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# Temping: A tradition in transition

Dr.Aisha. M. Sheriff\*

Dr.P Nagesh\*\*

**ABSTRACT** - *This paper deals with the employment relationships between the parties involved in temping, the paradigm shift in the myths associated with temporary work, temptations that entice companies into accepting temping, the sphere of activity, the potential that temporary staffing holds and the survey outcomes of a pilot study on temping in IT industry.*

**Key words:** Temporary staffing, Outsourcing, Temping firm, Client, Associate, Flexible schedule.

## Introduction

The temporary staffing industry is riding high with strong revenue growth and earnings. Further, continued growth is assured across diverse jobs as temporary work becomes a substantial and permanent part of the workforce in virtually all of the major industrial & service sectors. Staffing firms are spread across the country and around the world and are engaged in offering a wider range of services to meet employer needs with greater flexibility and provide broader occupational reach. With the strongest growth now occurring in professional and technology positions, firms that once focused on low-skill labour are rapidly adding high-skill positions. The temping activity is thus gaining a strong foothold in the outsourcing business.

Many employers operate with a core group of regular employees with critical skills and then expand or contract the workforce through the use of temporary workers [1]. This practice requires determining staffing needs and deciding in advance which employees or positions should form the core and which should be more fluid[2].

## Employment relationship

A "temp" is a temporary worker with an organisation who is on a third-party (staffing company) payroll [3]. **Temporary staffing** (commonly known as temping) is a contractual labour market arrangement, based on a three-party relationship between the temping firm, client and employee (associate). The temp firm and client sign a service level agreement, the associate and temp firm have an employment relationship and the associate provides services to the client. Temporary workers are employed by staffing companies and sent to work on specific projects or for specified

periods of time with their clients. The associate may move from one client site to another depending on the staffing company's clients. The temporary staffing company is responsible for the salary and benefits of the temporary workers, while it in turn, receives payment from the client [4].

## Changing perception & aspirations of temps-The paradigm shift

The Job mart scenario across the globe is changing. Permanent, full-time employment may not still be the norm. A sticky job is an old ideology. Temporary staffing is emerging as the viable option. Job-for-life is replaced with life-long learning, multi-functional expertise, and multiple career paths and flexible schedules [4]. For many talented and creative personnel working in the **temporary staffing** industry, it has become a desirable avenue offering a variety of work environments for networking.

In the past, temporary workers were used for vacation, relief, maternity leave or workload peaks [1]. Today, temp work is more than just filing documents or stuffing envelopes. To quote a temp working in the IT industry "Not only is it a great source of income, but it's also taught me some invaluable skills. It requires me to continually stretch myself, to become a jack-of-all-trades. I'm getting a full education in this industry".

Historically, temporaries have been used primarily in jobs such as assembler, secretary, clerk, or truck driver.[5] It was also not very fashionable to announce that one is a temporary staffer In the past. Today, the popular perception about temping is that it does provide a reasonable secure and dignified employment option. Temporary workers too can join unions of regular employees when they are working.[6]

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The stigma associated with temping is slowly diminishing [4] with more and more unemployed youth, fresher wanting to gain experience, experienced people seeking specific experience and housewives are applying to temp staffing companies. They prefer temporary jobs for a multitude of reasons flexible schedule, being able to work for different employers, to be able to quit or if they are looking to work for short periods, etc [4]. In today's work environment, however, they are available for a variety of professions, including nursing, computer programming, engineering & accounting [5]. Fashion designing, merchandising, advertising and journalism are other popular avenues available for temps. There is even an amazing trend toward "interim executives"-high-caliber, experienced managers, who can be brought in for a few months to oversee a turnaround, liquidation, or special project [7].

Further, the demand for temporary workers has been propelled by companies looking for greater workforce flexibility, faced with fast paced market changes, including changes in consumer demands and shorter product life cycles.

### **Business temptations**

During the 1970s and 1980s, courts made it more difficult for employers to fire regular workers, so employers hired more temps [8]. Ever since, the temporary help industry has been expanding rapidly [9].

Further, with the dynamic over tunes in the economy, corporate too are counting on the services offered by employee leasing companies. In the prevailing uncertain labour market, companies are scared to go out and hire. In these difficult times, businesses are savvy about using temp firms. Companies leasing employees prefer to take temps on project basis. Based on the performance of the temp, he or she could become a permanent employee in the same company over time. Not all flexible workers want to be temporary employees [10]. Some flexible workers prefer regular jobs [11].

