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Publication of SIES College of Management Studies
A snapshot of events at SIESCOMS

- Virtualities 2008-09: SIESCOMS Annual Event
- Pravartan: Marketing Event @ Virtualities
- Pharma Vision: Pharma Mgmt Event @ Virtualities
- Nirman: HR Event @ Virtualities
- Mudraanik: Finance Event @ Virtualities
- Biogerant: Biotechnology Mgmt Event @ Virtualities
- Pratigya: A Mask-A-Thon aimed to support Govt’s ban on smoking in public places
- Prerna 2008: A unique exhibition of NGO products and services @ SIESCOMS

Proud recipient of ICM Ramakrishna Bajaj National Quality Award 2008
The slow climb up…..

The nation went to the polls in May and the Indian voters proved that they had come of age. After a long gap, there has been a clear mandate. Hopefully, this will lead to the much needed stability, both political and economic.

As the nation moves towards making its presence felt in the world order, we are trying to learn new methods of coping with the recessionary times. In view of the economic challenges thrown up globally, we at management institutes have a very challenging task ahead. We need to move towards knowledge creation rather than just knowledge dissemination. The young professionals today need to develop managerial skills rooted in ethics, pragmatism and restraint.

The economy is showing signs of recovery with around 6 per cent GDP growth in the first quarter of the financial year but we are not out of the woods yet. We stood on the brink of a drought though things are a bit better now; however, the decline in agriculture is still being felt.

If we are to remain in the race for supremacy, we need to find not only alternate methods of growth but also more versatile drivers of growth. The issue of inclusive growth continues to remain top of the agenda of any reforms measure / policy. The challenges are thus, multifarious and the management institutions continue to struggle to develop the managers who appreciate the complexity and are in a position to lead, in this complex world.

Best wishes for the upcoming season of festivals.

A.K. Sen Gupta
Chief Editor
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Performance Management System

M.N.Gopinath

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Abstract
People constitute the primary resource for any entity and unless their performance is managed effectively the entity cannot be effective in enriching the stakeholders. The real differentiator are the people and how their performance is managed, especially, in these days of ‘knowledge workers’ as all other resources become productive only through the efforts of people.

The components of a PMS are the Performance Evaluation System and Performance Reward System. Increments, bonus, stock options and promotions are the basic components of the performance reward system. The success of the performance reward system in encouraging superior performance is dependent on the effectiveness of the performance evaluation system.

Performance Evaluation System:
Almost all organizations have some form of performance evaluation system, but, it is only a few which have a well administered and effective system. More often than not, performance evaluation is done as a matter of routine and the grading or rating awarded to people does not reflect their performance. It is not unusual to find companies where more than 85% of the employees are rated “very good” or “excellent” but the performance of the company is lacklustre.

They may argue that the people are very good but the company is not doing well due to poor market conditions. It may be true in one or two years but cannot happen year after year. Even when performance of the company is driven by a booming market the employees will be credited with the growth. For instance, many companies in fast growing economies like China and India were doing well because of favourable market conditions which helped them to hide inefficiencies rather than due to superior management and employee performance. Only those companies, whose profits are growing at least two to three times the rate of growth of the economy, can be considered efficient.
The performance evaluation system can be considered effective only if it helps to identify the superior performers and the laggards. Performance rewards is not the critical component of a performance management system. The critical component is a robust performance evaluation system.

At the same time, it has to be recognized that there is no perfect performance evaluation system. Every system has its shortcomings and one has to make the best of whatever system is appropriate in the situation. For instance, the IT system may not provide data to support proper performance evaluation. If that be so, one has to make do with less perfect surrogate data. The effort should be to have as fair and transparent a system as possible and implement it faithfully.

Evaluation is “relative”:

A good performance evaluation system should differentiate the good performers from the not so good performers. Here the word “good” is relative. All performance evaluation is relative. Even in Harvard there will be a first ranker and a last ranker, even though the last ranker may be superior to the first ranker in another university. Similarly, in a running race at the Olympics too, there will be a first ranker and a last ranker, though all of them are superb runners. It needs to be appreciated that performance evaluation is relative to the group.

Every manager has the tendency to please his subordinates by giving good ratings. Such tendency comes from lack of appreciation of the fact that performance evaluation is relative and also due to lack of courage to displease his subordinates. By doling out good ratings to everyone the manager may be pleasing his subordinates but he is doing incalculable harm to the company and reducing it to mediocrity. In the long run, such weak managers will weaken the morale of his people.

The manager of every team has to “grade” and then “rank” his subordinates according to their performance. Through this process he will identify the best performer and the worst performer. Being the worst performer in the group does not mean that he is an incompetent person. It just means that given the level of capability of the team he is the poorest. As stated earlier, the person who comes last in a running race at Olympics or the last ranker at Harvard are capable performers in their own right but are poor when compared to the others in the group. It needs to be restated that the best performer in one group, say, Operations Group may not be as good as the best performer in say, Administration Group. Still they will not be far apart. Such inconsistencies are not totally avoidable in a large organization spread over a large country. That is why, it was stated that there is no perfect performance evaluation system. One can only try to make it as perfect as possible. One cannot make it absolutely perfect. Just as no human being is perfect, no system created by human beings is perfect. Hence, one has to talk of not the best system but the most optimal system. The most optimal system is the most functional system in the given circumstance for achieving the organization’s objectives.
Normal distribution:

If we take twenty boys and classify them according to their height or weight or performance in exams, it will be found that most of them will be distributed in the middle and very few at the extremes. The very tall or very good performers will be few. Similarly, the very short or very poor performers will be few. Most of them will be distributed around the median height or weight or performance. If they are plotted on a graph the distribution will take the shape of a bell as follows:

A natural distribution may not emerge if the number of people is small. For instance, if the distribution of only four students according to their marks is plotted on a graph, a normal distribution may not emerge. Hence, to achieve normal distribution it will be necessary to combine groups with similar skill sets so that the population is large enough, say, around 25, to achieve normal distribution. With some effort this can be done.

The Process:

Performance Evaluation consists of

- Goal Setting
- Performance Assessment
- Feedback and Coaching

Goal Setting:

Goals must be clear

Goal setting is as important to PMS as a strong foundation is to a building. Unless the goals are set properly, the outcomes will not be what are desired. Goals give direction to the employees and influence their behaviour. If the goals are vague or confusing or conflicting, the efforts of the people will not be well directed and the desired results will not be achieved. After all, unless people know what is to be achieved they cannot achieve it. Hence, goals have to be clear.

Goals must be measurable

Clarity of goals is enhanced by measurability. For instance, if the goal is “Quality of portfolio should be maintained at a high level” the outcome is left to the interpretation of the Manager. What he
considers as “high level” may not be what the top management wants. In any case, the Manager is never sure what is expected of him. On the contrary, if the goal is stated as “Problem credit should not exceed 1% of the portfolio at the end of each quarter and cost of monitoring and recovery should not exceed 0.5% of the average portfolio”, the Manager is clear what to work for and how his performance will be assessed. **Hence, goals should be measurable.**

**Goals must be limited**

Too many goals can result in confusion as it is difficult to concentrate on too many things. It is also difficult to prioritise too many goals. The 80:20 principle should be used to identify the goals that need to be focused upon. For instance, when setting goals on cost control it is better to focus on those items of cost that account for 70 to 80% of the total cost rather than on all the items of cost. The focus should be on those items of cost which impact profit significantly. Similarly, when setting business goals, instead of setting a large number of goals it is advisable to identify the key drivers of growth and focus on them. **It is a proven principle that what is focused upon gets done.** One cannot focus on too many things. **Hence, goals have to be few in number.**

Each goal has to be broken down into sub goals to make it more specific and measurable. The importance of each goal/sub goal has to be expressed by assigning appropriate weightages. **Around five goals and five sub goals for each goal are considered reasonable.** It may be slightly more for senior functionaries with responsibility for multiple businesses/functions. At lower levels, the goals will be lesser in number as their area of operation and responsibilities are lesser. As we go down the organization, the goals have to become fewer because the junior functionaries may not have the maturity to prioritise and focus on too many goals.

**Goal setting has to be a top down dialogue process**

Goal setting is a top down process. It should start with the senior most person (MD) as he has to be absolutely clear about his own goals to be able to set the goals for his subordinates in such a way that their performance contributes to the achievement of his goals. Similarly, those at the second level (Executive Directors) have to know their own goals to be able to help the General Managers to set appropriate goals. Secondly, goal setting is a consultative process. Goals cannot be handed down by the superior. Goals have to be owned by the person who has to achieve it and he should have an opportunity to discuss the goals and the support or resources he requires to achieve the goals. Such a dialogue will also give the superior officer an opportunity to convince his subordinate of his constraints in providing all the resources that the subordinates asks for or the reasons why the goals have to be achieved with lesser resources. **Hence, goal setting is a top down dialogue process. Goals have to be cascaded down the organization.**

**Goals of support and control functions**

The above observations regarding the necessity to set simple and measurable goals are relevant for support and control functions such as IT or Audit also.
However, setting goals for such functions may be slightly more complex. Support and control functions also have to grow to support business growth. How proactively they grow, how cost effective they are, how supportive they are, are they as growth oriented as the business groups etc are the parameters to be measured. With some thought, goals can be set to measure these aspects also. It is possible that some of the measures may not be quantifiable and a little more subjectivity may be involved in the assessment. While the effort should be to reduce subjectivity to the extent possible it needs to be recognized that subjectivity cannot be eliminated altogether. Hence, it needs to be appreciated that no system can be absolutely objective or perfect. Discipline and lack of bias or prejudice in performance assessment can ensure impartiality and credibility of the performance management system.

Measures of performance:
How achievement will be “measured” will also have to be determined. Every attempt should be made to facilitate quantitative measurement of achievement. However, where it is not possible to do so, the supervisor will assess the performance and the measure can be written as “as assessed by superior”. It needs to be emphasized that such subjective measurements should be as few in number as possible.

Focus
Growth in business volumes and profits are necessities. In other words, all organizations have to necessarily improve their top line and bottom line. Additionally, to ensure sustainability of growth, organizations have to focus on quality. Quality is applicable to almost all facets of any business. Investors and analysts look for quality of the income streams; whether it is too volatile or is it steady and sustainable. Quality of customer service is a prerequisite for growth in any service industry. Similarly, quality of process management is of utmost importance in enhancing profitability and quality of customer service.

Quality is not a cost but an investment for enhancing profitability and growth.

Hence, it is essential to focus on
1. Growth of business
   Increase in volume
   Increase in number of customers
   Market share etc
2. Profitability
   Increasing income of desired quality
   Reducing expenses through improving efficiency and productivity
3. Quality
   Portfolio quality
   Service quality

It is possible that all three dimensions of growth, profitability and quality may not be relevant at all levels. For instance, in the case of Tellers, productivity and customer service quality will have high weightage while cross sell will have lower weightage. The weightage given to each parameter will change according to the position and nature of responsibility.

“Balanced Scorecard” by Robert Kaplan explains how to set goals in such a way that the strategy of the organisation gets implemented through the performance management system. Kaplan recommends dividing the goals into four groups or
‘perspectives’, namely, financial, customer, process and learning perspectives. Each organization has to adapt this recommendation to suit its situation. I have found it simpler to divide the goals into three groups, namely, growth, profitability and quality all of which are relevant to all organizations and which terminology are easily understood by all. One should not be dogmatic about the terminology but should focus on setting goals which are relevant to the organization, situation and position.

**Performance Assessment:**

The first step is evaluating the performance against each sub-goal/goal and awarding appropriate marks. Thereafter the marks have to be multiplied by the weightages for each sub-goal/goal and the total marks arrived at.

Normal distribution is achieved by ranking the people after evaluation of their performance. Ranking will ensure that performance evaluation is relative whatever the level of performance is. In a year when everyone has performed very well or in a year the all round performance is rather poor, the relative performance of the people has to be identified to reward them in a just and fair manner. The following figure illustrates how ranking can help in achieving normal distribution.

<table>
<thead>
<tr>
<th>Rank</th>
<th>% of employees</th>
<th>Rating to be given</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>First 5%</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Next 15%</td>
<td>2</td>
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<tr>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Next 30%</td>
<td>3</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
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<tr>
<td>7</td>
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<td>9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Next 30%</td>
<td>4</td>
</tr>
<tr>
<td>12</td>
<td></td>
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<tr>
<td>13</td>
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<td>15</td>
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<tr>
<td>16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Next 15%</td>
<td>5</td>
</tr>
<tr>
<td>18</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Next 10%</td>
<td>6</td>
</tr>
</tbody>
</table>

Even if all people have achieved their targets, the better performers amongst them should get higher bonus than the others. To restate, it is not about absolute performance or the total marks obtained by each employee that is important but their relative performance. Ranking helps to differentiate the good performers from the bad and to make the performance reward system more equitable in terms of higher rewards to better performers.

The percentages can be adjusted according to the requirements of the organization. It is not essential that the distribution has to be absolutely normal and the curve has to be absolutely bell shaped. A skewed curve can also be quite functional as long as it is only skewed and not flat or bulging at the end. The essence of an effective PMS is differentiation on the basis of performance.

As stated earlier, normal distribution is relevant only if the number of persons involved is large enough, say 25 at least. It is possible that in some groups the number
of appraisees is small. In such situations it is necessary to group several small groups of employees with similar job profiles or skill sets. If the number of employees in a group, say salesmen, is very large it will be advisable to break them up into smaller groups on some rational basis, say territory wise or product wise etc so that each group is of reasonable size for the purpose of ranking. If it is necessary to have the entire population ranked, the ranking allotted to the subgroups can be combined and again ranked, rating wise. For instance, in each subgroup after ranking, ratings (say 1 to 6) will be given. All those with ratings of 1 can be combined and again ranked to identify the super achievers. Similarly all those who got rating 2 could be combined in to a group and again ranked. Let us suppose there were 23 people who got rating 1 and 31 people who got rating 2. The 23 people will be grouped together and ranked 1 to 23. They will be followed by the next batch of 31 people who are ranked from 24 to 54. In this manner the entire group could be ranked and assigned fresh ratings on the basis of the prescribed percentages as explained above. Thus, ranking and assignment of ratings can be done whatever be the number of appraisees involved.

The above system of ranking and rating is relevant even if the company has 180 or 360 degrees appraisal process.

Review
To smoothen out region to region or group to group and other inconsistencies it is necessary to have the performance reviews reviewed by a committee consisting of officers who are senior to the appraisers. They would pay particular attention to those who have been granted very high or very low ratings and those in the border between two ratings, for instance, those who are at the bottom of rating 1 and those who are at the top of rating 2. The review committee also would ensure that the standard of appraisal is more or less consistent.

Performance Reward System:

The usual components of the performance reward system are;
- Increments
- Bonus
- Stock Options
- Promotion

Increments

Increments are annual increases in salary given to staff to cover normal increases in expenses of a person as he and his family becomes older, normal inflation and also as recognition of good performance. Traditionally, performance linkage in increments was not there and increments were a fixed amount to cover inflation and increase in expenses. Gradually increments have become one more tool for performance incentivization. As a result, while the poorly rated employees may be given subsistence increment or no increment at all, the better rated employees are given higher increments, i.e. full neutralization of inflation plus an additional amount as incentive.

Increments lead to permanent increase in the fixed component of emoluments. Increments given cannot be withdrawn later even if the employee’s performance slips below the acceptable level. Hence, the desirability of using increments as an incentivization tool is questionable.
**Bonus**

Bonus or a lump sum payment given at the end of the year or half year (yearly bonus is preferable) has emerged as the most important tool for performance incentivization. Bonus is paid as a percentage of the salary (definition of salary differs from company to company) with the percentages varying according to performance rating. For instance, persons getting top rating of “1” or “A” may be paid, say 60% of annual salary as bonus while the person getting rating of 4 or D may be paid only 20% of annual salary as bonus. The percentages will differ from year to year according to the profits of the company which will determine the amount available for distribution as bonus. Thus, the bonus will vary according to the profits of the company, the salary of the employee and the performance of the employee. **Bonus is essentially profit sharing according to the performance (or contribution) of the employees in proportion to their salary levels.**

The percentage of bonus applicable to various ratings remains the same across the company. For instance, all employees getting a rating of 1 may be paid bonus at 75% of annual salary. Since the salaries are determined on the basis of job evaluation (higher salary for more complex jobs), when bonus is paid as a percentage of salary, the differentiation is automatically maintained.

One possible refinement could be factoring in the overall performance of the group as a whole (Operations / Marketing / HR or West Zone/East Zone etc), in fixing the percentage of bonus. For instance, 70% of the bonus could be based on the individual performance (performance rating) of the employee and 30% on the basis of performance of the group as a whole.

Suppose an employee gets a rating of 1 and bonus is payable at the rate of 60% of annual salary. The Group as a whole has got a rating of 2 which merits a bonus at the rate of 50%.

70% of the employees entitlement of 60% will be 70 * 60 = 42%

30% of the employees entitlement can be calculated on the groups performance, ie. entitlement of 50% which is 30 * 50 = 15%

Thus, the total entitlement of the employee will be 42 + 15 = 57% and not 60% because the groups overall performance pulled him down.

On the contrary if his group had also got a rating of 1 which merits bonus payment of 60%, the entitlement of the employee would be as follows

Individual performance component 70*60 = 42
Group performance component 30*60=18
Total 60%

Such an approach will ensure that all employees are concerned about the performance of the group and do not become individualistic to the detriment of the group and the company at large. Both the individual and team performance get factored in and team spirit is encouraged. Secondly, there will not be a situation of the individual employees getting high ratings and good bonuses but the group faring poorly.

The only disadvantage is that employees rated poorer than the group may get more bonus than on the basis of their individual rating alone.
For instance a person whose rating is 4 and entitled to get bonus at 20% will actually get bonus at 32% as follows;

\[
70 \times 20 \text{ (individual rating)} = 14 \\
30 \times 60 \text{ (group rating)} = 18 \\
\text{Total} = 32\%
\]

This problem can be overcome by paying bonus at the lower of the two percentages i.e., the lower of 20% or 32% which is 20%. This will ensure that a poor performer does not benefit from the overall good performance of the group. Such a system will ensure that employees do not try to latch on to well performing groups and ride on the performance of the group. The percentages given above are purely for demonstration and any combination of percentages and weightages can be used as appropriate.

The important issue is evaluating the performance of each group which can be done by proper goal setting and evaluation.

**Stock Options**

Options are granted with a view to reward well performing employees without immediate cash outlay as granting options do not involve any cash outflow, encourage employees to strive to continue to perform well to increase the market value of the company and to retain the good performers by vesting the shares over a period. The number of options granted will depend upon the rating of the employee and his grade/level.

**Promotion**

While bonus should be for performance, promotion should be for potential. At the same time promotion cannot be detached from performance. Invariably, it is the people with potential that perform well. While all good performers may not have potential, those who have potential will be good performers. It is rarely that a person who gets very poor performance rating has the potential for shouldering higher responsibilities. Even if it be so, it is not good for the organization to promote a poor performer to higher positions as he will not be able to command the respect of his subordinates. People will respect only those who have proved their capability by exemplary performance. Only those who can win the respect of their people can lead a team effectively. Hence only the top performers should be considered for promotion if a true performance culture is to prevail in the organization. Thus, while promotion is not a tool for rewarding performance, the fact that only top performers will be considered for promotion makes promotion also a component of performance reward system along with bonus and annual increment.

**Conclusion:**

In this article I have focused on the operational aspects of Performance Management System as the theoretical aspects can be learnt from the many books on the subject and practitioners need inputs that will help them in implementing PMS. I must admit that though “goal setting” is the most important step in PMS the explanations given in this article on goal setting is rather brief. The reader is advised to read books of Balanced Scorecard and also study the goal sheets in a few organizations to understand how to set relevant goals for various functions/positions.
Crafting the Leadership—an all wheel-drive for 21st Century

Vijayam Ravi

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Abstract:

Future is complex for the business/corporate world. This is due to the innumerable challenges that face human brain. It is perceived to be a tough task to get leaders who can run corporate houses successfully and ethically in such a networking, interconnected, globally unsafe economy, where there is a tremendous explosion of knowledge. What are the traits that can be expected for a good leader to be a great leader, under such circumstances?

Introduction:

“The greatest excitement of future is that we can shape it” -

Charles Handy in “Finding Sense in Uncertainty”

Education without culture, intelligence without morality, authority without values, and wealth without moral fibre should be shunned by society. Organizations need leaders who create a difference between success and failure. Tomorrow’s world is an unknown terrain. Its future will not depend on the economic, material, commercial or agricultural revolution, or security. Tomorrow’s world will depend only on intellectual capital of its people. The kind of business intelligence that is required for today and tomorrow will be unparallel and the competition among toppers will be terrific. There may be inhuman and unethical practices all around; organizations superseding each other. Small and big companies will have to compete with each other no matter what they are independently worthy of. Customers will be an enlightened class and they will ask for quality, quantity and value worth their
money. They will initiate their right to know. Networking will be more intense, sharing of knowledge will be mostly through internet. The world will resound with science and technology, mobile culture and nanotechnology. Relationships will be matter with purpose. Professionalism in every act of the employees will decide the order of the organization. Companies need to challenge all their assumptions and may be even question their intelligence and wisdom in leading organizations in the wake of explosion of knowledge. The organizations today are trying to survive in an increasingly global, well communicated and interconnected system. World over, companies that earlier manufactured, developed products, and administered them over through trade by themselves, have adopted a culture of outsourcing. That is how the concept of ‘extended enterprises’ has come into existence.

