactly the customer wants. We need to know what our customers expect from the products and services the company could provide. Customer expectations are the customer-defined attributes of your product or service you must meet or exceed to achieve customer satisfaction (Hand book of Customer Satisfaction Measurement).

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Expressed Customer Expectations are those requirements that are written down in the contract and agreed upon by both parties, for example, product specifications and delivery requirements. Supplier's performance against these requirements is most of the times directly measurable.

Implied Customer Expectations are not written or spoken but are the ones the customer would 'expect' the supplier to meet nevertheless. For example, a customer would expect the service representative who calls on him to be knowledgeable and competent to solve a problem on the spot. It is therefore important to periodically update our knowledge of customer expectations.

What constitutes Satisfaction?

We cannot create customer satisfaction just by meeting customer's requirements fully because these have to be met in any case. However falling short is certain to create dissatisfaction.

Major attributes of customer satisfaction can be summarized as:

- Product Quality,
- Product Packaging,
- Keeping delivery commitments,
- Price,
- Responsiveness and ability to resolve complaints and reject reports, and
- Overall communication, accessibility and attitude.

It may be easier to track supplier's performance against stated requirements of quality and timeliness because there is documentary evidence. Some indication of whether a supplier is meeting the requirements can also be obtained from data on scrap rates, PPM, complaints database, sales improvements, repeat orders, customer audit reports etc. It is far more difficult to measure the level of performance and satisfaction when it comes to the intangible expectations.

What are the Tools?

Customer expectations can be identified using various methods such as

- Periodic Contract Reviews,
- Market Research,
- Telephonic Interviews,
- Personal Visits,
- Warranty Records,
- Informal Discussions, and
- Satisfaction Surveys.

Depending upon the customer base and available resources, we can choose a method that is most effective in measuring the customers' perceptions. The purpose of the exercise is to identify priorities for improvement. We must develop a method or combination of methods that helps to continually improve service.

Customer Satisfaction Surveys

Formal survey has emerged as by far the best method of periodically assessing the customer satisfaction. The surveys are not marketing tools but an information-gaining tool. Enough homework needs to be done before embarking on the actual survey. This includes:

- Defining Objectives of the Survey,
- Design Survey Approach,
- Develop Questionnaires and Forms,
- Administer Survey (email, telephone, or post),
- Method of Compiling data and Analyzing the Findings, and
- Format of the Report to present the findings.

There is no point in asking irrelevant questions on a customer satisfaction questionnaire. The basic purpose is to find out what we are doing right or wrong, where is the scope for improvement, where do we stand vis-à-vis other suppliers, how can we serve the customer better?

A Customer Satisfaction Measurement Survey should at least identify the following objectives: -

- Importance to Customers (Customers' Priorities),
- Customers' Perception of supplier's performance,
- Your performance relative to Customers' priorities, and
- Priorities for Improvement.

Survey forms should be easy to fill out with minimum amount of time and efforts on customer's part. They should be designed to actively encourage the customer to complete the questions. Yet they must provide accurate data to monitor improvements in the supplier's performance. The data should also be sufficiently reliable for management decision-making. This can be achieved by incorporating 'objective' type questions where customer has to 'rate' on scale of say, 1 to 10. For repeated surveys, you could provide the rating that was previously accorded by the customer. This works like a reference point for the customer. Space should always be provided for the customer's own opinions. This enables them to state any additional requirements or report any shortcomings that are not covered by the objective questions.

Normally, the company deals various personnel at various levels in the customer's organization- the buyer, user, receiving inspector, finance and purchase persons etc. Surveying a number of respondents for each customer gives a complete perspective of customer satisfaction. It may be necessary to device a different questionnaire for each of them. Respondents must be provided a way to express the importance they attach to various survey parameters. Respondents should be asked to give a weighting factor, again on a rating scale of say, 1 to 10, for each requirement. This gives a better indication of relative importance of each parameter towards overall customer satisfaction and makes it easier for suppliers to prioritize their action plans by comparing the Performance Rating (Scores) with Importance Rating (Weighting).

The questions are grouped together in a common parameter such as Product Quality, Delivery Performance, or Field Sales Performance.

Typical Examples can be:

Survey Parameter - Product Performance

Questions: Provide rating on a scale of 1 - 10 on the following:

- Consistency of Product Quality,
- Technical Performance of Product,
- Suppliers Quality Systems, and
- Overall performance of the Product.

Survey Parameter - Competitor Performance

Questions: Rate our performance on a scale of 1-10, is compared to your best vendor:-

- Adherence to Delivery schedule,
- Quality of Product , and
- Cost of Product.

The Case of Indiabulls Limited

Indiabulls is India's leading retail financial services company with 135 locations spread across 95 cities. Indiabulls Resources Ltd., a 100 percent subsidiary of Indiabulls Financial Services Ltd., has been established with the objective of evolving as an independent oil company over time. The company's immediate short-term goal is to partner with oil companies who are willing to come to India and bid in the current NELP-6 round. Indiabulls Financial Services Ltd is a public company and listed on the National Stock Exchange, Bombay Stock Exchange, Luxembourg Stock Exchange and London Stock Exchange. The market capitalization of Indiabulls is approx. US $800 million, and the consolidated net worth of the company is approx. US $400 million. Indiabulls and its group companies have attracted US $300 million of equity capital in Foreign Direct Investment (FDI) since March 2000. Indiabulls ranks at 82nd position in the list of most valuable companies in India. Indiabulls Financial Services is retail financial services company providing a diverse array of financial products and services, through its nationwide network of over 270 Indiabulls offices, and services over 2,50,000 clients spread across 90 cities in India. Indiabulls, along with its subsidiary companies, offer consumer loans, brokerage and depository services, personal loans, home loans and other financial products and services to the retail markets. Indiabulls, which has a workforce of over 7500 full time employees, reported US $60 million in Profit before Tax and US $45 million in Net Profit for the first nine months of the current financial year. Indiabulls has grown its business by over 100 percent CAGR since inception. The growth of Indiabulls in a highly competitive market is a testimony of its quality services.

Product and Service

Indiabulls Financial Services Ltd. is a public company and listed on the National Stock Exchange, Bombay Stock Exchange, Luxembourg Stock Exchange and London Stock Exchange. The company ranks at 82nd position in the list of most valuable companies in India has a market capitalization of approx US $800 million. The consolidated net worth of the company is approx.US $400 million. Three Engineers from IIT Delhi have promoted Indiabulls. The company strives for rapid growth in profits, leadership in the retail marketplace and better returns to its shareholders. Indiabulls, along with its subsidiary companies, offer consumer loans, brokerage and depository services, personal loans, home loans and other financial products and services to the retail markets.

Indiabulls Equity Analysis

Objective guidance to help you buy or sell:

The company is building and maintaining investors' ideal portfolio demands objective, dependable information. Indiabulls Equity Analysis ™ helps satisfy that need by rating stocks based on carefully selected, fact-based measures. And because the company is not focused on investment banking, we don't have the same conflicts of interest as traditional brokerage firms. This objectivity is an important difference in our ratings.

A scale of A, B, C, D and E

A to E ratings are applied to over 540+ Indian headquartered stocks using a wide variety of investment criteria from four broad categories.

Ratings are Understandable and Actionable

The Indiabulls Equity Analysis ™ model attempts to gauge investor expectations, since stock prices tend to move in the same direction as changes in investor expectations.

- Stocks with low and potentially improving investor expectations tend to receive A or B ratings.
- Stocks with high and potentially falling investor expectations tend to receive D or E ratings.

Over the next 12 months, A-rated stocks have a return outlook of strongly outperforming the market while E-rated stocks have a return outlook of strongly underperforming the market. Find out more about using Indiabulls Equity Analysis ™.

Review of Literature

Customer satisfaction depends on derived value (Anderson et al. 1994), where value may be defined as the "fairness of the level of economic benefits derived from usage in relation to the level of economic costs." Even with high levels of perceived trustworthiness and competence, customers can be dissatisfied if they perceive the prices to be high (Bolton and Lemon 1999, p. 172). Hence, a study of satisfaction is incomplete without incorporating the investor's evaluation of prices paid for transactions (or the cost of trading, from the investor's perspective). Building on these arguments, we propose that the insights from this study can be extrapolated to other virtual markets where service quality is difficult to inspect ex ante (e.g., online travel services and online auctions). While focusing on the online context, this paper complements other early research that compares consumer choice, satisfaction, and loyalty across the online and offline environments. For example, Degeratu et al. (2001) determined that, in the online environment, sensory search information (e.g., visual cues) has a lower impact on choices, price sensitivity is higher due to stronger signaling effects of price promotions, and branding is more valuable only in the absence of factual attribute-related information. In another study that contrasted consumers who chose hotels online with those who used conventional means, Shankar et al (2002) determined that while there are significant similarities across groups, the impact of loyalty on overall customer satisfaction was higher in the online group. However the link between loyalty and satisfaction has been established in a more general sense (e.g., Oliver 1999, Rust et al 1999), Shankar et al. attribute the incremental impact of loyalty online to greater consumer control over information and choices. With virtual interfaces serving as the primary, or even sole, points of customer contact for many firms, researchers and managers are now interested in re-examining service quality and customer satisfaction in online settings (e.g., Krishnan et al. 1999). In online settings that are oriented toward self-service with little human interaction, many conventional service quality dimensions (including some in the well-known SERVQUAL instrument of Parasuraman et al. 1988). For example, dimensions such as the physical appearances of facilities, employees, and equipment, and employees' responsiveness and empathy are unobservable in online settings. As a result, researchers have suggested that trust may play a central role in online customer satisfaction.

About Bombay Stock Exchange (BSE)

Of the 23 stock exchanges in the India, Mumbai's (earlier known as Bombay), Bombay Stock Exchange is the largest, with over 6,000 stocks listed. The BSE accounts for over two thirds of the total trading volume in the country. Established in 1875, the exchange is also the oldest in Asia. Among the twenty-two Stock Exchanges recognized by the Government of India under the Securities Contracts (Regulation) Act, 1956, it was the first one to be recognized and it is the only one that had the privilege of getting permanent recognition ab-initio.

About National Stock Exchange (NSE)

The National Stock Exchange (NSE), located in Bombay, is India's first debt market. It was set up in 1993 to encourage stock exchange reform through system modernization and competition. It opened for trading in mid-1994. It was recently accorded recognition as a stock exchange by the Department of Company Affairs. The instruments traded are, treasury bills, government security and bonds issued by public sector companies.

The Organization: The National Stock Exchange of India Limited has genesis in the report of the High Powered Study Group on Establishment of New Stock Exchanges, which recommended promotion of a National Stock Exchange by financial institutions (FIs) to provide access to investors from all across the country on an equal footing. Based on the recommendations, NSE was promoted by leading Financial Institutions at the behest of the Government of India and was incorporated in November 1992 as a tax-paying company unlike other stock exchanges in the country.

NSE Group

1. India Index Services & Products Ltd. (IISL)
2. National Securities Clearing Corporation Ltd. (NSCCL)
3. NSE IT Ltd.
4. National Securities Depository Ltd. (NSDL)
5. DotEx International Limited

About Online Trading

Online trading is simply a term that describes the buying and selling of securities and investment products by computer over the internet rather than transacted at more traditional brokerage office. Online trading will occur through online brokers who generally do not offer many of the research tools or financial advice that may be available at a more traditional brokerage. Since most online brokers are discount, if not deep discount brokers, online trading is cheaper and is ever expanding, especially among sophisticated and self-informed investors.

The Benefits of Online Stock Trading

Low commissions – for most people, this is the number one benefit of investing online. For Rs.450 or less, you can buy and sell your favourite stock. Full service brokerage fees are usually over Rs.4500. If you are an active trader, that can start to eat up your profits very quickly. For every Rs.4,50,000 you invest, you have to make two percent (Rs.9000 – Rs.4, 500 to buy and Rs.4,500 to sell) just to break even.

Quickly act on price moves – another great benefit of online stock trading is being able to quickly act on price moves. With the click of a couple of buttons, you are able to take advantage. With a full service brokerage, you'll have to call first, explain what and why you want to trade that stock. Odds are, you may have missed the best entry point, and paid 10x the commission for that privilege.

No middle men – No justifying why you want to trade, no having to have someone suggest that a stock might be too risky. You call the shots.

Information – at your fingertips online stock trading can bring much needed and real time info that can help you when to buy and when to sell. Technical charts, real time prices and information sharing can be easily accessed online.

The Drawbacks of Online Stock Trading

No middle men – while I just listed this as a benefit, it is also a drawback. The majority of my losses were from stocks that did not meet my investment plan but were simple stocks that were being pumped and hyped up. Often, you end up buying a stock that is moving higher, and end up having to sell at a loss. When you trade at a discount broker, there is no stopping you from making a mistake. With a full service brokerage, your financial planner can help filter out the bad plays from the smart ones. This advice alone can more than make up for commission fees.

Investment plans – online stock trading doesn't automatically come with an Investment Plan. Why are you buying a stock? What is your exit plan if things don't go right? Will you use margin? Will you buy penny stocks (and if so, what percentage of your portfolio will be at risk)? A full service broker can help create an investment plan. Trading outside of your risk tolerance is one of the biggest risks your portfolio will face.

The best suggestion I can make for you is to look at a combination of both. Trade stocks online, but talk to an investment planner, develop an investment and trading plan first. While you may have to pay for his time, your trading plan will help you to avoid unnecessary risk when you are on online stock trading.

Procedure for selling dematerialized securities

The procedure is simple. After you have sold the securities, you should instruct your depository participant (DP) to debit your account with the number of securities sold by you and credit your broker's clearing account. This delivery instruction has to be given to your DP using the delivery instruction slips given to you by your DP at the time of opening the account. The procedure for selling securities is as follows:

- You sell securities in any of the stock exchanges linked to the National Securities Depository Ltd. (NSDL) through a broker;
- You give instruction to your DP to debit your account and credit the broker's (clearing member pool) account;
- Before the pay-in day, your broker gives instruction to its DP for delivery to the clearing corporation;
- Your broker receives payment from the stock exchange (clearing corporation);
- You receive payment from the broker for the sale of securities.

Purchasing of dematerialized securities

For receiving demat securities you may give a one-time standing instruction to your DP. This standing instruction can be given at the time of account opening or later. Alternatively, you may choose to give separate receipt instruction every time some securities are to be received. The transactions relating to purchase of securities are summarized as follows:

- You purchase securities through a broker;
- You make payment to your broker who arranges payment to the clearing corporation on the pay-in day;
- Your broker receives credit of securities in its clearing account (clearing member pool account) on the pay-out day;
- Your broker gives instructions to its DP to debit clearing account and credit your account;
- You receive shares into your account. However, if standing instructions are not given at the time of opening the account, you will have to give 'receipt instructions' to your DP for receiving credit;

- You should ensure that your broker transfers the securities from its clearing account to your depository account before book closure. If the securities remain in the clearing account of the broker, the company will give corporate benefits (dividend or bonus) to the broker. In that case, you will have to collect the benefits from your broker.

'Market Trades' and 'Off-Market Trades'

Any trade settled through a clearing corporation is termed as a 'market trade.' These trades are done through stockbrokers on a stock exchange. 'Off-market trade' is one which is settled directly between two parties without the involvement of clearing corporation. The same delivery instruction slip can be used either for market trade or off-market trade by ticking one of the two options.

Suggestions for Indian Stock Market

- Do not overtrade.
- Do not trade on rumours.
- Do not trade in all stocks of one sector.
- It's better to buy the wrong stocks at the right time than to buy the right stocks at the wrong time.
- Trade with the trends rather than trying to pick tops and bottoms.

Objectives of the Research

The objectives of the research are:

To find out the satisfaction level of client,
To find out the problem faced by the clients,
To facilitate the services offered to the clients, and
To find out the requirement for the effective trading for the clients.

Research Methodology

Research Methodology is a way to systematically solve the research problems allotting procedure, steps of plane. It explains the various steps that are generally adopted by researcher in studying the research problem along with logic behind them.

Research Components

Most important research components are:

- Research design,
- Sampling technique,
- Instrument for data collection,
- Questionnaire design, and
- Research tools.

Research Design

Research design is the conceptual structure with in which research is conducted. It constitutes the blueprint for the collection, measurement, analysis of data. The research design adopted was descriptive research design. Descriptive research includes surveys and fact–finding enquiries of different kinds. The major purpose of descriptive research is description of the state of affairs as it exists at present. Descriptive research can only report what has happened or what is happening.

Sampling Techniques

Random sampling technique is adopted in this survey. In this method, sampling units are chosen primarily in accordance with the researchers. The sample size is 150.

Instrument for Data Collection

Primary data were used for this study. The researcher chooses questionnaire and personal interview method as the instrument for the data collection.

Questionnaire Design

The questionnaire for this study was well-defined structured questionnaire schedule. In this questionnaire, researchers have used three types of questions. They are

- Multiple choice questions,
- Open-ended, and
- Close ended question.

Research Tools

Once the data has been collected, the process of analysis begins. It includes tabulation, percentage calculation, and cross tabulation. Based upon the test, the analysis and interpretation were done.

The Results

As per the Table-1 the clients who are having service as a occupation are going for more online trading, the business people are in the second place. The others prefer to last place.

The Table-2 depicts that married people are going for full time trading, and also the unmarried going for the full time trading. On the whole the unmarried people are going for more trading in online.

From the above Table-3 we can infer that while purchasing of shares the maximum number of clients prefer only Indiabulls tips and 21.3 percent of the clients prefer the tips from friends. Very less numbers of clients go to the all the above option.

The Table-4 infers the maximum number of business people like to have their tips through phone calls. The professional people like to have their communications through online messenger. Very less number of people prefer only E-mails and SMS.

Table-1: Cross Tabulation Data Analysis

Occupation vs No. of years doing Online Trading Cross Tabulation

	No. of years doing Online Trading				Total
	0-1 yrs	1-2 yrs	2-3 yrs	3 and above	
Occupation Business	14	9	12	6	41
Professional	10	10	13	3	36
Service	8	10	11	15	44
Others	7	7	8	7	29
Total	39	36	44	31	150

Table 2: Marital Status vs Type of Trading Cross Tabulation

			Type of Trading		Total
			Part time	Full time	
Marital Status	Married	Count	31	41	72
		% within Marital Status	43.1%	56.9%	100.0%
	Unmarried	Count	31	47	78
		% within Marital Status	39.7%	60.3%	100.0%
Total		Count	62	88	150
		% within Marital Status	41.3%	58.7%	100.0%

Table-3: Type of Trading vs Purchasing of Shares Cross Tabulation

			Type of Trading		Total
			Part Time	Full Time	
Purchasing of shares	By India-bulls tips	Count	27	30	57
		% within Type of trading	43.5%	34.1%	38.0%
	By friends tips	Count	13	19	32
		% within Type of trading	21.0%	21.6%	21.3%
	By your own choice	Count	9	20	29
		% within Type of trading	14.5%	22.7%	19.3%
	All the above	Count	13	19	32
		% within Type of trading	21.0%	21.6%	21.3%
Total		Count	62	88	150
		% within Type of trading	100.0%	100.0%	100.0%

Table 4: Occupation vs Media of Communication on which tips can be sent Cross Tabulation

		Media of Communication on which tips can be sent				Total
		SMS	Online Messengers	Phone Calls	E-mails	
Occupation	Business	13	2	18	8	41
	Professional	9	13	10	4	36
	Service	12	15	6	11	44
	Others	10	1	11	7	29
Total		44	31	45	30	150

From the Table-5 we came to know that the part time trader would like to receive tips daily and the full time trader would like to have more user friendly software to trade. The maximum number of full time clients would like to have an advice from the relationship managers.

We can find from the Table-6, the people earning below one lakh is maximum in moderate level. One to five lakh people are in moderate level. The people earning above five lakh are also in the moderate level. Here the annual income of one to five lakh is with 28.7 percent and five to ten lakh earning people are with 28 percent.

As per the above Table-7, 10 percent of business people are in moderate level with maximum. Then 10 percent of the professionals are with moderate level. Above all the least is with the professional with 0 percent in highly satisfied.

As per the table-8, we can see that 20 percent of the professionals are in full time trading followed by 18 percent with graduate. The last level is with graduate and others with part time and full time trading simultaneously.