Companies largely benefit from temping as a valuable and cost effective tool that allows them to exercise greater flexibility through economic highs and lows [12]. Temping helps meet short-term assignments of companies to augment their workforce during peak periods or make good 'leave vacancies' or replace sudden terminations. It provides them the opportunity to concentrate on core business strengths in a highly competitive environment as the non-core functions are outsourced.

Hiring a part of their workforce from employee leasing firms results in cost savings and operational flexibility that allow businesses to maximize efficiency and profitability, benefits of scale, long-term cost benefits, and a responsible employer image. They provide the organization with flexibility to change the number of employees easily and without actual lay-offs [13]. Essentially, firms can 'try before they buy' to be sure a candidate is qualified and fits in [14]. Thus, temping entails convenience and ease of recruitment and replacement as also reliability and security from partnership with temporary staffing agency guarantying the quality and credentials of personnel hired.

### **The Arena**

In India today, temping is the most happening HR trend.

Temporary staffing is booming in all industry segments with particular focus on BPO-ITES (IT-enabled services) information technology, financial services, FMCG, telecom, retail finance and insurance, banking, manufacturing, R&D, hospitality, healthcare, wellness services, sales and marketing, back office operations, media and merchandising. Popular Temp staffers in India are Adecco-India, Manpower India and Kelly services -India [15]. TeamLease Services, Mafoi Management Consultants and Alp consultants.

Some of the Indian companies such as Intel, SDG Software, Philips, Pfizer, Thermax, Mindtree, Icope, Alcatel India, Dr Reddy's Laboratories, SAP [16] and Reliance Infocomm, Sify, Conexant, Fair Isaac, Mphasis, Tata Indicom, Merrill Lynch, Citi Financials, Idea, Vertex, Hindustan Times, VSNL, Interglobe, Sonata Software [12] are using temp staffing in a big way.

### **Prospects**

The future for temping looks very bright with an array of staffing solutions employee leasing companies have to offer to their clients. Globally, temporary staffing is a \$140 billion industry with over 5 million people employed as temps. India's potential is about 8-10 million jobs [17]. It is estimated that out of the total workforce in India, the potential size of temporary staffing business from both organized and unorganized sector constitute around 15-20 million [4]. What remains to be seen is the extent of credibility it can gain in job creation and reducing unemployment in India.

### **An exploratory study**

#### **Preamble of the study**

Given that the IT industry is a trendsetter of sorts, which is expected to witness a large percentage of such hiring in the coming years a survey of IT industries was undertaken to examine its usage and effectiveness.

The primary objective of the study was to know whether the system of temping is beneficial to the organizations and whether it can be an effective recruitment source to IT organizations which is characterized by shortage of skilled workforce.

Data was collected using convenience sampling for a sample size of 30 different organizations in the IT sector hiring employees through staffing agencies in the city of Bangalore. Five organizations each were drawn from the following segments as these segments represent a majority usage of temporary staff.

#### **Segments**

1. Computer peripherals
2. Computers
3. Computer software (packaged).
4. Information processing service industry
5. Information provision service industry
6. Computer hardware

#### **Data Collection method**

Interview method using a well-structured questionnaire was administered to the respondents to elicit the information which has been appended.

**Survey findings**

**Table 1 Survey Findings**

No.	Parameter	Characteristics	Number of responses
1.	Temp hiring duration	a) Less than 3 months.	10
		b) 3 to 6 months.	14
		c) More than 6 months.	6
2.	Temp staff selection procedure	a) Written test followed by personal interview.	3
		b) Personal interview alone.	27
3.	Employers satisfaction towards the performance of Temps	a) Yes	27
		b) No	3
4.	Employers preference to regularize the Temps	a) Yes	11
		b) No	19
5.	Termination of Temp staffing during their service period	a) Yes	3
		b) No	27
6.	Sources of Temp staffing	a) Staffing agencies.	17
		b) Consultants.	9
		c) Direct contacts.	4
7.	Working hours	a) Less than 8 hours.	2
		b) 8 hours.	25
		c) More than 8 months.	3
8.	Prime criteria for Temp staff selection	a) Educational qualification.	4
		b) Experience in the field.	16
		c) Skills.	10
9.	Employers feedback on cost effectiveness of Temp staffing	a) Effective	30
		b) Ineffective	0