The leaders to lead such organizations and take them to success require inimitable skills and certain equanimity in their dealings - individual excellence, courage, organizational excellence, strategic skills, and operating skills. Tomorrow’s leadership certainly need intelligence and wisdom. Indian management philosophy has insisted on a high degree of commitment and values for all leaders from time immemorial. We have innumerable examples of traits of leadership in ancient India through scriptures and dialogues of saints, Kings and Upanishads. This article illustrates the challenges of today’s leadership in organizations and what could be a solution for all these confusions, most possibly from ancient scriptures.

**Challenges and Traits of leadership**

What are the challenges faced by the leaders today?

Hyper transformation and hyper growth in every walk of life is a challenge to human life today. Warren Bennis, in his “Becoming a leader of Leaders” says, “The major challenge of leaders in the 21st century will be how to unleash the brain power of their organization”. The élan vital of the individual—the inner energy—the vitality of the individual, as philosopher Henry Bergson puts it, is an amazing source of creativity and collectively this élan vital is the brain of the organization. Like Aristotle says, there is an inner urge in every individual to grow. And this urge has to be satiated. Man will try and work out to meet this urge. This urge can also be called as the vitality or ‘Antarvira’ as the Jain Philosophy puts it. This power is tremendous and collectively this power can move even organizations. Increasing the collective intelligence of the organization is one of the essential tasks of a leader today, as Noel M Tichy puts it. The greatest challenge of the leader hence is to amass this power to make the organizations prosper. So, one of the greatest works of a leader is to hone all this massive energy, by inspiring the employees to actively participate in institution building. This is the most difficult challenge and therefore the important trait of a great leadership will be of a facilitator to bring out the inner energy of all the employees—the élan vital of the employees.

There is tremendous explosion of knowledge and exposure to knowledge by
all. The management of this knowledge and utilizing this knowledge for the growth of the organization is one of the biggest challenges of the leaders today. One needs to know the source of the knowledge, and where the knowledge goes to, preservation and retention of this knowledge and efficiently reproducing this knowledge in entirety. This makes the task of a leader. Most of the organizations, though they claim loudly, as professionally run, there seems to be a total lack of clarity regarding career development of employees, managing the critical knowledge that is very important for the organization, and succession planning. It is a very heart-warming suggestion from the government of India about the need for skill development in institutes. Technical skills and other language skills, management processes, long term human capital needs, how to use the tacit knowledge of those skilful employees of the organization who retire at 58, how to make use of mentoring as an essential part of human training, using IT enabled services to capture the right kind of knowledge and information for the organization—all have become part and parcel of the leadership activities. Today there is a shift from information management to knowledge management and human element adds value to this process. The available knowledge with individuals is not sometimes structured, documented or tangible. This knowledge or the business intelligence needs to be tapped very effectively and stored for future growth of the organization. Institutional leaders also lack the coaching strategies. Many a time the teachable point of an organization is not highlighted by the leader and as a result, the employees grope in the dark.

There is also no planning for the right kind of succession. In organizations, sometimes, the top positions are reserved for known or family members and this leaves a gap in the efficiency status of the organizations and the image sometimes gets affected. The successor need not always have the vision of the founder and as times have changed he may try to bring in new ideas, ventures, mergers and various developmental growth strategies. The process to analyze all these changes in an objective manner, taking into consideration the growth prospects of the organization, needs enormous amount of courage, time, and intelligence. Therefore succession planning is one of the most important challenges of organizations today. Taking the team along with the vision of the company is a great art and if the team refuses to join the leader, the organization will suffer. Effective leadership therefore involves succession planning.

Another big challenge that faces the organizations is the inefficiency in the predictive selection/interviewing/recruitment of suitable employees whose profile matches the profile of the jobs. Unsuitable people at unsuitable jobs are a liability to the organization. Intuitive intelligence of the leader plays a very important part here.

With all types of changes around, the risk of creating a professional organization is really an exciting task for a very efficient leader. The future is not a linear journey, there are humps and curves and sometimes pits and how the leader is leading the organization is a learning opportunity and inspiration to the team as well. The strategic direction to lead is many a time problem for the leaders. They
may have all the operational efficiency that they have acquired from practice and theory from the management institutes. Emphasis on strategic planning is very important for leaders. The competition in the business market is inevitable in a growing economy. The leader should be extremely good at strategic planning.

In a network economy, geographical location of companies is not an issue at all. But how to get into the network economy is a challenge. Here the human mind, its intelligence has to be tapped at the right proportion and equally important is that those minds have to be appropriately engaged. He is first among equals and therefore ego has to be subdued and working styles need to be restructured. Taking the team along and inspiring them is an essential skill for the leader. While continuous improvement in an organization is ideal situation, sometimes radical change is also required and preparing the people for this type of sudden and unpredicted transformations is also one of the added responsibilities of a future leader. Reinventing the competition rules, creating new avenues for the growth of the company, blazing new trails by continuously upgrading the wheels would be a very challenging task for a leader in the 21st century. He has to be a transformational leader.

With the world progressing in leaps and bounds, one of the anxieties that all businessmen and economists have is whether the rate of progress will be different in different parts of the world. If so, what is the kind of precaution one has to take to keep oneself in the global visibility? What kind of a hierarchical system is required to tackle the upheavals, if any? How do we create the “high trust” zone, to meet this challenge? How is the organization planning to capitalize the knowledge and build new knowledge? These are the issues that need to be addressed immediately by the leaders of organizations. There is no time, no resting place on the way to discuss, or rethink or strategize. The crisis is imminent. Either you act or you die. The leader has to be well informed and well read person who can adapt and adjust to changes and convert every challenge into an opportunity.

Reengineering the organization to meet the requirements of the internal and external customers and reaching the goal by setting the bench mark is always a long process and it requires a visionary in the form of a leader. Very often this leader has time only to do fire fighting and responding to the challenges. This happens either because the organization’s leader does not have foresight and is not a visionary or there is a basic resistance to change in the group as such. In order to achieve this, the leader has to create a team of different people from different walks of life, from inside and outside, work on weird but challenging strategies of steering the organization based on the skills of its resources and strengths. The leader has to collect people who have future in their cells. When the whole organization starts dreaming together, along with the leader and starts focusing on the realization of the dream, it becomes a reality. Empowering the organization is one of the greatest roles of a leader. The leader is, in such a case, only placing the culture of trust and aspiration in the bones of the people. This journey is an adventure; it is an exploration. Warren Bennis calls this team of people as ‘Leaders
of Leaders”. Decentralizing power, yet to be in control of the situation is an art by itself. Democratizing activities and yet, be a go getter in a subtle way is a science by itself. The leader has to decentralize, democratize and yet be a trendsetter leading a very enthusiastic group. The leader has to be a leader of leaders.

This leader who is the leader of leaders will not be content with what he is doing, will not be a docile individual, he will be in the midst of action, but yet he will look inactive - just as the Gita says, even in the midst of action, the true leader is unaffected. He is always at work, he is measuring the opportunities for growth, he is observing the challenges and strategizing-yet amidst all these turmoil, he would be totally an undisturbed individual who does not take credit for his action. This is slightly different from the western style of leadership which says, one has to celebrate his success. Probably the Indian style of leadership considers success also a part of the routine happening and hence does not very often take cognizance of successes. The leadership is involved all the time in not mending past or present but is always involved in creating a future. He is engaged in a future scenario planning even while he is in the middle of terrific success. This means, celebrating success and using the opportunity to fall into complacency is not in the blood of a new age leader. Every success is considered by him as a new challenge and new benchmark for him. That is the reason why he starts looking for future scenario planning. A great leader is a ‘Karma conscious’ person- a person who works as though there is no attachment to work. This leader will have shrewd insights into people and their behavior. This is very essential says, Mark H McCormack, in his book “What they don’t teach you in Harvard Business School” (pg20, published by Profile Books Ltd, 2003). He says, shrewd insights into people can be obtained through the powers of observation. Impression management is a very important role of the leader and therefore whatever he does should be transparent and ethical.

All these require a corporate culture and it has to be preserved by the leader as an asset. Organizations lack innovations. The new age leader has to be necessarily an innovative leader. Most organizations fail the test of innovation because, they copy, and they have poor controls and a very immature and unprofessional managing style. The business communication of even an innovative idea needs a thorough planning and effort so that it rubs people –that is the team, on the right side. Otherwise, even the correct and the right idea becomes a misfit. There must be a systemic approach to change in thinking processes and even that is innovation. The Leader promotes innovation and research.

Well–if such is the tough nature of leadership that is required for tomorrow; do we have such leaders among us today? Yes and no would be the answer. Yes, because quite a lot of sense has come in organizations of today and employees are becoming increasingly aware of their role in the total transformation process. We may say that we have quite a few leaders who have transformed their companies from ‘good’ to ‘great’ as Jim Collins says. No, because, still there are leaders that do
not give weightage to transparency and systems. Principled leadership is absent in at least some organizations.

Stephen Covey says Trust comes from Principles and therefore put the principles first in the organizations, in his book “Principle Centered leadership”. He says, “When you apply principles consistently, they become behavioral habits and this enables the fundamental transformation in individuals of relationships and of organizations”. Character of the leader emerges as the single most trait of a great leader here. The Leadership is compatible with conscience. Stephen Covey adds up saying that character without competence is as insufficient as competence without character. Yesterday’s leader was using intelligence to reach the goals. Tomorrow’s leader has to reach goals, not only with intelligence but the wisdom to use it appropriately, totally based on a flawless, personal, disciplined character. He will have a strongly defined sense of purpose, shared values and the capacity to articulate them. The future age leader will concentrate on developing the skills and educational standards of his work force. Facing challenges and yet gearing up to success is an essential trait of a leader-but more than that what is required of a leader, is the strength of character. Our ancient scriptures have lucidly explained the need for such a leadership for organizations. Just as Jim Collins says, (2001, pg22, “Good to great”), Humility + will = leadership, who are humble, yet fearless, modest yet wilful. Jim Collin says, these leaders channel their ego needs away from themselves and into the larger goal of building a great company.

To Sun Tzu, author of a top management treatise “The Art of War”, victory should be the great object and winning the battle is all about unyielding principle. Today, the shift is towards principle of Gita, where leaders have to focus on thoughts and actions and not on outcomes. Krishna asks the leaders to act and not react. The Gita reiterates and emphasizes on the leader being compassionate, selfless treating everyone as equal. The Lord insists on “Leading by example”. According to earlier concepts that prevailed in management philosophy, greed is good and whatever the company does, there should be an edge of advantage. Gita advises leaders to engage in action not expecting rewards. If the intentions are straightforward and taking care of common good, the Lord assures that the outcomes will be taken care of by it. This attitude is described by Pete Engardio, in Business Week (October 2006), as ‘Karma Capitalism’.

Though the leader has to be tough and focused on success, “The quality of an organization depends on the moral calibre of its members”, says Panduranga Bhatta, (Journal of Human Values -6: 2 (2000), (Sage Publications). He continues to say that its leaders largely shape the moral fibre of an organization’s members. A leader has to be a mentor. Chandragupta Maurya became one of the finest emperors of the world under the guidance of Chanakya. Similarly, Arjuna became one of the finest leaders under the guidance of Lord Krishna. Valmiki mentored Lav and Kush (Dr Jaganmohan Reddy “Mentoring-Management lessons from Indian Mythology”-pg 35 “Tattvaloka”September 2006).
Bagavad Gita differentiates the management term “Leadership” as a difference between “Effectiveness” and “Efficiency”. Doing right things, is effectiveness and doing things right is efficiency, according to the Gita. The super management guru-Lord Krishna, in the Gita, divulges much more than what has been said in the modern theories of management. A leader has to be an “Ego less” person and has to undergo the process called “De egoisation”. Bagavad Gita lays a lot of emphasis on this. Like Peter Drucker, who says, harmony and peace at work place can happen only through human interactions and quality joint performance. Panduranga Bhatta (pg 111, “Leadership Values—From Ashoka’s Inscriptions”) consolidates the ten commandments of Buddha for a leader as follows.

1. Dana: charity, generosity and liberality.
2. Sila: moral character.
3. Pariccaga: sacrificing everything for the good of the people.
5. Maddava: kindness and gentleness.
7. Akkoda: freedom from hatred, ill will and anger.
10. Avirodha: non-opposition that is, ruling in harmony with his people

Vidhura is considered as the voice of reason and wisdom in the great epic Mahabharata. To a question of Dhritharashtra as to what are the qualities of a wise and a foolish man, Vidhura says “A wise king should use the ONE to discriminate the TWO, control the THREE using the FOUR and conquer the FIVE and Know the SIX and abstain from the SEVEN”. ONE means the intellect; TWO stands for right and wrong; THREE means friend, enemy and stranger; FOUR means gift, appeasement, estrangement and severity; FIVE are the senses; SIX are the different relationships between kingdoms - war, treaty etc.; SEVEN are the greatest vices – women, dice, hunting, harsh speech, drinking, severe punitive acts and wasting wealth. The highest good is RIGHTEOUSNESS; the supreme peace is FORGIVENESS; supreme contentment is KNOWLEDGE; supreme happiness is BENEVOLENCE.

**Conclusion:**

This sums up the traits of a great leadership that are required for this tough world of business. Anger, pride and infatuation are three vices that dissuade a leader from action. 21st century leader has enough and more opportunities to be perturbed and reactive. That is why the essential wisdom from ancient scriptures comes of use to him to lead him to leading. We do not require managers tomorrow, but leaders. This leader who is a staunch person by the strength of his character will create a value between success and failure for organization. Just as Harry S, Truman, says, you can accomplish anything in life provided that you do not mind, who gets the credit.
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Importance of Soft Skills for an Employee and for the Organization

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Abstract:

The business scenario is becoming more and more competitive and it is difficult to survive without soft skills. More and more people are getting equipped with traditional degrees and certificates and one important point which differentiates raw talent from skilled talent is soft skills i.e. the presence or absence of them. What distinguishes a person at the workplace is how he/she applies talent in day-to-day activities, achieving the organizational goals. An employee with good soft skills will get preference over another in recruitment if both have similar educational qualifications and experience.

Introduction:

Many people ask the question: Is there any sure-shot formula or mantra for success? But there is really no definite answer for this. Does the magic prescription lie in a company’s band of talented people or in the company’s innovative products? Or is it something else that is missing from the equation for success?

An increasing number of companies are recognizing the fact that in order to get some competitive advantage, they will have to make sure that their people know how to handle themselves at work and how to relate to their customers outside their organization and with their peers inside. From showing empathy and optimism and self awareness to knowing what is going on around them, there are some competencies that make up an integral part of a progressive organization. These and more fall under the umbrella of soft skills.

Soft Skills:

Soft skills are crucial not just for a person’s growth but also that of the company’s. Otherwise, how could you explain the differential growth curves of two people with
the same qualifications working for the same company, yet one is very successful and the other only moderately so? For example, you must have seen two shopkeepers selling the same product. But one of them is able to do a better business than the other because of the dignified way he invites his customers, gives them respect, listens to them and caters to their requirements while the other shopkeeper tells his customers that if they don’t find his goods any good, they can move ahead. It matters a lot what you say from your heart than what you say with your mouth. Another example can be taken of two doctors, of which one of them is more qualified but does not treat patients with compassion while the other doctor, though less qualified is more humane and considerate towards his/her patients. You will find that there will be more patients in the second doctor’s clinic than in the first one.

The answer lies in their different hold over their soft skills. In a constantly changing and challenging work environment, to gain a competitive advantage, employees need to know how to handle themselves at work and how to relate with their customers and peers. These skills are vital not only for a front-office job, say as a receptionist, who is expected to wear a smile and be polite at all times, but also in the back-office environment, as well. After all, front-office jobs are more people-centric and they require you to be at your best always—even in terms of your appearance.

It always helps if you are well-groomed and project a positive image to the world. In the service industry, in particular, where the back-office team has to cater to all types of customers, a person always has to be at his/her best. In an industry where you are involved with relocating people, including foreigners, you just cannot afford to lose your cool. Administration officers at help desks are virtually swamped by calls from aggrieved customers, requesting a new telephone connection or complaining about their malfunctioning generators or even gyms that charge exorbitant fees. The team of officers has to learn to be patient with such customers. There are no two ways about it.

**Significance of Soft Skills:**

The importance of soft skills can also be gauged from the following incident, wherein an HR manager refused to take a person on board because he was impolite on the phone. Even while this person was making inquiries about one of the job postings, it became apparent that he had little interest in the job. He had preconceived notions about employers being bad and short-sighted and the HR manager got completely put off by his caustic remarks and verbal tirade. In his mind, he was convinced he would never call this man for an interview as his ‘soft skills’ needed a lot of polish.

These soft skills should be inculcated in an individual right from childhood. At home, the child should be taught how to behave in a decent way with not just his/her parents, siblings and elders but also with the people around like neighbours and friends. Children should be made aware of their responsibilities towards their society. Here the role of the school is very important. Qualities of team work, empathizing with others, working together to achieve a goal etc. should be developed and efforts for overall development of personality of the
individual should be made. Even while grading of the students, emphasis should be given to development of soft skills.

**Business and Soft Skills:**

In business, your management theories alone will not help you to increase your reach to your customers or increase your market share. They will not be adequate to deal with a difficult situation or fix an unexpected problem. Yet you get maximum accolades when you deal with someone with a soft touch than with your extensive knowledge about a particular subject.

While most American companies invest at least one to two per cent of their budget on soft-skills training, in India the spending is much lower at 0.5 to one per cent. Yet it has been estimated that the soft-skills training is a Rs. 800 crore market in India and ancillary support services like management videos are worth Rs. 340 crore. This sort of training can be built into vocational training, management case studies, mentor talk, whatever, but it does need to be incorporated. Some managers believe that companies should plough back at least 10 per cent of their profits into soft-skills training. At Pipal Research, a Chicago-based company engaged in research resources, the focus is primarily on “professional development and mentoring”. When analysts start at Pipal, they are assigned a mentor who tracks their overall professional development. Later, the HR manager uses the mentor’s observations, other research managers’ feedback to create a development agenda for the analyst and the system has worked well.

Thus, while an employee’s domain knowledge and job experience are relevant to career growth, no less important are the soft skills. It is these soft skills that will finally make the difference between an effective and an ineffective employee / organization.

**Important Soft Skills:**

We all know that the business scenario is becoming more and more competitive and it is difficult to survive without soft skills. More and more people are getting equipped with traditional degrees and certificates and one important point which differentiates raw talent from skilled talent is soft skills i.e. the presence or absence of them. What distinguishes a person at the workplace is how he/she applies talent in day-to-day activities, achieving the organizational goals. The important soft skills are leadership skills, time management, presentation skills, communication skills, etiquette, telephone speaking skills, business writing skills etc. Soft skills represent a combination of skills that makes us user-friendly to the context under consideration. The context could be a part of our job or outside it. These are skills which we already have, but possibly need to enhance them a bit. For instance, we have been communicating since we started speaking and writing, but we need to know how communication can be used to make a difference in our organization. Similarly, we have been told by our parents and teachers about the importance of managing time properly, which are nothing but prioritizing one’s tasks and optimizing performance.

**Personality Skills:**

Personality skills are those that define an individual’s personality. Personality is the sum total of one’s physical, social,
emotional and spiritual characteristics that identify a person. It includes one’s attitudes, beliefs, values and character. These are the most difficult ones to be trained in as belief systems and habits are acquired over a life time. Knowledge skills constitute knowledge in action, as applied to your organization or to any life situation. They include knowledge, competence and technical know-how. These can be learnt in classrooms, applied to real life situations and also learnt from the experience of one’s seniors and colleagues. Soft skills already exist in all of us. It is only that we don’t update them quite often. We don’t use enough creativity in our lives to get things done. Hard skills influence our decisions so much that soft skills are not paid attention.

**Soft Skills and Success:**

A professionally qualified person cannot fit into an organization without soft skills in the same way that we cannot run MS Office without the operating system loaded on the computer. People are able to do their jobs effectively only because of soft skills. Without soft skills, there are very little chances of achieving success even with the best academic qualifications. What we learn in the classroom is hard skills which have to be complemented by soft skills in order to take us ahead. The business world does not operate in ideal conditions. To take care of such difficult and uncertain situations, we require soft skills also. Today, business is not just about planning and organizing alone. To take the business ahead effectively, we need to identify innovative solutions which are not taught to us in classrooms. Executives need to move out from a compartmentalized thinking which pertains to only their domain or specialization. In the real world, there is dissolution of traditional boundaries. Soft skills help us to look beyond these boundaries and look at the bigger picture. Knowledge skills can help you to start your career but soft skills will help you to sustain the growth. Soft skills are what make the difference between an ordinary employee and a successful employee.

You need to identify what skills you need to develop and then look at appropriate training sessions for the same. Before embarking on this route, you need to make some points very clear in your mind:

(i) You need to be clear about the outcome or result you want to achieve. Your expectations should be realistic. You can improve on your communication skills but you cannot become a powerful communicator overnight by going through a two day training session. These training programs make us aware of our shortcomings and then we need to work on them on a continuous basis in order to improve.