Table-5: Type of Trading vs Futures like to include in Online Trading Cross Tabulation

			Type of Trading		Total
			Part Time	Full Time	
Futures like to include in online trading	More user friendly applications	Count	13	21	34
		% of Total	8.7%	14.0%	22.7%
	Providing tips daily	Count	22	19	41
		% of Total	14.7%	12.7%	27.3%
	Relationship managers advise	Count	17	28	45
		% of Total	11.3%	18.7%	30.0%
	More techno - savvy customer service	Count	10	20	30
		% of Total	6.7%	13.3%	20.0%
Total		Count	62	88	150
		% of Total	41.3%	58.7%	100.0%

Table-6: Annual Income vs Cost of the Software Cross Tabulation

			Cost of the Software					
			Highly satisfied	satisfied	Moderate	Dis satisfied	Highly Dis satisfied	Total
Annual Income	Below 1 Lak	Count	2	8	8	7	1	26
		% of Total	1.3%	5.3%	5.3%	4.7%	.7%	17.3%
	1-5 Lak	Count	2	11	21	7	2	43
		% of Total	1.3%	7.3%	14.0%	4.7%	1.3%	28.7%
	5-10 Lak	Count	3	8	20	4	7	42
		% of Total	2.0%	5.3%	13.3%	2.7%	4.7%	28.0%
	10-15 Lak	Count	3	6	6	12	2	29
		% of Total	2.0%	4.0%	4.0%	8.0%	1.3%	19.3%
	15 Lak and above	Count	1	3	5	1	0	10
		% of Total	.7%	2.0%	3.3%	.7%	.0%	6.7%
Total		Count	11	36	60	31	12	150
		% of Total	7.3%	24.0%	40.0%	20.7%	8.0%	100.0%

Table-7: Occupation vs Brokerages Cross Tabulation

			Brokerages					
			Highly Satisfied	Satisfied	Moderate	Dis Satisfied	Highly Dis Datisfied	Total
Occupation	Business	Count	8	4	16	7	6	41
		% of Total	5.3%	2.7%	10.7%	4.7%	4.0%	27.3%
	Professional	Count	0	11	15	8	2	36
		% of Total	.0%	7.3%	10.0%	5.3%	1.3%	24.0%
	Service	Count	6	15	13	9	1	44
		% of Total	4.0%	10.0%	8.7%	6.0%	.7%	29.3%
	Others	Count	6	4	12	2	5	29
		% of Total	4.0%	2.7%	8.0%	1.3%	3.3%	19.3%
Total		Count	20	34	56	26	14	150
		% of Total	13.3%	22.7%	37.3%	17.3%	9.3%	100.0%

Table-8: Qualification vs Type of Trading Cross Tabulation

			Type of Trading		Total
			Part Time	Full Time	
Qualification	Graduation	Count	12	27	39
		% of Total	8.0%	18.0%	26.0%
	Post Graduation	Count	16	19	35
		% of Total	10.7%	12.7%	23.3%
	Professional	Count	17	30	47
		% of Total	11.3%	20.0%	31.3%
	Others	Count	17	12	29
		% of Total	11.3%	8.0%	19.3%
Total		Count	62	88	150
		% of Total	41.3%	58.7%	100.0%

Conclusion

Primarily in this paper the authors made an attempt to know the conceptual back ground of Customer Satisfaction followed by the measurement of the level of customer satisfaction by using various research tools. Based on the present study it can be concluded that the share market industry in India is in booming stage. The current clients in Indiabulls are in moderately satisfied level, so to get sustain the clients from the company it has to follow the suggestions. In order to improve the level of Customer Satisfaction the company it has to take effective decision based on the suggestions. As the competitors are also in the same growth it is the time for Indiabulls to keep its move carefully. As current and feature market growth in India is good there is more hope for the effective growth for Indiabulls securities limited. There is a constant need of research in this field both by academics as well as by potential corporate and individual investors.

Key words: Online trading, DP, NSE, IISL, NSCCL, NSE.IT Ltd, NSDL, DotEx International Limited etc.

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Stress Tolerance and the Media

Hari Sundar G. and Mohammed Sulphey M.

In the words of Sir Henry Ford, "Competition is the keen cutting edge of business always shaving away costs." The modern world is full of stress and it has become snobbery for the executives and the corporate personnel to state that they are under stress. While it is agreed that stress is needed to a particular limit, "what is the limit to which stress must be?" is the big question. In fact the greater is the stress tolerance level, the higher the propensity of being stressed. This study focuses its attention on various areas such as identification of the stressors be the physical, mental or job stressors on the job or off the job, evaluation of stress tolerance level among visual and print media personnel, charting out a plan of action for improving the stress level, and developing a strategic model for increasing stress tolerance among media personnel.

The modern world is full of stress, from which there is no escape, and no work environment is an exception to this. Media personnel who work in difficult situation are prone to stress than people of any other occupation. Further, it has been reported that 2007 has been a difficult year for journalist as a record number of personnel had been killed or injured while on duty.

The concept of Stress was first coined by Hans Selye in 1936. Derived from the Latin word "*stringere,*" stress was used to mean hardship, adversity or affliction. It was used in 18th and 19th centuries to denote force, pressure, strain or strong effort with reference to an object or person (Pestonjee, 1999).

In the modern sense, Cannon (1935) was the first to use the term stress. He viewed stress as a potential cause of medical problems and pointed out that emotional stress would cause disturbances of a physiological nature. It can be regarded as a non-specific biological, emotional, and behavioural process that occurs when physical or psychological well-being is disrupted or threatened. It

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involves heightened psychological arousal accompanied by intense emotion. He defines it as 'physical and psychological process of reacting to and coping with events and situations that place extra-ordinary pressure on human being.'

There are two types of stress, namely 'Eustress' and 'Distress.' Eustress is the presence of optimum level of stress in an individual which contributes positively to his performance. This may lead individuals to new and better ways of doing their jobs. It has also been established that a perception of his or her control over the environment has a definite impact on the stress-health relationship (Murphy, 1988). When the level of stress leads to a situation that it affects the body and mind of an individual it is called 'Distress.'

Job stress or Occupational stress is defined as 'a condition arising from the interaction of people and their jobs and characterized by changes within people that force them to deviate from their normal functioning' (Selye, 1999). One of the most notable contributors to the field of Occupational Stress, Karasek (1990), says that job stress occurs because the 'demands' of employment exceed the 'controls' of the individual needed to interact with those demands. Researchers have linked job stress with higher rates of heart disease and other physical ailments and are now engaged in exploring the psychological effects of working long hours or being disenchanted with a job (Lansbergis, 1992).

An intriguing problem facing stress researchers has been the individual variability of stress reaction. People respond differently to stress, and also not all people are equally vulnerable to its effect. It is also opined that the experience of stress is a very personal matter (Goldberger and Breznitz, 1986), and each person must have developed his or her own coping styles for getting through life successfully and it is the breakdown of these coping patterns that cause stress in a person. Even when exposed to a minor stressful situation, certain people experience high level of stress and become ill, while others experience much less stress and remain calm and composed. Studies have established that perfectionists are more depressed than non-perfectionists when stress is high (Joiner and Schmidt, 1995).

Carroll and White (1984) are of the opinion that works related stress is inevitable and workers vary in their ability to cope well with stress. Further, the ever increasing competition, advancement of technology, demands for transformation in strategies, structure, efficiency, etc. have placed the coping skills of personnel under constant dynamism. Quite a few studies available in the field are worth considering. Dunnette, 1976; Ghosh, 1981; and Mohanthy, 1986 established that job stress factors are related to variables like role ambiguity, role conflict, need for achievement, organizational effectiveness, etc.

Singh (1997) opined that distress symptoms arise only when appropriate coping responses are not forthcoming in the wake of threats or demands. If a person feels that he has enough resources to respond to demands, they may be having control over the environmental demands. So, it can very well be inferred that a person's control or perceived control is directly related to his competence or the perceived ability to respond to stressful demands.

The work of Pestonjee (1999) in the area of Stress Tolerance Limit (STL) is worth noting. While presenting a model with respect to STL, he proposed that stress originates from any of the three areas, namely job and organisation, social sector, and intra-psychic sector. According to him, job and organisations refers to the totality of work environment which includes task, atmosphere, colleagues, compensations, policies, etc. Social sector refers to social/ cultural contexts in one's life which includes religion, caste, language, dress, etc. The intra psychic sector includes those things which are innate and personal to the individual which includes temperament, values, abilities, health, etc. An individual is said to be in a balanced state when an individual is able to handle the stress emanating from all the three sectors, and is in consonance with the STL. When stress from any of the three areas are so loaded, become unmanageable, and exceeds the STL, negative consequences become apparent with stress related diseases emerging. If this situation persists, it may further lead to disintegration of personality requiring psychological and medical care.

Research, for example Mesler, (1994) has established that sickness is best understood not in terms of the nature of the stressful events to which an individual is exposed but in terms of the magnitude of the individual's physiological and psychological responses to the stressors. The magnitude of response is said to determine the likelihood of sickness or illness. Further, an individual does not respond to events, but to his perception of events.

Stress research has also significantly added to the medical literature over the past twenty years or so. We now know that work can be an exciting source of challenge where potentials and capabilities of the self are discovered and utilised. This positive stress perspective has been termed 'eustress.' However, work stress is said to lead to one of the most universal and intense kinds of 'distress.' Distress is often viewed as a malady, needing treatment. Definitions and theories have evolved in the recent past with models in hand explaining the etiology of work related stress and the subsequent negative psychological (anxiety and depression) and physical effects (heart disease and hypertension). One of the most notable contributors to the field of Occupational Stress, Karasek (1990), says that job stress occurs because the 'demands' of employment exceed the 'controls' of the individual needed to interact with those demands.

The Karasek 'Demand-Control Job Strain Model' has highlighted two key workplace conditions that increase hypertension: high psychological demands combined with little control in meeting those demands. People with high job demands describe themselves as "working very fast," "working very hard" and not having "enough time to get the job done." And employees with little workplace controls describe themselves as lacking the ability and/or authority to make decisions or impact their job. In recent studies, this model has included a third factor: the beneficial effects of workplace social support. Simply stated, if the demands placed on a person at work are higher than the perceptions of control, job strain will occur.

The results of job strain are clearly detrimental to both corporations and individuals. In California, for example, job related stress complaints are the number one disability reported, and cost hundreds of millions of dollars annually. Overall, in the United States, the economic costs of job stress, including absenteeism and lost productivity, are difficult to estimate but could be as high as several billion dollars per year.

According to Lansbergis (1992), aside from economic factors, the negative relationship between work and mental and physical health is of great concern. Adding to a growing body of evidence that workplace stress is harmful, researchers have linked job strain with higher rates of heart disease and other physical ailments and are exploring the psychological effects of working long hours or being disenchanted with a job.

One specific physical problem associated with job strain is hypertension. Hypertension is the world's number one disease, with an estimated 500 million people worldwide currently afflicted. In the United States, 50 million people have high blood pressure, and estimates are that another 50 million are on their way to acquiring the condition. Ironically, in 95 percent of hypertensive cases the cause is unknown (American Heart Association). While estimates of proportion to heart disease, possibly due to job strain, vary greatly between studies, Karasek and Theorell (1990) calculate that nearly a quarter of all heart disease could be prevented if we reduced the levels of job strain.

In one of the most comprehensive studies so far examining the relationship between hypertension and job strain, Schnall (1998) followed nearly 200 men for three years and found that those with the most job strain had significantly higher blood pressure than those with the least. Employees with highly demanding jobs that allow little latitude for making decisions have three to five times higher blood pressure and are at greater risk of heart disease than workers who do not experience such job strain. Ironically, the study also found that men who were initially in high-stress jobs but moved to low-strain positions saw their blood pressure readings fall over time. In fact, their follow-up blood pressure readings were nearly the same as those who had never been employed in high-stress jobs.

It is not surprising to find that researchers now want to discover whether the effects of job strain are similar for women. Indeed, Blumenthol (1995) demonstrated that the consequences of job strain are more severe for women than for men. Women in this study, who were identified as experiencing job strain, also had higher systolic blood pressure than women with low reports of job strain. Furthermore, women in this study who reported high job strain had higher systolic blood pressure than men in high strain or low strain jobs, and maintained elevated levels even after leaving work. Much of this may be due to the fact that many women who work are also mothers and wives, and therefore continue to 'work' after leaving their place of employment, returning home to cook, clean, and work with the children on schoolwork.

Stress tolerance is a term related to effective coping and coping strategies. It is the ability of a person to handle emotionally charged situations and to resist burnout, in demanding environments. Stress tolerance is defined as the ability to endure stress, strain and pain without serious harm (Carson and Butcher, 1998). In the words of Pestonjee (1999), STL is made up of four components namely, Depression proneness, Anxiety proneness, anger and Type A behaviour. The job and organisational loads may at sometimes become unmanageable thus going beyond the STL wherein an individual may face the danger of disintegration of personality. Further, certain personality and attitudinal constructs like self-esteem, locus-of-control, learned helplessness, anxiety, adjustment, etc. have been found to be influential constructs in the area of STL. A person who is not adjusted is likely to be highly stressful even due to the slightest frustration or pressure.

Key Terms Used

Stress, Stressor, Stress Tolerance, Strategic Stress Tolerance Limit.

Research Methodology

The data for the research study has been collected by way of reliable and valid Questionnaire. As many as 75 media personnel, consisting of print and visual media who have been accredited to the Press Club, Thiruvananthapuram were subjected to the study.

Sampling

Responses were collected from 75 print and visual media personnel out of the total of 202 accredited members of the Press Club, Thiruvananthapuram. There were 51 Male media personnel and 24 female media personnel. They belonged to the age group ranging from 20 to 50 years. Out of the 51 male respondents, 40 were married and 11 were unmarried while 23 among female respondents were married and just one member belonged to the unmarried category (Table 1).

Tool Used

The tool used for the present study was Stress Tolerance Inventory (Sanandaraj M.S., Reshmi. C.S. 2001, Dept. of Psychology, University of Kerala). The Stress Tolerance Inventory having 30 items was used. Personal Data Sheet was used to collect demographic particulars. Statistical techniques like Correlation analysis, Analysis of Variance (ANOVA), etc were used to analyze the data.

Table 1: Classification of Samples Based on Gender and Marital Status

	Married	Unmarried	Total
Male	40	11	51
Female	23	1	24
TOTAL	63	12	75

Source: Primary Data

Table 2: ANOVA denoting the Age of Respondents

	Sum of Squares	df	Mean Square	F
Between Groups	584.681	4	146.170	*1.834
Within Groups	5577.665	70	79.681	
Total	6162.347	74		

* No significant difference

Limitations

The study was restricted only to the accredited media personnel of Thiruvananthapuram Press Club and more work has to be done to find out the STL among the media personnel in other districts of the State. The study was limited to an experimental group of media personnel alone. Another similar control group was not studied due to the paucity of time, and had it been studied a comparison of the STL could have been arrived at.

Analysis of Data and Results

The data collected was analysed using statistical techniques like ANOVA, t-test, etc. The results are discussed in the following section:

The Mean was found out to be 67.43, median as 65, mode as 62 and Standard deviation as 9.126 (Refer Table 3).

The respondents were first categorised into three groups in the following manner.

1. High group (those having higher STL)
2. Medium group (those with medium STL)
3. Low group (those with low STL)

Those respondents with the numerical value above the score of 71.993 which was arrived at by adding half of Standard deviation with Mean were categorised as High group, the Low group pertains to those respondents who have the numerical value below the score of 62.867, which was calculated by subtracting half of Standard deviation from Mean. All those respondents whose scores fall between the above two scores were pertaining to the middle group. It was found that 20 respondents pertain to the High group, and 25 belonged to the Low Stress Tolerance group and 30 in the middle group.

The total score of the instrument is 150; however, it can be found that the mean score of the entire group studied is only 67.43. In this regard, it is worth noting that the arrived score is just less than half of the total score of 150. This denotes that the media personnel are having low STL in general.

Table 3: Mean, Median and Mode

No. of respondents	75
Mean	67.43
Median	65
Mode	62
Std. Deviation	9.126
Variance	83.275

Source: Primary Data

Table 4: Data and Result of t-test for Comparison of STL of Print and Visual Media Personnel

Group	N	Mean	Std. Deviation	t
Print	26	64.5	5.101	-2.067*
Visual	49	68.98	10.379	

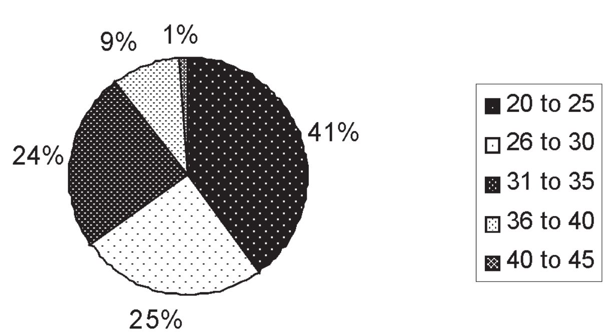
Note: * Significant at 0.05 level

Source: Primary Data

Table 5: Age-wise Classification

Age Group	No.
20 to 25	30
26 to 30	19
31 to 35	18
36 to 40	7
40 to 45	1

Age-wise Classification



Results

On the basis of the analysis carried out the following are the results which were arrived at:

1. Out of the 75 respondents, there were 51 male journalists out of which 40 were married and 11 were unmarried. Among 24 women respondents, 23 were married and only 1 was unmarried (Table 1).

2. On the basis of the Analysis of Variance (ANOVA), it is clearly found that there is no significant relation between the age group of respondents considered with the value of 1.834 being not significant.

3. On the basis of the analysis, it is found out that there is a marginal higher level of STL among visual media personnel (the value being 68.98) than that of the Print media personnel (the value being 64.5). The t- value of -2.067 being significant at 0.05 levels. This could be mainly because of the fact that of the extreme competition between the visual media personnel owing to the increasing number of television channels.

4. It is also found out that there is not much difference in the level of work being carried out by different age group media personnel and so there could be the same level of STL among the print media personnel.

5. As many as 41 percent of the respondents belong to the age group of 20-25 years, 25 percent in the age group of 26-30 years, 24 percent in the age group of 31-36 years.

6. Further it was found out that a large number of respondents highlighted the fact that they are being subjected to overworking by way of not having proper working hours thus paving way for low STL.

7. While there was higher level of STL among the married groups, the STL was low among the unmarried.

Strategic Model for Stress Tolerance

Based on the above study carried out, a strategic model was developed to explain how to cope with stress reactions. The reactions are received and analysed by the environment which, in turn, bounces back signals to the individual to bring about a change either at the organismic level or at the response level. The details related to the model are highlighted in Figure 1.

Figure – 1: Strategic Model to cope with Stress Reactions

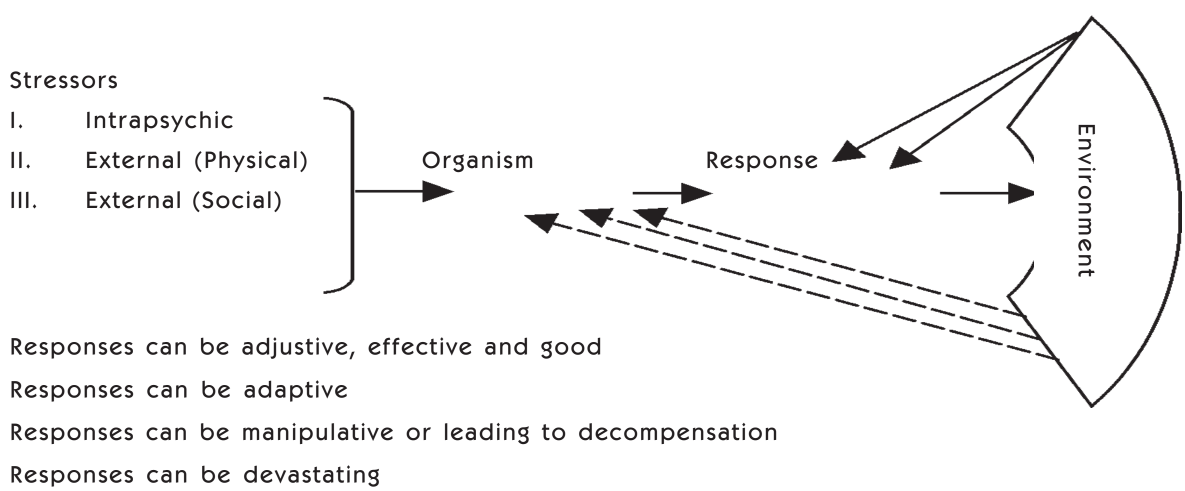


Figure – 2: Stressors or Loads

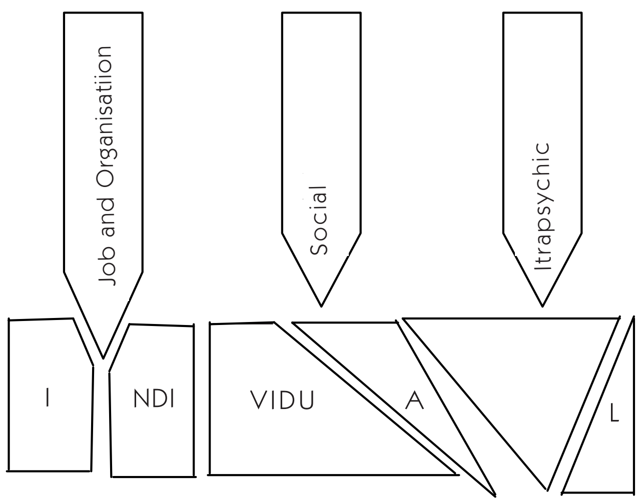
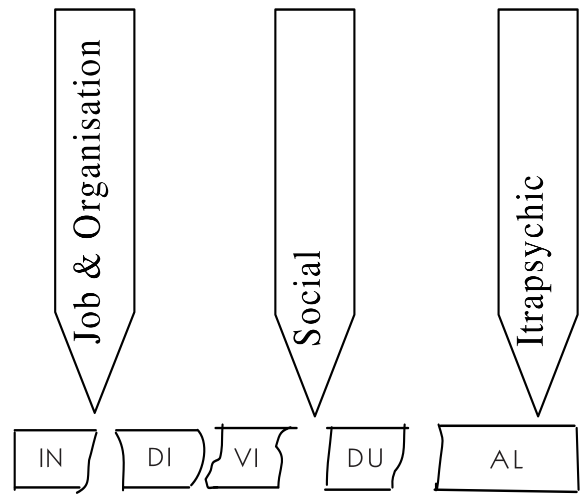


Figure – 3: Stressors or Loads



However, when most of the stress related diseases emerge and this situation persists, we move on to the next stage in which we start operating beyond the STL. Several types of breakdowns and cracks are observable (Fig 2). If this situation is left unchecked, it may culminate in the last and most intense stage wherein complete disintegration of personality takes place. At this stage, the individual requires proper psychological and medical care (Fig 3).