**Analysis and interpretations**

**Hypothesis Testing**

Hypothesis testing offers a systematic basis for evaluating alternatives and choosing the best one[18]. Hypothesis testing is the keystone of statistical applications for this paper. Recognizing that a decision requires formal hypothesis testing, the null hypothesis  $H_0$  and the alternative hypothesis  $H_1$  has been identified to test key variables such as Temp hiring duration, Temps staff selection process, Employers' satisfaction of Temp employees' performance, Regularization and Termination of Temps.

**Temp hiring duration hypothesis test**

**Table 2 Observed and Expected frequencies for Temp hiring duration**

Hiring duration	Yes	No	Total
1. Less than Six Months	24 (15)	6(15)	30
2. More than Six Months	6(15)	24(15)	30
Total	30	30	60

Note: in each cell  $ij$  the number without parenthesis is the observed cell frequency ( $O_{ij}$ ) and the number in the parenthesis is the expected cell frequency ( $E_{ij}$ ).

The Expected frequency ( $E_{ij}$ ) for any cell defined by  $I^{th}$  row and  $J^{th}$  Column in table 2 is given by

$$E_{ij} = \frac{n_i n_j}{N} \tag{1}$$

Where  $n_i$  and  $n_j$  are the marginal frequencies that is, the total number of sample units in category  $i$  of the row variable and category  $j$  of the column variable, respectively.

$H_0$ : There is no association between temporary hiring duration and employers' preference to hire for a period of more than six months.

$H_1$ : There is an association between temporary hiring duration and employers' preference to hire for a period of less than six months.

Using the expression (1), the computation of expected frequency would be

$$E_{ij} = (30 \times 30) / 60 = 15$$

The value of Chi-Square test static is computed using the formula

$$X^2 = \sum_{i=1}^r \sum_{j=1}^c (O_{ij} - E_{ij})^2 / E_{ij}$$

Where, the  $r$  and  $c$  are the number of rows and columns respectively. The number of degrees of freedom associated with this Chi- Square static are given by the product  $(r-1)(c-1)$ .

$$\text{Degrees of freedom} = (2-1)(2-1) = 1$$

Assuming a significance level of 0.05, the critical Chi- Square ( $X^2_{.05}$ ) value from the statistical Table for 1 degree of freedom is 3.84. The decision rule is : “ Reject  $H_0$  if  $X^2 > 3.84$ ”. The computed test static is

$$X^2 = (24-15)^2/15 + (6-15)^2/15 + (6-15)^2/15 + (24-15)^2/15 = 21.6$$

Since the computed Chi-Square value is greater than the critical value of 3.84, we can reject the null hypothesis. In other words, the apparent relationship between Temp hiring duration and employers' preference to hire for a period more than six months revealed by the

sample data is unlikely to have occurred because of chance.

Temp employers prefer to hire employees' for a period of less than six months.

**Temps staff selection process hypothesis test**

**Table 3 Observed and Expected frequencies for Temps staff selection process**

Selection Process criteria	Yes	No	Total
1. Written test followed by personal interview	3 (15)	27(15)	30
2. Personal interview	27(15)	3(15)	30
Total	30	30	60

Let,

$H_0$ : There is no association between written test followed by personal interview as a selection process and employers' preference.

$H_1$ : There is an association between personal interview as a selection process and employers' preference.

$$X^2 = (3-15)^2/15 + (27-15)^2/15 + (27-15)^2/15 + (3-15)^2/15 = 38.4$$

Since the computed Chi-Square value is greater than the critical value of 3.84, we can reject the null hypothesis. In other words, the apparent relationship between written test followed by personal interview as a selection process and employers' preference, revealed by the sample data is unlikely to have occurred because of chance.

The Temp employers prefer personal interview to hire Temps as a stand alone mode of selection. Personal interviews offer deeper insight into the candidates' behavioral features which is of greater relevance than testing for precision.

**Employer satisfaction and performance of Temps hypothesis test**

**Table 4 Observed and Expected frequencies for Employer satisfaction of Temp employees' performance**

Employer satisfaction	Yes	No	Total
1. Yes	3 (15)	27(15)	30
2. No	27(15)	3(15)	30
Total	30	30	60

Let,

$H_0$ : There is no association between Temp employers' satisfaction and performance of Temps.