(ii) You need to be clear about what you want to learn. Going through a training session just because your company is sponsoring it will not serve your purpose. Take up something which suits your requirements.

(iii) It is important to keep an open mind and a learner’s attitude rather than a ‘know all’ attitude otherwise the chance of learning anything new is rare.

(iv) Once you have learned something in a training session, it is important to practice it. Otherwise you will not feel
the impact and will forget it in due course of time.

**Conclusion:**

We have seen how important soft skills are for the growth and development of any individual. Today, all companies are realizing the importance of soft skills for their employees and hence organize special training programs so that they can update themselves. They are investing time and money so that their employees can realize their full potential by looking at things creatively, which not only leads to their overall development but also the sustained development of the organization. Such an organization becomes a proactive organization which can take up the day to day challenges head on.
Entrepreneurship: Yesterday-Today-Tomorrow

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Abstract:
For a long time, starting of Industry was essentially an entrepreneurial function. There were “Entrepreneurial Families” which came from “Entrepreneurial Communities”. Today entrepreneurship is in a melting pot. The so-called entrepreneurial spirit is diminishing in the entrepreneurial communities. New organizations are coming up which belong neither to the entrepreneurial communities nor to entrepreneurial families. The glory of the entrepreneurial family is fading fast. The new generations of entrepreneurs do not belong to the entrepreneurial community. So the entrepreneurship tomorrow will be very much wide-spread and will change the chief executives periodically. They may be headed by global managers in due course and this will further break down the traditional concept of entrepreneurial community and entrepreneurial family.

Entrepreneurship Yesterday:
For a long time, starting of Industry was essentially an entrepreneurial function. There were “Entrepreneurial Families” which came from “Entrepreneurial Communities”. These communities were supposed to have special characteristics. They were essentially frugal and had the entrepreneurial requirement of risk taking. They were invariably ready to put in hard work and go through a difficult environment largely because of their background. For example, the Marwaris coming from Marwar, which was considered a barren land, were accustomed to surviving in a hostile terrain. They were also ready to compromise to survive.

In these communities people were ready to help each other to spread the entrepreneurship. At the beginning of the century, Parsis and Marwaris were typical examples. They had dynastic succession. The next generation through their upbringing absorbed the entrepreneurial qualities by osmosis.

One important characteristic of all entrepreneurs is “fire in the belly”. In the ultimate analysis, entrepreneurs are not
in the business merely to make money. They have a strong internal impulse to do business and enjoy the “game”.

The situation started changing in the post independence era. Most of the entrepreneurial communities were able to take advantage of the opportunities provided by the new environment of License-Permit Raj and created organizations to meet these new requirements. They prospered considerably. E.g. Marwaris, who are less than 1% of India’s population, control nearly 25% of the private sector assets.

**Entrepreneurship Today:**

Today entrepreneurship is in a melting pot. The so called entrepreneurial spirit is diminishing in the entrepreneurial communities. The dynastic rule is becoming dysfunctional and the traditional family controlled organizations are generally on the decline. New organizations are coming up which belong neither to the entrepreneurial communities nor to entrepreneurial families. The glory of the entrepreneurial family is fading fast.

One of the reasons is the increasing standard of living and the desire “to live well”. Frugality is no longer a virtue and “showing off” of wealth is widely prevalent. The females of the family have also helped to create the rebellious mood. In a typical entrepreneurial family, mother tells the son, “Don’t get into the business like your father constantly talking about orders, supplies, receivable etc. Enjoy a comfortable life as a professional, preferably in a 10 to 5 job since the entrepreneurial job is 24 hours a day - 7 days a week”.

With changing culture the affinity within the family has reduced and many of the family members are at loggerheads with each other. The communities help and support is not forthcoming and the traditional business base is on the decline.

Nature does not allow a vacuum and the entrepreneurship void had to be filled in. Firstly, it was the public sector. The Government, interested in economic development, ventured into areas, where private sector entrepreneurship was not readily forthcoming. The size of the enterprise became very large – often beyond the resources of a family. Consequently, for some time the public sector provided the entrepreneurship.

However, public sector entrepreneurship had its own problems due to lack of continuous leadership. Where there was long term leadership available (e.g. HMT under Dr.S.M Patil) the enterprise grew very well. In other cases, each change of chief executive meant a shock to the organization. The general performance, compared to the investment, gave a sad image to the public sector.

The public sector which prospered under the troika of Strategies: Central Control-Public Sector - Self Reliance. This troika was replaced in 1992 with LPG troika indicating a U-turn: Liberalization, Privatization and Globalization.

**Entrepreneurship Tomorrow:**

The new generations of entrepreneurs do not belong to the entrepreneurial community. Particularly in the new technologies like IT (Information Technology), numbers of enterprises have come up where the
main investment is “Knowledge” and not “Capital”. These enterprises prospered because of their excellence in computer technology. Knowledge created its own capital. Because of the nature of these organizations, they could not be dynastic because the next generation did not have the knowledge and expertise of the previous generation. So professionals - as in the case of multinational subsidiaries - inherited the enterprise.

So, the entrepreneurship tomorrow will be very much wide-spread and will change the chief executives periodically. Each generation of Chief Executive will not be bound by the dictum of past and will be completely free to start in the new areas.

With increasing globalization these will tend to be multinationals originating in India and spread over the world. In the true sense, India will have global organizations comparable with global organizations originating in western countries. They may be headed by global managers in due course and this will further break down the traditional concept of entrepreneurial community and entrepreneurial family.

It will be a difficult situation since the battle for survival will be continuous and hard but as the poet Daag said:

“Hatheli pe jo rakh de jaan, Usiki kamayabi hai
Jo rakh de daar par sar bus wohi sardar banta hai”

(The one who is ready to take risk will ultimately succeed. The one who stretches his neck to bear the risk will head the show).
Market Perception and Preferences for Landline Telephone Service Providers Using Joint Space Mapping Approach

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Abstract:
The application of the techniques of marketing to convince, attract, and retain consumers has remained the challenge. The current study has been conducted to assess the Indian consumer’s perception of selected landline service providers operating in Kolkata with reference to, a set of specific attributes relating to landline telephone service provision using the concept of joint space mapping that would show both consumers perception and preferences towards the concerned brands. Thus, for the purpose of the study, Kolkata is taken as the representation of the Indian market.

Introduction:
The application of the techniques of marketing to convince, attract, and retain consumers has remained the challenge. The marketers are struggling hard to occupy a specific segment of the market and defend it with their offering specifically customized to suit the requirements of customers of the modern days. But such requirements have been changing fast leading to increasing of the marketing gap. To bridge this gap the marketers today are adopting scientific techniques from the field like statistics and psychology that has led to the change of the marketing ball game. The rapid change of Indian consumer behaviour in the days of Internet and Satellite Television has compelled the marketers to learn more about the consumer behaviour and identify market insights. This should not be a difficult task for the modern marketer as works of Kassarjian (1994) and Lawson (1995) point out that they are trained with skills required for understanding the consumer behaviour. But the works of Buttle (1989) and Olson (1983) show that the applications of these scientific techniques require direct examination of the basic
assumption and research implication that remain uncovered in these theories. The practitioners of modern marketing need to evaluate critically the methodological and theoretical elements of different perspectives of consumer behaviour (Mowen, 1988). The works of Arndt (1985) and Bristor1985) point out the fact that critical studies cited above remain actually etchings on the surface of the larger theoretical structures on which the issues relating to deeper assessment of consumer behaviour remain covered. The works of Marsden et al (1998) argue by citing the works of Zinkhan (1992) that any perspective of consumer behaviour cannot be understood or properly evaluated by not consulting the underlying assumptions relating to human nature. Studies relating to market segmentation (Johnson, 1971) are capable of producing results that can be used for indicating the desirable marketing action in specific situations. The marketers believe that brand influences the buying behaviour for products and services this has led to several commercial image tracking services and models of consumer behaviour like the Fishbein (1967) and the Engel et. al. (1993) models. Brand is a popular area of measurement and monitoring, with organizations undertaking regular brand tracking studies. Managers look to brand studies to investigate brand performance in the market. Brand image is an important dimension in brand management and thus research on brand image by Joyce (1963), Keon(1983), Sampson(1993), Steenkamp et. al. (1994) is usually adopted for the purpose of measuring brand performances. Research studies have also been done to investigate the relationship between brand perceptions and future behaviour of consumers. Such study includes investigating the perceptions of quality conducted by Garvin (1984), Jacoby et. al. (1985) and Lichtenstein et. al. (1989), or the effect of country of origin on the brand perception as done by Johansson, Douglas et. al. (1985), Han (1989) and Ettenson et. al. (1991). The currently available techniques are construction of product space, discovering shapes of distribution of consumers’ ideal points throughout such space, and identifying the likely opportunities for new or modified products. These techniques cited above are currently contributing to the development of strategic alternatives for the choice of strategic marketing plans. The development of spatial maps helps in the understanding and fine-tuning of the marketing offerings through positioning and repositioning of brands. The current study seeks to develop a joint space map to assess the market for the landline telecom service providers operating in India. The study indicates that a marketer can use such technique to develop corrective strategies for managing and improving brand perception among the consumers thereby improving brand value (Bakshi, 2008).

**Objective :**

The current study has been conducted to assess the Indian consumer’s perception of selected landline service providers operating in Kolkata with reference to, a set of specific attributes relating to landline telephone service provision using the concept of joint space mapping that would
show both consumers perception and preferences towards the concerned brands.

**Scope:**

The findings of the study would show the perception of the Indian consumers towards the concerned brands of landline telephone services. The marketer can adopt such technique for fine tuning their marketing strategies through developing actionable marketing plan. The results of the study can be applied by companies operating in India.

**Methodology:**

The study adopts the technique of both desk research and field research. The technique of desk research has been adopted to study the current state of the market of Indian landline telephone services. Further, it would lead to the finalization of the choice of the method that can be adopted for the development of the joint space map that would indicate Indian consumers’ perception as well as preference.

**Desk Research:**

Going through the documents relating to telecom operations in India available in the websites, it can be found that the Indian telecom sector can be broadly classified into two class viz. the fixed line telephony and mobile telephony. There exists fierce competition in the market with the major players being BSNL, MTNL, VSNL, Reliance and Tata Indicom in the fixed line services. The occupancy of the market between the private and public operators is reflected in the chart 1 presented below:


The division of market share among the private players is as shown in chart 2 presented below:

(Source:ww.naukrihub.com/india/telecom/overview/fixed-line-telephony/private/subscribers)

Since the concentration of market share lies with the public service providers, the private service providers are struggling hard in order to capture more customers. The secondary data obtained from the Telecom Regulatory Authorities India and others show that the private operators are having high growth rate in Indian market. Presently the total subscriber base in private
sector is around 8.79 million (Source: http://www.naukrihub.com/india/telecom/overview/fixed-line-telephony/private/). The subscriber’s base in the private sector has been increasing as the chart 3 composed on secondary data presented below shows:

Chart 3

![Subscribers Base and Growth Rate of Private Telephone Service Providers](image-url)

Source: www.naukrihub.com/india/telecom/overview/fixed-line-telephony/private/subscribers

**Table 1: Summarization of perceptual mapping techniques used in marketing.**

<table>
<thead>
<tr>
<th>Method</th>
<th>Discriminant Analysis</th>
<th>Factor Analysis</th>
<th>Multidimensional Scaling</th>
<th>Multi-attribute Compositional Models</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data Used</td>
<td>Uses rating data on brand attributes</td>
<td>Uses rating data on brand attributes</td>
<td>Ranking Data</td>
<td>Trade-off consumers between attribute and product configurations</td>
</tr>
<tr>
<td>About Method in a Nutshell</td>
<td>Linear combinations of attributes that best describe the brand are constructed</td>
<td>Key dimensions are determined using total variance explained through pair wise correlations among the attributes</td>
<td>Similar brands are placed closer in the map</td>
<td>Determines the utilities of combinations of attributes</td>
</tr>
</tbody>
</table>

**Literature review:**

Currently product space analyses using compositional approaches using brand attribute rating data are frequently being used as tools in understanding consumer behavior. The table 1 presented below shows a comparative study of the techniques used in perceptual mapping has been composed by Gwin et. al. (2003) using primary basis suggested by Keon (1983) Hauser and Koppelman (1979). This table shows the advantages and the limitations of the techniques that can be used for developing product space maps and the table can be used by the researcher for the choice of a suitable technique for constructing the perceptual map. The table 1 reflects that while constructing perceptual product map, the researcher must make several decisions ranging from the choice of data input, to the selection of a particular perceptual mapping technique.
The above table shows that there are several techniques available to the researcher that can be adopted to generate perceptual maps. The table 2 shows in a nutshell the techniques that are used for the composition of preference maps.

### Table 2: Summarization of preference mapping techniques used in marketing

<table>
<thead>
<tr>
<th>Method</th>
<th>Vector Method</th>
<th>Ideal Point Map (Unfolding Model)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Data Used</strong></td>
<td>The data matrix is derived from preferences of individuals over a selected set of attributes where the preference is recorded on a rating scale.</td>
<td>The data matrix is the stated or derived preferences of the individuals over a set of alternatives. The data can be either metric or non metric in nature.</td>
</tr>
<tr>
<td><strong>About Method in a Nutshell</strong></td>
<td>Useful in categories where the preferences of the segments stands unidirectional along attributes.</td>
<td>This method is used in situations where the segment preferences are not unidirectional.</td>
</tr>
<tr>
<td><strong>Output Generated</strong></td>
<td>The map shows the locations of the alternatives and the differential vector associated with the preferences of each individual on the map.</td>
<td>Location of alternatives on the points of the individuals on most preferred combinations of the underlying dimensions defining spaces.</td>
</tr>
</tbody>
</table>

As the objective of the paper is to compose a combination of both perceptual and preference maps, the technique of joint space mapping marketing engineering method of Lilian and Rangaswamy (2003) has been adopted. The technique of joint space map from external analysis has been adopted. In the process, the data matrix adopted has been formed with stated or derived preferences of the individuals over a set of alternatives which is supplemented with a set of data giving locations of alternatives on a perceptual map. The resulting map shows both the locations, directions of the attributes and the preferences vectors of the consumers.

### Field Survey (Study Design, Sample Size, Technique)

Thus, for the purpose of the study Kolkata is taken as the representation of the Indian market. In this study, Kolkata is chosen as it is one of the A1 metropolitan cities of India with a population of 4,580,544 people with an extremely high population density of 33,000 persons per square kilometre, consisting of people from almost all Indian states and all Indian religions.
The primary data has been collected from 30 respondents in Kolkata having knowledge of the four selected brands of landline telephone service providers. The brands selected for the study have been disguised as AAA, BBB, CCC and DDD respectively to maintain confidentiality. The primary data has been collected by using a judgmental sampling plan. Attitudinal data relating to brand perception has been collected on a five point scale on a set of attributes listed viz. ease of catching the executive at call centre, voice clarity of executive at call centre, communication skills of executive at call centre, ability to provide the right information, knowledge of executive at call centre, waiting time spent in catching the executive at call centre, perception on right billing, clarity of billing process, the efficiency of bill delivery, ability to solve billing problems, the easy of bill payments and attractive handsets offered by the company. The average of the data for each attribute has been computed and fed in the software. The data relating to brand preferences were collected from these 30 respondents and now these people has been divides in two sets of 15 each and the average of these two groups has been taken and fed in the marketing engineering software. Table 3 shows the input data used and table 4 the descriptive statistics. Table 5 shows the variance explained by the model.

**Table 3: Input data indicating the average scores on the attributes**

<table>
<thead>
<tr>
<th>Brands / Attributes</th>
<th>AAA</th>
<th>BBB</th>
<th>CCC</th>
<th>DDD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ease of catching the executive</td>
<td>2.7</td>
<td>3.1</td>
<td>3.2</td>
<td>2.3</td>
</tr>
<tr>
<td>Voice clarity of Executive</td>
<td>2.7</td>
<td>3.2</td>
<td>3.2</td>
<td>2.9</td>
</tr>
<tr>
<td>Communication skills of Executive</td>
<td>2.2</td>
<td>3.5</td>
<td>3.6</td>
<td>3.5</td>
</tr>
<tr>
<td>Providing right information</td>
<td>2.4</td>
<td>3.2</td>
<td>3.2</td>
<td>2.8</td>
</tr>
<tr>
<td>Knowledge of Executive</td>
<td>2.7</td>
<td>3.3</td>
<td>3.4</td>
<td>2.6</td>
</tr>
<tr>
<td>Waiting Time</td>
<td>2.3</td>
<td>3.1</td>
<td>3.4</td>
<td>2.6</td>
</tr>
<tr>
<td>Right Billing</td>
<td>2.8</td>
<td>3.3</td>
<td>3.4</td>
<td>3.2</td>
</tr>
<tr>
<td>Clarity of Billing</td>
<td>2.9</td>
<td>3.0</td>
<td>3.1</td>
<td>3.0</td>
</tr>
<tr>
<td>Bill Delivery</td>
<td>2.3</td>
<td>3.3</td>
<td>3.6</td>
<td>2.8</td>
</tr>
<tr>
<td>Solving Billing Problems</td>
<td>2.3</td>
<td>3.5</td>
<td>3.7</td>
<td>3.1</td>
</tr>
<tr>
<td>Ease of Bill payments</td>
<td>2.8</td>
<td>3.4</td>
<td>3.5</td>
<td>2.4</td>
</tr>
<tr>
<td>Attractive Handsets</td>
<td>2.9</td>
<td>3.3</td>
<td>3.4</td>
<td>2.7</td>
</tr>
</tbody>
</table>

**Table 4: Statistics Descriptive statistics about the input data.**

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Mean</th>
<th>Variance</th>
<th>Proportion Variance Explained</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ease of catching the executive</td>
<td>2.85</td>
<td>0.360</td>
<td>0.996</td>
</tr>
<tr>
<td>Voice clarity of Executive</td>
<td>3.02</td>
<td>0.221</td>
<td>0.991</td>
</tr>
<tr>
<td>Communication skills of Executive</td>
<td>3.22</td>
<td>0.611</td>
<td>0.985</td>
</tr>
<tr>
<td>Providing right information</td>
<td>2.90</td>
<td>0.364</td>
<td>0.984</td>
</tr>
</tbody>
</table>
### Table 5: Variance Explained by the mapping model

<table>
<thead>
<tr>
<th>Dimensions / Items</th>
<th>1</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total variance explained</td>
<td>0.829</td>
<td>0.151</td>
</tr>
<tr>
<td>Cumulative variance explained</td>
<td>0.829</td>
<td>0.980</td>
</tr>
</tbody>
</table>

The table 6 shows the coordinates of the four brands in the perceptual map and table 7 shows the coordinates for the attributes in the map. The table 8a and 8b reflects the diagnostics for preference map composed using the metric vector model respectively.

### Table 6: Coordinates of the brands in new reduced space.

<table>
<thead>
<tr>
<th>Dimensions / Brands</th>
<th>1</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>0.6443</td>
<td>0.5618</td>
</tr>
<tr>
<td>BBB</td>
<td>-0.3814</td>
<td>0.1791</td>
</tr>
<tr>
<td>CCC</td>
<td>-0.5814</td>
<td>0.0642</td>
</tr>
<tr>
<td>DDD</td>
<td>0.3185</td>
<td>-0.8051</td>
</tr>
</tbody>
</table>

### Table 7: Coordinates of the attributes in new reduced space

<table>
<thead>
<tr>
<th>Dimensions / Attributes</th>
<th>1</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ease of catching the executive</td>
<td>-0.8228</td>
<td>0.5605</td>
</tr>
<tr>
<td>Voice clarity of Executive</td>
<td>-0.9906</td>
<td>0.008</td>
</tr>
<tr>
<td>Communication skills of Executive</td>
<td>-0.7626</td>
<td>-0.6239</td>
</tr>
<tr>
<td>Providing right information</td>
<td>-0.9739</td>
<td>-0.1427</td>
</tr>
<tr>
<td>Knowledge of Executive</td>
<td>-0.9181</td>
<td>0.3878</td>
</tr>
<tr>
<td>Waiting Time</td>
<td>-0.9931</td>
<td>-0.0589</td>
</tr>
</tbody>
</table>
The joint map is reflected in Chart 4 presented below

**Chart 4**

**Positioning Map**

| Right Billing | -0.8625 | -0.4864 |
| Clarity of Billing | -0.7823 | -0.2748 |
| Bill Delivery | -0.9925 | -0.0958 |
| Solving Billing Problems | -0.9667 | -0.2519 |
| Ease of Bill payments | -0.8566 | 0.5134 |
| Attractive Handsets | -0.8622 | 0.5055 |

**Table 8a: Diagnostics for Preference Map (Metric Vector Model)**

**Table 8b:**

<table>
<thead>
<tr>
<th>Number of Cases</th>
<th>Average Fit</th>
<th>Average Variance Accounted</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>0.849</td>
<td>0.721</td>
</tr>
</tbody>
</table>

The joint map is reflected in Chart 4 presented below
Interpretations:
The map clearly shows that there exist very little difference in perception among the brands BBB and CCC. These brands stand very close to one another and hence they are actually “me too” brands. Thus, one of them is just targeting the others customers and vice versa. These brands need to be repositioned and adjusted to highlight unique benefits. The brand DDD stands apart with closeness to preference arrow. Hence, this brand will be preferred by the consumer followed by the brand CCC. Brand AAA is the least preferred brand.