Recommendations

Though we know that stress has become an inevitable part of the social functioning of an individual, it cannot be assumed that stress is an unmanageable affair. A planned effort from the part of the individual as well as from the side of management is sure to help a lot in enabling an individual to tolerate the level of stress. Strategies from the part of the organization- Stress can be managed to a large extent at different levels of operation in an organisation based on the following recommendations:-

Carrying out Stress Audits Stress audit, which is a four stage HRD/OD intervention which is utilized by organizations to overcome prevailing stress where in the four phases are as follows:

Phase 1- carrying out an exploration on Stress tolerance limit (STL) with the help of psychometric instruments in terms of anxiety proneness, depression proneness, need profile etc.

Phase 2- Identifying the dominant organizational role stress dimensions, some of the key dimensions being Role stagnation, Role overload, Resource inadequacy, Role stagnation, Role erosion, Role ambiguity etc.

Phase 3- Collecting qualitative data on stress variables and their effects on individual health and performance through structured interviews.

Phase 4- Based on the results obtained in the first three phases, remedial measures are suggested to the organization for implementing needed modification and changes in the activities and practices.

The key objectives of stress audit would be mainly to identify the stressors at various levels in the organization, identifying the dominant personality profile in terms of anxiety, anger, depression, values, motivation etc and determining remedial measures such as training, counselling and readjustment to enhance effectiveness of the organization,

Carrying out Stress Management Training programmes: Adequate Stress Management training programmes for employees in different levels as well as proper counselling aimed at reducing the stress level of employees has to be implemented effectively,

Moderating the intensity of job stressors and the strains caused by way of the effect of other variables of positive value such as high wages, increments, participative decision making etc should be taken into account,

Role Efficacy as a Stress Reducer- Role related stress affect the work culture adversely and increases fatigue and also reduces an individual's potential to work efficiently and reduces the STL Enhancing role efficacy would lead to better STL maintenance. Improvement in the quality of performance is not merely a function of "hardware" improvement but depends to a large extent on the human side of the organisations,

Coping Strategies such as Practising yoga, avoiding confrontation, improving self image, developing the act of patient listening, unwinding and going on a vacation, delegation of authority, learning to say "No" etc are also some of the ways to maintain better STL. Apart from the above mentioned recommendations, the following suggestions could also be taken into account:-

Better stress tolerance level could be maintained from the part of an individual too. The ways of coping with stress and maintaining high STL are:

- Believe in Bhagavad-Gita philosophy- "Your right is to the do the job and not to expect the fruits thereof" (Karmanyevaadhikaarasthae maa phaleshu kathaachana,"
- Accept situations as they are and remind you that work is not everything. Rather than thinking of the time you had waste, think of the time that you had spent fruitfully and how you could convert the remaining time in a fruitful manner,
- Take excessive demands as a challenge,
- Perceive the stressful job situation as just a temporary situation.
- Believe that time itself would take care of the situations.

Suggestions for further research study

The present study being restricted to accredited media personnel, a detailed study has to be carried out with respect to similar groups such as police personnel, crime reporters, teachers etc so that a comparison could be made.

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Insurance-shielded Supply Chain Risk

Abbas Foroughi, Jennifer J.Williams and Marvin Albin

Recent geo-political events, such as terrorism and political instability, and geological and climatologic disasters, have underscored the potential risks to global supply chains and their catastrophic financial impact on global companies. Disruptions can occur anywhere along the supply chain at the inbound or supplier side, during the internal processes of conversion part inside the company's facilities, or at the outbound or customer-facing side. Therefore, Companies rely on insurance. Traditionally, insurance covered the physical loss of property, such as products, component parts, equipments, or facilities. This paper focuses on the evolving nature of the supply chain risk insurance market.

Historically, firms had little control over business processes outside their organizations. Likewise, communication technologies have not always allowed "real time" information about the business processes of a firm's suppliers and customers. Therefore, firms focused their management on processes and issues within the walls of their own organizations. However, firms today use advanced information technologies to enable management of their supply chains both upstream and downstream. Geographical boundaries and distance are no longer insurmountable obstacles; therefore, supply chains are often global. Modern firms are able to focus on their own core competencies and rely on suppliers with particular expertise to provide the parts, supplies, and services they need (Sheffi, 2005). This dependency on suppliers, often geographically dispersed, has created a situation in which companies must compete on the basis of the performance of each member

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of their supply chain network, rather than solely on their own performance (Sheffi, 2005), as materials and products, from raw materials to finished product, pass through global networks of suppliers, manufacturers, distributors, transportation carriers, and retailers, enroute, to the customer (Sheffi, 2005). Recent geo-political events, such as terrorism, political instability, and geological and climatologic disasters, have underscored the potential risks to global supply chains and their catastrophic financial impact on global companies. Disruptions can occur anywhere along the supply chain at the inbound, supplier side, during manufacturing and conversion, inside the company's facilities, or at the outbound or customer-facing side (Sheffi, 2005). Because supply chains connect companies with, and create dependency on, other companies around the world, today's global firms face "interdependence vulnerabilities" (Starr, Newfrock and Delurey, 2003, p. 4) which require them to be concerned not only about the potential risks to their own operations as well as vulnerabilities to the many firms that comprise their supply chains (Souter, 2000).

To ease the impact of supply chain disruptions, companies have historically relied on the ability to transfer their losses by carrying insurance. Traditionally, insurance covered the physical loss of property, such as products, component parts, equipment, or facilities. However, following the terrorist attacks on 9/11 and an unusual number of natural disasters across the globe, providers were hard-pressed to pay the multitude of policies that came due (Biederman, January, 2006). As a result, the face of supply chain risk insurance has changed. No longer able to include coverage for supply chain disruptions from terrorist attacks or natural disasters as part of standard insurance policies, insurers began the practice, which still continues today, of offering specialized extra coverage for these risks—trade disruption insurance, export credit insurance, and political risk insurance (Biederman, January, 2006). With increasing potential risks, and in light of higher standards of transparency, due process and fiduciary responsibilities demanded by federal legislation like the Sarbanes-Oxley Act (Aon Limited, 2005), supply chain risk management has grown to be an increasingly important function in many companies. At the same time, companies realize that, as effective as their supply chain risk management efforts may be, they still need to invest in insurance coverage to ease the costs of supply chain disruptions. This paper discusses how the face of the risk insurance has changed over the past several years and describes types of risk coverage available to firms with global supply chains. The advantages and disadvantages of each type of risk coverage are discussed. The paper concludes by discussing the need for research focusing on the effectiveness of the various types of risk insurance coverage for supply chains and offers suggestions for particular areas of research.

Why Global Supply Chains are increasingly Vulnerable

Disasters such as the 1995 earthquake in Kobe, Japan, have wide-reaching ramifications which impact trading partners in other parts of the world. Japanese car makers such as Toyota, Honda, Mazda, Daihatsu, Mitsubishi, and Nissan all encountered severe shortages of parts from suppliers in or near Kobe which caused production halts and resulted in huge revenue losses (Sheffi, 2005). Companies such as Eli Lilly, Caterpillar, Texas Instruments, IBM, and Procter and Gamble, who have operations in Japan, were also affected. Since suppliers to other multinational companies were also affected by the earthquake, the impact was felt far away in companies like Apple Computer, who had to slow down production of PowerBook computers due to disruption of the production of display monitors in Kobe, and Chrysler, who was forced to shutdown some production in the United States due to parts shortages.

Since 1995, reports of major operational disruptions have increased at double digit rates (Foster, 2005). Several factors help to explain this increased vulnerability of global supply chains. First, the number of companies worldwide using global supply chains is growing, thus increasing the number of potential disruptions (Foster, 2005; Svensson, 2000; Christopher et al., 2000). Second, increased competition has led many firms to adopt JIT's lean inventory practices, which demand frequent and small lot sizes, the maintenance of little or no inventory, and close relationships with only one or very few suppliers (Das and Handfield, 1997). The goal is to achieve efficiencies by maintaining as little inventory as possible and by decreasing the lead time of products to market (Reese, 2005). JIT assumes a steady and uninterrupted flow of needed supplies (Bundschuh, Klabjan, and Thurston, 2003). Over the past several years, it has become evident that JIT can actually increase a firm's vulnerability to disruptions (Reese, 2005; Sheffi, 2005), because the impact of potential supply chain disruptions is greater on a supply chain that depends on a sole or handful of suppliers and in which little or no inventory stock piles are maintained. Several well-known firms have experienced serious consequences from having sole suppliers (Pochard, 2003): Ericsson suffered a loss of $1.8 billion when its sole supplier, Philips, had a fire and could not produce computer chips. Several OEM customers who single-sourced from Avon Rubber and Injected Plastics were forced to help the firm rebuild after a fire. Land Rover had to pay court fees in a settlement when its only supplier went bankrupt. As a result of not being able to receive parts after 9/11, Ford lost more than $1 billion dollars in revenues, and Toyota nearly had to suspend production at a major plant (Reese, 2005). Another JIT-related issue is the practice of concentrating operations at a particular site in order to achieve economies of scale, volume discounts and lower transaction costs (Foster, 2005). Such over-concentration can create inflexibility in the supply chain which makes it difficult to react to disruptions.

Third, companies with supply chains must deal with factors related to increased competition, including customer expectations for customized products that must be produced in small quantities, resulting in shorter product life cycles, increasing demand for product availability, highly volatile demand, and lower prices (Foster, 2005; Sheffi, 2005). These competition-related factors make forecasting demand and adjustment to unexpected product life cycle and customer preferences a huge challenge (Foster, 2005). Fourth, because many companies depend on supply partners located half way around the world, they experience a loss of control over many sections of their supply chains (Enslow, 2005). A lack of visibility into faraway suppliers' operations can make it impossible to predict when disruptions may potentially occur and to take the necessary steps to recover from disruptions (Reese, 2005). Collaborating and sharing plans with supply chain partners require companies to make major investments in connected information systems, performance metrics, risk and profit sharing, and trust building (Foster, 2005). Fifth, relationships among members of a company's supply chain are often complex, a factor that increases and makes it difficult to identify vulnerabilities (Sheffi, 2005). To remain competitive, for example, companies maintain a variety of different types of contracts and relationships with suppliers—multiple tiers of suppliers (Foster, 2005), traditional contracts, flexible contracts, risk-sharing arrangements, and partnerships (Sheffi, 2005).

Impact of Global Supply Chain Disruption

Regardless of the cause of a disruption, the impact on a company's supply chain can be serious (Enslow, 2005). Research has revealed the extent of the frequency and the impact of supply chain disruption. A survey of 180 companies showed that 82 firms experienced supply disruption within the past 24 months, and an average of 12 supply disruptions or outages in the previous year (Bacheldor, 2005). Fifty percent of the reported disruptions involved damaged, goods, 49 percent involved late or missing deliveries, and 47 percent led to increased supply costs. Approximately one-third of the firms reported disruptions resulting in longer lead times and supply capacity constraints. Singh and Hendricks (Foster, 2005) found that supplier failures account for more than 14 percent of disruptions with the majority being from parts shortages, failure to meet delivery schedules, and poor quality. Lead times were a big issue among companies that deal with distantly-located suppliers. Global companies often fail to consider the necessity of longer lead times and the higher variability that characterize overseas supplier relationships.

The same study found that 22 percent of the companies cite parts shortages as a primary reason for disruption; part shortages are one of the most financially damaging types of disruption resulting from poor forecasting and planning, dependency on a single supplier, long lead times, and low inventory levels. Such shortages led to 25 percent underperformance in stock prices, median decrease in operating income of 31 percent, decrease in sales of 1.2 percent and cost increases of 1.7 percent.

Financial performance can also be affected by contractual penalties, such as liquidated damages from non-performance of a contract, volume purchase or transport service contract penalties, or penalties from customers (Aon Limited, 2005).

The Singh and Hendricks (Foster, 2005) study also pointed out the significant, long-term impacts of disruptions due to supplier failures, manufacturing delays, and quality problems on financial performance, including 107 percent drop in operating income, 114 percent drop in return on sales, 93 percent drop in return on assets, seven percent lower sales growth, 11 percent growth in cost, and 14 percent growth in inventories. The impact of disruptions can last up to two years, and includes significant drops in profitability, reduced sales growth rate, increased cost of manufacturing and selling products, and increased assets and inventories. In addition, disruptions can lead to 33-40 percent lower stock returns and up to 135 percent increases in share price volatility in the year after the disruption. Even if companies experience one major disruption every 10 years, their annual return drops to about eight percent.

Lack of Risk Planning

Surprisingly, few companies are actually planning for risks (Reese, 2005; Bacheldor, 2005). Advanced planning systems do not traditionally deal with unexpected events, and many companies lack a strategic approach to risk management. A recent poll showed that only about 10 percent of companies in Europe and North and South America have developed a strategy for enterprise risk management (ERM) (Aon Limited, 2007) that would help them understand the global risks facing the organization, help design risk mitigation strategies, and focus corporate culture on risk management (Aon Limited, 2007). Aggregated plans based on inaccurate inventory and capacity information lead to mismatches between supply and demand (Foster, 2005). Surprisingly, many companies consider risks associated with globalization and outsourcing to be of low priority/concern (FM Global, 2005). They view the most prevailing emerging risk to their company to be governmental or regulatory, and report that insufficient time, personnel, and budgets are the biggest obstacles to addressing top risks. In another survey, (Poirier and Quinn, 2004) firms reported plans to conduct a review of their vulnerability in inventory planning, deployment strategy, outsourcing/trading partners, and monitoring international freight. Fifty-five percent of the companies were neutral or negative as to their organization's visibility and accountability for supply chain continuity and protection. Sixty-six percent of them responded negatively/neutrally when asked if their organization pays sufficient attention to supply chain vulnerability measures and risk-mitigation actions. Only 38 percent indicated that their organization has formal written contingency plans to respond to disruptions. The remaining 62 percent indicated that they either lack formal plans or do not know if they have any such plans. Yet another study (Griffy-Brown, 2003) revealed that 60 percent of companies had contingency plans in place before 9/11, and few have developed them since. Formal contingency plans do not cover the full supply chain or even enterprise supply chain resources. Unfortunately, while research has revealed significant disruption to organizations from a number of crises in the late 1990s through 2002, many companies have not made significant changes in their contingency planning (Griffy-Brown, 2003).

Why Supply Chain Risk Insurance?

Prior to 9/11, most companies carried business interruption insurance that covered the loss of physical assets. However, competition in the global economy depends on supply chains that span the globe and rely on remote suppliers to help maintain just-in-time efficiencies. A disruption at any point along a supply chain, whether political or due to a natural disaster, can cause delays that translate into tremendous revenue losses (Biederman, July, 2006). Realizing that they cannot afford this risk and cannot depend on traditional cargo, marine, and business interruption coverage to protect their supply chains, many companies are turning to the numerous types of nontraditional or alternative risk transfer products (Biederman, July, 2006) that provide coverage for supply chain risk, including trade disruption insurance, credit insurance (domestic and international), political risk insurance (Hunt, 2007). The trade, credit and political risk sector of the insurance industry is growing about 14 percent a year, and in 2006, it represented 10 percent of total premiums (Biederman, July, 2006).

Limitations of Business Interruption Insurance

Business Interruption Insurance protects companies against risks that property damage to their facilities will affect their ability to make profit (Mayers, 2005). Such policies cover the loss of property and the cost of the interruption of business operations until repairs can be made. A related type of policy is Contingent Business Interruption Insurance, which takes into account the fact that companies do not operate in isolation and that damages anywhere along their supply chains, from suppliers or customers, can seriously impact their on-going profitability. Contingent Business Interruption Insurance expands coverage to include damage to upstream (supply) and downstream (customer) loss that affects a company's profitability (Mayers, 2005).

The limitations of coverage from Contingent Business Interruption Insurance were pointed out by the results of a case, Pentair Inc. versus American Guarantee and Liability Insurance, Company, which was tried in the US Court of Appeals, in 2005 (Mayers, 2005). Pentair, a company with content business interruption insurance, had a foreign supplier whose operation was shut down due to earthquake damage to an electrical substation. The court ruled that the insurance policy did not apply to indemnify it, because the supplier's property did not suffer direct physical loss or damage. This court case points out the importance of carefully defining scope of coverage from contingent business interruption insurance. For instance, a company located in an earthquake-free location may not see the necessity of having earthquake damage coverage; however, if a remotely located supplier suffers physical damage from an earthquake that results in interruption, the loss in profit would not be covered.

The Pentair case pointed out the care a policyholder needs to use to identify the risks of loss that trigger the coverage, supplier properties that should be covered, and the types of loss to the dependent property that trigger the coverage (Mayers, 2005). In addition, the word "interruption" should be carefully defined so that it covers partial suspension of operations (Roberts, 2007). In a number of cases, companies experienced denial of coverage, because every single aspect of their operations was not totally shut down. Firms seeking civil authority or ingress/egress provisions that provide coverage when employees cannot access the property should insist that "hindered" or "impaired" be used instead of "prohibited" of "prevented" to describe trigger conditions, since some companies have been denied civil authority coverage if there was any possible way to enter the premises. Civil authority provisions should apply, even in the absence of physical damage to the insured's property (Roberts, 2007). After the September 11 attacks, airlines and airports suffered huge losses because the FAA shut down the airspace, but their continent business interruption coverage did not apply, because they did not suffer physical damage to their property or the physical damage was not close enough to their property. Regarding deductibles, policy holders should be sure to have detailed clarifications, and in most cases, demand that a waiting period for business interruption losses be the only deductible, that it begins immediately, no matter what day of the week it is, and that it be stated in terms of clock hours, not business hours. Additionally, companies should be sure that loss is defined in their contingent business interruption policy in such a way that it fits the reality of the way they do business. For instance, a policyholder's insurance may measure loss in terms of amount of sales. If the company's factory suffers fire damage and is shut down for several months, but a remote warehouse has several months of finished product that could be sold during the restoration period, the policy will not cover the fire damage.

The aftermath of September 11 had a major impact on extended period of indemnity offered by many insurers, which covers the period when a business reopens until it is up and running at full capacity. EPOI had risen up to one year from 30 days in the mid-nineteenth century, but it is beginning to rise again (Hofmann, 2007).