$H_1$ : There is an association between Temp employers' satisfaction and performance of Temps.

$$X^2 = (3-15)^2/15 + (27-15)^2/15 + (27-15)^2/15 + (3-15)^2/15 = 38.4$$

Since the computed Chi-Square value is greater than the critical value of 3.84, we can reject the null hypothesis. The apparent relationship between Temp employers' lack of satisfaction and performance of Temps revealed by the sample data is unlikely to have occurred because of chance.

Temp employers' show satisfaction with the performance of Temps which is why they are generally not terminated or replaced when their contract is in force.

### Regularization of Temps hypothesis test

**Table 5 Observed and Expected frequencies for Regularization of Temps**

Regularization of Temps	Yes	No	Total
1. Yes	11(15)	19(15)	30
2. No	19(15)	11(15)	30
Total	30	30	60

Let,

$H_0$ : There is an association between regularization of Temps and employers' preference.

$H_1$ : There is no association between regularization of Temps and employers' preference.

$$X^2 = (11-15)^2/15 + (19-15)^2/15 + (19-15)^2/15 + (11-15)^2/15 = 4.2$$

Since the computed Chi-Square value is greater than the critical value of 3.84, we can reject the null hypothesis. The apparent relationship between regularization of Temps and employers' preference revealed by the sample data is unlikely to have occurred because of chance.

Temp employers' do not prefer to regularize the services of Temps.

### Termination of Temps hypothesis test

**Table 6 Observed and Expected frequencies for Termination of Temps**

Termination of Temps	Yes	No	Total
1. Yes	3 (15)	27(15)	30
2. No	27(15)	3(15)	30
Total	30	30	60

Let,

$H_0$ : There is an association between termination of Temps and employers' decision towards replacement.

$H_1$ : There is no association between termination of Temps and employers' decision towards replacement.

$$X^2 = (3-15)^2/15 + (27-15)^2/15 + (27-15)^2/15 + (3-15)^2/15 = 38.4$$

Since the computed Chi-Square value is greater than the critical value of 3.84, we can reject the null hypothesis. The apparent relationship between termination of Temps and employers' decision towards replacement revealed by the sample data is unlikely to have occurred because of chance.

Temp employers' prefer not to terminate and replace Temps as they are satisfied with their performance.

### Conclusion

The staffing agencies are playing a vital role in temping activity. The survey reveals more than half the respondents were being employed through the staffing agencies. The other alternative sources are through direct contact and consultants. Generally, most hiring period of temps is three to six months. However one-third of hiring is for a short period of less than three months. It has been observed that a significant percentage of temporary staff work for eight hours. Although written test are conducted, the popular selection procedure for temp staff is through personal interviews. Experience and skill are the prime criterion for temporary staff selection. It is observed that the employers are more than happy to adopt temping practices as it has resulted in cost effectiveness.

Although, It is heartening to note that employers' are satisfied with the performance of temp employment. However, their preference to regularize the temps is not very encouraging. Replacement of temp staffing during their service period is rarely observed.

In summary, a significant HR challenge likely to continue, over the next decade is 'Temping'. Temporary staffing, as a flexible approach to recruitment has a potent influence on manpower planning and acquisition and has come to seek a permanent berth in HR's best practices.

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**ANNEXURE**

**QUESTIONNAIRE**

**A study on temporary staffing as an effective recruitment source in IT and IT related organizations**

- 1. Name of the organization:** \_\_\_\_\_
- 2. The Segment to which you belong?**
- a) Computer peripherals       b) Computers       c) Computer software (packaged)   
d) Information processing service industry       e) Information provision service industry       f) Computer hardware
- 3. What is the period for which you generally go for Temp hiring?**
- a) Less than 3 months.       b) 3 to 6 months.       c) More than 6 months.
- 4. What is the mode of selection of Temp staff followed by your organization?**
- a. Written test followed by personal interview.       b. Personal interview alone.
- 5. As an employer are you satisfied with the performance of Temps?**
- a. Yes       b. No
- 6. Do you prefer to regularize the services of Temps over a period?**
- a. Yes       b. No
- 7. Do you terminate or replace your Temp staff when the contract is in force?**
- a. Yes       b. No
- 8. What are your preferred sources of Temp staffing?**
- a. Staffing agencies.       b. Consultants.       c. Direct contacts.
- 9. What are the normal working hours of Temp staff?**
- a. Less than 8 hours.       b. 8 hours.       c. More than 8 months.
- 10. What are the criteria used in the selection process to test the suitability of Temp staff?**
- a. Educational qualification.       b. Experience in the field.       c. Skills.
- 11. Do you feel that Temp staffing is a cost effective alternative to regular employment?**
- a. Effective       b. Ineffective