Caveat:
The reflection shown in the map may vary with a different sample and is to be taken as indicative and not conclusive as the sampling is judgmental in nature. The names are disguised as to maintain strict confidentiality.

Conclusions:
The map shows the preference and perception of the consumers towards the brands. Thus, the objectives set out at the outset of the paper stands addressed.

References:
Books

Book Chapters


Journals


Websites


This study has been conducted under the guidance of Dr P Chattopadhyay, Former Professor, Burdwan University.
Abstract:
This research paper tries to highlight why non interest income activities can act as a supportive marketing cushion to the banks and help them to deal with the current situation and face the global challenge more confidently. It is suggested that the authorities are to come forward to guide the banks in nurturing this marketing option along with their core interest earning business. Further, as risk factors are also addressed in the process, so this diversification would also place banks on a stronger footing in terms of marketing.

Introduction:
After independence as planned economic development was adopted as the chosen path for India, need for a strong and robust financial system was felt for varied requirements of credit and economic development of the nation. Since nationalization of commercial banks, the growth of the banking network in terms of branch expansion and penetration across the length and breath of the country had been the focal agenda and remarkable progress towards this has also been achieved. However, the Indian banking system virtually remained outside the orbit of global development and technological leap-forward in banking practices during the most part of the second half of last century. Direct government ownership and control, entry barrier, exchange control, regulated and directed credit were some of the modes of protection provided to the banks.

Of late, the importance of non interest income as a supportive avenue for increased earning and profitability gradually came to the fore in Indian banking. The traditional financial services, which the Indian banks have been delivering since their
inception, gradually, appeared inadequate in a situation of marketing edge under globalization, technological breakthrough. The perception of commercial banking business also correspondingly changed. In the changed environment it was believed that the non interest income could contribute to higher total bank revenue by tapping newer sources of revenue generation through aggressive marketing strategies. Commercial banks came to be recognized as a corporate body, the efficiency of which is not to be rated merely by the branch expansion or rise in deposits and advances and adherence to the welfare norms but by outstretch of activities at par with international standards generating comfortable profit margin.

The traditional financial analysis based on Keynesian and post Keynesian economics believed that rational people are risk averse and all other things being equal, profitability in diminishing risk situation is always preferred. However, this hypothesis ignores two most vital things. While measuring profits it ignores the scale of the investment required to earn return and secondly, it ignores the length of investment time period. Rs 500 profit on Rs 2000 and Rs 500 profit on Rs 1,00,000 is not the same. Similarly, looking at from time horizon angle, we find time horizon is extremely important for all corporate bodies, including banks since Rs 1000 earned in a year and Rs 1000 earned in 15 years is different. All other things being equal, a long horizon investor will definitely be more risk tolerant than a short horizon investor. Risk is thus, a matter of perception and this perception is functionally directly related to the length of investment horizon.

**Literature survey:**

Looked at from the attitudinal level we-Indians, are risk averse -bank management is also no exception. The management of transactional risk (interest rate risk, liquidity risk & credit risk) and risk acceptance ability of a bank are the key factors to determine bank’s income and profitability in a risk-return situation. Unfortunately bank management does not emphasize and reward risk taking ability of its employee’s right from selection stage. Similarly, customers view banks for safe money hence quality of bank assets and profitability of a particular bank is relegated to the back seat (SBI and Syndicate bank both are taken at par).

In his article Tibrewal, opined that, in essence specially for the banks, profit is the reward of risk. In his view in the present scenario where global effects are coupled with technological manipulations by all leading players, in that case unanticipated movements in financial derivatives may affect profitability and its trend. Hence prudent steps are needed to contain risk and manage currency risk related exposure to protect business.

According to him the popular measures of managing the above risk is –forward market hedge, rollover contracts, financial swaps, money market hedge, and currency options. If these tools are applied judiciously then they will protect as well as augment the profitability of the bank concerned which is already performing well, and help as a major tool towards turnaround strategy for a loss making bank.

In the opinion of Kuppuswamy with technology sitting in the driver’s seat, the
expectation of the customers has gone up to a great extent. However, as present customer requirements are diverse and are increasing in number day by day so, in Mr. Kuppuswamy’s opinion, commercial banks need to adopt a segmented approach of marketing now to study the customer expectations first, because the traditional offers are fast losing their credibility. For this purpose customers can be stratified into different categories like-general, corporate, government accounts, institutional, high net worth individuals and retail level customers (who may expect bank services at their doorstep along with advisory functions). The bank account holders will come to know how much tailor made services they can expect from their banks in near future and how bank management will try to fulfill their need if it induces profitability of the concerned bank.

Whalen (1997) observed that, the effect of expansion into additional activities on the uncertainty of U.S. banking organizations is difficult to predict. Those who support expanded activities emphasize potential benefits for banks including gains in efficiency from the realization of economies of scope, reduction of uncertainties through greater diversification, and expanded opportunities to compete for commercial and retail customers as technology and tastes change. According to Whalen, an examination of bank failures in the United States over the last twenty years demonstrated that bank failure due to diversification into off balance sheet related marketing activity is extremely rare.

On the other hand, Jagtiani and Khanthavit (1996) observed the impact of risk based capital requirements of banks on cost and efficiency. They took into consideration both on and off balance sheet items while their research allowed product mix variation among banks and its variation over a seventeen year time period in U.S. Their empirical study revealed that regulatory norms that encourage large banks to expand in size and diversify into non interest area will ultimately make them less efficient in terms of profitability.

Acharya, Hasan and Saunders (2002) made a study on Italian banks for the period 1993-1999 and observed that, diversification does not specifically improve either the performance of the bank (profit, return on investment, earning per share) or reduce uncertainty. Hence, off balance sheet earnings even if increasing is not a dependable source of revenue and profit for banks. Stiroh (2002) also had almost the same type of opinion and in his research on Federal Reserve System observed that, steadily increasing reliance on non interest income is associated with higher uncertainty but gradually lower profits in U.S.

Bhattacharya (1998) opined that profit maximization both in the short and long run should be the prime strategic goal of the banks in general. However this is not valid for banking sector due to welfare requirement of the society. The performance of the banking sector was thought as most important only for the growth and profit of other sectors and definitely not for its own. Political leaders and sociologists overstressed this view. However, author argued, how banks that are not helped to generate profits
(rather should incur losses) can help others generate profits? Fortunately the understanding is clear now.

Leeladhar (2007) also in a later study observed that phased implementation of opening up of banking sector is ideal for the Indian banking system but the liberalization led to stiff competition and floodgate entry of new banks. According to him the Basel II framework enabled more efficient risk-return trade offs and diversification of business in non interest areas.

Unnithan and Swatman (June 2001) opined that, the banking industry in two countries India and Australia have now reached a mature stage and are under threat of competition. The business strategist Michael Porter identified five competitive forces, which tend to drive down the profitability. Applying this version of Porter’s Five Forces Model to the banking industry, they observed that one of the critical factors, barriers to entry no longer exists in banking. Moreover banking demonstrates the typical attributes of an oligopoly such as risk avoidance and relatively undifferentiated customer service, which is gradually becoming important. Banking through the internet is increasingly becoming a necessity along with innovative transactions, hitherto not popular and gradually a move is on towards diversification into fee-based earnings.

According to Patnaik and Shah (2003) interest rate related uncertainty is a challenge as well as opportunity for Indian banks. They made a study with forty two banks’ balance sheets in India and found that two largest banks (SBI and ICICI) faced relatively little risk while other small banks faced high risks and there were a third category of banks who stood to gain with falling rate of interest.

Umakrishnan and Adelson (2003) observed that off balance sheet related accounting was a top line issue for securitization professionals in recent times in U.S. According to him ‘Transactions from off balance sheet items take place everyday through out the world’. Off-balance-sheet activities are contingent claim contracts. Classification of an item as an off-balance-sheet asset starts when an occurrence of the contingent event results in the creation of an on-balance-sheet asset. An example is a loan commitment. If the borrower decides to exercise the right to draw down on the loan, the bank will incur a new asset on its portfolio. Similarly, an item is an off-balance-sheet liability when the contingent event creates an on-balance-sheet liability. An example is a Standby Letter of Credit (SLC). So issuing SLC makes the logic clear, the resultant yield is much more than the given.

**Objective of the study:**

The purpose of the present study is to capture the ownership group features with respect to the orientation of the Indian commercial banks towards diversification in income generation at the aggregate level. This indicates the proactiveness in marketing activity in non conventional areas. The idea is to locate how the two components of revenue stream i.e non interest income (X1) and interest income(X2) moved together during the study period. This reflects the strategy of
the portfolio management of the concerned group and shows the proactiveness in marketing activity.

**Research methodology:**

The study covers 4 different commercial bank groups. SBI group nationalized group, private Indian group and foreign bank group. Selection of the sample commercial banks is being done by convenience sampling. A list of all commercial banks in each strata (each bank group depending on ownership of the bank) based on the year 1991 i.e. just at the beginning of the liberalization of the financial sector is prepared and included those banks for which the data for the reference period (1991-2004) are continuously available. Although number of commercial banks in the first two groups (SBI group and nationalized bank groups) remained stable during the reference period but the number of banks varied among private and foreign bank groups.

Next we examined the diversified benefits in terms of revenue for different types of banks. This is done by a cross sectional correlation (which shows how the correlation between non interest income and net interest income changed over time) and a bank specific correlation (which shows how the correlation differs across different types of banks) and jointly these correlations provide the complete understanding of the risk-return trade off from an increasing non interest income related marketing activity.

Empirical Analysis: it is conducted in two ways-1) by bank specific correlation (Bank Group-wise as well as Bank Specific Correlation) and 2) by time specific correlation. For this, within each four bank groups, correlation between X1 and X2 across banks are traced. The same is done for first difference of the data as well to capture growth effect. This reveals how a bank’s two main sources of income moved together and how a particular group’s strategic choice shifted during 1991-2004. Lastly correlation exercise between X1 and X2 is made across time to find how the correlation coefficient moved with respect to time.

Correlation between non interest income(X1) and interest income(X2) across banks with actual data and with first difference for nationalized group of banks:

The cross sectional correlation between interest income and other income and their growth (1st diff) across banks is shown below-

<table>
<thead>
<tr>
<th>Nationalized banks</th>
<th>Correlation actual data</th>
<th>Correlation 1st difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allahabad Bank</td>
<td>0.978</td>
<td>0.481</td>
</tr>
<tr>
<td>Andhra Bank</td>
<td>0.982</td>
<td>0.252</td>
</tr>
<tr>
<td>Bank of India</td>
<td>0.982</td>
<td>-0.132</td>
</tr>
<tr>
<td>Bank of Boroda</td>
<td>0.965</td>
<td>-0.533</td>
</tr>
<tr>
<td>Canara Bank</td>
<td>0.991</td>
<td>-0.044</td>
</tr>
<tr>
<td>Central Bank</td>
<td>0.974</td>
<td>0.088</td>
</tr>
<tr>
<td>Corporation Bank</td>
<td>0.996</td>
<td>0.412</td>
</tr>
<tr>
<td>Dena Bank</td>
<td>0.987</td>
<td>0.231</td>
</tr>
<tr>
<td>Indian Overseas Bank</td>
<td>0.912</td>
<td>-0.093</td>
</tr>
<tr>
<td>Indian Bank</td>
<td>0.96</td>
<td>0.324</td>
</tr>
<tr>
<td>Oriental Bank</td>
<td>0.998</td>
<td>0.33</td>
</tr>
</tbody>
</table>
From the above result it is evident that the correlation across nationalized group of banks for interest income and non interest income for the actual data set is very high indicating little diversification benefit from non interest activities. However, the growth effect of the actual data (1st difference) shows totally different picture and the correlation coefficient differs significantly across individual banks in the same group. For all the banks there is low correlation coefficient showing strong diversification benefit for all the individual banks in this group. Few banks like: Bank of India, Bank of Baroda, Canara Bank, Indian Overseas Bank, Syndicate Bank and United Bank of India correlation coefficient of the growth effect data (1st difference) is negative reflecting strong scope of diversification. However, all these banks showed either declining or stagnant profit figure during the period under consideration and obviously diversification could have benefited them significantly. The overall correlation coefficient for the actual data and the growth effect data are 0.945 and 0.336 respectively, which reflects much difference in results. Since correlation coefficient of growth effect of the other income and interest income is very low (0.336) so we can conclude that the diversification benefit is very strong for the nationalized group of banks as a whole.

The cross sectional Correlation between other income(X1) and interest income(X2) across banks with actual data and with first difference for private group of banks:

<table>
<thead>
<tr>
<th>Private Banks</th>
<th>Correlation Actual data</th>
<th>Correlation 1st difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bharat Overseas Bank</td>
<td>0.837</td>
<td>0.109</td>
</tr>
<tr>
<td>Bank Rajasthan</td>
<td>0.821</td>
<td>-0.039</td>
</tr>
<tr>
<td>Catholic Syrian Bank</td>
<td>0.852</td>
<td>0.096</td>
</tr>
<tr>
<td>Dhan laxmi Bank</td>
<td>0.814</td>
<td>0.007</td>
</tr>
<tr>
<td>Federal Bank</td>
<td>0.935</td>
<td>0.275</td>
</tr>
<tr>
<td>J&amp;K Bank</td>
<td>0.941</td>
<td>0.620</td>
</tr>
<tr>
<td>Laxmi Vilas Bank</td>
<td>0.968</td>
<td>0.438</td>
</tr>
<tr>
<td>Lord Krishna Bank</td>
<td>0.859</td>
<td>0.294</td>
</tr>
<tr>
<td>Nainital Bank</td>
<td>0.718</td>
<td>-0.122</td>
</tr>
<tr>
<td>Sangli Bank</td>
<td>0.836</td>
<td>-0.273</td>
</tr>
<tr>
<td>Tamilnadu Mercantile Bank</td>
<td>0.975</td>
<td>0.421</td>
</tr>
<tr>
<td>United Western Bank</td>
<td>0.880</td>
<td>0.068</td>
</tr>
<tr>
<td>overall</td>
<td>0.899</td>
<td>0.441</td>
</tr>
</tbody>
</table>
Bank specific correlation indicates that the correlation across private group of banks for interest income and non-interest income for the actual data set is having very high positive correlation suggesting low diversification benefit. The data pertaining to the growth effect of interest income and non-interest income reflect either very low or negative correlation coefficient indicating extremely high scope of diversification. However, the coefficients of Bank of Rajasthan, Nainital Bank, and Sangli Bank are all negative indicating extremely high scope of diversification in non interest area. The overall correlation coefficient for the actual data and the growth effect data are 0.899 and 0.441 respectively, which reflects much difference in results. Since overall correlation coefficient of growth effect of the other income and interest income is moderately low (0.441) so we can conclude that the potential diversification benefit is high and reasonably lucrative for the private bank group.

Correlation between other income(X1) and interest income(X2) across banks with actual data and with first difference for foreign group of banks:

<table>
<thead>
<tr>
<th>Foreign bank</th>
<th>Correlation Actual data</th>
<th>Correlation 1st difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABN Amro</td>
<td>0.882</td>
<td>0.118</td>
</tr>
<tr>
<td>Abu Dhabi Bank</td>
<td>0.702</td>
<td>-0.173</td>
</tr>
<tr>
<td>American Exp</td>
<td>0.268</td>
<td>-0.425</td>
</tr>
<tr>
<td>Bank America</td>
<td>0.601</td>
<td>-0.031</td>
</tr>
<tr>
<td>Bank Tokyo</td>
<td>-0.191</td>
<td>-0.235</td>
</tr>
<tr>
<td>Barclays Bank</td>
<td>-0.099</td>
<td>-0.031</td>
</tr>
<tr>
<td>BNP Paribas</td>
<td>0.286</td>
<td>0.145</td>
</tr>
<tr>
<td>Duestch Bank</td>
<td>0.524</td>
<td>-0.264</td>
</tr>
<tr>
<td>Hong Kong &amp; Shanghai Bank</td>
<td>0.934</td>
<td>0.109</td>
</tr>
<tr>
<td>Bank of Nova Scotia</td>
<td>0.826</td>
<td>-0.148</td>
</tr>
<tr>
<td>Oman International</td>
<td>0.411</td>
<td>-0.075</td>
</tr>
<tr>
<td>Sonali Bank</td>
<td>0.245</td>
<td>0.178</td>
</tr>
<tr>
<td>Standard Chartered Bank</td>
<td>0.983</td>
<td>0.498</td>
</tr>
<tr>
<td>Citi bank</td>
<td>0.959</td>
<td>0.238</td>
</tr>
<tr>
<td>overall</td>
<td>0.918</td>
<td>0.306</td>
</tr>
</tbody>
</table>

From the above result it is evident that the correlation across foreign group of banks for interest income and non interest income for the actual data set is having mixed set of results indicating both high and low diversification benefit for few banks. For ABN Amro Bank, Hong Kong Shanghai Bank, CitiBank and Standard & Chartered Bank very high correlation indicates less diversification benefit. It is evident that as such foreign banks are more proactive in this line of diversification and since they have been doing good business for few decades, perhaps they have already diversified well by the reference period. On the other hand American Express, Bank of Tokyo, Barclays Bank, BNP Paribus Bank, Sonali Bank have either very low or negative coefficient showing extremely strong diversification benefit. The data pertaining to the growth effect of interest
income and other income reflect either very low or negative correlation coefficient indicating extremely high scope of diversification for almost all banks in this group. The overall correlation coefficient for the actual data and the growth effect data are 0.918 and 0.306 respectively, which indicates great difference. Since correlation coefficient of growth effect of the other income and interest income is very low (0.306) so we can conclude that the diversification opportunity was very strong for the foreign group of banks.

However, group wise growth effect study revealed that only one fifths of the total number of banks (3 in private bank group and 8 in foreign bank group) showed negative correlation indicating strong diversification scope.

It appears from the above results that in general, expansion of other income is a beneficial proposition for private banks and foreign banks while for the nationalized group of banks diversification may be of great benefit. However in the SBI group, for SBI only diversifications is lucrative, and for rest of the banks in this group other income activity may not be profit enhancing. This result corroborates to our earlier findings.

Time specific Correlation between other income and interest income (with actual data and with first difference):

<table>
<thead>
<tr>
<th></th>
<th>Correlation Actual data</th>
<th>Correlation 1st difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>0.872</td>
<td>0.804</td>
</tr>
<tr>
<td>1992</td>
<td>0.904</td>
<td>0.877</td>
</tr>
<tr>
<td>1993</td>
<td>0.928</td>
<td>0.855</td>
</tr>
<tr>
<td>1994</td>
<td>0.911</td>
<td>0.85</td>
</tr>
<tr>
<td>1995</td>
<td>0.947</td>
<td>0.93</td>
</tr>
<tr>
<td>1996</td>
<td>0.952</td>
<td>0.934</td>
</tr>
<tr>
<td>1997</td>
<td>0.976</td>
<td>0.968</td>
</tr>
<tr>
<td>1998</td>
<td>0.962</td>
<td>0.938</td>
</tr>
<tr>
<td>1999</td>
<td>0.979</td>
<td>0.967</td>
</tr>
<tr>
<td>2000</td>
<td>0.937</td>
<td>0.882</td>
</tr>
<tr>
<td>2001</td>
<td>0.941</td>
<td>0.873</td>
</tr>
<tr>
<td>2002</td>
<td>0.916</td>
<td>0.856</td>
</tr>
<tr>
<td>2003</td>
<td>0.884</td>
<td>0.831</td>
</tr>
<tr>
<td>2004</td>
<td>0.941</td>
<td>0.928</td>
</tr>
<tr>
<td>Overall 14 yrs</td>
<td>0.903</td>
<td>0.859</td>
</tr>
</tbody>
</table>

It is evident that time specific correlation between other income(X1) and interest income(X2) is very high for all the years under consideration. However, careful observation shows initially coefficient of correlation has shown rising trend (1991-97) meaning strong diversification scope, which later got reduced. This is due to liberalization and immediately thereafter (1991-93) not much stress was given in this line of diversification, so correlation coefficient was relatively not very high, indicating strong need for diversification. So, after 1991-97 more attention was focused on diversification and with rising trend of other income it is understandable that this need was felt but it showed a decline tendency again after 1999. Almost the same picture is depicted by 1st difference of the actual data.

**Conclusion:**

The study has implications for contemporary situation of the Indian commercial banks. Though the study considers the time period
1991-2004, it needs to be mentioned that the recent global meltdown has intensified the pressure on banks in addition to the existing pressure of competitiveness in the global market and implementation of Basel II norms. In this respect, the study finds relevance in focusing on the growing importance of the non interest income component and its beneficial marketing impact on bank profitability.

After liberalization, the ministry of finance and RBI had jointly pulled the strings of banks such that interest income, (which is the main bread and butter revenue for the banks) related important indicators would fluctuate negligibly during this period. This may be due to some over apprehension, that opening up of our financial sector, which was under a protective shell, may make our system extremely vulnerable to external shocks. On the other hand all banks after liberalization suddenly shifted their attention more towards diversification in non interest income related instruments; but there was no robust policy norms stipulated by RBI to this effect, so there was high competition which may perhaps increased volatility of income. The other important reason is that our net exchange earnings are highly fluctuating component and since all banks especially those banks whose branches in rural and remote locations do not have much scope to earn exchange income remained partly insulated but only handful of private banks and foreign banks in major cities could take part into major diversification in net exchange operations. This helped the private banks and the foreign banks more than other 2 groups in term of revenue earnings but with increased volatility.