Trade Disruption Insurance

Given the limitation of contingent business trade disruption coverage to physical damage, many companies turn to other coverage, such as Trade Disruption Insurance, which guards against losses from upstream or downstream, no matter what the cause (Biederman, January, 2006). Trade disruption insurance is designed to cover debt repayment, profit loss, loss of tax credits due to missed deadlines, loss of revenue, addition and/or increased costs of working, out of pocket expenses, and costs of executing contingency plans (Press and Sawyer, 2005). Trade disruption insurance policy coverage is triggered by indirect damage to the insured, from perils such as marine transit delays, fire, lightning, explosion, storm flood, snow, ice, earthquake, volcanic eruption, airline crashes, train derailment, collision, or the emergency closing of a road, bridge, railway, airport, port or navigable water, or political risk exposures (Biederman, January, 2006). For example, each year a fuel Supply Company has a limited window of opportunity to deliver fuel to remote areas of Alaska (Zinkewicz, 1999). Successful, punctual deliveries are an obligation; otherwise, the company could lose contracts. If icy conditions prevent delivery, the company's trade disruption insurance covers any extra expenses incurred by the necessity of using alternative methods of delivery. An American semiconductor manufacturer with plants in a low-cost foreign country holds trade disruption insurance to protect its revenue stream in case political upheaval should make it necessary for them to shift operations to another location. When a cruise ship company was unable to arrive in its port of call on-time, its trade disruption policy covered re-booking passengers and room and board until a replacement ship arrived (Zinkewicz, 1999).

Export Credit Insurance

Companies engaging in international trade face the ongoing risk of the failure of foreign customers to pay. Export credit insurance has been used for many years in Europe, and approximately 40 percent of businesses in Europe carry such insurance (Urrico, 2007). Credit insurance is now being offered by commercial risk insurance companies and by the Export-Import Bank of the U.S. To date only about five percent of American companies have purchased it. This type of insurance covers commercial losses, such as buyer insolvency, bankruptcy or default, and political losses that make a customer unable to pay, such as war, terrorism, revolution, nationalization, and currency inconvertibility (US Export Assistance Center, 2007). Exporters can purchase multi-buyer policies that cover all sales made, or single sale policies, for either short-term, up to one year, or medium-term, 1-5 years, repayment periods (International Trade Administration, 2007). Short-term export credit insurance usually covers 90-95 percent of the outstanding credit balance, for both commercial and political risk of default, with pricing dependent on risk factors such as country, creditworthiness of the buyer, sales volume, and seller's prior experience as an exporter. Short-term policies cover consumer goods, materials and services up to 180 days and small capital goods, consumer durables and bulk commodities for up to 360 days. Medium-term policies cover 85 percent of net contract value and cover large capital equipment up to five years. The United States Export-Import Bank offers medium-term export credit insurance policies with terms ranging from 1-7 years, with 100 percent coverage for commercial and political risks of default (Spivey). Multi-buyer policies tend to cost less than one percent of insured sales, but the price for single sale shows wide variance. Credit insurers usually offer deductibles, and insurers retain 10-20 percent of the loss for each account as co-insurance (Urrico, 2007).

The benefits to international businesses of this type of insurance are numerous. First, exporters can feel safe to enter risky global markets in developing countries, expand their customer base, and to offer customers more liberal payment terms. Using insurance as a guarantee instead of letters of credit is less costly, and insured receivables can be used as loan collateral to boost a company's borrowing capacity. Export credit insurance provides coverage that domestic insurance policies cannot, since enforcement of payment of export contracts usually has to be in the jurisdiction in which the buyer is located. Another advantage is the credit decision support that credit insurers provide, through using public-record monitoring systems and analysis of common covered firms with other policyholders to continuously monitor the trading partners who are covered according to their sustained credit worthiness. This service is particularly valuable, since many firms tend to use a customer's payment history as a valid predictor of default, but bankruptcies or default are common even in companies who pay their bills on-time.

Caveats for purchasers of export credit insurance include the importance of obtaining a signed proforma invoice and a buyer's acceptance form, with precise names of the shipper and consignee, and recent credit information on the buyer. Exporters should be aware that, in case of non-compliance with specifications in the policy, claims may be denied; and that coverage is less than 100 percent, making them responsible for uncovered portions of the loss. Credit insurance should also not be used to grant credit to companies that represent a serious risk, or as a shelter against what a company knows to be imminent loss (Urrico, 2007). Coverages that are not usually included are fraud and receivables that are not paid because of business disputes over defective products or late deliveries (Urrico, 2007).

An animal feed company in Pennsylvania needed to be able to extend credit to a foreign buyer who did not have the working capital necessary to pay up front. The feed company was concerned about potential risk of non-payment from this buyer and also about the political conditions in the buyer's country. The feed company consulted with the Manufacturers and Traders Trust Company, who helped them secure a comprehensive, cost-effective insurance policy, which enabled them to sell more feed, become more competitive, and use the newly insured receivables as collateral for a new line of credit. (Manufacturers and Traders Trust Company, 2008).

A producer/packager of tinned food that shipped in bulk to Australia needed to offer extended terms of payment to give sufficient time for the goods to reach their market, but was concerned about extending the period of payment risk. Coface was able to offer extended credit terms and export credit insurance policy to cover the increased risk of non-payment (World Trade Consult, LLC, 2008). A large engineering company employing over 5000 people and trading all over the World, including Russia, China and South America, had been trading on Confirmed International Letters of Credit. After offering two years rather than one year for payment terms and securing export credit insurance policy to cover, the company gained competitive advantage and increased business, with costs less than for CILCs (International Trade Administration, 2007).

American companies' expenditure on credit insurance has increased by up to 15 percent over the past several years, reaching $550 million per year (Urrico, 2007). Despite the benefits, research indicates that the majority of businesses in the United States have still not obtained business credit insurance, even when 40 percent of the average company's assets are held in the form of trade debts (Euler Hermes, ACI, in Urrico, 2007), and cash flow can be severely interrupted unanticipated failure of debtors to pay on time.

Political Risk Insurance

Political risk is a serious issue that worries risk managers around the globe. In a recent Price Waterhouse survey, 83 percent of risk managers, chief financial officers, and international division heads indicated that, while they monitor the political environment in places where they are invested, but 73 percent of them said that their risk management is not effective (Price Waterhouse-Coopers and Eurasia Group, 2006).

In light of the decrease in available insurance for supply chain disruptions, companies like Aon have developed tools to help companies evaluate the risks inherent in doing business in unstable regions around the world. In consultation with global credit and political risk underwriters, Aon annually produces a Political and Economic Risk Map that provides ratings of more than 200 countries on political, economic, and currency risks (Aon Limited, 2008). The 2008 study that produced this year's map, for instance, showed that global companies in 25 of the 50 largest global economies face increased political and economic risks which include disruptions to business resulting from war, terror attacks, and political interference, particularly in oil-exporting companies in the Middle East and Africa. The slowdown in the US economy is expected to impact credit quality, with increasing risk of nonpayment of receivables, particularly in companies in countries like Turkey, Hungary, and Romania, who have recently joined the global economy. Aon also produces a Supply Chain Risk Index that provides rankings of the 50 countries with which US and European companies deal the most, according to the factors that pose the greatest risks to supply chains—strike and labour unrest, terrorism, quarantine, stability, trade openness, infrastructure, and legal and regulatory factors (Aon, 2005). With its Political Risk Audit, Aon can provide individual companies with more detailed analysis of the impact of supply chain disruption on their assets, revenue and supply chains.

Coverage of up to $300 million per policy is now available to cover extra, non-budgeted costs incurred from key supplier non-performance, or non-delivery of goods and services. These policies are firm-specific and designed to cover what is left out of other insurance coverage, with claims often paid when triggered by a specific event. For example, Aon offers a combined program that covers property/marine insurance, focused on physical damage events and Trade Disruption Insurance, focused on revenue protection. The combined program includes enhanced Business Interruption Coverage, Improved Revenue/Profit Protection, and Secured Contractual Commitments. Coverage is triggered by non-arrival/late arrival of JIT deliveries or shipments, logistics disruptions, delayed production start-up, loss of contract expense, or film cancellation caused by perils such as war, civil war, riots, terrorism, trade embargoes, import/export license cancellation, forced relocation, windstorms, fire, explosions, flood, or earthquake (Aon Limited, 2005).

The level of political risk a company's supply chain faces, depends on the extent and type of exposures created by the company's sourcing strategies—such as time-sensitive production, reliance on non-standardized, tailored parts, single-source/limited source supplies, or reliance on a supplier in one geographic area (Aon Limited, 2005). Disruption in the arrival or goods whose arrival is time-sensitive, such as produce or fashions, for instance, can lead to huge losses, at the worst, and greatly increased costs of expediting goods from alternative suppliers, at the least. Disruption in the production or delivery of non-standardized, tailored goods produced by a single supplier or a limited number of suppliers is particularly costly, since it would take alternative suppliers weeks to months to reengineer their production processes in order to be able to produce specialized products or parts. Reliance on a single geographical region for production or supplies is risky, since alternative production sites or sources of supplies would inevitably require costly amounts of time to make up for supply chain disruptions. Despite the serious financial implications of supply chain risks, many accounting procedures underestimate companies' vulnerability and the impact of supply chain disruptions on the bottom line, because they consider the value products as they pass along the supply chain, rather than assessing the long-term financial exposure caused by the failure to deliver products.

A technology company with operations in 120 countries has an early-detection system in place to anticipate and identify potential political event that might affect their suppliers, enabling them to realign supplier contracts before political events disrupt the supply chain. A company in the express delivery company was watching when China opened up protected sectors of its market as part of the process of joining the World Trade Organization. The company took this opportunity to buy out its joint-venture partner, move its Asian regional logistical hub operations to mainland China, and gain access to previously off-limits interior cities in China (PriceWaterhouse-Coopers and Eurasia Group, 2006).

Conclusions

Global companies now depend on a variety of insurance products to protect themselves from losses sustained through physical damage, as well as delays and disruption.

Since many of these policies have only been available and used by companies for four or five years, the long-term impact in terms of cost and effectiveness has yet to be determined. Research is needed to provide guidelines to companies who seek risk insurance, so that they will be able to evaluate the type and range of coverage offered to them. Also important is the issue of the role of insurance coverage in strategic risk management, and how a company can effectively determine the exact combination of supply chain risk insurance policies it needs and how much. To be best served by their insurers, companies must be open to sharing corporate information regarding trade partnerships and to allowing insurers to monitor trade relationships on an ongoing basis, in order to provide the feedback needed to secure and adjust favourable contracts and to ensure coverage, when needed. Insurers must also take into account a company's size, familiarity with the suppliers' environment, trade partner relationships, technological infrastructure, and other factors that impact the amount of risk to their supply chains. The globalization of business has seen an ever-growing market for effective supply chain risk coverage to shield companies from disruptions to their supply chains. What is still needed are monitoring and evaluation of the impact of these insurance products toward providing the comprehensive, cost-effective protection global supply chains need.

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Service Failure and Recovery: Insurance Sector

Jayasimha K.R.and Murugaiah V.

A detailed survey of literature has yielded no studies on service failure and subsequent recovery in Indian Insurance sector. This is surprising given that insurance is prone to greater degree of mis-selling as an insurance product offers only 'intermediate product experience.' Eventually mis-selling leads to customer dissatisfaction necessitating service recovery. By the end of 2008, 2.8 million insurance agents are expected to be employed by all insurers in India. Given the attrition rate of 25 percent-30 percent, the problem of missing agents resulting in orphan policy holders is likely to aggravate resulting in the absence of 'first line of defense' for handling service failure. Besides, the prevalent front-loaded commission structure and lack of customer service training for insurance agents raise the larger question of preparedness of the insurance companies to effectively handle service recovery. In the first part of the paper, authors provide a conceptual understanding of the key terms and in the subsequent section they establish the need for closer examination of service failure and recovery in the insurance sector.

Researchers have used three theories to explain the phenomenon of Service failure, viz., Social Exchange Theory, Equity Theory, and Attribution Theory. While Social Exchange Theory rests purely on the economic value derived from the exchange, Equity Theory rests on the perceived contributions and benefits within an inter-personal relationship, and Attribution Theory has its roots in how individual 'attribute' causes to events and this cognitive perception affects their motivation. A brief overview of the three theories is provided in the sections below.

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Social Exchange Theory and Service Failure

John Thibaut and Harold Kelley (1952) are credited with developing this theory. Social Exchange Theory has its roots in economic theory and holds that all human interactions are based on a subjective cost-benefit analysis. In a relationship, when the perceived costs and benefits are equal, the relationship is considered to be "equitable." When the perceived costs outweigh the perceived benefits, then Social Exchange Theory propagates that the person will discontinue the relationship.

There are two major criticisms of the Social Exchange Theory viz.

a. Human interactions reduced to rational process based on economic theory.
b. Assumes a linear relationship, while some relationships might oscillate to and fro in terms of intimacy.

Some of the earliest applications of Social Exchange Theory in Services Marketing have been by Homas (1961) and Walster et al (1973, 1978) who viewed Service failure as an "exchange in which customer encounters a loss due to the failure." In other words, Service failure is an encounter which is not 'equitable.'

Equity Theory and Service Failure

Also known as Adam's Equity Theory was proposed by John Stacy Adams (1963). This theory attempts to explain satisfaction based on perceived fairness of distribution of resources within interpersonal relationships. Equity is measured by comparing contributions made (inputs) and benefits (outcomes) received by each person within the relationship. Inputs are viewed as entitling the individuals to rewards or costs. Inputs could be time, effort, loyalty, hard work, flexibility etc. Outcomes could be perceived positive or negative consequences incurred by a participant in a relationship. Outcomes could be love, intimacy, salary, esteem, recognition, praise etc.

Equity theory is based on the following propositions:

a. Individuals seek to maximize their outcomes.
b. When individuals are in an inequitable relationship, they become distressed.
c. Individuals who feel they are in an inequitable relationship will try to restore equity and thereby reduce or eliminate distress.
d. Magnitude of distress is directly proportional to the magnitude of inequity.
e. The person who receives greater benefits than costs may feel guilt or shame and vice versa.
f. Groups can maximize collective rewards by developing accepted systems for equitable apportioning of rewards and costs among members. Groups can induce equitable behaviour among members by making it more profitable to behave equitably than otherwise.

One of the recent applications of Equity Theory in Services Marketing in Service failure context has been by Smith, Bolton and Wagnor (1999) who have categorized exchanges into 'utilitarian' (those involving money, time and tangible goods) and 'symbolic' (involving psychological or social resources like esteem, status, empathy etc.)

Attribution Theory and Service Failure

Fritz Heider (1958) is credited for proposing this theory. It explores the process of how individuals attribute causes to events and the impact of this causation on their motivation. Attribution Theory categorizes the way individuals attribute causes to events into two categories viz., External or Situational Attribution (outside factors) and Internal or Dispositional Attribution (within person factors).

Harold Kelly (1967) further investigated the process of attribution and his research culminated in the Co-variation Model consisting of three scales viz., Consensus (how other people behave toward the same stimulus) Distinctiveness (how the person whose behaviour is trying to explain responds to other stimuli) and Consistency (frequency with which the observed behaviour between the same actor and the same stimulus occurs across time and circumstances).

Findings of Kelly can be summed up as under:

1. People make internal attribution when consistency is high and consensus and distinctiveness are low.
2. People make external attribution when all the three items viz., consistency, consensus and distinctiveness are high.
3. People find it difficult to attribute causes to events when consistency is low. In such circumstances, they assume something the situation to be peculiar or unusual.

Some of the recent studies that have used Attribution Theory in Service failure context are Maxham and Netemeyer (2002) and McCole (2003). When outside forces are held responsible (cause) for a Service failure (event) it is said to be external attribution and when within person or service organization is held responsible (cause) for a Service failure (event), it is said to be internal attribution.

Service Recovery

Multiple definitions of service recovery can be found in the literature. They fall broadly under two categories viz., those that view recovery as the act of recovering from the service failure and those that consider recovery as a means to understand the causes of failure and pre-empt or mitigate its effects. Except for Tax and Brown, most others belong to former category.

Johnston and Hewa (1997) consider 'all actions initiated by the service provider to mitigate the shortfall arising out of provider's failure to deliver the service as designed' as service recovery. Gronross (1998) defines service recovery as 'all actions initiated by the service provider in response to a service failure.' Smith et al (1999) consider service recovery as 'bundle of resources deployed by the organization to mitigate service failure.' Andreassen (1998) defines service recovery as 'efforts made by the firm to return aggrieved customers to a state of satisfaction following a service failure.'

Tax and Brown (2000) define service recovery as 'a process that identifies service failures, effectively resolves customer problems, classifies their root causes and yields data that can be integrated with other measures of performance to assess and improve the service system.'

Complaint Handling

One of the simplest definitions of complaint has been offered by Tax, Brown and Chandrashakaran (1998) who have significantly contributed to complainant's evaluation of complaint handling. They define complaint as "conflict between the customer and the service organization in which outcomes are evaluated based on resolution procedure (procedural justice), interpersonal communication (interaction justice) and the outcome (distributive justice).

Much needed clarity on the difference between complaint handling and service recovery has been provided by Michael (2002). She lists Singh (1990) and states "the service recovery process starts with customer dissatisfaction and not with a customer complaint. Complaint handling is only one aspect of service recovery, since most dissatisfied customers do not complain."

Bosch and Enqriquez (2005) in their work on QFD (Quality Function Deployment) and Customer complaint management system provide a fresh perspective. According to them, complaints are the Direct Voice of the Customer (VOC) and fulfill one of the main requirements of QFD of 'going to the *gemba'* which in Japanese means 'where source information can be learnt.'

Frontline Employees

Extant review of literature reveals that the terms customer contact employees and frontline employees (frontline staff, frontline service executives) have been used interchangeably. While there is no straightforward definition of the term frontline employee, there are good number of studies that have investigated his role in service design and delivery, some of which are summarized below:

a. They play an important role not only during service encounter but also during service recovery (Boshoff and Allen, 2000)
b. They significantly influence on how the service is perceived before and after purchase (Chung Herrera et al, 2004)
c. They are the first point of contact for a dissatisfied customer, hence the most effective recoveries are the ones that solved immediately by them (Zeithaml and Bitner, 1996).

Insurance Sector: Need for Greater Attention

In this section, an attempt has been made to identify the idiosyncratic issues to present a compelling argument for greater research attention to study the phenomenon of service failure and recovery in insurance sector.

Grievances and Ombudsman

The most reliable data available in the public domain on customer complaints is the complaints received by the insurance ombudsman set up by IRDA. Ombudsman functions from the following 12 cities viz., Ahmedabad, Bhopal, Bhubneshwar, Chandigarh, Chennai, Delhi, Guwahati, Hyderabad, Kochi, Kolkotta, Lucknow and Mumbai and handle grievances from those policy holders where insured amount is less than 20 lakhs.

Policy holders are first required to approach the customer complaint cell of the concerned insurer (it is mandatory for every insurer to have a customer complaint cell) and if they do not receive a response within a reasonable period of time or if they are dissatisfied with the response received, only then they may approach the ombudsman. IRDA does not register complaints based on the copies of the communications addressed to the insurers.

We feel that the data available with IRDA does not indicate the true picture for the following reasons:

a. The following three types of grievances are handled by the insurance ombudsman; (a) non settlement/ delay in settlement of claim (b) repudiation/ partial settlement of the claim and (c) policy issues (like non renewal/cancellation/non-issuance). However all these pertain to core service failure. Rich evidence can be found in services marketing literature about failures arising out of process failures (Spreng, Harell and Mackay (1995)) and conduct of frontline employees (Lewis and Spyrakopoulos, 2001). However insurance ombudsman does not address such service failures and hence not reflected in the number of complaints received by ombudsman.

Table 01: Status of Grievances – Life Insurers

Insurer	Total as on 31.03.2005	Reported during 05-06	Total	Resolved during the year	Pending as on 31.03.2006
Public sector	992	851	1843	467	1376
Private sector	133	540	673	270	403
Total	1125	1391	2516	737	1779

Source: IRDA Annual report 2005-06 Note: data only for life insurers

b. Unresolved/ unsatisfactory resolution of the complaints by the insurer is what ombudsman would consider. However most of the earlier studies in services marketing that have investigated individuals' propensity to complain like Day and Landon (1977), Landon (1977), Day (1980) have found a greater propensity not to complain for reasons like hostile reaction from the company, not clear about rights and obligations, unwilling to invest time and effort and the feeling that complaints will not be seriously considered. There is also enough evidence to suggest that dissatisfied customers would rather switch and engage in negative word of mouth (Blodgett et al, 1995) than complain.

Hence number of complaints registered with insurance ombudsman is an insignificant percentage of the total complaints. Large scale studies of policy holders are required to ascertain the degree of dissatisfaction, which requires service recovery.

Intangibility: The Root Cause

The nature of service (insurance) requires high level of customer contact and the relationship with customers are relatively long term (Boshoff and Allen, 1999). Moreover, insurance like most financial products is intangible (leaning towards pure service on the continuum). Hence most insurance products do not offer *'instant product experience'* at the time of purchase.