# Factors Affecting the Growth of Small Manufacturing Firms in Coimbatore City

Dr. Ganapati\*

R Geetha Ramani\*\*

## INTRODUCTION

The small-scale sector has emerged as a dynamic and vibrant sector of the Indian company. SSI occupies a place of vital importance in the development of the country. These industries make use of indigenous resources and progress towards self-reliance. The small-scale sector accounts for 40% of the industrial production, 35% of the total exports and employs more than 170 lakhs person in about 30 lakhs SSI units in this country. The small-scale industries acts as a "nursery" for the development of entrepreneurial talent.

These industries which are manufacturing wide range of more than 7500 products, supplies lower income groups with inexpensive consumable goods and services. It also caters to sophisticated requirements of consumers at upper income level and advanced technological requirements of industries both in India and abroad. It also caters to the needs of production of high technology defence equipments of air force, military and navy. Due to its flexibility, SSI are better placed to face challenges and changes.

SSIs are by very nature individualistic and fiercely competitive as they are entrepreneurs. In this survival first and growth later. The Small Scale entrepreneurs have to be economically competitive. It includes the spirit of individual enterprise putting man at the center of development. It ensures that the Small Sector has the best market orientation in giving the customer, the widest choice at reasonable prices. Since they cannot afford advertisement, publicity and expensive promotion campaign, they do not unfairly influence customers.

As most entrepreneurs are self employed the price and competitiveness is dictated purely by the necessity of survival. They do not enjoy the fall back support of institutions like banks.

The government takes policy measures for the promotion of SSI. They try to address to the basic requirements be it credit, marketing technology, entrepreneurship development / financial / infrastructure support. Small Scale Sector suffers from certain handicaps and economies of scale are not available to it. Hence the support to SSI virtually is a universal phenomenon and exists in one form or the other in almost all countries of the world whether developed or developing.

The process of liberalization and market reforms has created tremendous opportunities for the growth of SSI. At the same time, changing world scenario has thrown up new challenges. The SSIs are growing fast and is capable of addressing itself to the basic problem of Indian economy. There is ample evidence to suggest that it will continue to play an increasingly important role in industrial development of the country.

With a total population of 42 lakhs, Coimbatore District has approximately 12 lakhs workers employed in various industries.

Coimbatore Industrial Revolution began with textile and now shifted to Foundry, Pump and Motor. Pump, Motor, Foundry and Allied Industries plays an important role in Coimbatore Small Scale Industries. It is flourishing in large number and accounts to 60% of our countries production.

Coimbatore's first Pump and Motor was produced in 1928 and 1937 by DPF and M/s. Argus Industry. The rate of growth of the industry increases steadily. The rate of the Motor and Pump industry grows 13% in 2002-2003 compared to last year.

## STATEMENT OF THE PROBLEM

The development of the Small Sector has now come to stay in India mainly because, the SSI requires small capital layout. At the same time it provides more employment than the large-scale sector where the units are highly mechanized. Mostly small-scale unit may not require highly sophisticated technology. It can also be useful in backward areas where the people have yet to be trained to meet the challenges of sophisticated technology.

Coimbatore is a potential industrial hub in the industrial map of India abounding with a variety of small industries membership well over 25000 in the field of Textile, Pump, Motor, Foundry, General Engineering, Machine Tools, Metallurgy, Textile Machinery, Farm Equipment, Home Appliances and Automobiles. The city is renowned for technical intelligence and innovative entrepreneurship. Small Scale Industries need the required infrastructure facilities at an affordable rate to upgrade and market their product against the global competitors.

Pump, Motor, Factory and Allied Industries are large in number in Coimbatore. The Small Scale Units of these industries cover a major part of the share in generating the revenue.