However, exchange risk exposure may be reduced by efficiently selecting the currency, considering different quotations from different agents even getting different quotations from same agent at different dates, knowing the spread, lowering the total reliance on one currency hedge, shifting from present currency depending on the exigencies of time, careful monitoring and assessing the exchange rates and frequent use of internal derivatives.

References:


Credit Counselling

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Abstract:
Retail lending has witnessed spectacular innovations and unprecedented growth during the last few years across the globe. Globally, many countries realized the importance of empowering the customers for a healthy growth of financial markets. The liberalization of the economy and the financial sector reforms transformed the Indian financial market which started offering a wide range of products/services to customers with varied embedded risks. The Reserve Bank of India, therefore, wisely stepped up the efforts for enhanced financial education and related measures. A few of the banks like, Bank of India, ICICI Bank and Bank of Baroda were the pioneers to set up credit counselling centres in response to the regulator’s call. An early attempt to address the challenges and issues would go a long way in establishing a healthy credit counselling process and ensuring a sound financial market.

How critical is credit counselling for Bankers in retail lending?

The rapid technological developments, evolving economic growth, and financial sector reforms resulted in retail lending witnessing spectacular innovations and unprecedented growth during the last few years across the globe. The global scenario was stimulating and India also witnessed significant surge in retail loans portfolio during the recent years. The credit portfolio of this segment grew at CAGR of 43.3% for the period 2001 – 2006. It is estimated that retail portfolio accounted for almost 20% of the total loan portfolio of commercial banks. The drivers were higher GDP growth, lifestyle changes, changing demographics and shift by banks from treasury investments to loaning. This retail growth focus created multiplicity of retail products with varied degree of risk and mass customization. The aggressive business model of customer acquisition through direct selling agents while enhancing significantly the market penetration also resulted in adverse selection and resultant non-performing loans. The NPLs of retail segment contain a variety of complexities as these are not amenable to bulk handling due to fragmentation.
While it is a fact that retail lending would continue to be a major thrust area for banks, it is equally important that the NPLs are controlled in an effective manner through a variety of measures. Considering the very high chances of adverse selection in retail loans for the reasons mentioned earlier, it assumes greater importance that the customers are well informed or are financially literate to understand the risks attached to financial products offered. The model of creation and distribution of retail loan assets (securitized bonds) has also significantly raised the risk levels for retail investors. On the part of lenders, there is tendency for adverse selection on account of absence of a robust credit history of customers. The credit counselling has, therefore, significant role in bridging the gap in information asymmetry and help customers understand the risk attached to financial products appropriately.

**The Global Scenario:**

Globally, many countries realized the importance of empowering the customers for a healthy growth of financial markets. The Organization for Economic Co-operation and Development (OECD) has been taking proactive initiatives to raise the awareness of market participants. The initiatives were the direct result of a few studies undertaken by the OECD which revealed absence of adequate financial knowledge amongst large number of customers even in developed economies. To mention a few observations of the study, in UK only 28% of respondents had adequate knowledge of the complexity of financial products, in Canada, many respondents felt it increasingly complex to take investment decisions, in New Zealand; only 8% had clear financial goals. All these hastened setting up of formal regulatory / governmental initiatives. National Foundation for Credit Counselling, Association of Independent consumer Credit Counselling Agencies of US, Consumer Credit Counselling Service of UK, Credit Counselling Canada of Canadian government, Credit Counselling and Debt Management Agency of Malaysia are a few of such initiatives.

**The Indian Scenario:**

The liberalization of the economy and the financial sector reforms transformed the Indian financial market which started offering a wide range of products/ services to customers with varied embedded risks. The Reserve Bank of India, therefore, wisely stepped up the efforts for enhanced financial education and related measures. The Reserve Bank of India has, besides, advised State Level Bankers Committees to set up financial literacy and credit counselling centres to encourage the market participants to migrate towards a self regulated market discipline which would go a long way in effectively managing the distressed assets to the benefit of all.

A few of the banks like, Bank of India, ICICI Bank and Bank of Baroda were the pioneers to set up credit counselling centres in response to the regulator’s call.

**Issues and Challenges:**

The retail loan portfolio would continue to be one of the thrust and attractive segments for commercial banks considering the potential of the market as also the comparatively attractive margin, while market participants
will be keen to realize the potential, the 
experience shows that the issues faced are 
challenging. The market is experiencing 
larger than expected delinquencies, several 
factors contributing, like aggressive 
marketing leading to adverse selection, lack 
of financial literacy, absence of a reliable 
credit history, etc. It is, therefore, imperative 
to review the business models, strengthen 
the credit history through error free data base 
and by setting up credit counselling centres 
and making the process of credit counselling 
an integral part of credit approval and credit 
management process. These measures 
would not only bring down delinquencies, 
but would help the market to migrate to a 
dynamically efficient financial system.

Credit counselling, in general, have 
following as major objectives and roles:
1. Educating the customers about credit 
   products / services and risks attached
2. Advising customers about financial 
   management
3. Advising customers on the suitability 
   of products / services matching their 
   needs and viability
4. Exploring repayments outside 
   bankruptcy through restructuring 
   options
5. Serving as distress management centre 
   for customers and help taking up their 
   rights with lenders
6. Discharging the functions of a mediator 
   between the customer and the lender, in 
   case of need
7. Acting as market feedback mechanism 
   to the regulator to determine the desired 
   degree of regulation and monitoring 
   tools thereof
8. Acting as a facilitator to introduce the 
   best market practices in the financial 
   market

If these were the role/functions, the 
challenges and issues are relatively 
discernible, given the domestic market 
maturity. A few of the issues which are to 
be addressed are -

Professional qualification
The credit counsellors need to be 
professionally qualified / accredited 
considering the important advisory role they 
are performing. The professional knowledge 
and credibility of the counsellors should 
not be challenged at any time for which 
a qualifying examination and examining 
body are to be in place. With the financial 
reforms in place, we have currently globally 
affiliated educational and examining 
bodies/associations like Certified Financial 
Planners well established in the market. 
Alternatively, the regulator may design a 
specific program in credit counselling and 
one of the training Institutions such as IIBF 
may be authorized to roll out and certify 
the course. Such accreditation need to be 
mandatory for counsellors.

Market acceptability
The market accessibility can be achieved 
through different options. The first 
determinant for market acceptability is the 
quality of advice provided. But this route 
takes longer time to establish. Therefore, 
during evolving phases, this initiative 
strongly calls for a regulatory support by 
granting a quasi judicial status for credit 
counsels. This will impart the much needed 
locus standi for the credit counselling 
centres in times of distress management
and settlement process.

**Business Model**

For successful establishment of credit counsels, the business models adopted should have three components. One, the Credit Counselling Centres need to be sponsored/promoted by market participants considering the huge benefits accruing from the set up. However, this model has to be operated at arms length basis to eliminate conflict of interest and to render credibility in the market. Another alternative would be to set up Centres as arms of bodies like CIBIL, SMERA which are independent set ups with few conflicting interests. In either of the models, independence and larger interests have to be seen as the guiding principles.

Second, the credit counselling has to be moderately priced, if not, provided free, as is being run presently. Being beneficial to all the participants and as part of social responsibility, to begin with, the cost may be shared by the market participants. As the market grows, the services can be moderately priced.

Third, the code of conduct for the Credit Counselling Centres are to be prescribed based on the best practices. These would include, amongst others, independent and fair assessment of risks of products/services, focus on larger interests, professional ethics, confidentiality of information on customers, documentation of proceedings, etc.

**Practicing models**

The credit counselling needs to be both ante and post. Preventive or interventional counselling will focus on bridging the gap in information asymmetry, while post counselling will be in the nature of debt management/restructuring. In countries like US, credit counselling is mandatory before taking up bankruptcy proceedings. Both practices provide immense benefits.

**Credit History**

The credit counselling centres advice based on the credit history of the customer. In India, CIBIL has built up a fairly large volume of data base, although large scale cleansing of data has been an issue for CIBIL. The market participants with technological interventions have, not only covered volumes but have reduced cleansing need with the introduction of rigorous KYC norms and compliances. The efforts are to continued and sustained to build a robust credit history. An appropriate sharing of customer information by Credit Counselling Centres and CIBIL would also go a long way in building a reliable credit history.

**Conclusion:**

The role of credit counselling in the development of a healthy financial market has been proven as significant if we look into the history of developed and emerging economies. The counselling assumes added importance in emerging economies where the customers lack financial knowledge and experience asymmetry in financial information on the innovative products and services offered. The role of credit counselling in retail segment is hugely important where these asymmetries are largely present. An early attempt to address the challenges and issues would go a long way in establishing a healthy credit counselling process ensuring a sound financial market.
Role of Monetary and Fiscal Policy Interaction in achieving Macroeconomic Targets

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Abstract:
There has been a major shift within macroeconomic policy over the past two decades or so in terms of the relative importance given to monetary policy and to fiscal policy, in both policy and theoretical terms. The former has gained considerably in importance, with the latter being rarely mentioned. This paper considers the significance of this shift in the nature of monetary policy. It enables us to question the effectiveness of monetary policy, and to explore the role of fiscal policy. We examine these questions from the point of view of the monetary economics and suggest that it is rather limited in its analysis. This article analyses the role of monetary and fiscal policy and its impact on mainly economic growth and price stability with emphasis in case of recession.

Background:
The most important instrument of government intervention in the economy today is that of fiscal or budgetary policy. Fiscal policy generally refers to the government’s choice regarding the use of taxation and government spending to regulate the aggregate level of economic activity. In the same vein, the use of fiscal policy entails changes in the level or composition of government spending or taxation and hence, in the government’s financial position. Key variables that policy makers focus on include government deficits and debt, as well as tax and expenditure levels.

In developing countries, government expenditure, taxation and borrowing have to play a very important role in accelerating economic growth and development. There are several peculiar characteristics of a developing country which necessitate the adoption of a special fiscal policy to ensure rapid economic growth. There are vast and diverse resources, human and material, which are lying underutilized. Such countries have weak infrastructure, they lack adequate means of transport, communications, roads, ports, highways, irrigation and power. They also lack technical know-how. Their population is increasing at an explosive
rate which necessitates rapid economic development to meet the requirements of the rapid growing population.

Monetary policy refers to the central bank’s control of the availability of credit in the economy to achieve the broad objectives of economic policy. Control can be exerted through the monetary system by operating on such aggregates as the money supply, the level and structure of interest rates, and other conditions affecting credit in the economy. The most important objective of central bankers is price stability but there can be others such as promoting economic development and growth, exchange rate stability, safeguarding the balance of external payments, and maintaining financial stability. Key variables in this policy area include interest rates, money and credit supply, and the exchange rate.

While monetary and fiscal policy is implemented by two different bodies, these policies are far from independent. A change in one will influence the effectiveness of the other and thereby the overall impact of any policy changes. Tensions can arise between what each will do to help smooth economic cycles and achieve macroeconomic stability and growth. That is why it is crucial to pursue a consistent monetary-fiscal policy mix and coordinate these (and other) policies as much as possible to avoid tensions or inconsistencies. This policy mix is a key component of the IMF’s macroeconomic policy advice and of IMF-supported economic adjustment programs, together with external, structural, and financial sector policies. In practice, imbalances in the budgetary position have in many cases proven to be a key element in both macroeconomic problems and their solution. It is for this reason, the IMF was sometimes jokingly said to stand for “its Mostly Fiscal”, although, in reality the macroeconomic problems, countries are faced with generally, consist of a broader mix of imbalances and require a broader set of policy responses.

**Relationship between Fiscal and Monetary Policy:**

How does fiscal policy affect monetary policy and thus the central banks? There are both direct and indirect channels. Starting with the first category, there are a number of ways in which fiscal policy may impinge on monetary policy. Interactions between monetary and fiscal policy depend on the specification of policy variables that fiscal policy uses. However, a general rule is that when monetary policy is capable of dealing with sticky price adjustment, a primary concern of fiscal authority should be to remedy the resource allocation. Many times, an expansionary fiscal policy may lead to excessive fiscal deficits, which the government may decide to pay back through the fiscal instrument called deficit financing, by printing more notes. This in turn leads to increase in money supply in the economy. Thus, an expansionary fiscal policy, then, leads to an expansionary monetary policy, fuelling inflationary pressures, causing a possible real appreciation of the currency and hence balance of payments difficulties, potentially even resulting in a currency (and/or banking) crisis.

The second way of funding fiscal deficit can be through government borrowing, which is also one of the instruments of fiscal policy. The act of government borrowing from the financial markets or institutions may lead
to a crowding out effect which becomes a major concern for providing credit for private sector. This in turn will effect the overall economic growth and development, which is one of the objectives of monetary policy, which becomes a major concern for the Central banks.

There is another, more direct channel of fiscal policy affecting central bankers and that is the impact of indirect taxes on the price level and thus on inflation. If governments feel forced to resort to substantial increases in indirect taxes—sales taxes, value added taxes—rather than taxes on various forms of income, this will have a direct impact on prices. The key concern here is that a one-off increase leads to a wage-price spiral and therefore permanent (higher) inflation and inflationary expectations.

Role of Monetary and Fiscal Policy in case of Recession:

When there is a Recession, both the demand as well as the supply factors is affected in the economy. When the private sector fails, public sector intervenes and helps the market to come up. There are two basic policies in this context: ‘Monetary and Credit Policy’ and ‘Fiscal Policy’

A market efficiently organizes various economic activities on the basis of demand and supply to bring about coordinated economic decisions. Efficiency is understood in the sense of Pareto optimality – the impossibility of reallocating resources to make one person better off without making anyone else worse off. However, sometimes market fails to achieve this objective. One basic reason for this failure is when some costs and/or benefits are not fully reflected in the market price. For example, if prices do not communicate society’s desire and constraints accurately, the market would fail. Another example is when private decisions based on these prices do not generate an efficient allocation of recourses. In essence, a market system fails because of any of the following reasons:

- Lack of or weak property rights;
- Public goods and/or common property characteristics;
- Externalities;

Monetary and Credit Policy:

Monetary and Credit Policy is essentially managed by central bank. In a nutshell, this policy is linked with the control of the supply of money and its availability to the people, and the cost of money or rate of interest to bring about economic stability in the system.

Monetary policy can be either expansionary or contractionary. The first one increases the total supply of money to face unemployment and recession by lowering the interest rates, and the second one decreases it by raising interest rates to control inflation.

In essence, The Monetary Policy and Credit Policy regulate the supply of money and the cost and availability of credit in the economy. It deals with both the lending and borrowing rates of interest for commercial banks. The Monetary Policy aims to maintain price stability, full employment and economic growth.

The Monetary and Credit Policy is the policy statement, traditionally announced twice a year in India, through which the Reserve Bank of India (RBI) seeks to ensure price stability for the economy essentially by controlling money supply, interest rates
and the inflation. Money supply is referred as M3— which indicates the level (stock) of legal currency in the economy. This policy also contains norms for the banking and financial sector and the institutions which are governed by it. These would be banks, financial institutions, non-banking financial institutions, money markets and foreign exchange (forex) market. Monetary and Credit Policy uses the following instruments like the Bank rate (or the discount Rate), Cash Reserve Ratio, Statutory Liquidity Ratio, Repo Rate, Reserve Repurchase Rate, Open Market Operations.

**Fiscal Policy:**

As opposed to monetary policy, fiscal policy refers to expenditure (used to provide goods and services), taxation (to finance the various government expenses) and government borrowing. The main point of fiscal policy is to keep the surplus or deficit swings in the economy to a minimum by reducing inflation and recession.

There are two types of expenditures—money spent on the delivery of goods and services and the transfer of funds to other levels of government. Government expenditure can be both, planned, as well as non-planned.

Taxation takes many forms (direct and indirect), including taxation of personal and corporate income, so-called value added taxation and the collection of royalties or taxes on specific sets of goods. Government revenue is categorized into revenue receipts—like tax revenue and non-tax revenue—and capital receipts (say, through borrowing). Through borrowing, a government means to provide a great deal of goods and services to its people, while not having the immediate tax revenue to fund that expenditure. This is done primarily by issuing securities, such as Treasury Bills or Treasury Bonds. All levels of government borrow money at some point or the other. Fiscal Policy has two main tools—the changing of tax rates, and changing of government expenditure. The government has been focusing on both of these to provide a boost to the economy.

Existing Measures—As we know, the ongoing global recession has also hit India. According to the IMF and World Bank, apart from many Central and Eastern European economies, a large number of developing countries across the five continents are facing a financial meltdown. This would seriously affect the rate of economic growth and the related equity issues, especially poverty levels.

Another problem is that capitalism rules the world but is surviving only because of huge stimulus packages. India is fortunate in the sense that both the public and private sectors are active, and both are equally aware of the crisis. They are, in fact, going hand in hand to get the country out of this crisis. Let us briefly see what the public sector is doing in terms of Fiscal and Monetary Policies in this context.

Looking at the global financial and economic conditions, the RBI has taken many measures since mid-September 2008, to augment domestic liquidity and to ensure that credit continues to flow to productive sectors of the economy. Since then, the RBI has reduced the Cash Reserve Ratio (CRR) from 9.0 per cent to 5.0 per cent and the Statutory Liquidity Ratio (SLR) from 25.0 per cent to 24.0 per cent.

The various fiscal stimulus packages as announced by the government during the last few months or so, have raised the market
borrowing programme of the government for the year 2008-09.

In terms of the amendment to the memorandum of understanding on ‘Market Stabilisation Scheme’ (MSS) on February 26, 2009, an amount of Rs 45,000 crore was transferred from the MSS cash account to the normal cash account of the Government of India by March 31, 2009. An equivalent amount of government securities issued under the MSS would also form part of the normal market borrowing of the government. This arrangement has surely given a boost to the market.

Furthermore, the RBI has conducted purchase of government securities under its open market operations. The Government has given liquidity support to the housing sector and particularly to Housing Finance Companies (HFC), which have been adversely affected by the recent financial market developments. The government is also helping the overseas financial companies in many ways for financing imports to India. Attempts are being made to ensure adequate liquidity in order to maintain the flow of credit for all productive purposes in the housing, export and small and medium industry sectors.

**Role of Monetary and Fiscal Policy in Sustaining Economic Growth:**

Trend GDP growth has slowly accelerated from 3.5% to 6.5% over the 1979 to 2006 period. This has reflected a combination of economic reforms, a higher investment rate, and the “demographic dividend” from a bigger workforce.

Layered on top of this slowly accelerating trend is a business cycle. This is a new phenomenon, which was not found when India was a socialist country and one which has been a key feature of Indian macroeconomics from the mid 1990s onwards. We had a low of the business cycle in 2001-02, which was followed by a high of the business cycle which we are presently in. The 12 quarters of 8.5% growth reflect a combination of trend growth at 6.5% with an extra two percentage points owing to favorable business cycle conditions.

Four factors have been at work accentuating this high of the business cycle:

1. We have a procyclical (destabilizing) monetary policy. Smoothed CPI inflation has risen from 3% in 2004 to 6.5% today - an acceleration of 350 basis points. Policy rates of the RBI have not commensurately risen, thus violating a key requirement of a stabilizing monetary policy. Inflation rose but the short rate did not rise, so real rates went down - which has been expansionary. Expansionary shocks are getting accentuated by expansionary monetary policy.

2. We have a procyclical fiscal policy. While working within the game plan of the FRBM, what has been happening is that when tax revenues are buoyant, every minister dreams up more spending programs. When tax revenues are weak, cabinet is frugal. This is a procyclical and destabilizing fiscal policy, one which accentuates good times.

3. There has been torrid expansion of non-food credit, which has grown at a trend rate of 26.4% over the last five years. This high growth partly reflects the fact that when times are good, fewer NPAs surface, so banks feel there is space for more lending. When times are good,
banks accentuate them by lending more. Conversely, when times are bad, and NPAs start surfacing, banks will be short of equity capital and pull back from lending, which will exacerbate the down of the business cycle.

4. Finally, we have been helped by powerful world GDP growth. The world economy grew at 5.3 and 4.9 percent in 2004 and 2005 - it is not that exceptional for India to be doing 8.5% at such a time.

Once a turning point of the business cycle is reached, the three procyclical forces - destabilizing monetary policy, destabilizing fiscal policy and destabilizing bank credit - would come into play to accentuate the downturn; just as they have worked to accentuate the high of the business cycle in recent years.

One element of the economic reforms program that is needed is an examination of fiscal policy, monetary policy and banking regulation, seeking to address the problem of their being destabilizing (i.e. procyclical). This would reduce the extent to which India suffers from these patterns of boom and bust. The big opportunity is with monetary policy. Instead of doing harm by being destabilizing, as is the case today, it can be the mainstay of countercyclical macroeconomic policy, as is the case in all mature market economies. This requires the creation of a monetary authority with the narrow mandate of achieving an inflation target.