The inability of the customer to experience the product at the time of purchase due to intangible nature of the offering and resulting misjudgment is exploited more in insurance than in banking as insurance products usually have *'longer tail'*. In many cases, the policy holder might not be alive to experience the benefit (as in case of a term policy of considerably long duration). Even with those insurance products with guaranteed returns at regular intervals in future (say money back or linked policies), it is only an *'intermediate experience'* after few years of purchase of the policy. Hence at the time of purchase of the policy, it is only the *'promise'* that is being sold.

Hence the nature of the product provides ample scope for mis-selling of policies either by promising exaggerated benefits or mis-representing the costs. Mis-selling results in breach of trust. From the exchange theory perspective *(refer section 1.1.1)*, mis-selling places the policy holder in an *'inequitable'* situation resulting in service failure. A look at the forfeiture/ lapse of policies is interesting. While it is naïve to argue that all the lapsed policies are due to mis-selling and subsequent realization by the customer, we feel that further studies are required to establish what proportion of the total lapsed policies are due to mis-selling and subsequent realization by the customer.

Table 02: Lapsed Policies (Non-Linked business)

Insurer	Number of Lapsed Policies (in '000)	Sum Assured (Rs. Crore)
Bajaj Allianz	66.47	2417.74
Reliance life	17.58	259.80
Aviva	18.60	48.99
BSLI	5.26	48.99
HDFC Std. Life	40.55	793.56
ICICI Pru	136.54	1377.46
ING Vysya	40.73	855.40
MYNL	104.02	2657.78
Met Life	31.12	1008.37
Kotak Life	27.07	520.55
SBI Life	31.52	459.43
Tata AIG	92.49	1615.67
Sahara	5.24	61.83
Shriram Life	0.00	0.00

Source: IRDA Annual Report 2005-06

Orphan Policy Holders

In the recent past, Insurance industry in India has been significantly affected by *'orphan policyholder (s)'* which has resulted in widespread dissatisfaction among customers leading to service failure. Orphan police holders are an outcome of *'missing agents.'* Leena (2007) reports attrition among insurance agents at 25 – 30 percent. Given the fact that by the end of 2007 insurance industry had estimated 18 lakh agents, the problem of missing agents is unbelievably high. The situation is only expected to get worse as Sengupta (2008) estimates that the number of insurance agents are expected to go up to 25 lakh by the end of 2008.

The regulator's (Insurance Regulatory and Development Authority (IRDA)) dictum asking insurance companies to put the list of their agents on their website have been ignored. As a result, the policy holders continue to suffer. The phenomenon of missing agents is contrary to what we have seen section 1.3.1 *(section on frontline employees)*. Frontline employees who are expected to be the *'first line of defense'* in case of service recovery are missing. Further studies are required to find out the response of orphan policy holders under these circumstances.

Table 03: Agents licensed by IRDA for the year 2005-2006

Life Insurer	Individual Agents (New)	Corporate Agents (New)
Bajaj Allianz	78826	18
Tata AIG	18051	10
AMP Sanmar	14034	4
Birla Sun Life	11101	15
Aviva	9178	2
HDFC Standard Life	14762	6
ICICI Prudential	41,552	1
ING Vysya	13689	0
LIC	155250	15
Max New York Life	11941	10
Met Life	8217	1
OM Kotak Mahindra	11941	10
Sahara India	80	0
Shriram Life	5935	0
SBI Life	4794	3

Source: IRDA Annual report 2005-06 Note: does not include renewal cases and general insurers.

Commission Structure

Nature of the offering *(as detailed in section 2.2.1)* clubbed with the commission structure is often attributed as reasons for miss-selling of the insurance policy. For missing agents, unless he joins another insurance company, he continues to receive the renewal commission on valid policies he sold even without servicing his clients.

Significant numbers of insurance agents are part-time agents, who sell insurance for extra money. Selling takes precedent over servicing existing clients as he has to juggle between two jobs. Popular estimates project number of part-time agents to be close to 60 percent of the total number of insurance agents.

The current commission structure which is *'front-loaded'* where by an agent gets as high as 25 percent, 20 percent and 15 percent in the first three years has been blamed for agents not putting clients interest ahead of his own economic gain. This is reflected in the large number of linked policies being sold where agent commissions are significantly higher than pure risk covering instruments like term policy. As reported in IRDA's annual report 2005-06, the first year premium growth of linked products were 16060.67 crore representing a growth of 95 percent over 2004-05. In comparison, first year premium of non-linked products grew at an abysmal 16 percent from 17069.37 in 2004-05 to 19804.33 in 2005-06.

Unfortunately the proposal to introduce *'Clambake,'* the process of recovering the commission already paid out if the policy lapses after first year have not seen the light of the day. As the current incentive system promotes hard sell with no emphasis on 'service,' failure instances are expected to be higher than reported. Hence large scale studies are needed to get the true picture.

Customer Service Training

No formal training/certification was necessary to sell insurance policies before 2001. Starting from 1st July 2000, IRDA made

100 hours (66 hours of classroom and 34 hours of field work) of training mandatory for all insurance agents.' For composite agents (agents selling both life and general insurance) 150 hours of training has been mandated by IRDA. Apart from this, IRDA has also stipulated basic qualification of matriculation in rural areas and 12th pass in urban areas to be eligible for becoming insurance agents.' Region wise distribution of IRDA approved agents' training institutes are as under:

Table 04: Agents Training Institutes

Region	Number of Approved Institutes
North	497
South	562
West	445
East	328

Source: IRDA Apart from the above, there are 18 online training institutes approved by IRDA.

A closer look at the syllabus prescribed for insurance agents' reveals some interesting insights. For becoming a life insurance agent, one has to study three courses viz., Principals of insurance, Practice of life assurance and Insurance Business Environment. Study of the detailed course outline reveals that the focus is primarily on providing *'Product Knowledge.'* None of the courses have even a single module on *'Customer Service.'* This is contrary to what is argued in services marketing literature where frontline employees are supposed to play a crucial role not only in service delivery during the service encounter, but also during service recovery (Whiteley, 1994). It is interesting to note, how in the absence of formal customer service training, frontline employees handle service failure and recovery, hence the need for a large scale study.

Concluding Remarks

Life insurance penetration has increased after the entry of private players from less than one percent in 90's to more than 2.53 percent in 2005. Hence the role of insurance agents cannot be undermined. However as the insurance penetration increases, the need for superior service delivery and service recovery mechanisms also increases significantly. This calls for large scale studies to provide greater understanding of service failure and recovery in insurance sector. Most of the studies in Indian context as reported by Sandhu and Bala (2006) were conducted prior to entry of private players like Mohan (1982), Reddy and Murthy (1996) etc. However studies conducted after 2001 like Banumathy and Manickam (2004), Raman and Gayatri (2004), Jawaharlal and Pareek (2004) etc., have ignored the issue of service failure and recovery in insurance sector. The only way to fill this gap is through large scale studies.

Hence in this paper an effort was made to strongly argue for studying service failure and recovery in insurance sector. Hope further research provides insights to improve the service quality of this sector.

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Liquidity Trends:
Corporate Comparatistics

Paroma Mitra Mukherjee and Dilip Roy

Working Capital is one of the most important aspects of the overall financial management of a company. It is important for analysts to study the trend of liquidity to ensure higher level of efficiency in the organization. This trend analysis cannot be done in isolation because working capital requirements vary from industry to industry. This article attempts to make a comparative study on Durgapur Steel Plant (DSP) and Tata Iron and Steel Company (TISCO) to evaluate the suitability of the liquidity policies adopted by the two companies. Current asset ratio and turnover ratios have been taken into consideration for studying the liquidity position. For statistical analysis, linear and quadratic regression analyses of the said ratios have been chosen.

The steel sector can be considered as the primary vehicles of economic development in India. Virtually every sector of the Indian economy is dependent on the steel sector. The rate of growth aimed at by the national steel policy in the country is 12.23 percent per year with the targeted annual output of 100Mt by the year 2020. Fortunately, technological environment is highly encouraging. Also, there is ready availability of skilled persons in the country. India is also gifted with the basic raw materials such as iron ore and coal for steel production. The country is therefore potentially ready to face the challenges that confront this industry in this age of globalization.

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To remain afloat in the global market, Porter's (1980) generic strategy of overall cost leadership may be the ideal choice of this sector of the Indian economy. Reduction of manufacturing cost can ensure the competitive edge in the global market and can also accelerate the rate of growth within the country. However, there are couples of threats that are affecting the overall performance of the Indian steel sector. The cheap import and antidumping duty imposed by USA have badly affected the steel industry in the recent past. Further, in the domestic front, the per capita consumption is only 26.7 Kg against a global average of 121.0 kg. To ensure competitive advantage, there is a general consensus that the steel industry has to concentrate on the following aspects:

- Reduction in operating cost,
- Reduction in working capital,
- Reduction in product inventory,
- Improvement in techno-economic parameters, and
- Substitution of raw materials by their cheaper versions.

Differentiated sourcing and effective supply chain management can also help this process of cost reduction.

India is expected to become the third major economic power in the world within the coming 15 years (next to USA and China). If India has to reach and hold this position, it has to make rapid economic progress. Both private and public sector units of the economy must earn sufficient surplus not only to finance their expansion programme but also to sustain the rate of growth. But the performance of the public sector enterprises has been showing a declining trend except for a few years. Investment wise there is a positive attitude of the government. This has generated greater employment opportunity, in particular.

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Iron and Steel Industry, which has been selected for investigation in the present study, is, indeed, the backbone of economic growth in any country. There is a strong relationship between the level of economic growth and the quantum of steel consumption and India is no exception to it. After independence, to ensure growth and stability in the economy, as many as five integrated steel plants were set up in the public sector. But the priority given by the planners on rapid industrialization has failed to yield the desired result due to poor capacity utilization and low level of consumption. Under-utilization of production capacity can be attributed to the inadequacy of exogenous and infrastructure factors such as power, coal, technology, transport facilities, railway network, export financing and tariff. Unless the management can get rid of the problem of under-utilization, they have to accept the responsibility for the unsatisfactory performance and inefficiency of the units. These call for a complete diagnosis of the difficulty in achieving full utilization of the capacities.

In the present study, an attempt has been made to examine and evaluate the management of short-term liquidity of two selected public sector and private sector enterprises in India in order to identify the key factors that have contributed to not so rosy performance of the Iron and Steel Industry in India.

Literature Review

A business unit requires funds for its day-to-day commercial operation. Managing those funds is the job of working capital management. It is a form of safety margin that exists for the protection of short-term creditors. The extreme way of managing working capital is to work with minimum or even 'nil' cash balance.

Working capital can be of two types. One is the permanent working capital, which reflects certain level of current asset. The other is the temporary working capital, which reflects the need to meet seasonal fluctuations and other temporary requirements. Working capital is needed in the form of current asset to sustain sales activity. It also helps to maximize the utilization of the capacity.

Unfortunately, the management of working capital has often been neglected, resulting in sub-optimal utilization of working capital. Unlike fixed assets, current assets reflect a company's daily activity. Usually they are most active. Component administration of current assets solves the problems of underutilization of capacities.

As pointed out earlier, the principal objective of the present research work is to make a study on the overall efficiency of the management of working capital with special reference to short-term liquidity. By the term liquidity we refer to the ability of a concern to meet its current obligations as and when these become due. A firm should ensure that it does not suffer from illiquidity and lack of sufficient liquidity to meet its current obligations. It may result in bad credit ratings and finally, it may result in the closure of the company. Proper management of working capital, therefore, is to ensure sound liquidity and profitability positions. According to Pandey (2003), the firm should maintain a balanced working capital position. It should have adequate working capital sufficient enough to run its business operation. Both excessive as well as inadequate working capital positions are undesirable. Excessive working capital means idle funds which bring no profits for the firm. On the other hand, shortage of working capital may not only impair the firm's profitability but also result in production interruptions and inefficiency.

According to Khan and Jain (2006), cost of working capital need to be reduced through a combination of benchmark and strict cost control. Thus, liquidity-ratio-analysis is important for working capital evaluation. Financial ratios are among the best-known and most widely used tools of financial analysis for visualizing the strengths and weaknesses of a firm. Its historical performance and current financial condition can also be studied.

The commonly used ratio, which indicates the extent of liquidity or lack of it, is current ratio. It is calculated by dividing current assets by current liabilities. Apparently, higher the current ratio, greater is the short-term solvency of the firm. Conventionally, a current ratio of 2:1 is satisfactory. Thus, a 100 percent margin of safety is assumed to be sufficient to handle the odd situation. However, this rule of thumb cannot be applied in a mechanical way. The satisfactory level of current ratio will depend on the extent of development of the capital market and availability of long-term funds to finance current assets. The other factor that has a role to play in fixing the benchmark for the current ratio is the nature of business. For example, public utility firms generally maintain a very low current ratio because they have very little need for current assets. Thus, the standard norm of current ratio may vary from firm to firm. However, a ratio of less than 1:1 should definitely be avoided because at least some safety margin is required to protect the interest of the creditors and to offer cushion to the firm during bad days.

Another way of examining the liquidity position is to determine how quickly certain current assets can be converted into cash. The ratios to measure these are known as turnover ratios. Liquidity ratios are not independent of activity ratios. They should be examined in combination with the relevant turnover ratio affecting the liquidity of a firm. The two types of turnover ratio are inventory turnover ratio and debtor turnover ratio. The first one is computed by dividing the cost of goods sold by the average inventory. The second ratio is determined by dividing the net credit sales by average debtors outstanding the year.

Bardia, (2004) made a study on the liquidity position of TISCO. He also analyzed the relationship between profitability and liquidity and presented the trend analysis of current assets, current liabilities and net working capital along with hypothesis testing by chi-square test. Also there were some suggestions to improve the efficiency of the liquidity management of the company. Bardia (2006), in another study, made a comparison between the trends of SAIL and TISCO. It provided a basis to judge whether the liquidity policy pursued by the companies are satisfactory or some improvement is required in the sphere of financial management. He also analyzed the relationship between working capital and sales based on working capital turnover ratio and statistical technique of regression.

Over the years, some authors have studied the Indian Steel Industries from different angles, like the technological trend, price change, productive parameters and their effects on the performance of selected companies. Das (2004) examined the financial performance of the Steel Industry. Mitra, Mazumdar and Ghosal (2003) in their article on strategies for sustainable turnaround of Indian steel industry have suggested a two-step strategy for survival in the initial stage and growth strategy in the latter stage. Banerjee (2004a) identified reasons for India's slower rate of growth of steel consumption as compared to China. Banerjee (2004b) in another study has pointed out the optimism in global steel is based on a higher assessment of global output, particularly brighter GDP prospects in USA, EU and some of the Asian steel producing countries. He has pointed out that if this biased assessment is projected for future planning it may lead to imbalance in the system due to installation of higher capacity.

Methodology of the Study

The detailed methodology adopted for carrying out the present study is outlined below. The methodology discusses elaborately the companies covered, period of the study, scope of the study, nature of data used, and the techniques used for the study.

Companies Covered: We have selected for our study Durgapur Steel Plant (DSP) a sub plant of Steel Authority of India Ltd. (SAIL). DSP was registered in 1973 under the Companies Act, 1956 and is an enterprise of the Government of India. It has an installed capacity of 3.2 Mt per year. From the private sector Tata Iron and Steel company (TISCO) has been selected. It is Asia's first and India's largest integrated private sector steel company and is the lowest cost producer according to world steel dynamics. The installed capacity of TISCO is 5 Mt per year. Tata Steel in the new millennium has aimed to become a supplier of choice by delighting its customers with services and products.

Period of Study: The study covers a period of 10 years from 1996-97 to 2005-06. Depending on the availability of secondary data, information has been obtained from the finance department of DSP plant and from the TISCO's audited balance sheets and profit & loss accounts. In fact, financial ratios of TISCO have been directly collected from the website of Tata steel.

Scope of the Study: The scope of the study is limited to the analysis of financial performance. In order to draw conclusion, a number of financial and statistical tools and techniques have been used in this study. The analysis has been carried out basically to compare the liquidity management of the selected companies.

Techniques used for the in-depth analysis: The data collected from the financial statement of DSP and TISCO are analyzed with the help of financial techniques and statistical tools. First, we have made descriptive study and then we have made empirical analysis on that. Both the techniques are described below.

Empirical Analysis

Ratio Analysis: We have studied the current ratio, inventory turnover ratio and debtor turnover ratio related to working capital management of Durgapur Steel Plant (DSP) and Tata Iron and Steel Company (TISCO). Thereafter, we have tried to analyze the direction of change of the financial ratios to infer on their liquidity management. Table 1 shows the financial ratios of DSP and Table 2 shows the financial ratios of TISCO.

Table 1: Financial Ratios of DSP

Year	Current Ratio	Inventory Turnover Ratio	Debtor Turnover Ratio
1996-97	3.418	0.324	0.007
1997-98	1.847	0.294	0.026
1998-99	3.263	0.237	0.013
1999-2K	1.969	0.153	0.007
$2K-2K_1$	1.691	0.103	0.009
$2K_1-2K_2$	1.270	0.100	0.011
$2K_2-2K_3$	1.597	0.097	0.013
$2K_3-2K_4$	1.875	0.087	0.012
$2K_4-2K_5$	1.733	0.072	0.009
$2K_5-2K_6$	1.766	0.077	0.002
Average	2.043	0.154	0.011
S.D.	.675	0.089	0.0316
C.V.	33%	58.1%	287.5%

Table 2: Financial Ratios of TISCO

Year	Current Ratio	Inventory Turnover Ratio	Debtor Turnover Ratio
1996-97	2.07	0.127	0.195
1997-98	1.99	0.121	0.201
1998-99	1.79	0.124	0.201
1999-2K	1.65	0.107	0.178
$2K-2K_1$	1.55	0.090	0.159
$2K_1-2K_2$	1.54	0.090	0.155
$2K_2-2K_3$	1.36	0.077	0.104
$2K_3-2K_4$	1.03	0.074	0.068
$2K_4-2K_5$	1.10	0.077	0.039
$2K_5-2K_6$	1.11	0.095	0.033
Average	1.519	0.089	0.133
S.D.	0.351	0.002	0.063
C.V.	23.1%	2.2%	47.6%

Liquidity Position based on Current Ratio (CR): It may be observed from Table 1 that the currant ratios of DSP in the year 1996-97 and 1998-99 are as high as 3.418 and 3.263. These mean higher engagement of money on assets, which is a clear indication of inefficiency of management. In the year 1999-2000, the ratio is 1.969 and is very close to normally adopted standard, i.e., 2:1. Then in the year 2001-02 it was below standard i.e. 1.270, due to low current asset and high current liabilities, which is again not good for an organization.

By comparing Table 1 and Table 2 we can see that on an average the current ratio of DSP during the period of study is 2.043, which is higher than TISCO's average of 1.519. If we consider TISCO's average current ratio as the yardstick, then as per this analysis it can be concluded that during the 10 years under study, DSP has not attained this benchmark except in the year 2002-2003 when its ratio was 1.597, which is very close to the average of TISCO.

The coefficient of variations of current ratio of DSP and TISCO are respectively 33 percent and 23.1 percent, which again show lack of consistency on the part of DSP during the study period. Greater variability in the current ratio indicates improper or less efficient management of fund, contributing to uncertainty in meeting the industry's short-term financial obligations.

Liquidity position based on Turnover Ratio: It may be noted from Table 1; the performance of DSP slowly improved in respect of its age of inventory during the period 1996-97 to 2005-06 and is a good sign. We have calculated the inventory turnover ratios of DSP and TISCO and presented in Table 1 and 2 in that order. It may be observed from these tables that while the inventory turnover ratio of DSP has decreased from year to year from 0.32 in 1996-97 to 0.10 in 2000-2001, the inventory turnover ratio of TISCO has declined very slowly and is more or less consistent than DSP. As a result, the average inventory turnover ratio of DSP is greater than that of TISCO. Also, the coefficient of variations of the age of stock of DSP is much higher than that of TISCO, concerned figures being 45percent and nine percent respectively. This shows that, compared to those of TISCO, DSP's Inventory to turnover ratio was less consistent during the study period.

Debtors Turnover Ratio: Age of debtors' ratio is an indicator of the efficiency of the credit and collection policy of the firm and it directly affects the liquidity position of the company. It is a measure of the speed at which debts are converted into cash. Lower the debtors to sales ratio, better is the liquidity of debtors and it means prompt payment by the customers. This ratio is determined by dividing the net credit sales by the average debtors outstanding the year. The Debtors turnover ratio of DSP and TISCO has been presented and depicted in Tables 1 and 2. It is easy to note that for the years 1996-97, 1999-2000, 2000-01 and 2005-06, the performance of DSP was good and in 2004-05 it was very good i.e. 0.2 percent only. But it was comparatively high in the year 1997-98 with a value of 2.6 percent. Thus, the variation in this ratio for DSP shows that the policy-consistency was lacking. The corresponding figures of TISCO are more or less consistent. It varies from 0.15 to 0.2 only. Expectedly, the average ratio of DSP is 1.22, which is greater than TISCO's average figure of 0.18. The coefficient of variations of the debtors' turnover ratio of DSP and TISCO are 52.46 percent and 22.22 percent respectively. This shows DSP's Debtors to turnover ratios are less consistent during the study period as compared to that of TISCO.