Though the government is encouraging the Small Scale Industries in all aspects, it seems that the percentage of sickness in small industries is proliferating. In spite of the technical assistance provided by many institutions and the financial cells of the state, the results are not up to the level. There are some firms who literally struggle for survival.

In order to find out how far the various factors affect the growth of the firms an investigation is needed in a city like Coimbatore which has intensive labour force, technical, personnel and other facilities such as raw materials, communication facility etc. The various factors analyzed are: origin of the firm, finance and accounts, production, marketing and location and external factors related to growth. In order to find out solutions the present study is carried out.

## OBJECTIVES OF THE STUDY

The specific objective of this present study are listed below:

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1. To elicit information about the factors affecting growth.
2. To identify the key factors affecting the growth and to explore the nature of the relationship affecting the growth and their interaction one another.
3. To study the factors for the drawbacks in managerial aspects of the units and
4. To find out the measures for rehabilitation the sick units.

### METHODOLOGY

Primary data has been collected by structured questionnaire method. The questionnaire was circulated to the owner or manager of the respective firms. The questionnaire contains personal data of the company and various factors affecting the growth. Secondary information have been collected through journals, books, research, reports, etc. The area selected for this present study is Coimbatore and specifically Pump, Motors, Foundry and Allied Industries. With a view to conduct the present study 100 industries were selected at random and the data were collected. The very important aim of this study is to know the factors which affects the growth of the industries. The important factors include finance production, marketing, external factors and union. The data collected was for the period from May 2007 to July 2007. The data collected have been analyzed using chi-square test, t-test and ANOVA.

### LIMITATIONS OF THE STUDY

The following are the important limitations of the study.

1. The analysis of the present study has been carried out based on the information collected from the selected firms at Coimbatore alone. Hence the findings do not represent the firms of other areas.
2. The findings are applicable only to the categories of industries included for the study viz., motor, pump, foundry and allied industries.
3. The study would give certain findings for the present industries and not for the future industries because there may be a change in Government policies, economic conditions, change in marketing and external factors etc.

### ANALYSIS AND INTERPRETATION OF DATA

The results of the analysis of the collected data is presented below:

**TABLE 1**  
**TYPE OF THE INDUSTRY**

Sl. No.	TYPE OF THE INDUSTRY	NUMBER OF RESPONDENTS	PERCENTAGE
1.	Pump	33	33.00
2.	Motor	35	35.00
3.	Foundry	19	19.00
4.	Allied Industries	13	13.00
	<b>TOTAL</b>	<b>100</b>	<b>100.00</b>

The table shows the type of the industry. They have been categorized into 4 major types. They are Pump, Motor, Foundry and allied industries. Totally there are 100 firms. Out of them 33 are pump industries, 35 are motor, 19 are foundry and 13 are allied industries. This shows that most of the respondents firms belong to the motor industry.

**TABLE 2**  
**NATURE OF COMPANY**

Sl. No.	NATURE OF COMPANY	NUMBER OF RESPONDENTS	PERCENTAGE
1.	Sole Proprietor	41	41.00
2.	Partnership	32	32.00
3.	Private Limited	17	17.00
4.	Company	10	10.00
	<b>TOTAL</b>	<b>100</b>	<b>100.00</b>

The Table 2 shows the nature of ownership of the 100 respondent industries. The respondent have been classified into four groups on the basis of nature of ownership. They are Sole Proprietor, Partnership, Private Limited and Company. 41 are sole proprietor, 32 are partnership, 17 are private limited and 10 are company. This shows the majority of the respondents are sole proprietor, because it is formed easily without any formalities and the proprietor will be the ultimate decision maker.

**TABLE 3**  
**EDUCATIONAL QUALIFICATION OF THE RESPONDENTS**

Sl. No.	EDUCATIONAL QUALIFICATION	NUMBER OF RESPONDENTS	PERCENTAGE
1.	Illiterate	8	8.00
2.	School level	22	22.00
3.	Diploma	40	40.00
4.	Graduate	12	12.00
5.	Post Graduate	18	18.00
	<b>TOTAL</b>	<b>100</b>	<b>100.00</b>

The above table classifies the respondents based on their educational qualification. They are classified into five groups. 8 respondents are illiterates, 22 respondents who have completed school level, 40 respondents are diploma holders and 12 respondents are Graduate holders. The remaining 18 are holding Post Graduate degree. It could be seen from the above table that majority of the respondents belong to the category of diploma level. The Diploma qualification provides technical background of the industries which induces them to start the unit.