**Role of Monetary and Fiscal Policy in Controlling Inflation:**

The control of inflation has become one of the dominant objectives of government economic policy in many countries. Effective policies to control inflation need to focus on the underlying causes of inflation in the economy. For example, if the main cause is excess demand for goods and services, then government policy should look to reduce the level of aggregate demand. If cost-push inflation is the root cause, production costs need to be controlled for the problem to be reduced.

**Monetary Policy:**

The Central Bank of any economy plays an important role in interest rates administration. They set interest rates with the aim of keeping inflation under control over the next two years. Monetary policy can control the growth of demand through an increase in interest rates and a contraction in the real money supply. The effects of higher interest rates.

Higher interest rates reduce aggregate demand in three main ways:

- Discouraging borrowing by both households and companies
- Increasing the rate of saving (the opportunity cost of spending has increased)
- The rise in mortgage interest payments will reduce homeowners’ real ‘effective’ disposable income and their ability to spend. Increased mortgage costs will also reduce market demand in the housing market
- Business investment may also fall, as the cost of borrowing funds will increase. Some planned investment projects will now become unprofitable and, as a result, aggregate demand will fall.
- Higher interest rates could also be used to limit monetary inflation. A rise in real
interest rates should reduce the demand for lending and therefore reduce the growth of broad money.

**Fiscal Policy:**

- Higher direct taxes (causing a fall in disposable income)
- Lower Government spending
- A reduction in the amount the government sector borrows each year (PSNCR)

These fiscal policies increase the rate of leakages from the circular flow and reduce injections into the circular flow of income and will reduce demand pull inflation at the cost of slower growth and unemployment.

**Conclusion:**

The “monetary versus fiscal policy” debate has not attracted much attention in recent years, and, in some ways, this is not to be regretted. Unlike earlier, today both the polices have to go hand in hand in targeting most of the macro economic variables like economic growth, price stability, full employment, exchange rate equilibrium to name a few. Due to globalization many economies today face the challenge of maintaining economic stability.

Both the Government and the Central Banks have to work together to achieve economic growth and development when faced with more than one economic problem. In case of recession when the private sector is not doing well, it becomes the responsibility of the government to take an active part to maintain full employment, economic growth through expansionary fiscal policy, this may lead to inflationary pressures but this can to handle through tightening of monetary policy in the long run.

Finally, incorporating transparency into monetary and fiscal policy is key to their effectiveness. In this context, the IMF has developed two important international standards: the Code of Good Practices on Transparency in Monetary and Financial Policies for central banks and supervisors, and the Code of Good Practices on Fiscal Transparency for governments. These codes are important instruments to support clarity in discussions on the necessary coordination between monetary and fiscal policy.

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Abstract:
Nowadays, many innovative practices have been implemented in educational systems all around the world. The virtual learning, e-learning are the well-known examples of the same. As the service utilization increases among the organizations, the importance of SOA has tremendously increased. There are several services, which can be kept common within the educational institutions. This will minimize the redundancy of different applications available with various users. With the help of this, an enterprise can retrieve the relevant information it requires, from the common database, as per its own specific requirements. This paper is concentrating on the service-oriented architecture with the educational institutions and the usage of wireless handheld devices in the distribution of services among the users and the advantages and the disadvantages of the same.

Introduction:

Academic institutions are playing an important role as they nurture and cultivate human resource that is consumed by all other organizations. Colleges/Academic Institutions are large organizations with very high information processing needs. Applications that cater to the needs of such organizations are not developed for many reasons, primarily lack of motivation to improve service, secondly financial constraints as these organizations partially depend on grants and donations. With globalization, quality of service in education industry, has gained importance. All organizations, big or small, need to manage their data, information, and knowledge effectively.

EIIS:
The Educational Institutions Information System contains several services, which can be kept common within the educational institutions like the library, projects, placement services etc. The educational institutions are the main service provider, which contains various service consumers like the students, teachers and the
administrative staff members etc. This is also linked with the alumni association who are supposed to be intimated about the activities happening with the institutions. The government and the suppliers are also an important part of educational institutions that will be extending their help in the infrastructure and the financial development of an organization. In this way the information system of an education institution has to satisfy its consumers with the diversity of their expectations.

**Service Oriented Architecture:**

The following diagram will be explaining the simple SOA. The service provider creates a Web service and possibly publishes its interface and access information to the service registry. The broker, also known as service registry, is responsible for making the Web service interface and implementation access information available to any potential service requestor. The service requestor or Web service client locates entries in the broker registry using various find operations and then binds to the service provider in order to invoke one of its Web services.

**Application Architecture:**

The business transactions may be simple business functions (print merit list, get resource availability) or as complex business transactions (admit student, issue book). One can implement them by providing service points, which are inviolable interfaces for these business services. The services are handling various types of data with various querying techniques. The faculty may access the student data for performance statistics, the student will access the same data for the result analysis and office administrator may need the student data for the financial statistics. In this way the data and the applications spread across the network. Several related business and other logically connected services combines into an application to meet the stated business objective.

**Case Analysis:**

The South Indian Educational Society (SIES) is the sample considered for this analysis. It contains 25 different institutions within its enclave. Each and every institution contains several different courses and in turn each course contains its own database with its own access methods. If we consider the sample of Arts, Science and Commerce, the student database is the common property which will have a different access pattern within itself with various streams.

<table>
<thead>
<tr>
<th>Course</th>
<th>Admission</th>
</tr>
</thead>
<tbody>
<tr>
<td>Science</td>
<td>Students with minimum 50% and Math’s as a subject</td>
</tr>
<tr>
<td>Commerce</td>
<td>Students with minimum 45%</td>
</tr>
</tbody>
</table>

In the above table the student database is a common database, which is accessed in different ways with different courses within the same institution. As the number
of institutions attached varies, then the complexity of the data handling will also increase considerably. Each and every query will navigate through the entire database and the resultant data will be identified. The better way to bring out a seamless data base architecture among these applications will be the SOA with the web services.

With the help of web services the data among the various institutions that is disparate in nature can be brought into a single place and the required data can be accessed in the way the user requires without affecting each other. All institutions will store the data in a single data warehouse with its own access pattern bundled with same.

**Advantages:**

This architecture was implemented within four different institutions as a sample and demonstrated to different types of users. The benefit were analyzed by taking 30 users in each category and was mainly analyzed under the following parameters like simplicity, efficiency, throughput, and accuracy, cost effectiveness etc and the following conclusion were drawn.

The parameter values were taken as excellent, good, moderate and poor and results were converted into the percentage.

**Interoperability:**

In general, each and every user may develop their own unique applications as per their specific need. For example in this case the library module may be developed in Visual Basic with Microsoft. The office module may be developed in JAVA which is supported by Sun Micro System. When the services are shared among the users in an enterprise, the compatibility problem may occur. In other words, each and every application will have its own limitation in working in different platform. This problem can be overcome by using the common interface like JNI etc. Here, the web service brokers are getting the importance. The brokers will provide the common interface by which all the systems can find its own comfortable platform to work with and the request and reply will go through a common interface, which will take care of the compatibility.

The following diagram explains the working scenario of the interoperable system, which is going through the standard interface. Each and every application access to the centralized storage is going through the brokers like CORBA, which will take care of the compatibility issues.

**Cross Enterprise Integration:**

The cross platform support within the organization will not be the only main advantage of the service orientation. The advantage is, once this is achieved, then the same can be extended to another organization, which will have similar
needs & working methodology. This can ensure fast and seamless collaboration with different users. As the extent of collaboration with foreign universities are increasing as never before, the service orientation will facilitate the ease accessibility of books and course details between foreign and indigenous universities. This kind of cross platform communication can be enhanced with the help of web services.  

The above mentioned diagram is representing the concept of cross enterprise integration graphically. The universities are linked with the central e-libraries, which will provide the references and the projects to the students across the institutions wherever it is placed. Once the university education is completed, the student’s results details will be linked with the placement agencies and the appropriate placement options will be made available to the students. This seamless flow of information ensures that only the relevant information is available exactly when and where it is needed.

**SOA with Wireless Handheld Devices:**

With web services, data can be dynamically brought forth from various applications and enterprise databases, and streamed to campus users regardless of the kind of devices they use like laptops, PDA devices or Wi-Fi networks, to any locations including, beyond the campus walls. This will help the educational institutions efficiently by providing efficient data transfer. With the above mentioned case the same courses are conducted in various locations with the same institutions. With the extent of handheld devices, the data is not required to be carried every time with a storage device. By using the Wireless network access, the data can be accessed immediately without any destruction. The mobility of the data will become easy and accurate.

**Disadvantages:**

Even though the efficiency of the system is well discussed and appreciated, the other side of the same is also very difficult to manage. As the data is spread across the system, the security is the main concern which needs to be discussed and devised properly with the SO architecture. The singly logon process will ensure the authenticity of the system, as well as, the access point monitoring. In the same way the usage of wireless devices will also introduce the new threat of unknown hacker’s intervention with the private data. This security system can be enhanced by using various technologies like federated authentication, SOAP interception etc.

**Middleware Issues:**

The middleware are used to provide the interoperability at different levels. This can be purely data-centric, process-based, or policy interoperability. Then the process of interoperability will be simple. But generally the interoperability
is a combination of all the three things mentioned above. The proposed model also requires the same level of interoperability because the policy, data, procedure is shared among the services. The service oriented architecture with the web services is completely depending on the common interface by which the interoperability among the applications is achieved. Even though the middleware is supporting various different platforms, the Microsoft products are not completely supported by the common interface like JNI. To overcome this kind of problems the open sources are providing the better solutions. The applications developed with Microsoft platform can be supported by the open source databases like MySql as a backend, which will provide the compatibility among the applications. This problem can be solved in another way by using hand held devices in the accessing process. The data stored in the centralized storage can be accessed by using PDA devices. The integration problem with SOA can be largely solved by using open source applications.

**Conclusion:**

This service orientation with the educational institutions will be highly beneficial in such a way that it can provide data rich, platform independent, services. Even though certain shortcomings like middleware issues and the security problems are present with the current scenario, this can be improved in the future. This will definitely bring out a new progression in the educational field.

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Biotechnology and Food Security: Implications for Improving Health

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Abstract:
Health of a nation depends on many factors such as economic development, antipoverty measures, food production and distribution, drinking water supply, sanitation and the like. As far as India is concerned, lack of food production and distribution is one of the major reasons contributing to extensive hunger and malnutrition issues. Food production is effected by poor soils, environmental degradation, drought, plant diseases, limited crop diversity, poor agricultural and transportation infrastructures etc. Biotechnology offers solutions to some of these problems by way of modifying agronomic traits and quality traits of crops which leads to improved food production.

Background:
Life expectancy has increased significantly due to the incredible advances in medical research. Such advances are contributing at a remarkable pace, and offer hope for a better and healthier future for mankind. It is important for us to recognize that health expectancy (life expectancy in good health) is more important than life expectancy. Again, good health does not mean just the absence of disease; it is the condition when an individual is able to realize his/her full potential.

The factors that contribute to the health of a nation include economic development, antipoverty measures, food production and distribution, drinking water supply, sanitation, housing, environmental protection, and education. India has health risks of two categories: traditional hazards related to poverty and lack of development, such as lack of safe water, inadequate sanitation and waste disposal, indoor air pollution and vector borne diseases; and modern hazards caused by development that lacks environmental safeguards, such as urban air pollution and exposure to agro-industrial chemicals and waste.
Food Security:

Food is a basic human right and food security means that all people at all times have access to safe, nutritious and adequate food to maintain a healthy and active life. A good and varied diet gives us energy and helps us to grow and enables us to fight against infections. Food is one of the main requirements for the survival of human beings.

As far as India is concerned, hunger and malnutrition is extensively prevalent. Despite substantial improvement in health since independence and a growth rate of 8 percent in recent years, under-nutrition remains a silent emergency in India, with almost 50 percent of Indian children underweight and more than 70 percent of the women and children with serious nutritional deficiencies such as anaemia. Food security involves food availability, which depends on food production and imports, food access and food absorption which is a function of safe drinking water, environmental hygiene, primary health care and education.

Let us consider the first aspect of food security i.e. food availability. In India there are both environmental and economic constraints on food production. High quality agricultural land is concentrated in relatively few states, equitable distribution of land and inhospitable climates are some of the issues. While the Green Revolution helped compensate for these deficiencies, it may not be possible to use the same technologies to significantly improve production considering the expensive inputs (pesticides, herbicides, fertilizers, machinery, fuel, and water). In addition, the Green Revolution’s irrigation- and chemical-intensive farming practices can have adverse environmental impacts.

The barriers faced in order to have self-sufficient agricultural systems include poverty, poor soils, environmental degradation, drought, plant diseases, limited crop diversity, civil strife, epidemic illness, and poor agricultural and transportation infrastructures. Each of these obstacles contributes to hunger and malnutrition which in turn affect the health.

Benefits of Biotechnology:

Some of the above mentioned challenges can be addressed by agricultural biotechnology. Threats to crop yield from disease, pests, weeds, and weather, and lack of critical growing inputs such as nutrients and water are some of the areas in which Biotechnology can play a major role. Scientists can now modify both agronomic traits (traits that determine how well a plant is suited for its environment, such as drought tolerance) and quality traits (such as the oil content of a soybean) of crops.

Improved agronomic traits can help increase crop yields in numerous ways: (1) increasing the actual amount of food produced per plant; (2) reducing crop loss due to pests, disease, or weeds; (3) compensating for inhospitable environments that limit or prohibit planting; (4) extending growing and harvest seasons; and (5) reducing production risks. The potential benefits of improved agronomic traits are lower costs of production, greater consistency of production, higher yields, and the ability to use lower quality lands that would
otherwise be inhospitable for agricultural production.

Biotechnology also has the capability to develop new crop varieties with improved qualities beyond those developed by conventional methods. The use of biotechnology to modify the nutritional make-up of crops has also been cited as a means to reducing malnutrition in developing countries. Researchers in India recently announced the creation of a genetically modified potato in which protein content is increased by a third (including the essential amino acids lysine and methionine). Proponents of the GM (genetically modified) potato, which has been submitted for regulatory approval, say the enriched potato could improve nutritional deficiencies in the diets of the country’s poorest populations, particularly for children for whom these amino acids are essential for proper development. Other traits in the research and development stage that could enhance quality include: elevated levels of iron (rice), modified starch content (cassava), reduced alkaloid content (potatoes), and reduced phytic acid, which interferes with the body’s absorption of iron (corn). Research regarding ways to delay ripening or provide post-harvest pest resistance through genetic modification could mitigate current barriers to food distribution in developing countries.

Pest-resistant GM crops may decrease the need for pesticides, the occupational exposure of farmers and their family members to these chemicals could be reduced. In addition to this safety advantage, agricultural biotechnology may provide enhanced food safety to consumers.

From a technological standpoint, one advantage of agricultural biotechnology is that the technological input (in the case of biotechnology, the new trait) is contained in the seed itself. Ease of use is important for farmers who may have limited access to educational or extension services.

While biotechnology offers many advantages, it also raises environmental and human health considerations; risks that must be considered during the development and use of new genetically modified crops. To what extent biotechnology will serve as a tool to combat hunger and malnutrition is yet to be ascertained – as there is a lot of research that needs to be undertaken to ensure the food and environmental safety.

**Conclusion:**

India has entered the biotechnology sector and has the potential to become a dominant player in the field. The Department of Biotechnology, Government of India has taken up agriculture as one of its thrust areas for research and development. The department is supporting three main types of research activities; R&D projects in priority crops, multi-institutional projects and Plant Molecular programmes in certain institutions/universities. The agri-biotech segment is quite promising as we have excellent scientific infrastructure in agriculture, rich bio-diversity and skilled and low cost human-power. With foresight and decisive action biotechnology can help create a healthy India.

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The Case of the Leadership Problem at Baltic India

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Baltic International was a Fortune 500 pharmaceutical multinational giant, ranked 11th in the world pharmaceutical market. Baltic International at the close of March 2008 posted a sale of $20 billion. Baltic International had operations in 135 countries across the globe. Baltic India was the Indian arm of Baltic International a US based multinational company.

Baltic India at the close of March 2008 netted an annual turnover of Rs.300 crores. As Baltic India contributed to about 3% of the turnover of Baltic International, Baltic India was not a priority area for Baltic International. Baltic International exerted limited control or interest over Baltic India operations.

Baltic International had till 1996 a 37% equity stake in Baltic India. With a change in the government policy with regard to foreign equity participation, Baltic International decided to raise their stake in Baltic India to 51% in mid 1997. Baltic India had a steady sales growth from the year 1997 to 2001.

During the 1990s and 2000s Indian pharmaceutical companies ruled the roost in the Indian market as India recognized only process patents and not product patents. There were numerous brands which were available in the Indian market, which were copies of Baltic products. These thrived in the market place due to their aggressive promotions. Baltic and other multinationals began to loose their market shares in the Indian market. Baltic International’s dependence on India sale was marginal; hence this was not a matter of great concern for it.

In the mid 2004 there were many changes that took place in the world markets. The economic policy of the developed countries, the emerging health insurance and the new concept of HMO’s resulted in a near saturation of world markets. On the other hand, with developing countries becoming signatories to the WTO agreement product patents had come into force by 2000 in some countries and by 2005 in all other signatory countries. The above factors were forcing pharmaceutical companies to look at developing economies. India and China, with burgeoning population and development were strategically the key countries for multinationals to look for growth.
To exploit the Indian growing pharmaceutical market, Baltic International decided that the company must streamline all operations to increase its presence in the Indian market. With this in mind, Baltic International appointed Mr. Rod Parker as CEO in mid 2004. He was an expatriate with a rich global experience in the area of pharmaceutical manufacturing. Mr. Rod Parker was appointed with the objective of initiating change in the organization. Mr. Parker faced two problems; one, lack of relevant experience in sales and marketing and the other that he was unfamiliar with Indian ethos and work culture. His not so successful tenure, which lasted two years, ended in mid 2006. During his stint of 2 years, the company sales dropped by 5% in 2005 and by a further 10% in the 2006.

Baltic International then decided that Baltic India needed a marketing expert with rich experience in India to head the organisation. They selected Mr. Bipin Das for the post of the CEO. Mr. Das was the President-Marketing in his previous company, which was the number one pharmaceutical company of India. After Mr. Rod Parker’s unsuccessful stint, Baltic International felt that only a manager with rich experience of the Indian market could steer Baltic India. With much fanfare Mr. Das was appointed the CEO of Baltic India.

Mr. Das had plans galore for waking up the sleeping giant. He knew changes were necessary in the structure, policies and processes of the company for the company to move into the growth mode. Mr. Das, who had come from the largest company, was used to quick decision-making and fast implementation of the decisions. However, the employees at Baltic India were slow and decision making process was in some ways, bureaucratic. A lot of lethargy had set in people at all levels across the organization. This was the major reason for the declining sales.

Mr. Das learnt about the background of the company and its poor performance. He had a poor image of the employees; this made him keep everything under his control, not allowing the senior managers and his subordinates to take any decisions. Mr. Das decided that the first task for him was to clean up the company of the non-performers while at the same time retain talent. He decided to hire talent from outside to head important portfolios. Due to this employees who had spent years in the company felt demoralized.

The axe first fell on non-performers in the area of sales. The most affected were the Regional Sales Managers and Area Sales Managers. The medical representatives were unionized and so any action against them had to be taken very deftly and carefully. Thus, the Area Managers and Regional Managers felt they were being victimized only because they belonged to the management cadre. Everyday was a tense situation for employees since there was a fear in all of being sacked. This affected the performance of the sales team.

The next task identified by Mr. Das was instilling a sense of discipline in the employees. The office timings were 9:00 a.m. to 5:00 p.m. However employees were in the habit of coming in at about 9:30 a.m. One day Mr. Das put up a notice saying that it was mandatory for all employees to be on their seats by 9:00 a.m. or else strict action
will be taken.

Mr. Das would reach office at 8:45 a.m. and at 9:00 a.m. would go personally and check the cabins of senior managers to check whether they were in. If anyone was not in by 9:00 a.m. Mr. Das would take them to task in public. Once the Vice President – HR came in at 9:30 a.m. and without asking him for any explanation, Mr. Das rebuked him in front of his subordinates. Some other employees from other departments also witnessed this. Thus, the senior managers felt they were not given the respect due to them.

The company’s working hours were till 5:00 p.m. However, employees waiting in office after 6:00 p.m. were entitled to snacks, tea/coffee on company account. Mr. Das believed that most employees sat late for the snacks and tea, so he asked the HR Manager to put a stop to this system. This was not well accepted by the employees and led to poor morale. They retaliated by leaving on time even if it meant keeping the work pending.

Since the major concern of Baltic India was dipping sales, Mr. Das’s next focus area was on the field operations. The company’s field operations were divided into 4 zones, each of which was headed by a Zonal Manager. However, Mr. Das felt that the span of control was high for each Zonal Manager and therefore he introduced the concept of Regional Managers. The country was therefore divided into 8 regions in place of 4 zones, each of which was headed by the Regional Manager. As a result of this the authority and responsibility of the 4 Zonal Managers was reduced considerably and some of their juniors who were reporting to them came into their grade. When Mr. Das announced this decision, one of the Zonal Managers expressed his dissent about this conversion of zones to regions. In a month’s time he was transferred as a Depot and Liaison Manager. Though the reason stated was non-performance, the others construed it as punitive action for disagreeing with Mr. Das.