Statistical Analysis

Since empirical analysis presents overall measure it is independent of the order of observation. As a result, the direction of change may not get properly reflected. To overcome this limitation, we have made regression analysis to analyze the direction of change of the liquidity policies of these two companies. Under regression analysis, we have first undertaken linear curve fitting and in case the same is not good we have resorted to non-linear regression analysis. Then we have made a comparative study by examining the significance of the regression parameters using appropriate test statistic. The underlying statistics for regression coefficient is t-statistic, which, under H_o follows t distribution with (n-2) degree of freedom (d.f.). As proposed earlier, we shall carry out regression analysis on current ratio, inventory turnover ratio and debtor's turnover ratio.

Regression analysis for Current Ratio (CR): Let the linear regression equation of DSP be represented by

$$CR_t^D = \alpha_1 + \beta_1 t + \varepsilon_t ,$$

where CR_t^D is the current ratio of DSP during the period t, α_1 and β_1 are the regression parameters, t is the time variable, and ε_t is the error term. Using the least square method one can estimate α_1 and β_1 using time series data from Table 1. The estimated value of α_1 and β_1 are $\hat{\alpha}_1$ and $\hat{\beta}_1$. Here $\hat{\alpha}_1$ is 2.8477 and $\hat{\beta}_1$ is -.1463.

To examine the significance of β_1 value, the regression coefficient of this linear regression curve, we like to test the null hypothesis, H_0: $\beta_1 = 0$ against the alternative hypothesis that β_1 is not equal to zero, i.e. H_a: $\beta_1 \neq 0$. The test statistic is

$$t = \hat{\beta} / [\hat{\sigma} \sqrt{\{1/\Sigma (x_i - \bar{x})^2\}}]$$

$$\text{where } \hat{\sigma} = \sqrt{\{\Sigma (y_i - \hat{\alpha} - \hat{\beta} x_i)^2/(n-2)\}}.$$

We observe the value of t as -2.255, with a tail probability of .0541, which is greater than .05. Hence we accept the null hypothesis at five percent level of significance and may tend to conclude that $\beta_1 = 0$, that is the current ratio of DSP is "static over time." But the multiple correlation, i.e. R value, is 0.62345 which is on the lower side. The corresponding analysis of variance table provides with F ratio as 5.08658 for which the upper tail probability is .0541. So, we conclude that, the linear regression is not a good fit for the said problem. We therefore switch over to quadratic analysis.

Let the quadratic equation for the current ratio of DSP be represented by

$$CR_t^D = a_1 + b_1 t + c_1 t^2 + \varepsilon^*_t$$

The value of multiple correlation coefficients for such a fit is 0.75857 which is reasonably high. The corresponding F ratio, as obtained from the analysis of variance table, is 4.74373. The upper tail probability value is .0499, so that the quadratic fit is good at five percent level of significance. The corresponding t- test for testing H_0: $c_1 = 0$ against the alternative H_1: $c_1 \neq 0$ results in the value of the test statistic as -2.277. The corresponding probability value is 0.0568, which is again greater than.05. Thus, we accept null hypothesis that $c_1 = 0$ at five percent level of significance.

The t-test for testing H_0:$b_1 = 0$ against the alternative H_1: $b_1 \neq 0$ provides a value of test statistic as 1.755. The corresponding tail probability value is .1227, which is much greater than five percent. Thus, we accept the null hypothesis at five percent level of significance. Combining these two conclusions we can finally claim that the current ratio of DSP is "static over time."

To carry out a similar analysis on TISCO, let the linear regression equation of TISCO be:

$$CR_t^T = \alpha_2 + \beta_2 t + \varepsilon_{t,}$$

where CR_t^T is the current ratio of TISCO during the period t, α_2 and β_2 are the regression parameters, t is the time variable, and ε_t is the error term. Using the least square method one can estimate α_2 and β_2 from the data presented in Table 2. The estimated value of α_2 and β_2, to be represented by $\hat{\alpha}_2$ and $\hat{\beta}_2$, are 2.17067 and -0.1185 respectively. To examine the significance of $^2{}_2$ value for this linear regression curve we like to test the null hypothesis, H_0: $\beta_2 = 0$ against the alternative hypothesis H_a: $\beta_2 \neq 0$. We observe the value of t as -11.804, with a tail probability of 0.000. Thus, we reject the null hypothesis in favour of the alternative hypothesis at five percent level of significance and tend to conclude that $\beta_2 \neq 0$. The multiple correlation coefficient is 0.97247 which is on the higher side. The corresponding analysis of variance table provides with F ratio as 139.3298 for which the upper tail probability is 0.000. So, we can conclude that, the linear regression is a good fit for the said problem and since the regression coefficient is both negative and significant, current ratio of TISCO is "significantly decreasing over time."

Thus, comparing the current ratios of two companies, we can conclude that though this ratio for DSP is having a flat trend over time yet the figures are very much fluctuating. On the other hand, the performance of TISCO is target-oriented and is much better than that of DSP.

Regression Analysis for Inventory TurnoverRatio (IT): Let the linear regression equation of DSP be

$$IT_t^D = \alpha_3 + \beta_3 t + \epsilon t,$$

where IT_t^D is the inventory turnover ratio of DSP during the period t, α_3 and β_3 are the regression parameters, t is the time variable, and ϵt is the error term.

Using the data given in Table 1 and the least square method one can estimate α_3 and β_3. The estimated value of α_3 and β_3 are

$$\hat{\alpha}_3 = 0.31100 \text{ and } \hat{\beta}_3 = -0.028473.$$

To examine the significance of β_3 value for this linear regression curve we like to test the null hypothesis, H_0: $\beta_3 = 0$ against the alternative hypothesis that β_3 is not equal to zero, i.e. H_a: $\beta_3 = 0$. We observe the value of t as -6.093, with a tail probability of 0.0003, which is less than 0.05. Hence β_3 is significant. Thus, we reject the null hypothesis in favour of the alternative hypothesis at five percent level of significance and may tend to conclude that inventory turnover ratio of DSP is "significantly decreasing over time". The multiple correlation coefficient is 0.90703 which is on the higher side. The corresponding analysis of variance table provides with F ratio as 37.12091 for which the upper tail probability is .0003. So, we can conclude that the linear regression is a good fit for the said problem.

Let the linear regression equation of TISCO be modeled as

$$IT_t^T = \alpha_4 + \beta_4 t + \epsilon t$$

where IT_t^T is the inventory turnover ratio of TISCO during the period t, α_4 and β_4 are the regression parameters, t is the time variable, and ϵt is the error term. Using the least square method one can estimate α_4 and β_4 from Table 2. The estimated value of α_4 and β_4 are 0.1294 and -0.0057 respectively. To examine the significance of β_4 value for this linear regression curve we like to test the null hypothesis, H_0: $\beta_4 = 0$ against the alternative hypothesis that β_4 is not equal to zero. We observe the value of t as -4.462, with a tail probability of 0.0021, which ensures that $\beta_{4,}$ is significant. Thus, we reject the null hypothesis in favour of the alternative hypothesis at five percent level of significance. The multiple correlation, i.e. the R value, is 0.84461 which is on the higher side. The corresponding analysis of variance table provides with F ratio as 19.9095 for which the upper tail probability is 0.0021. So, we can conclude that, the linear regression is a good fit for the said problem and since the estimated value of β_4 is both negative and significant; inventory turnover ratio of TISCO can be viewed as "significantly decreasing over time."

Thus, comparing the inventory turnover ratios of these two companies, we can conclude that for both the cases the ratios are declining. But on an average DSP's inventory turnover ratio is higher than that of TISCO, which indicates DSP's performance is poorer than that of TISCO.

Regression Analysis for Debtors Turnover Ratio (DT): Let the linear regression equation of DSP be denoted by

$$DT_t^D = \alpha_5 + \beta_5 t + €t,$$

where DT_t^D is the debtor turnover ratio of DSP during the period t, α_5 and β_5 are the regression parameters, t is the time variable, and €t is the error term. Using the least square method one can estimate α_5 and β_5 from Table 1. The estimated value of α_5 and β_5 are

$$\hat{\alpha}_5 = 0.01587 \text{ and } \hat{\beta}_5 = -.0009.$$

To examine whether β_5 value for this linear regression curve is significant or not, we like to test the null hypothesis, H_0: $\beta_5 = 0$ against the alternative hypothesis that β_5 is not equal to zero. We observe the value of corresponding t-statistic as -1.368, with a tail probability of 0.2085, which is greater than .05. Hence we accept the null hypothesis at five percent level of significance. But the multiple correlation, i.e. R value, is 0.4354 only and is markedly on the lower side. The corresponding analysis of variance provides with F ratio as 1.87121 for which the upper tail probability is .2085. So, we conclude that, the linear regression is not at all a good fit for the said problem. We therefore switch over to quadratic analysis.

Let the quadratic equation of DSP be

$$DT_t^D = a_2 + b_2 t + c_2 t^2 + €^*_t$$

where a_2, b_2 and c_2 are the regression determinants and $€^*_t$ is the error term.

The value of multiple correlation coefficients is 0.43539, which is of moderate value and the corresponding F ratio, as obtained from the analysis of variance table, is 1.0187. The upper tail probability value is 0.4090, so that the quadratic fit is also not good. The corresponding individual tests also ensure a similar result. For example, t-test for testing H_0: $c_2 = 0$ against the alternative H_1: $c_2 \neq 0$ results in the value of the test statistic as 0.262. The corresponding probability value is 0.8011 which is again greater than.05. Thus, we accept null hypothesis that $c_2 = 0$ at five percent level of significance.

The t-test for testing H_0:$b_2 = 0$ against the alternative H_1: $b_2 \neq 0$ provides a value of test statistic as -0.569. The corresponding value probability value is 0.5868, which is again greater than 0.5. Thus we accept null hypothesis at five percent level of significance. Thus from these individual tests also we can conclude that the debtors turnover ratio of DSP is "static over time."

Let the linear regression equation of TISCO be:

$$DT_t^T = \alpha_6 + \beta_6 t + €t$$

where DT_t^T is the debtor turnover ratio of TISCO during the period t, α_6 and β_6 are the regression parameters, t is the time variable, and •t is the error term. Using the least square method one can estimate $\pm_6$ and $^2{}_6$ from Table 2. The estimated value of α_6 and β_6 are

$$\hat{\alpha}_6 = 0.2494 \text{ and } \hat{\beta}_6 = -0.0211.$$

To examine the significance of β_6 value for this linear regression curve we like to test the null hypothesis, H_0: $\beta_6 = 0$ against the alternative hypothesis that β_6 is not equal to zero. We observe the value of t as -9.278, with a tail probability of .0000. Thus, we reject the null hypothesis in favour of the alternative hypothesis at five percent level of significance. The multiple correlation coefficient is 0.95654 which is on the higher side. The corresponding analysis of variance table provides with F ratio as 86.0769 for which the upper tail probability is 0.0000. So, we can conclude that the linear regression is a good fit for the said problem. Hence we conclude that $\beta_6 \neq 0$. Since β_6 is negative debtors turnover ratio of TISCO is "significantly decreasing over time."

Thus, comparing the debtor's turnover ratios of the referred companies, we can conclude that TISCO's performance is much better than that of DSP.

Conclusions of the Study

The working capital management of TISCO appears to be superior to that of DSP. Both empirical and statistical analysis confirm this stand of ours. Comparing the current ratios of these two companies, we have concluded that this ratio for DSP is nearly static over time but fluctuation is very high. The approach of TISCO, on the other hand, is pinpointed and performance-oriented and is much better than that of DSP. Comparing the inventory turnover ratios of these two companies, we have arrived at the conclusion that for both the cases the ratios are showing improvement in performance. However, on an average DSP's inventory turnover ratio is higher than that of TISCO, indicating a relatively poorer performance of DSP than that of TISCO. Similarly, comparing the debtor's turnover ratios we have concluded that TISCO's performance is much better than that of DSP. In fact Tata Iron and Steel Company is one of the leading world-class steel makers. They work with high corporate spirit, have command over owned iron ore and coking coal reserves, enjoy low operating costs, possess unique company-developed processes and have dedicated management and other workers.

The suggestions that stem out of the study is the need for removing poor liquidity position of DSP by injecting further investment in the form of liquid resource. Also, inventory management demands for a fresh look in DSP. It could be ensured through a proper application of inventory control system, such as ABC analysis, VED analysis, ordering based on optimization techniques, and also through JIT approach. There is a need to improve the sales planning so as to reduce the stock piling of finished items.

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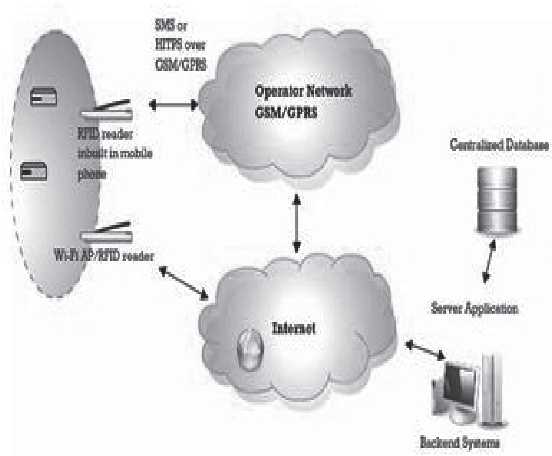
Radio Frequency Identification: Logistics



Kiran Raveendran

This paper deals with the emergence of Radio Frequency Identification (RFID) Technology as an enabler to achieve these cost cuts. Though still in its nascent stage in India, RFID has started making its presence felt in the retail and automobile sector over the last five years and applications in retailing, supply chaining, healthcare, airlines, defence and education sectors are tremendous. The paper evaluates the current implementations taking place in RFID Technology in India, the challenges faced in the implementation, and the huge potential that can be tapped by Indian companies in varied sectors by adopting this technology.

Radio-frequency identification (RFID) is an automatic identification device technology that is used to remotely store and retrieve data without actual scanning of the data source. The predecessor to this technology was the bar code scanner used at retail cash counters which needs actual line of sight scanning to read the data and bill the product .

In 1946, Léon Theremin invented an espionage device for the erstwhile Soviet Union, which used radio waves and had applications as a secret listening device. It has been recognized to be the first device to actually use something similar to RFID technology. This technology was introduced on paper by Harry Stockman in 1948 in his report "Communication by Means of Reflected Power" (Proceedings of the IRE, pp 1196 – 1204, October 1948).

The first true ancestor of modern RFID was Mario Cardullo's U.S. Patent 3713148 in 1973 which was demonstrated in 1971 to the New York Port Authority with applications as a toll and traffic

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detection device at the ports. The first patent to be associated with the abbreviation RFID was granted to Charles Walton in 1983 as U.S. Patent 4384288.

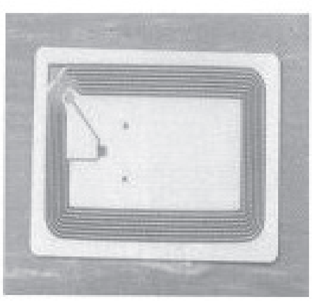
RFID was introduced to initially improve the Supply chain but has found applications in manufacturing, retailing, warehouse traffic management, military, medical and healthcare, education sector and e-governance. The companies in India taking to this technology are steadily on the rise and it has the capability to transform the business equations.

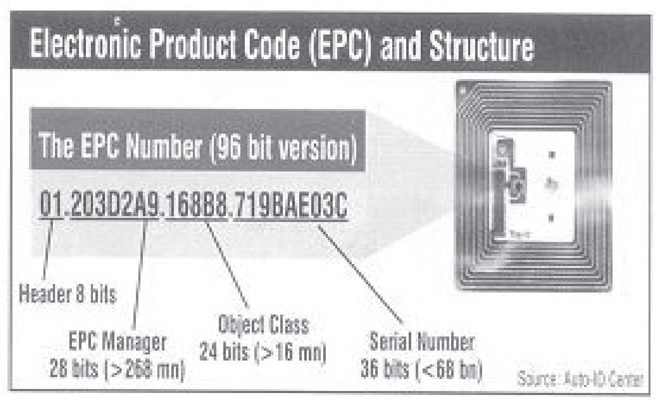
RFID System and Global Standardization

An RFID system comprises an RFID Tag or transponder, RFID transceivers, high capacity servers and related application software. An RFID chip consists of a tiny computer chip, which is approximately the size of a small dot, on which are implanted, the code of the product and a small antenna. RFID can incorporate a variety of electronic architecture and code formats. To bring in standardization, especially in the retail sector, a code format called EPC (Electronic Product Code) has been proposed by EPCglobal (which was earlier called as Auto-ID Center).

The generally accepted EPC based RFID format is a result of a collaborative research work done by Auto-ID Center, MIT and over 100 huge corporations that included Wal-Mart, US Department of Defence, US Food and Drug Administration, US Postal Service, Pfizer, Coca Cola, Philips, Microsoft, Infosys Technologies and IBM Consulting.

The image of an RFID Tag and the Electronic Product Code Structure is shown below:





RFID Tags can be active or passive. Active RFID tags are powered by an internal battery to power the chips and generate the signals and give longer reading range and are of larger size and higher cost with limited operating life. Passive RFID tags operate without external power source by using just the power generated from the reader and the incoming radio signal only. These are lighter than active tags, less expensive, more widely used, have shorter reading range and have almost unlimited operating life.

Low frequency RFID Systems are used in the 30 KHz to 500 KHz range and high frequency systems are used in 850 MHz to 950 MHz and 2.4 GHz to 2.5 GHz range. The data transmitted can provide identification information, location information, the product details like batch number, colour, date of purchase, shelf life, time on shelf till now, price, date of manufacture, time spent in transit, location of distribution centre, name of last person to hold the item along the supply chain among other details depending on the level of information required on the tag for different product categories.

Key Application Features of RFID

RFID devices have several application features when compared to the earlier data storage and retrieval and transaction processing devices like Bar Code scanners.

- RFID tags need not be visible to be read / scanned.
- Tags can be read quickly from significant distances.
- A number of tagged devices can be simultaneously read at a time.
- As most of the tags come enclosed in a protective covering, it is difficult to tamper with in normal situations.
- Since it can be encased in protective covering, they can be protected from harsh environments and fluid and chemical environments which involve rough handling.
- Many tags now come with both read and write capabilities, rather than just read-only so that information can be added on after some significant event in the movement of the tagged item along the supply chain.

Applications in Retail and Supply Chain Management – Global Scenario

Wal-Mart has introduced RFID attached to each pallet and storage box that comes into/goes out of their stores and distribution centres and has almost completely replaced bar codes. In June 2003, Wal-Mart had communicated to its major suppliers that in two years, all pallets and boxes should come tagged with RFID. Information about the contents loaded onto a roller or box can be tagged onto the tag and easily checked. This helps check if material has gone "missing" during transport. Also, at warehouses, a common mistake committed is when a box is loaded by mistake to the incorrect loading bay and hence the wrong vehicle. By the time, this error is found out, it becomes too late to rectify especially in cases of perishable goods. RFID alerts the warehouse officials by being connected to an alarm system when wrong items are loaded to the wrong loading area. It can also be incorporated to a receiving station where a wrongly dispatched item can be identified if delivered wrongly.

The use of RFID at Wal-Mart store has reached such a stage where Wal-Mart can identify in detail which product moves faster on Fridays, which on Saturdays, whether Indian Americans buy a particular brand of product more than Spanish and the system can alert the store manager when the temperature at which the perishable goods are stored in the refrigerator comes down.

Nowadays, retailers all over the world are tagging their products and the level of pilferage has come down. Earlier, it was easy for a shopper in a busy supermarket to easily pass unnoticed out of the store, now, any unbilled item automatically sets off an alarm at all the exit points. Retailers are tagging child trolleys of shoppers so that they do not encounter "missing children" situations and can have child security.

The uniqueness of the RFID tags mean that the product can be individually tracked as it moves from location to location, finally ending up in the customer's hands. This can help combat the problems of theft and product loss as mentioned before but also have advantages in recall campaigns for products with quality deficiencies. This can help in post-sale tracking and profiling of customers for future campaigns too.

Throughout the European Union, RFID passes are used for the public transport systems. This system has now been copied by Canada, Mexico, Israel, Dubai and Columbia also. All the transport payments and toll charges are monitored and done through RFID Compliant systems. This can reduce a lot of time spent by logistics companies along the motorway and can speed up the checking and inspection stages in the logistics. This automatically brings down the cost of transportation.