Since Mr. Das had a rich marketing experience he interfered in the day-to-day functioning of the marketing department. The marketing and sales director along with the entire marketing team would attend the monthly marketing meeting. Mr. Das decided that he must attend these meetings to understand the reasons for poor sales. Mr. Das would question all the marketing strategies and would even ridicule the respective brand managers. At times the Director Marketing and Director Sales were rebuked in front of the juniors in the marketing team. While the suggestions of Mr. Das were very appropriate the way he communicated them was not appropriate. The continual deriding of the marketing strategies led to a demoralized marketing team.

Some unhappy employees decided that Baltic International must know about the situation in Baltic India. They started sending grievance letters to Baltic International Head Office about the functioning of Mr. Das. Baltic International felt that dissent to any change was a likely reaction and hence chose to ignore these letters. When Mr. Das came to know of these grievance letters the situation further worsened.

Mr. Das looked out for informers who would give him information about the contents of
these letters. Some inefficient employees taking advantage of this weakness of Mr. Das started sharing and leaking information from the letters to Mr. Das. In turn they got more annual incentives or in one case even a promotion. A junior accounts manager with just 4 years experience was promoted as the Finance Manager. In another case a finance executive got promoted as product manager - a shift from accounting department to marketing department.

As sales were plummeting month on month, Mr. Das believed that the unionized field staff would not perform unless reprimanded. At the Annual day function of Baltic India, Mr. Das said, “In the past the field staff of our company was not used to working; now this will have to change”. The unionized field staffs were very upset with this and started revolting to Mr. Das’s style of functioning. The unionized field staff being unhappy with Mr. Das started deliberately pulling down sales. They made fewer calls on doctors and they were not aggressive enough in the doctor’s cabin for prescriptions. This resulted in sales plummeting further.

Mr. Das also believed that only the CEO must take all decisions. All others in the organization must follow the decisions taken by him. All suggestions of the Sales Managers fell on his deaf ears. The managerial cadre was worried that any protest from them would mean loosing their jobs. The Sales Managers were caught between the devil and the deep sea. They had to face a hostile field staff on the field and a volatile Mr. Das in the office. So when repeatedly questioned, the field managers in order to save their jobs, fixed the blame of declining sales on poor product quality.

In the next executive committee meeting, the Technical Director was taken to task by Mr. Das. Mr. Das demonstrated the defective sales pack to all other directors and said, “Is this the quality of the product of a multinational company or something made in a cowshed?” The Technical Director felt extremely humiliated to be told this in the presence of the top management of the company.

As some more months elapsed, Baltic International started getting gravely concerned about the letters against Mr. Das and the declining sales. So it was decided that Regional Director for Asia Pacific region Mr. Mushraf, should be deputed to Baltic India for a month and report the progress. With Mr. Mushraf around, Mr. Das was now on the lookout for a scapegoat to explain poor sales.

In the next executive committee meeting attended by the Regional Director Mr. Mushraf, he squarely blamed poor product quality for the declining sales. He demonstrated to Mr. Mushraf some defective product packs. This made Mr. Mushraf tell the Technical Director, “Now I understand why sales are not happening .How do you expect the boys to sell such quality? What about our claims of international quality standards?” The Technical Director knew that all this was to save the skin of Mr. Das. When he communicated the proceedings of the meeting to his department colleagues, they felt cheated. They knew that with Mr. Mushraf having a poor opinion of them, their chances of promotions and good annual incentives were now ruined.
Mr. Das also felt that poor quality was due to bad manufacturing practices. So he called the Production Director and told him that he wanted to visit all the manufacturing locations at Ankleshwar, Pithampur, and Mumbai. After visiting the 3 plant locations, he said that there were several discrepancies in the manufacturing practices.

To correct the situation he appointed an external consultant to inspect the manufacturing facilities and recommend corrective actions. The consultant was on a fault-finding mission and did exactly that. This demoralized the shop-floor employees some of whom had worked on the production lines of Baltic India for more than 2 decades. To be told they were not working properly hurt their sentiments. They reacted by deliberately slowing down work. This resulted in lower productivity which in turn led to inventory problems. The inventory problems in turn led to sales stock not being made available at the right time and place, further affecting the sales.

Also, although some of the suggestions made by the external consultant were meaningful, such as improvement in product quality, improvement in machine output, upgrading of machinery, these could not be implemented because of lack of will of the shop floor employees. So the poor quality problem persisted.

Around the same time Mr. Das decided to transfer the quality control department from Mumbai to Pithampur, since he had to take some action against somebody for poor sales. The employees were asked to relocate within 15 days. The employees resisted as the families were finding it difficult to relocate. So as a punitive measure Mr. Das sanctioned only one-third the normal relocating allowance to these employees.

But the results at the end of the financial year 2008 were still disappointing; the sales had degrown by 355%.

Questions:

1. What style of leadership was practicing?

2. Mr. Das was heading an organisation poised for change. Did he manage this change well?

3. What really went wrong in Baltic India?

4. Is only Mr. Das to be blamed for the situation? Who else according to you was responsible?

5. What concrete action would you suggest to Mr. Das to correct the situation?

Teaching Notes:

Overview

The case deals with leadership style of Mr. Das the CEO of Baltic India a reputed pharmaceutical company in India. Baltic International had increased their stake to 51% in Baltic India. Mr. Roy Parker the predecessor of Mr. Das had an unsuccessful stint at Baltic India as he was unfamiliar with the Indian work culture and with the functional area of operations. During his tenure of two years the company degrew. Post 2004 Baltic India was a focus area for Baltic International and it wanted Baltic India to move on the fast track. Mr. Das a reputed marketing expert from the leading
pharmaceutical company of India was appointed to manage change in Baltic India to catapult it to the fast track. However his style of communication and leadership was seen as very harsh and extreme, leading to low employee morale.

Application

The case is ideal for students pursuing a undergraduate/post graduate course in management.

Objectives of the Case

The case is a decision case. The objective of this case is to expose the student to concept of leadership styles and to understand the concept of managing change.

Teaching Suggestions

Firstly, expose the students to the Blake and Mouton leadership grid and help them identify what kind of a manager Mr. Das was. Ask the students to understand which of these styles of leadership is being displayed by Mr. Das; Authoritative, Autocratic, Democratic, Participative. Discuss how organizations must manage change in a changing environment. Discuss the importance of communication in managing change.
Case Study Of a Cooperative Store Entering The Retail Sector – Can Samajik Bhandar Survive?

Bala Krishnamoorthy, Shweta Dixit & Rachappa.S

Dr. Bala Krishnamoorthy is Professor, and Dr. Shweta Dixit and Dr. Rachappa. S are Associate Professors, at School of Business Management, NMIMS University, Mumbai.

Case Lead:

The chairman Rajan Kulkarni of Samajik Bhandar mused over the happenings at Samajik Bhandar since the time a Corporate Major approached them for the tie up for supply chain management looking at their low cost model and to support remodeling one of the oldest cooperative stores in Mumbai. Samajik Bhandar’s stores are at prime locations in Mumbai and some of the heritage buildings in downtown South Mumbai. Such locations are the Owners Pride, Neighbors’ Envy.

Rajan Kulkarni thought that the tie up is a favorable change and it will provide the right momentum required for a cooperative store chains to enter the retail boom. One of the challenges he will face is with reference to the growing need of specialized work force that will be required to modernize SB*. He wondered if he could pay as much as other shopping malls pay to a 12th Standard pass candidate. SB pays as low as 6000- 8000/- per month even to a marketing manager while as its competitors in the retail sector start with the initial salary of 10000 p.m. (Some one with good English language skills can even get more). The founders named the stores Samajik Bhandar, to denote that they are truly in the service of common people – “Janhit main zari”. Some are very happy about the tide of change, some are apprehensive about the tie-up, Will we be able to adjust and be in the fast track in a target oriented corporate culture? Can Samajik Bhandar retain its original image as a non profit organization?

Retail sector:

There has been considerable growth in the number of malls and stores springing-up across the country, which is an appropriate indication of the enormity of the retail revolution. The globalization of modern retail continues to accelerate in India, because of the increasing middle class population with high purchasing power. India is more attractive than ever to global retailers. India’s economic growth, forecasted at 8 percent GDP in 2006, (See Exhibit-1) continues to support the retail industry. The estimated $350 billion retail market is expected to grow 13 percent and the top six retailers, Shoppers Stop, Big Bazaar, Spencer’s, Lifestyle, Westside, and Pantaloop, account for less than 2 percent of the modern retail market. India, with
one billion people, is the second largest population in the world.

The un-organized retail sector (family-run businesses), offers customer-friendly services such as sale-on-credit, home delivery, etc. Post liberalization, the rising purchasing power of buyers is driving the evolution of a retail sector in the country. Organized retailing has definitely made headway in the upper class. However, retailing of items such as milk, fruits, vegetables, etc. continue to be done at traditional outlets. The middle-income class prefers shopping for processed food and personal care in supermarkets and fall back on traditional outlets for bulk shopping. Organized retailing does not seem to have made an impact on the lower class. In India the present pattern of retail business depicts a mixed picture and skewed representation (3%) in the organized sector and 97% in the unorganized sector. The unorganized sector in U.S. is 15% where as 85% is from organized sector (See Exhibit-2).

Different formats of retail stores existing in India in unorganized sector are as follows:

Haats/bazaars/mandis are, typically once or twice a week affairs that are still the lifeline of rural India. This is direct selling in its pristine form, where the actual producer/manufacturer/farmer sells directly to his customers, without any middlemen/distributors in the picture

The local kirana stores, fondly called the ‘Moms and Pops’ of India are usually around 500 to 800 sq ft in size. Omni-present, low-key outlets, they’re run by owners/proprietors who know their business well and pass on the knowledge to the next generation. Value proposition is basically convenience.

Mini-Supermarkets are the ‘evolved’ kirana stores of 1,500 or even 2,000 sq ft. They are in-betweens, in search of a true identity in the entire customer service proposition. Knowing that they are bigger than the local stores, they tend to go for over-kill, offering just about everything in terms of product/price range, but unfortunately forget that they do not have the luxury of space to do so. Customers tend to get a slightly better spread in terms of product/brand availability in these outlets.

Co-operative stores are old-timers in this business, with an entirely different business vision. Though extremely low-key they have surprisingly good business volumes with at least two generations of cooperatives co-existing peacefully.

For example, there are the Kendriya Bhandar, Samajik Bhandar, Apna Bazaar and Grahak Peth kind of government/quasi-government organisations and more recently the sugar co-operatives owned and operated bazaars, seen prominently in the rural parts of western Maharashtra and Gujarat.

Supermarkets are relatively new entrants in the market. They’re the so-called pioneers in organized food retailing and go by the western model in look and feel and format.

India is sometimes commonly referred to as ‘a nation of shopkeepers’ where a large chunk of consumer expenditure is on basic necessities, especially food related items. Hence, it is not surprising that food, beverages and tobacco accounted for as much as 65 per cent of retail sales in 2002.
The remaining 35 per cent of retail sales are non-food items (See exhibit-3).

Inevitably, modernization of the Indian retail sector will be reflected in rapid growth in sales of supermarkets, department stores and hypermarkets. This is because of the growing preference of the affluent and upper middle classes for shopping at these types of retail stores, given the conveniences they offer such as shopping ambience, variety and a single-point source for purchases. Therefore sales from these large format stores are predicted to expand at growth rates ranging from 24 per cent to 49 per cent per year during 2003-2008. However, such rapid growth is from a small base, so they will continue to account for only a small share of total retail sales in 2008. Another striking change the sector is witnessing is introduction of state-of-the-art technology in business processes to stay one-up on the competition.

Modernization of the Indian retail sector like Bar Codes really help to process the work fast and it will be reflected in rapid growth in sales of supermarkets, department stores and hypermarkets. Retail stores are gradually switching over from manual to mechanization of business processes, thereby creating the need for technology orientation of existing staff and recruitment of technology savvy personnel. Presently, only a handful of training institutions have access to state-of-the-art retailing technology, and are capable of meeting future manpower needs in the sector.

India has displaced Russia to become the world’s best destination for retail stores’ expansion. The index, a study of retail investment attractiveness among 30 emerging markets across the globe, has indicated that India’s retail market totalling $330 billion, though vastly underserved, has grown at an average 10 per cent, over the past five years. A recent study of the retail segment in India states that fashion and food will be the key growth areas within the retailing sector, accounting for 85 per cent of business.

The government’s decision of allowing FDI into retailing sector has resulted into a mall revolution in Mumbai, thus creating several newer job opportunities. The pace of the revolution could be further accelerated by providing requisite regulatory support and fiscal benefits to investors.

The projected growth of retailing sector is estimated at approximately 10-times over the next five years in Mumbai (See Exhibit 4). The existing retail training infrastructure in the city is not geared to meet future expectations of trained and skilled manpower, thus necessitating the creation of quality training institutions. In the near future, survival of the sector to a great extent would depend on investment in training and development of manpower. The future belongs to specialized people like designers, merchandisers, shop-floor managers etc, and the sector requires people with thorough understanding in these areas. Existing training institutes should be encouraged to launch dedicated courses in various specializations.

Employment Projection in Retail (Shop) Sector in Mumbai for 2010:

The retail sector has witnessed a gradual transformation in work force from unskilled to skilled courtesy retail training institutions
mushrooming across the city. However, the quality of training provided by most of these institutions had been a matter of concern, and appropriate steps should be taken to regulate the courses.

- The sector has the potential of creating employment opportunities for SSC pass or below and unskilled individuals at the backend in areas like packaging, loading/unloading, data entry, labelling, etc. There is also a huge scope for indirect employment and outsourcing of backend activities. There is a need for creation of proper employment norms to avoid undue exploitation of individuals engaged in low-end unskilled labor.
- Shoppers’ Stop has projected the growth in employment at approximately 40 per cent per annum over the next five years.
- Hilton has projected growth in employment at approximately 15 per cent p.a. over the next five years.
- Samajik Bhandar is optimistic of an average growth of 10 per cent every year over the next five years.

Based on the above projections, growth in employment over the next five years can be put at a conservative 10 per cent p.a (Refer Exhibit-5)

**Emergence of Cooperative sector:**

The philosophy of co-operation endeavors to empower isolated individuals who are individually weak, to come together in a democratic manner on the basis of equality to achieve the desired common economic interests. The concept of cooperation emphasises on the collective action of individuals to achieve common goals which may not have been possible for one isolated individual. The movement had drawn inspiration from similar endeavors throughout the world. ‘Nidhis’ were a precursor to the Indian cooperatives. In this scheme, the members used to contribute monthly for a period. They were given loan facility which could be repaid in installments. The co-operative movement has gone from strength-to-strength and today India has a strong movement catering to various sectors.

The whole idea of Co-operative stores started in 1962 to serve people after the crisis of India-China war to provide products at subsidized rates. This model has worked efficiently for more than four decades. Cooperatives entering the organized retail sector have to face different types of challenges:

1. They are weak to attract good manpower; the low cost model does not permit them to be competitive with the retail majors.
2. Their expenditure on advertisement is almost nil
3. They do not concentrate on packaging and attracting customers
4. They do not have promotional campaigns

None the less, they are known for quality, simplicity, feeling of belongingness and trustworthiness.

**Text Box I**

10th, Friday, July 21, 2006 RIL tie up with Sahakari stores trebles sales
In just over 2 months, RIL’s tie up with state owned Sahakari Bhandar stores to handle its supply chain have resulted in trebling sales. RIL and Sahakari stores signed an agreement for RIL to manage its supply chain for its 19 stores in Mumbai in April 2006. Reliance has managed to deal with frequent problems such as stock replenishment and irregular payments to suppliers. Three of the stores already have a new look and work on seven others is going on currently. Another notable change is the new working hours of 9am to 9pm as opposed to 10am to 6pm when working professionals were not able to shop. Under the new format sections like kitchen appliances and jewelry have been done away with and replaced by additions like a pharmacy, bakery, music and DVD counter along with a fresh fruit and vegetables section. Source: Business Standard

Case Study Of a Cooperative Store Entering The Retail Sector – Can Samajik Bhandar Survive?

Corporate Major (Reliance) tie-up with Samajik Bhandar:

Over a period of time SB has earned good image in all classes of people because of low profit margin, prime locations, and trustworthiness. For Samajik Bhandar, modernizing was an idea in 2000 and a necessity in 2005. The 40 year old co-operative structure gave the store chain a fair price image but a cash strapped balance sheet. Looking for a white knight was tough as regulations didn’t allow any kind of sell out. But 20 lakh customers a year and 19 Prime Mumbai locations was bait enough for Reliance. It came to the rescue in the guise of Retail Concepts & Services, a group company that signed a joint venture with Samajik Bhandar.

Samajik Bhandar’s central Mumbai store was the first to benefit with a Rs 2 crore transformation, staff training and an expanded product range. The consumer reaction has been “Fabulous, mind-blowing, beyond expectation. In short, we used to attend to about 1000-1200 customers, now we get 2800 customers a day,” said Rajan Kulkarni, GM at Samajik Bhandar. Sales have trebled from Rs 40 lakh a month to Rs 1.2 crores. Consumers are all saying the same thing, except in different languages. “I’ve been shopping here for 15 years. The prices were very competitive even earlier. And now everything is available in one store. We get everything in one store and children enjoy coming out here as well”.

Walk down any of the aisles and you’d never imagine you are in India. Of course the front end has changed. But the bigger transformation has happened in the back end or the supply chain as they call it.

The most crucial assistance Samajik Bhandar got from Reliance’s Retail Concepts is in-sourcing. No longer does the store chain need to deal with individual companies for supplies. Retail Concepts does that directly and is paid by the store chain only after the goods are sold. That’s a longer credit line for the stores. Now success lies in growing volumes. “Samajik Bhandar has given us initial platform to start with, so we have some base volumes. With Reliance outlets coming in, we are also planning to open 100 more Samajik Bhandars, the volumes will go up. When
volumes go up, it works magic, prices crash,” says Vinay Shah, Director at Retail Concepts & Services India.

Lower prices attract more consumers, which means higher volumes and so the wheel keeps turning. In a span of six months this store will have recovered its investment and in some time, all 19 stores will look brand new. Small it may be, but Samajik Bhandar has given Reliance’s national supply chain project a launch pad and in turn it learnt how to play with the big boys.

Text Box II

The unbranded commodities available at Samajik Bhandar for which the store is popular because of its competitive prices.

Samajik Bhandar is a co-operative venture having a chain of 19 supermarkets in Mumbai. Over the years, it has built its brand on affordability. But like all co-operatives, its stores look run-down and operate on thin margins. The April tie-up, part of RIL’s retail game plan, has galvanized Sahakari Bhandar. For example, the stores often had a problem of stock-outs owing to irregular payments to suppliers. With Reliance stepping in, this has been sorted out and product supply is no longer a problem. Also, quicker replenishment of stocks due to RIL’s smoothly managed supply chain has removed one of the main problems that customers used to face. The tie-up with Sahakari Bhandar works well for Reliance, which is betting big on retail, as it provides a presence in some of the best locations in the metro without the hassles of finding the correct property. Courtesy Reliance, the beleaguered Sahakari Bhandars are now sporting a new spanking look.

Modernisation of Samajik bhandar:

Samajik Bhandar claimed that it has achieved 100 per cent computerization in all its shops across the city and that all the offices have been fully integrated. It doesn’t foresee any direct impact of computerization on employment; however, it agreed to have invested in computer orientation of its staff members. The company claims to have invested over Rs 1 crore in the last five years on staff orientation.

Being a co-operative society store operating on a ‘No Profit, No Loss’ basis, Samajik Bhandar agreed that they have specific guidelines in investments and business spending, and cannot match bigger retail players like Shoppers’ Stop, Crossroads, Globus, etc. Due to this limitation, it has been experiencing business setback as customers were frequenting the malls as they provide better ambience, entertainment, food court, etc. under one roof. Due to lack of guidelines in government policies, there is unplanned growth of malls across the city. Samajik Bhandar authorities felt that the unhealthy practice was adversely affecting the smaller retailers who were surviving on wafer-thin margins. These adverse developments had forced Samajik Bhandar to resort to VRS in 2001, whereby it severed the services of 61 employees. Some of the reasons for the downsizing were fierce competition from malls, lack of proper government policy, FDI entry into the retail sector, loyal
customers shifting to suburbs, etc.

Rangaragan, a 55 years old storekeeper who has always identified himself as a member of the family in Samajik Bhandar is worried about the cultural change that this tie-up with retail giant will bring in. He says “I am attached with the old building and want to serve here only.”

He believes that there hasn’t been any drastic change in the job profile. Nonetheless, he agrees that the sector is witnessing a gradual shift from manual operations to mechanized services at the backend.

Radha, a front desk executive says “earlier with the introduction of computer was literally forcing people to learn to operate it, thus playing a critical role in day-to-day operations of the business”. The company agreed that increased use of computers was helping in reduction of response time, but also stressed on the fact that it had resulted in a drastic cut in manpower.

Jagannath, Marketing Executive, of SB is worried whether we will be able to adjust and be in the fast track in a target oriented corporate culture??