Another major application is in animal tracking when meat and livestock are transported throughout a country before it reaches supermarkets. The RFID implantation can help identify the farm from which the animal has been loaded, its date of birth, age and nutritional value along with history of any contaminations if any. The Canadian Cattle Identification Agency began using RFID tags for its purposes.

RFID finds applications in bookstores and libraries for tracking its inventory. Other applications are in airline baggage tracking, pharmaceutical items tracking, building access control, shipping container tracking, truck and trailer tracking. The pharmaceutical industry is highly vulnerable to counterfeiting with figures suggesting that seven to eight percent of world market is counterfeit. RFID technology can help protect against fraudulent introduction of drugs into the drug supply chain. Pfizer has already incorporated this system to their drug supply chain.

The automotive sector introduced use of RFID by tagging the car keys. With this application, a car will not start without the actual key. Toyota Avalon 2005, Lexus GS 2006, Toyota Camry 2007, Toyota Prius and companies like Ford and Honda are introducing car models with this feature being optional. The driver can even open the doors and start the car with just the presence of the key within three feet without even taking it out of the pocket .

Tyre manufacturer, Michelin tested RFID embedded tyres in 2003 to offer tyres in compliance with the United States Transportation, Recall, Enhancement, Accountability and Documentation (TREAD) Act which is aimed at safer road transport for trucks that are involved in logistics operations in the supply chain.

Outside of retailing sector, Malaysian government has already introduced RFID passports for proper tracking of travel history of its citizens.

Applications in Retail and Supply Chain Management – Indian Scenario

Retailers, textiles, aviation, energy and auto sectors in India are switching to this new concept over the last five years after seeing the results of implementation in the developed world. This is also necessitated by pressures on them by suppliers from abroad to comply with global business practices, failing which they run the risk of being left behind.

Infosys Technologies is a founding member of EPC and Wipro technologies have been associated with Auto-ID Lab at MIT for some years now. Both these companies play a big role in the EPC which provides standards for implementation of the technology.

Similarly, Gemini Traze RFID Pvt. Limited is building India's first RFID tag manufacturing unit at Sriperumbudur Electronic Park near Chennai. It plans to roll out 45 million units which would be increased to 100 million units per year later on.

One of the main companies that is testing this technology is Kishore Biyani's Future group, especially at Pantaloon and Big Bazaar. Pantaloon has piloted an RFID project at one of its warehouses in Tarapur using more than thousand RFID tags. It selected a few lines of apparel for the RFID pilot project. The application was developed by Wipro Infotech and integrated Oracle database also. Nowadays, we can see the major retailers having a plastic flying saucer shaped knob like structure on dresses while on display at the store which are removed when they are billed. This helps in tracking of goods and security from pilferage as it lets out an alarm at the exit door if not billed properly.

Madura Garments also experimented with RFID and has incorporated them in their Planet Fashion stores as well as factories and warehouses. The national carrier Air India is planning to use RFID for tracking capital assets. Leading oil companies have begun pilot tests to use RFID for LPG cylinder tracking. The Indian railways is also thinking on these lines for tracking wagons and containers. Maruti Udyog Limited has been using RFIDs for component and spare parts tracking for some time now at their Gurgaon plant. Ashok Leyland is also using this for the same purpose. It has tremendous advantages as there are more than 20,000 parts in most vehicles and tracking the movement of each one of them through the supply chain is a mind-blowing task. Mahindra and Mahindra are also using RFID in car. Some of the manufacturing processes like Pretreatment of Body Shell and Electro-deposition are done in harsh conditions. In the pharma sector, Ranbaxy Labs and Pfizer use it for counterfeit protection. Airport Authority of India is considering RFID for the cargo and passenger goods management.

Outside of retail and auto sectors, libraries like Jayakar Library of Pune University and Dhanvantri Library of Jammu University have adopted RFID. Hyderabad Central University has introduced RFID embedded degree certificates. The municipal corporation at Hyderabad in 2006 had introduced RFID usage for keeping track of garbage collection and disposal trucks and their drivers to monitor them due to instances of reported malpractice in collection and disposal. Applications are there in healthcare where new born babies can be RFID tagged so that they are properly monitored in hospitals. It can be used to improve security and in military uses for proper tracking of supplies to the armed forces. There are applications possible in Electricity/Water meters which can help make the manual recording and reading automatic, remote and fault free. The applications are enormous and far-reaching, and India has just started.

Pros and Cons of RFID Applications in Retailing and Supply Chain Management

In retailing, the following statistics from a University of Arkansas and Wal-Mart study conducted over 29 weeks at 24 stores led to the following results:

- 16 percent reduction in product stock outs has been noted since adoption of RFID.
- RFID equipped shops are 63 percent more efficient in replenishing out-of-stock items.
- Out-of-stock items are replenished three times faster with RFID.
- Cost of excess inventory was reduced by more than 10 percent.

In 2000, the most basic RFID tags were priced at approximately $1 each. In 2003, they ranged from about $0.25 to $0.40 and today they have dropped to about $0.15 each (Rs.6 each) for the basic model. As the adoption rate increases and with companies like Gemini setting up manufacturing shops in India itself, the refinements in technology will push down the price to about $0.05 each for the basic model. This will change the scenario from the current one where some retailers tag a box rather than each item in the whole box to save costs.

With RFID enabled loyalty cards for frequent shoppers, items could be priced differently depending on the shopper. Different promotions can be offered to different customers via their RFID enabled cards or by the billing staff receiving prompts automatically to apply discounts for a certain category of shoppers. This can also help the same shoppers of one retail chain get similar treatment in Bangalore, Mumbai and Delhi when he/she travels.

RFID tagged employees can be monitored better by knowing their time in different areas of the retail facility. A person spending too much time in the restroom can be alerted to go back to the store and an overworked person can be asked to take rest.

In short the advantages can be summarised as follows:

- Automatic Non-Line-of-Sight scanning enabling multiple product simultaneous scanning in milliseconds.

- Labour time savings of close to 36 percent in Order picking, 90 percent reduction in verification costs for shipping.

- The "always on" nature of RFID technology ensures total visibility to all stakeholders in the supply chain when integrated in a supply chain communications network.

- Improvements in functions like asset tracking, returnable item movement, product recalls and tracing warranties.

- Ability to be used in harsh environments and prevention of theft and pilferage.

- Enhancing forecast product demands and lower inventory levels.

- Ability to hold vast amounts of varied information on a single tag.

- Cost savings through better inventory management by the deployment of RFID is expected to bring in savings of over $1.4 billion annually at Wal-Mart.

Some of the deployment issues in RFID implementation are as follows:

- The retailers are forcing manufacturers to absorb the additional costs of RFID tagging an item and processing the information that they generate.

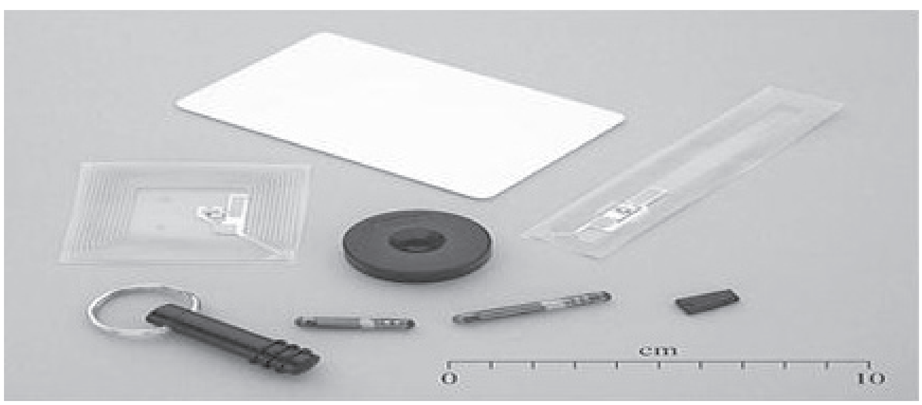
- Manufacturers rarely report short-term gains from RFID implementation. Short term gains are usually seen for the retailers, though in the long term both parties gain. This makes manufacturers and vendors slightly apprehensive of the technology.

- Data synchronization, integration and lack of standards except for the EPC global which is still developing itself is a major issue when used across countries.

- Due to the nascent stage in the technology, the RFID technology is still not fully fool-proof and there are issues of electromagnetic interference and wrong reading being reported as the technology is still not fully perfected. Metal and liquid are said to play havoc with RFID signals with the current technology available if not properly done.

- It is disturbing for many customers to have their movements or buying habits automatically tracked even after purchase. To counter such concerns, some retailers "switch off" their tags once a purchase is made.

- There are fears that competitors can develop systems which can track a particular company's shipments and inventory as there are still vulnerabilities in the security system as is the case with credit cards. Issues of whether customer data is safe with the retailer also arises.



Conclusion

In spite of all the teething problems that are there currently, RFID is the next big thing in the strategic plans of companies in retailing, auto, textiles and many other sectors as the evidence of savings through better inventory management coming through from different parts of the world. The world is waiting for the costs of tags to come down to $0.05 each (Rs.2 each) so that wide spread adoption is possible.

The start has been made and the results are encouraging and potential applications varied in scope. Once the technological stumbling blocks are cleared, it will become a common place item just like the barcode scanner of the last 10 years. Wal-Mart's comprehensive usage and success of RFID implementation in retailing has made it an exemplary strategy to follow for other companies in the retailing and supply chain management area.

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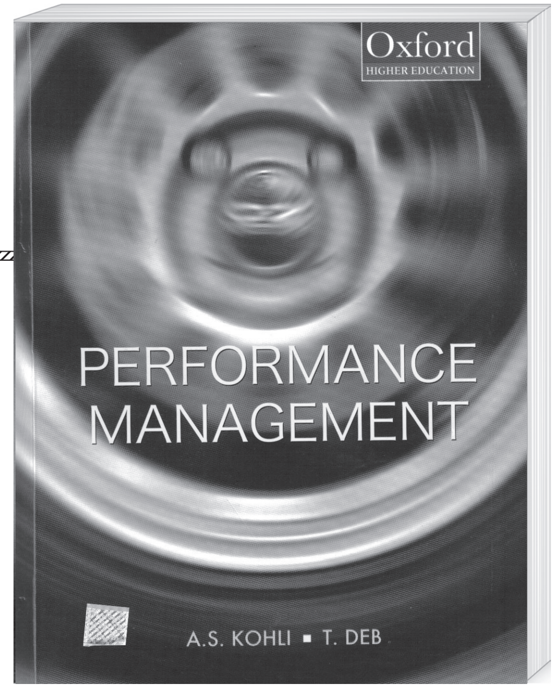
Skimming and Scanning



Book Title : *Performance Management*
Author : A.S.Kohli and T.Deb
Edition : 2008
Price : Rs.375/-
ISBN : 0-19-569337-X
Pages : 511
Publisher : Oxford University Press, New Delhi.

Performance Management is a means of identifying critical dimensions of performance, its planning, review and development. It is a simple and commonsensical way to measure productivity and also to enhance performance and is a critical tool for organizations in today's competitive environment. Organizations lookout for a performance system that is appropriate to their environment and work culture. This book explores the many facets of performance management and how it works.

The authors define performance management as a means of getting better result from the organization, teams and individual by managing performance in line with organizations strategy. A key feature of the book is that it advises organizations to shift their focus from an appraisals only approach to the more holistic framework of performance management. This will ensure growth and development of employee performance. This book discusses the latest theoretical developments in the field in a jargon free and accessible style. The textbook focuses on managerial decision-making and application of concepts through examples, case-lets and case studies. The textbook includes exhibits, diagrams/ illustrations, management cartoons, key terms, reviews and discussion questions, critical thinking questions and web based exercise. It also provides large number of performance management proformas and templates which could be useful to teachers, students and practitioners.

The entire conceptual framework of the text is divided mainly into four parts. It is categorized further into 12 chapters in toto to enable the readers to understand the theoretical as well as the practical aspect of performance management.

Part One – foundation of performance management - consists of four chapters. Rather than plunging into the topic, the authors took efforts to make the readers comprehend the concept of Human Resource Management. Towards the end of the chapter they have established link between Performance Management and Human Resource Management. Rest of the chapters in the part one handles the theoretical understanding of the performance management. The authors also have covered the areas like competence based performance management system and performance counseling.

Part Two – The performance management process comprises four chapters that elaborate the steps involved in performance management namely performance planning, performance appraisal and performance monitoring where each chapter deals at length with the concepts and perspectives of the performance management process step by step and aids in-depth understanding of the subject.

Part Three – The Implementing performance management deals with successful implementation and the strategies to be adopted to meet the challenges of implementing the performance management system in an organization. In this part the authors have identified the various challenges in implementing the performance management system. These challenges vary from lack of management, commitment, absence of performance culture, unavailability of management tools and techniques, lack of ownership and inflexibility of system. The strategies to overcome these bottle necks as discussed by the authors are instilling performance culture and linking performance management to the reward systems.

Part Four – Deals with the role of HR professionals in performance management and ethics in performance management. Role of HR professionals in performance management describes the key competencies and the strategic role to be played by HR professionals to proactively and successfully implement performance management in their organization. Ethics in performance management, scrutinizes performance management from an ethical perspective, caution practitioners and the top management about the common ethical pitfalls so as to maintain the credibility and usefulness of performance management.

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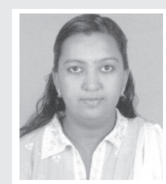

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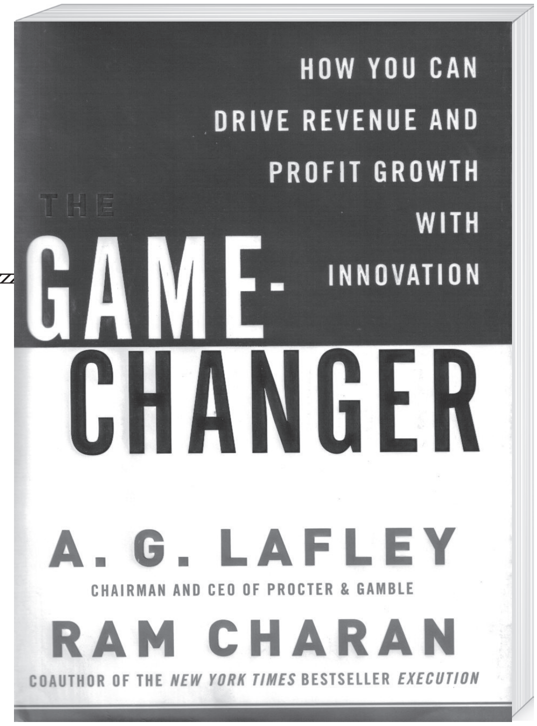
Skimming and Scanning



Book Title	:	*The Game Changer*
Author	:	**A.G.Lafley and Ram Charan**
Edition	:	**First**
Price	:	**$27.50**
ISBN	:	**978-0-307-38173-6**
Pages	:	**336**
Publisher	:	**Crown Business Inc., New York.**

This new book written jointly by Alan G.Lafley and Ram Charan, describes in great detail as to how innovation can help change the game - to produce quantum increments in business results. The authors, one of them a practitioner being the CEO of P&G with 23 billion dollar plus brands and the other a thinker who counts on innovation as the key answer to growth questions in future, narrate how customer-oriented innovation has enabled companies like P&G, GE, Nokia, Dupont, 3M, Lego Group etc. The examples are narrated in such great detail to enable even a layman to gain clarity on how innovation can work in reality. They force readers to think differently from the conventional thinking that any innovation arises from a "Eureka" incident or happen serendipitously. They make readers to believe that innovation is a disciplined process and practice, which every organization and leaders therein can achieve.

According to the authors, innovation is an integrated management process integrated into how you run your business; its overall purpose, goals and strategies, structure and systems, leadership and culture. According to them, eight drivers depicted below must work together for innovation to happen.

The guiding principle for game-changing innovations that delivers sustained organizational growth and profits irrespective of what business they are in is placing the customer at the centre of this framework. While many companies claim that they are customer-centric, very few actually put the customer at the centre of the innovation process. Achieving organic growth and differentiation from competition through innovation will happen only when all the eight drivers are seamlessly working together. The leadership for innovation needs to be passionate about knowing the customer, immersing themselves into finding insights about customer needs. And over time, they learn and develop confidence about how to deal with risk and failure inherent in innovation. Also, they have to appreciate that the most important part of the system is what appears in the centre: the customer. Everything begins and ends with the customer. If one keeps the customer at the centre of all his decisions, actions and behaviours, the chances of being wrong are reduced. The authors clearly delineate innovation from invention. While an invention is a new idea that is often turned into a tangible outcome, such as a product or system, *an innovation is the conversion of new ideas into revenues and profits.* Hence, an idea that looks great in the laboratory and fails in the market is not an innovation. They quote Jeff Immelt, CEO of GE in support of this: "Innovation without a customer is non-sense; it is not even innovation." Invention is needed for innovation to take place. But invention is not innovation. Until people are willing to buy your product, pay for it, and then buy again, there is no innovation. A gee-whiz product that does not deliver value to the customer and provide financial benefit to the company is not an innovation. Innovation is not complete until it shows up in the financial results.

Without innovation, a company's products would be threatened by commoditization and commoditization would drive down prices but differentiation that comes from innovation carries an economic premium. Innovation helps companies to conceive previously unimagined strategic options. For example, innovation enables you to look at acquisitions through a different lens, not only just from a cost perspective but also as a means of accelerating profitable top-line growth and enhancing capabilities. It also helps companies to be on the offensive. It puts them on the growth path. They quote the example of how Nokia became the number one in India through innovation to create 200 million customers. Nokia observed the unique needs of Indian customers, especially in rural areas, segmented them in new ways and put new features relevant to their unique needs on handsets. In the process, it created an entirely new value chain at price points that give the company its desired gross margins.

The authors also try to list out and advise us to eliminate the myths of innovation. One major myth is that innovation is all about new products. They say that when innovation is at the centre of a company's way of doing things, it finds ways to innovate not just in products, but also in functions, logistics, business models and processes.

Another myth is that innovation is for lone geniuses and hence it happens in R&D labs. Innovation can happen anywhere and out of many people collaborating. What is important is whether the ideas generated can be converted into a respectable process and turn inspiration into financial performance. They stress on the necessity of collaboration as innovation according to them is a social process. And they also bust the myth that size matters in innovation; innovation can happen in big companies as well as small.

Everything about innovation starts with the customer. For example, P&G consider customer the boss and have created a "consumer closeness program" known as *Living It* which enables P&G people to get literally close to the consumer and in which P&G employees live for several days with consumers in their homes, eat meals with family, and go along on the shopping trip. Through this, employees get first hand these consumers' demands for their time and their money, the way they interact with their social networks, what is most important to them, and which products they buy, how they use the products, and how the brands and products fit into their lives. Another programme, *Working It* provides employees with the opportunity to work behind the counter of a small shop. This gives them insights about why shoppers buy or do not buy a product in a store. For P&G, innovation is how they turn consumer understanding into profit.

The authors also narrate how to get customers actually involved in the co-creation and co-design process of innovation with the examples of Lego, a Danish toy company. Lego has three levels of customer involvement: first, testing a product; second, co-creating a product and third, designing customer versions. This way, Lego has become a facilitator of consumer innovation.

Innovation must focus not just on the benefits a product provides but also the total consumer experience - from purchase to usage.

Co-author Lafley says that design thinking which is abductive (imagining what could be possible) compared to the inductive thinking (based on directly observable facts) and deductive thinking (logic and analysis, based on past evidence) is which can be more appropriate for innovation.

The authors explain with the help of P&G examples how the process of innovation can be implemented. They also take pains to explain how to kill ideas if they prove unworthy to pursue as we proceed. Not all ideas will succeed. And, quickly cutting off projects that will not succeed in the marketplace helps to process time and energy and frees up scarce resources for those that have a better chance. Leaders of innovation must have discipline, judgment and courage to being decisive and killing those destined for failure. They have to ensure that "killer" issues are identified as early as possible and then dealt with.

Authors also discuss at length how a pipeline of innovation eaders can be created. For the purpose of innovation to be sustainable, it is essential to have a systematic methodology for developing innovation leaders as a continuous process. In order to encourage this to happen, innovation shall be brought in as an essential element in performance evaluation. A systematic approach to identify, develop and reward and recognize innovation leaders will enable organizations to take the process forward and sustainable.

The book concludes with a case study of how Jeffrey Immelt made innovation a way of life at GE.

About Authors

Alan George Lafley is the Chairman and CEO of Proctor and Gamble. In his early years he worked with US Navy, where he oversaw retail and service business at a US air base in Japan. Post naval experience, he studied business at Harvard Business School and on graduation in 1977, he joined P &G, where he continued till date. He rose through the ranks and became President and CEO of P&G in 2000. He became Chairman and CEO in 2002. Under Lafley's leadership; P&G nearly doubled revenues- from $39 billion to $76 billion. He expanded the market presence of P&G with the acquisition of Gillette in 2005. Lafley was selected as the CEO of the year in 2006 by *Chief Executive* Magazine and was identified as one of America's Best Leaders by *US News and World Report* in the same year.

Dr.Ram Charan is a highly sought-after advisor to businesses and many chief executives, and a prolific writer on business and, an award-winning teacher. He has helped boards and top executives of a number of companies like GE, Novartis, Dupont, Honeywell, Bank of America, Home Depot etc on strategy sessions, successions, self-evaluations, and CEO compensation. He has co-hosted the Fortune Boardroom Forums and has served on the National Association of Corporate Directors' (NACD) Blue Ribbon Commission on Corporate Governance. He is a director on the boards of Austin Industries, Tyco Electronics, and Emaar Manufacturing in India. He has won a number of Best Teacher awards from many institutions like Northwestern and GE's Crottonville Institute. He was rated as one of the top ten resources for in-house executive development programmes by *Business Week*. Dr.Charan has written a number of best-selling books like *What The CEO Wants You To Know, Boards At Work, Profitable Growth Is Everyone's Business, What The Customer Wants You To Know, Leaders At All Levels etc* and co-authored *Every Business Is A Growth Business* (with Noel Tichy and Charles Burck), *Execution* (with Larry Bossidy) and *Confronting Reality* (also with Larry Bossidy). He lives in Dallas, Texas.

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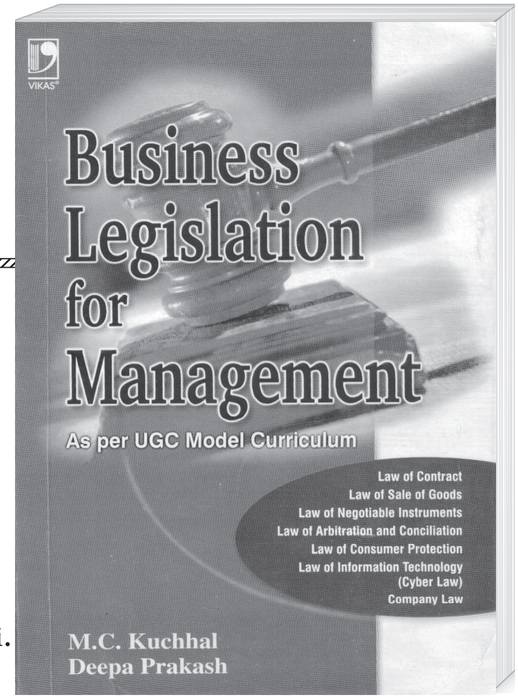

Book Title : *Business Legislation for Management*
Author : M.C.Kuchhal and Deepa Prakash
Edition : Second Reprint 2008
Price : Rs.250/-
ISBN : 978-81-259-2295-7
Pages : 659
Publisher : Vikas Publishing House Pvt. Ltd., New Delhi.

It is a well known fact that any business manager cannot be an expert in all or any business laws or legislations, but they can be well aware of their scope to be able to operate their business within their limits, needless to ponder with the legal issues involved.

A modest attempt has been made by Mr.M.C.Kuchhal and Dr.Deepa Prakash in this book to approach the business legislations in a simple and lucid manner so that the areas in law are understood by even a layman or even a student who does not have any background in law.

Keeping in mind, the needs of management students, the book presents a clear idea of various business legislations which are of great use in the field of management. The laws have been grouped into seven different parts, each containing similar laws.

Contract Law gains its place in Part 1 in this book which deals in detail various laws related to the nature of contracts, fulfillment of contract, the differences between valid and void contract, quasi contracts, breach of contract and its remedies etc.

The Law of Sale of goods finds its area in the Part 2 which all sections under the Negotiable instruments are grouped in the Part 3.

Provisions related to Conciliation, Arbitration and Adjudication are grouped in the Part 4 which deals with the enforcement of certain foreign awards such as the New York convention awards, the Geneva Convention awards etc. In these days when there is great hue and cry for Consumer rights, the Law of Consumer Protection which finds a place in this book might come in handy for the students of law as well as for the MBA. The Information Technology Act of 2000 too has found a place here.

An elaborate section is there for the Company Law which comes in as the final section. The Companies Act, details relating to the formation of the company, articles of association, allotment of shares, management of a company, rules and regulations related to meetings, distribution of the dividend, auditing and several other details are also given in a simple and elegant style.

Details related to amalgamation, compromise as well as winding up of the companies the rules and regulations related to it have all been explained in detail in a lucid form. The different methods of winding up such as winding up of a company by the order of the Court, the grounds on which a company could be closed down as well the differences between winding and dissolution are also finding a place in this section of the book.

The book which is aimed at providing assistance to the students of MBA, PGDM, PGPM and similar professional courses in which business legislation is an integral part could have been made much simpler if the complex law areas were provided with simple flowchart type diagrams so as to make the job easier for the students. The authors could have also thought of introducing objective type questions in the book which could have been handy for those students preparing for competitive examinations on these subjects.

The book in short explains the practical implications of various laws and unfolds in detail the intricacies of law in certain key areas such as contracts, mercantile law, Negotiable Instruments Act and Cyber Laws. A wide array of both Indian as well as foreign cases has also been cited as examples in various contexts. This book which contains key points in most of the laws that are useful for business people as well as students could be well termed as a mini reference book on legal aspects.

However, the book is an outcome of the authors' long experience in this field and could prove as an ideal companion for any student who is in need of learning business legislations for the postgraduate courses. The book is also sure to be an ideal companion for those candidates preparing for competitive examinations such as the UGC examination, JRF as well as other similar examinations. However, the book has a good collection of test questions at the end of each unit which could come useful for the students getting themselves geared up for the competitive examinations.

Of the two authors, Mr.M.C.Kuchhal, who is known for his popularity as an author of books related to legal aspects had been working as Faculty in the Sri Ram College of Commerce of the University of Delhi and has also, authored several legal books for management students such as Mercantile Law, Business Law and Secretarial Practice. The co-author of this book, Dr.Deepa Prakash is serving as a faculty member in the Mahatma Gandhi University Off-Campus Centre at Dubai before serving as a lecturer in various colleges of University of Delhi.

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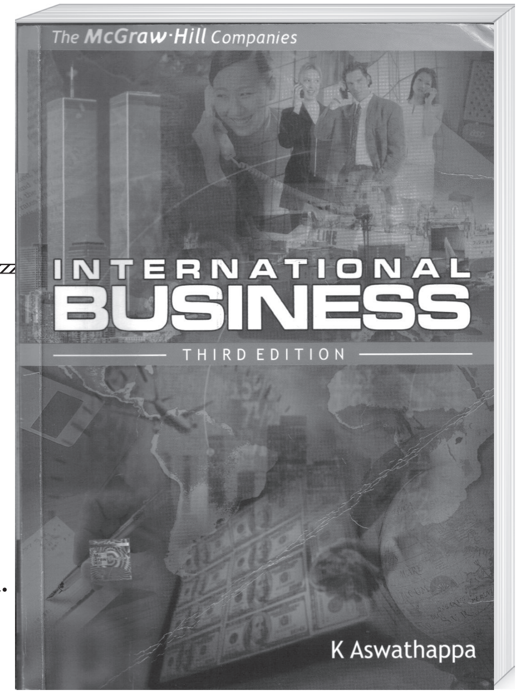

Book Title : *International Business*
Author : K.Aswathappa
Edition : Third
ISBN : 978-0-07-022164-2
Pages : 680
Publisher : Tata McGraw-Hill Publg. Co. Ltd., New Delhi.

The book from K.Aswathappa is primarily designed for postgraduate and undergraduate students of management and commerce. The text has covered all important areas of international business. The book is divided into five major areas. Part I explains different chapters on nature of international business, multinational corporations, global trade and its theories and foreign direct investment. In the part 2, political and legal environment, cultural environment, managing across cultures, negotiating across cultures, technological environment and economic environment have been discussed. Strategic management, international organisation structure, international strategic alliances, integration between countries and world trade organization are dealt in the part 3. In the part 4, a comprehensive view on international operations management, international marketing, international financial management, financing foreign trade, international accounting and international human resource management are given. Last section focuses on social responsibility and ethical issues in international business and future of international business. Latest edition of the book is updated with many case studies and new chapters. For example the chapter focuses on 'culture and globalization of Indian businesses' is rich with situational analysis of international business.

One of the sticking features of the book is that the author has followed a highly structured format. Every chapter starts with learning objectives and an opening case. Explanations have been given with sufficient exhibits. Each chapter is summed up with review and discussion questions. Related cases and references have been placed appropriately in each chapter. Tables, diagrams and charts have been extensively used in the text, which provides the students very comprehensive information on business at a global level. In every chapter author has been made a conscious attempt to position India in terms of different business parameters.

The chapter on economic environment is effectively presented with maps of different countries. Explanations of business situations with different 'market matrices' solve the complexities of understanding many concepts.

The author's assessment on different international business strategies through various models (eg.Porter) is also very attractive. Text ends with a chapter on future of international business. Management of diversity is the major focus here. Explanations of the author on future directions to international business reveal his vision about globalization.

In all respect, the text is rich with sufficient information on international business and can be considered as a prescribed one for students pursuing management discipline.

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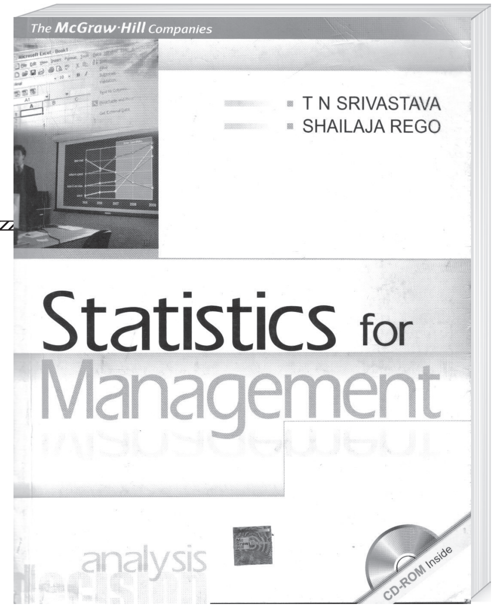

Book Title : *Statistics for Management*
Author : **T.N.Srivastava**
Edition : **2008**
ISBN : **978-0-07-066029-8**
Pages : **531**
Publisher : **Tata McGraw-Hills Publishing Co. Ltd., New Delhi.**

Nature created variation and thereby generated the need for the subject of statistics which essentially exists only because of variation in data. Although nature believes in variation, it also believes in symmetrical variation like the weight of new born babies, height of individuals etc without any bias. However man distorts symmetry as evidenced by the distribution of wealth among persons. Statistics helps in the study of variation of data for discovering patterns and drawing conclusions.

The book statistics for management provides a perfect blend of the concepts of statistics and its applications in the present scenario. It consists of 19 chapters and starts with the introduction, scope and applications of statistics as the first chapter. The author enlightens the reader on the importance of statistics and how indispensable it is in today's business environment.

Statistics is concerned with the scientific method for collecting, summarizing, presenting and analyzing data as well as drawing conclusions or making predictions on the basis of such analysis. The statistical methods of analysis are effective tools in all functions of an enterprise. Studies in Statistics were prevalent in ancient India. The great work of Kautilya, *Arthashasthra*, explores in detail on statistics relating to agriculture, medicine etc.

The chapters 2-4 and 6 enable the reader to comprehend the importance of data collection and pictorial representation of fine-tuned data. Chapters 8, 9, 13 and 15 explain the different forecasting techniques and also point-out how mathematical models can be implemented as a forecasting tool in a managerial context. The reader will be in a position to appreciate the applications of statistics in decision making after thorough perusal of the book.

The role of statistics in quality management is discussed in chapter 18. The author discusses the different quality control parameters which would be used in setting quality standards. The Six Sigma concept, which is nowadays synonymous with perfection in quality and its applications are also discussed.

Chapter 19 comprehensively discusses the various statistical techniques for designing and marketing of product and services. By the end of this chapter reader will be in a position to understand the effectiveness of statistical techniques in designing and devising solutions to different problems.

The Selection of the text, cases and examples at the end of each chapter explains the significance provided by the author to present the subject in its completeness. This book will be more than worth a reference for professionals and management students interested in pursuing a career in statistics and market research.

About the Authors

Dr.T.N. Srinivastava has been a visiting faculty in NMIMS University for about 12 years, and is on their Board of Studies for Decision Sciences. He has been Chief General Manager, Reserve Bank of India. He has authored/edited four books and published 35 articles/ papers in reputed American and Indian Journals and Newspapers.

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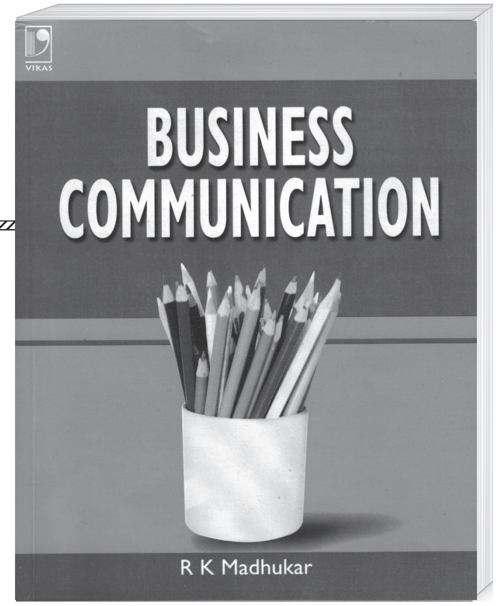

Book Title : ***Business Communication***
Author : **R.K.Madhukar**
Edition : **Fourth Reprint 2007**
ISBN : **81-259-1542-7**
Pages : **234**
Publisher : **Vikas Publishing House Pvt. Ltd., New Delhi.**

It is an elaborate journey through various facets of business communication. The book by R.K.Madhukar is not only for learners but also for practitioners in the field of business communication. Hence, the title is totally justified through "the content, substance and approach." Right from the initial chapter, the author pens down with precision point by point the why, when, who, what, how, how often etc. related with the communication concepts.

There is an amount of curiosity ignited 'to know,' in the reader as the pages are turned. The Preface itself is framed such that the readability of the book is enhanced with the mention of the people who, and why, need it. The book comprises 14 chapters and a list of recommended reading followed by an index.

The chapters are not all devoted for academic purpose alone but also work as a guide to a job-seeker. For instance, chapter 12 deals with the simple yet shrewd precision demanding communication skills, to identify an employment opportunity, to handle interviews, to send an application and to draft resume. Exhibits in the same throws light on the shift in approach of the employers where attitudes score more than experience and academics of a candidate.

Business Communication is yet to complete without pictorial presentations. Thus, chapter 13 is an insight into the effective use of tables, charts, graphs, maps etc. The visual presentations on the page aid in better comprehension. It begins with cues as to the appropriacy or the where and what visual is to be used. Also, importance of certain data like the mention of source, for instance, makes the details of quality, amount, period etc in the visual authentic.

The final chapter consists of the vistas of business communication as in the past, in the present and in the future. The significance of technology is stated in pages 219 and 220 where e-mails, e-commerce, e-business, internet, word processor, teleconferencing, SMS etc. are discussed in brief under sub-headings. The major hassle, communication overload, is also described as the aftermath of the advanced technology. Ethics in business communication is conveyed with an innovative example that 'market place is as a battle ground and marketing as "a civilized form of warfare in which most battles are won with words, ideas and disciplined thinking".'

The book deals with almost everything related with communication as non-verbal, listening, writing letters and interactive communication like meetings, oral and telephone talks etc. The effort taken to cover the topics with a business perspective is really commendable. Further, the capsule presentation of summary as key-thoughts and tables enables an easy recollection and enforcement of the topic. These quick glance readings are very effective in the modern age where all are through tight schedules.

R.K.Madhukar is the General Manager of Canara Bank Mangalore. He was the Chief Examiner of bank marketing for Indian Institute of Bankers' examinations. Besides his article contribution to journals and financial newspapers, he has presented papers at national level seminars and conferences. He has authored two books, *Dynamics of Bank Marketing* and *Business Communication and Customer Relations*.

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CERTIFICATE OF REGISTRATION

Title of Newspaper	:	*SCMS JOURNAL OF INDIAN MANAGEMENT*
Language (in which it is to be published)	:	English
Registration Number of the Newspaper	:	
Periodicity of the publication and the day on which it is published	:	Quarterly 1 January, 1 April, 1 July, and 1 October
Retailing Selling price of the Newspaper	:	Rs.1000/- (One Year Subscription)
Publisher's Name	:	Dr.G.P.C.Nayar
Nationality	:	Indian
Address	:	SCMS House, Alfia Nagar South Kalamassery, Cochin-682 022
Place of publication (with complete Postal address)	:	Prathap Nagar, Muttom Aluva-683 106, Ernakulam District, Kerala
Printer's Name	:	Mr.George P.A.
Nationality	:	Indian
Address	:	Jomini Nivas, Alexander Gardens Kalamassery, Cochin-683109
Name of the Printing Press (with complete address where printing is to be conducted)	:	Maptho Printings, Kalamassery, Cochin-683104
Editor's Name	:	Dr.D.Radhakrishnan Nair
Nationality	:	Indian
Address	:	25/74, Ambady, Kothamangalam-686 691, Ernakulam
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SCHOOL OF COMMUNICATION AND MANAGEMENT STUDIES
SCMS

SCMS JOURNAL OF INDIAN MANAGEMENT

VOLUME V, NUMBER IV
OCTOBER - DECEMBER 2008
Listed in Cabell's Directory
ISSN 0973-3167

SCMS Journal of Indian Management

SCMS-COCHIN

SCMS New Campus, Prathap Nagar
Muttom, Aluva-683 106, Kochi, Kerala, India
Ph: 91-484-262 3803 / 262 3804 / 262 3885 / 262 3887 Fax: 91-484-262 3855
E-mail: editor@scmsgroup.org / scmseditorcochin@yahoo.com
Website: www.scmsgroup.org

SCMS Journal of Indian Management

a quarterly publication
of
SCMS-COCHIN

Dates of Release: -

Number I – **January-March on 1 April**

Number II – **April-June on 1 July**

Number III – **July-September on 1 October**

Number IV – **October-December on 1 January**

SCMS JOURNAL OF INDIAN MANAGEMENT

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The *SCMS Journal of Indian Management* is a peer-reviewed Journal. The Journal deems it its mission to submit to the readers fresh fruit of management thoughts and rich cream of current innovative research. The format of the Journal is designed reader-friendly. The academia and the corporates have an easy access to the Journal.

The Journal looks for articles conceptually sound, at once methodologically rigorous. The Journal loves to deal knowledge in management theory and practice individually and in unison. We wish our effort would bear fruit. We hope the Journal will have a long life in the shelves catering to the needs of b-students and b-faculty.

§ Proposals for articles that demonstrate clear and bold thinking, fresh and useful ideas, accessible and jargon-free expression, and unambiguous authority are invited. The following may be noted while articles are prepared.

§ What is the central message of the article you propose to write? Moreover, what is new, useful, counterintuitive, or important about your idea?

§ What are the real-world implications of the proposed article? Can the central message be applied in businesses today, and if so, how?

§ Who is the audience for your article? Why should a busy manager stop and read it?

§ What kind of research have you conducted to support the argument or logic in your article?

§ What academic, professional, or personal experience will you draw on to make the argument convincing? In other words, what is the source of your authority?

§ The manuscript of reasonable length shall be sent to the Editor—*SCMS Journal of India Management* (Both for postal and electronic submission details are given here under).

The manuscript should accompany the following separately:

§ An abstract (about 100 words), a brief biographical sketch of above 100 words for authors describing designation, affiliation, specialization, number of books and articles published in the referee journals, membership on editorial boards and companies etc.

§ The declaration to the effect that the work is original and it has not been published earlier shall be sent.

§ Tables, charts and graphs should be typed in separate sheets. They should be numbered as Table 1, Graph 1 etc.

§ References used should be listed at the end of the text.

§ Editors reserve the right to modify and improve the manuscripts to meet the Journal's standards of presentation and style.

§ Editors have full right to accept or reject an article for publication. Editorial decisions will be communicated with in a period of four weeks of the receipt of the manuscripts.

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SCMS Journal of Indian Management Volume V, Number IV, October - December 2008 , Pages 1-124