Radha stressed on the fact that it is not only real estate builders like Hiranandani, Oberois, Rahejas, Piramals, etc. who are opening malls across the city, even the private and foreign players like Wal-Mart, Carrefour, Tesco etc are eyeing to set up shops here. As a result, the retail sector would witness creation of several jobs in both skilled and unskilled segment. However, there is concern that job security will take a severe beating over the next few years, on account of rise in competition.

Any customer can easily recognize the difference in the response of sales executives between a cooperative retail outlet and a big shopping Mall.

<table>
<thead>
<tr>
<th>Situations</th>
<th>Response in Cooperatives</th>
<th>Response in Shopping malls</th>
</tr>
</thead>
<tbody>
<tr>
<td>A customer enters in the store</td>
<td>No response</td>
<td>Welcome, how can I help you?</td>
</tr>
<tr>
<td>Customer inquires about a specific brand</td>
<td>We don’t have it.</td>
<td>Sir, we keep other good brands also. Would you like to have a glance at them? Here is a list. Would you like to go through it?</td>
</tr>
<tr>
<td>Inquires about a particular product which he is unable to locate</td>
<td>I don’t know</td>
<td>Will take you to that place and help</td>
</tr>
</tbody>
</table>

Rajan Kulkarni is optimistic of an average growth of 10 per cent every year over the next five years, as it claims to have created goodwill amongst its customers. It is gradually changing from a traditional co-operative society store to modern co-operative store with the introduction of bar coding, self-service, free home delivery, computerization, etc. He doesn’t foresee any growth in employment over the next five years as it already has excess staff.
Elaborating on the changing employment trends in the sector, **Kulkarni** claimed that the future employment opportunities in the sector would be predominantly for skilled and specialized individuals. For instance: a qualified person experienced in apparels would be required to work in the apparel department; similarly, a person possessing knowledge about jewelry would be preferred in the jewelry department as against individuals without any experience. Another change that the company foresees in the near future is that with more and more institutes offering retailing courses in various segments such as merchandising, customer service, client management, shop managers, etc. there would be a phenomenal increase in the availability of skilled personnel.

At the officer level, Samajik Bhandar employs qualified personnel, i.e. graduates with retailing background and these are sourced largely through newspaper advertisements. However, it doesn’t rule out the fact that a large portion of its staff are SSC pass or below, who are engaged in unskilled activities like packaging, loading/unloading, data entry, labeling, etc. Nevertheless, it claims that presently there is no dearth of both skilled and unskilled people in the market, and it agreed that it was largely due to increasing employment opportunities due to emergence of malls across the city.

Samajik Bhandar has a well-knit and fully integrated supply chain, thus the scope of indirect employment creation is marginal. However, it claims that several MNCs and private corporate houses regularly conduct sales promotion activities in its premises, which in-turn creates several indirect employment opportunities. It has placed the total number of indirect employment generated at each of its shops at approximately 10-15 individuals per month. The company opines that it is likely to generate approximately 10 per cent indirect employment annually in the next five years.

**Rajan Kulkarni** feels that specialized people would be required in the near future. For instance: a person who knows in and out about apparels would be considered in the apparel department. Similarly, a person who has the knowledge about jewelry would be preferred in the jewelry department as against the person who has none. Another thought crossed **Kulkarni’s** mind. He remembered that the people working in SB were poor, lower middle and middle class people, none the less he could not recall a single instance of a theft of any valuable in SB across the chain of branches. “In fact till date they have never installed any hidden camera to track customers or the employees.” He had a huge dilemma in his mind. Will there be synergy? Will they actually merge? Can a true private public partnership model ever emerge? Can an aggressive corporate style facilitate a smooth run in a conservative, slow non profit Samajik Bhandar?

**References:**

1. The 2005 Global Retail Development Index released by AT Kearney,
2. Survey conducted by KSA Technopak, 2006,

4. Retailers Association of India www.rai.net.in referred on 5th October 2006


**Discussion questions**

1. Discuss Cooperative forms of retail in India taking Samajik Bhandar as an example and try to relate it to other forms of retail stores.

2. Carry out a SWOT analysis of Samajik Bhandar. Compare and contrast any retail giant with a low cost cooperative model.

3. Is retail boom in India a reality? Discuss possible avenues for mergers? What are the advantages for the firms taking such a move?

4. Can a company with a target oriented culture find synergy with a service oriented cooperative stores? What are the cultural challenges faced in a public private partnership as mentioned in the case.

**Exhibit -1: Growth Rate of GDP**

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth Rate</th>
</tr>
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<tbody>
<tr>
<td>1989</td>
<td>5.1</td>
</tr>
<tr>
<td>1990</td>
<td>5.9</td>
</tr>
<tr>
<td>1991</td>
<td>7.3</td>
</tr>
<tr>
<td>1992</td>
<td>7.3</td>
</tr>
<tr>
<td>1993</td>
<td>7.8</td>
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<td>1994</td>
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<td>1997</td>
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<td>1999</td>
<td>6.9</td>
</tr>
<tr>
<td>2000</td>
<td>8.4</td>
</tr>
<tr>
<td>2001</td>
<td>8.1</td>
</tr>
</tbody>
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**Exhibit-2**

Cross country comparison of organized and unorganized retail

<table>
<thead>
<tr>
<th>Countries</th>
<th>U.S.</th>
<th>Taiwan</th>
<th>Malaysia</th>
<th>Thailand</th>
<th>Brazil</th>
<th>Indonesia</th>
<th>Poland</th>
<th>China</th>
<th>India</th>
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</thead>
<tbody>
<tr>
<td>Organized</td>
<td>85</td>
<td>81</td>
<td>55</td>
<td>40</td>
<td>36</td>
<td>30</td>
<td>20</td>
<td>20</td>
<td>3</td>
</tr>
<tr>
<td>Unorganized</td>
<td>15</td>
<td>19</td>
<td>45</td>
<td>60</td>
<td>64</td>
<td>60</td>
<td>80</td>
<td>80</td>
<td>97</td>
</tr>
</tbody>
</table>
### Exhibit 3: Market Size of the Different Products.

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Food, Beverages and Tobacco</td>
<td>195</td>
<td>65%</td>
<td>7.0%</td>
<td>256</td>
<td>60%</td>
<td>6%</td>
<td>342</td>
<td>54%</td>
</tr>
<tr>
<td>Personal Care</td>
<td>15</td>
<td>5%</td>
<td>11%</td>
<td>23</td>
<td>5%</td>
<td>9%</td>
<td>35</td>
<td>5%</td>
</tr>
<tr>
<td>Apparel</td>
<td>21</td>
<td>7%</td>
<td>11%</td>
<td>33</td>
<td>8%</td>
<td>9%</td>
<td>50</td>
<td>8%</td>
</tr>
<tr>
<td>Footwear</td>
<td>5</td>
<td>2%</td>
<td>11%</td>
<td>7</td>
<td>2%</td>
<td>9%</td>
<td>11</td>
<td>2%</td>
</tr>
<tr>
<td>Furnishings</td>
<td>4</td>
<td>1%</td>
<td>15%</td>
<td>7</td>
<td>2%</td>
<td>12%</td>
<td>12</td>
<td>2%</td>
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<tr>
<td>Consumer Durables &amp; IT</td>
<td>14</td>
<td>5%</td>
<td>15%</td>
<td>24</td>
<td>6%</td>
<td>12%</td>
<td>43</td>
<td>7%</td>
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<tr>
<td>Furniture</td>
<td>9</td>
<td>3%</td>
<td>15%</td>
<td>16</td>
<td>4%</td>
<td>12%</td>
<td>28</td>
<td>4%</td>
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<tr>
<td>Jewellery &amp; Watches</td>
<td>15</td>
<td>5%</td>
<td>12%</td>
<td>24</td>
<td>6%</td>
<td>9%</td>
<td>37</td>
<td>6%</td>
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<tr>
<td>Medical Care and Health Services</td>
<td>8</td>
<td>3%</td>
<td>12%</td>
<td>12</td>
<td>3%</td>
<td>12%</td>
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<tr>
<td>Recreation</td>
<td>2</td>
<td>0.6%</td>
<td>17%</td>
<td>3</td>
<td>1%</td>
<td>15%</td>
<td>7</td>
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<tr>
<td>Others</td>
<td>12</td>
<td>4%</td>
<td>18%</td>
<td>23</td>
<td>5%</td>
<td>18%</td>
<td>53</td>
<td>8%</td>
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<td></td>
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<td>9.0%</td>
<td>427</td>
<td>100%</td>
<td>8.4%</td>
<td>637</td>
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### Exhibit 4: Penetration of Retail in India

<table>
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<tr>
<th>Year</th>
<th>Total Retail (in crore INR)</th>
<th>Organised Retail (in crore INR)</th>
<th>% Share of Organised Retail</th>
<th>Gross Domestic Product (in crore INR)</th>
<th>Share of Total Retail to GDP</th>
<th>Share of Organised Retail to GDP</th>
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<tbody>
<tr>
<td>1999</td>
<td>7,00,00,000</td>
<td>5,000</td>
<td>0.70%</td>
<td>19,36,831</td>
<td>36.14</td>
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<td>2002</td>
<td>8,25,000</td>
<td>15,000</td>
<td>1.80%</td>
<td>24,63,324</td>
<td>33.49</td>
<td>0.60</td>
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<td>2005</td>
<td>10,00,000</td>
<td>35,000</td>
<td>3.5%</td>
<td>28,43,897</td>
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Book Reviews

Book: Marketing Management  
Author: S. A. Sherlekar  
Publisher: Himalaya Publishing House  
Pages: 530  
Price: Rs. 225

The Author, a reputed name in the field of Marketing has again put in efforts after a long break of 9 years and the revised edition is commendable.

The whole book is segmented into 27 chapters. The book provides insights into the various P’s of Marketing Mix and other areas of great concern like globalization, social responsibility etc. The book also provides insights into a few vital issues of concern like ISO in Chapter 12 – and Product Plan, JIT (just in time) Inventory system in Chapter 21. The author has also shared his insights in Chapter 22 titled “India the best emerging market in the world” wherein ample amount of information is being shared on rural markets and what are the typical problems encountered in rural marketing.

The diagrammatic representations are very effective and the language is simple and easily comprehendible. Had this book incorporated a few case studies to be discussed in classes it would have been wonderful.

Reviewed by

Shalini Gulecha  
Faculty Marketing  
SIESCOMS

Book: Quantitative Methods for Business.  
Authors: Anderson, Sweeny and Williams  
Publisher: Thomson South Western  
Pages: 757  
Price: Rs.483

This book is concerned with the use of quantitative methods to assist in decision making. The emphasis is not on the methods themselves, but rather on how they can contribute to better decisions. The approach is to describe situations in which quantitative methods have been applied successfully and then show how a manager can use the methods to make better decisions. Brief descriptions of successful applications of quantitative methods are shown which are entitled’ Q.M. in Action’. Also at the end of most chapters is a write-up describing Quantitative Methods in Practice in some organizations. It has been shown how quantitative methods help managers in their day to day decision making. Earlier they relied on just gut feeling for most decisions. Now they can use a combination of their experience and quantitative methods to have better decision making. The quality of the decisions taken has shown a marked improvement after using these methods. It also helps an organization to remain competitive if it takes the right decisions at the right time. Hence, the emphasis on quantitative techniques.

Reviewed by

Sandeep Bhanot  
Faculty, Operations Research and Quantitative Methods  
SIESCOMS
Business Diary
An interview with Mr. B.N. Singh, MD, Alkem Laboratories Ltd.

Mr. Basudeo Narain Singh is the Managing Director of Alkem Laboratories Ltd. He joined Mr. Samprada Singh in establishing Alkem Laboratories in 1974 and has since been integral to the evolution of the organization in every facet.

Mr. B N Singh, a post graduate in political science, has nurtured the organization in its early days and with dynamic vision and strategic leadership has professionally managed Alkem’s progress in becoming one of the leading Pharma companies in India.

Mr. B N Singh, in addition to the professional commitments, is also actively involved in various capacities with many charitable organizations.

Genesis of Alkem Laboratories:
It was started by my brother Mr. Samprada Singh on Vijayadashami day in 1974. As far as I am concerned, I wanted to be in the teaching profession and I had started teaching Political Science in Magadh University when my brother compelled me to join him in the (pharmaceuticals) distribution business he was involved in. I worked in that space for 10 years distributing the drugs of various MNCs in Bihar. We were the largest distributors of pharmaceuticals in Bihar. The MDs, senior officials of MNCs were impressed by our work and encouraged us to start a Pharmaceutical company. Since we were there in the Pharmaceutical distribution, it was a natural progression to start a Pharmaceutical company. Thus, ALkem Labs was started in Mumbai as it was considered as a business hub. We started with a seed capital of 5 lakhs and our first factory was set up in Taloja.

The key factors behind the success of Alkem:
I would attribute it to these factors...

1. Selection of the right product profiles. We started with Antibiotics, Multi vitamins, cough syrup and later moved to drugs for gastro problems, cardio, neuro-psychiatric, and oncology. Now we also deal with HIV related products. Alkem Laboratories Ltd, has diversified into Nutraceuticals, Functional foods & Health Foods. We have invested approximately 90 crores in the Mandva unit for manufacturing Sucralose, an artificial zero calorie sweetener. Jeevanprash, is one of our popular products, meant for increasing immunity, vitality, stamina and reducing cholesterol.
2. We have manufacturing facilities at Daman (4 plants), Himachal Pradesh (3), Gujarat (1) and Sikkim (1). Location of manufacturing units was a strategic decision to avail the benefits of the chosen places. For instance Daman unit was selected for products manufactured for export. Tax benefits in Daman have helped us in saving a lot of money and improving our financial status.

3. The other important factor that helped us in growing are the cordial relations we share with medical professionals. We have built a lasting relationship with the doctors in our network who in turn recommend and support our products.

4. Lastly, the entire credit of the success of Alkem Labs is to our team of dedicated staff. Without the sincere efforts and initiative of the staff members it would not have been possible to come up to this level.

We are fortunate to have an excellent team of dedicated professionals.

**Indian Pharmaceutical sector’s growth trajectory:**

During independence the pharmaceutical market (globally) was 10000 crores and now it has grown to 75000 crores. Indian Pharma sector is doing very well. In terms of volume, India is ranked 4th in the world and 13th in value terms. Demand is growing at 22-23 %, where the exports are concerned. Domestic market is growing at about 10-12 %.

Demand within the Indian market is met by Indian Pharma companies. India will rank 3rd worldwide by 2015 if the government is supportive enough. It is interesting to note that the expenditure in R&D by small and medium companies is more than 3-4% and 8-10% of their turnover respectively. They are also adhering to the Current Good Manufacturing Practices (CGMP) to meet the expectations of investors.

Discussions with the government are on to allow and support the Pharma industry to be able to compete and advance in the global markets.

**Changes in the industry in the last 35 years of your experience:**

The opening of the economy has been a big impetus for the growth of the industry. Competition has increased and we have higher goals to achieve. Good quality has become the focus for most people in the industry. Expenditure in R&D by even small & medium companies is more than 3-4% and 8-10% respectively. The bankers are coming forward and finance is more readily available. Small players too have become ambitious.

**Challenges while setting up the enterprise:**

Money - In 1975 - 80, I spent a lot of time with banks in order to increase the limit on loans. Challenges were many, like adjusting to a new city, getting good people, communicating with doctors who have been a key to our success.

During the initial phase, when a distributor in Patna asked me when we would reach the sales of 1 crore it was very difficult for me to answer him. But today if you ask me...
how we can move to 2000 crore from 1500 crore, it is easier to answer.

**Relationship with employees:**

Alkem’s 6400 employees are like the members of a big family. Our growth and financial strength depends on them. We value the dignity of our employees. The spirit in our people is what keeps us going. Appreciation for the work done is not just in words but also in terms of incentives. We have the systems for giving incentives—due recognition and guidance is given to those who perform. We are proud of the fact that there is no union at any level in our organization. We also provide medical insurance for all our employees.

**Your involvement in Clinical research:**

We have a state of the art facility at Taloja, Navi Mumbai for doing clinical trials. There is an ethics committee in place which oversees the work done there. Alkem can proudly claim its own 40 bed bioavailability and bioequivalence testing facilities that could meet up to the standards of all the regulatory agencies, including US FDA, MHRA, TGA and ANVISA Brazil.

**Role model:**

My brother, Mr. Samprada Singh. Also Late Dr. Parvinder Singh – ex-Chairman and MD of Ranbaxy. I give full credit to him for placing Ranbaxy where it is today.

**Corporate Social Responsibility:**

65% of people in India are unable to get access to medicines. We are now concentrating on reaching medicines to villages and remote corners of India. It is our strategic choice to reach out to people in villages.

Apart from this we are also involved in generating awareness about Cancer in association with Tata Memorial and CMC Vellore through Ashadeep, an initiative of Cytomed, a division of Alkem. We also distribute HIV related medicines to poor patients.

**Advice for budding entrepreneurs:**

They must dream……. and set high, but realistic goals. Success is guaranteed if you have integrity and a positive nature.
Academic conferences held at SIESCOMS

National Conference on ‘Challenges for the Pharmaceutical and Biotechnology Industries’: This was organized in collaboration with Indian Pharmaceutical Association (IPA) 17th & 18th of January, 2009. The conference specifically focussed on ‘Global Challenges and Biotechnology’ and ‘Strategic Challenges for the Development of New Therapeutic Pharmaceuticals’.

One day National Conference on ‘New Frontiers of Management with Focus on Innovation’, 31st January 2009: This conference discussed various emerging challenges in separate domains of management and the suitability of existing theories and/or practices to face them and how to bring about innovation in the management theories and practices.

Upcoming Events

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<th>S.No</th>
<th>Title</th>
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<tbody>
<tr>
<td>1.</td>
<td>National Marketing Conference: “Paradigm Shifts in Marketing”</td>
<td>20th January 2010</td>
<td>Prof. (Ms). Sumana Bose 9004094929 <a href="mailto:sbose2184@yahoo.co.in">sbose2184@yahoo.co.in</a></td>
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<td>2.</td>
<td>National HR Conference: “World-Class Strategies For HRM”</td>
<td>3rd February, 2010</td>
<td>Prof. Sarika Singh 9930266370 <a href="mailto:sarika3031@rediffmail.com">sarika3031@rediffmail.com</a></td>
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<td>3.</td>
<td>Significance Of Quantitative Techniques In Management</td>
<td>10 February 2010</td>
<td>Prof. Ranjith P V 9820839432 <a href="mailto:rv99321@gmail.com">rv99321@gmail.com</a></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Prof. Sandeep Bhanot 9324557290 <a href="mailto:bhanot.sandeep@gmail.com">bhanot.sandeep@gmail.com</a></td>
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Dear Contributors

SIES College of Management Studies invites articles for the journal of the institute published since the year 2004. There are so far 6 volumes called SIES Journal of Management. This serial publication has an ISSN to its recognition from the 5th Volume onwards.

The Journal is bi-annual in nature. For the Volume 6, Issue 2, Sep 2009-March 2010 publication, we call for manuscripts.

Manuscripts relevant to general management, marketing, finance, HR, systems, knowledge management, and management strategies are accepted. Issues pertinent to emerging changes in management are most welcome.

The manuscripts should be the original work and not published elsewhere. It could be either conceptual or application oriented. The papers will be initially reviewed by the editorial team, and if accepted would be blind refereed by an external reviewer. After the author’s acceptance and corrections of blind reviewer’s comments, the editorial will accept the paper for publication. The manuscripts could range from 3000 to 5000 words excluding tables, figures and references. Authors are also requested to suggest a few reviewers in the subject area of the manuscript (both national and international reviewers).

Guidelines for submitting manuscripts

1. Title page: Title, Author(s)’s name, Designation and Institute of affiliation, contact address, email of first author for correspondence (on page1).
2. Abstract: An abstract of the manuscript in 150 words, followed by key words (on page2).
3. Main page: The manuscript begins from page 3 onwards.
4. References: All references should be in American Psychological Association (APA) style. For more information on the APA format, see http://www.apastyle.org
5. All figures, graphs and tables if they are extracted from excel, a copy of the excel sheet with data sheet should also be attached along with the word document.
6. Format: Times New Roman font, Font size 12, Paragraph spacing0, Double line spacing, Label: 9-point, Times New Roman, notes at the end of the manuscript/text, before the references. Any acknowledgements should be enclosed in the notes and must be numbered 1, 2, 3...
7. If there are any graphs, graphic images, it should be in black and white with highest resolution and ownership of the same should be acknowledged in the source.
8. Please enclose a letter stating the below mentioned information

Signature of each author below certifies compliance with the conflict of interest disclosure:

All institutional or corporate affiliations of mine and all funding sources supporting the study are acknowledged. I certify that I have no commercial association that might represent a conflict of interest in connection with the submitted manuscript.

Title of article:
Signature of the corresponding author:
Name of the corresponding author:
Mailing address:
Phone:
Email:
A brief write up about the authors’ interest areas/expertise/experience.
Suggested Reviewers: National/International reviewers

E-mail your manuscripts to: The Editorial, SIES Journal of Management, SIESCOMS at: journal@siescoms.edu. Manuscripts submission: A covering letter accompanying the manuscript consisting of the above details should be sent by e-mail attachment or posted at: SIESCOMS, Sri Chandrasekarendra Saraswati Vidyapuram, Plot 1 E, Sector V, Nerul, Navi Mumbai, India, PIN-400 706