**TABLE 4**  
**RANKING THE FACILITIES**

FACILITIES	NUMBER OF RESPONDENTS						
	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5	Rank 6	Rank 7
Good Supervision	26	15	20	24	2	3	10
Training for Staff and work force	14	21	8	10	29	7	11
Better condition of employment	27	8	32	13	10	3	7
Adequate staff amenities	2	2	13	10	28	35	10
Better communication	16	25	16	10	7	8	18
Better wage condition	2	15	-	26	9	23	25
Sufficient definition of responsibility of duties	13	14	11	9	17	21	15

Table 4 gives the ranking of various facilities by the respondents. 26 respondents ranked good supervision as first. 14, 27, 2, 16, 2 & 13 respondents ranked as first the training for staffs and work force, better condition of employment, adequate staff amenities, better communication, better wage condition and sufficient definition of responsibilities and duties respectively. 15, 21, 8, 2, 25, 15 & 14 respondents ranked as second the good supervision, training for staffs and work force, better condition of employment, adequate staff amenities, better communication, better wage condition and sufficient definition of responsibilities and duties respectively. 20, 8, 32, 13, 16 & 11 respondents ranked as third the good supervision, training for staffs and work force, better condition of employment, adequate staff amenities, better communication and sufficient definition of responsibilities and duties respectively. 24, 10, 13, 10, 10, 26 & 9 respondents stated the good supervision, training for staffs and work force, better condition of employment, adequate staff amenities, better communication, better wage condition and sufficient definition of responsibilities and duties respectively in fourth rank. 2, 29, 10, 28, 7, 9 & 17 respondents stated the good supervision, training for staffs and work force, better condition of employment, adequate staff amenities, better communication, better wage condition and sufficient definition of responsibilities and duties respectively in fifth place.

3, 7, 3, 35, 8, 23 & 21 respondents stated the good supervision, training for staffs and work force, better condition of employment, adequate staff amenities, better communication, better wage condition and sufficient definition of responsibilities and duties respectively in sixth rank. 10, 11, 7, 10, 18, 25 & 15 respondents stated the good supervision, training for staffs and work force, better condition of employment, adequate staff amenities, better communication, better wage condition and sufficient definition of responsibilities and duties respectively in seventh place. Majority of the concern ranked better condition in first and third rank, better communication in second, better wage condition in fourth and seventh rank, training for staff and work force in fifth rank and adequate staff amenities in sixth rank.

#### RELATIONSHIP BETWEEN TOTAL SALES AND TYPE OF THE INDUSTRY

**Aim:** To find out the relationship between total sales and type of the industry.

**Null Hypothesis:** The type of the industry and total sales are independent.

**Level of Significance:** Let  $\alpha = 0.05$

**TABLE 5**

#### TOTAL SALES AND TYPE OF THE INDUSTRY

TOTAL SALES	TYPE OF THE INDUSTRY				TOTAL
	PUMP	MOTOR	FOUNDRY	OTHERS	
Upto Rs.10,00,000	3	5	4	-	12
Rs.11,00,000 to 40,00,000	10	18	7	8	43
Rs.41,00,000 to 1,00,00,000	5	7	5	2	19
Rs.1,00,00,001 to 2,00,00,000	5	2	3	-	10
Above Rs.2,00,00,000	10	3	-	3	16
<b>TOTAL</b>	<b>33</b>	<b>35</b>	<b>19</b>	<b>13</b>	<b>100</b>

**Degrees of freedom: 12** Calculated  $X^2$  value = 19.494  
Table value at 5% level = 21.026

The above table 5 shows that, calculated  $\chi^2$  value is lesser than the table value at 5% level of significance for 12 degrees of freedom. So the null hypothesis is accepted. Hence it is concluded that the type of the industry has nothing to do with total sales.

#### AVERAGE UTILISED CAPACITY AND YEAR OF ESTABLISHMENT

**Aim:** To find out significance between average utilized capacity and year of establishment.

**Null Hypothesis:** There is no significant relationship between the year of establishment and average utilized capacity.

**Level of significance:** Let  $\alpha = 0.05$

**TABLE 6**

#### TEST STATISTICS

Average utilised capacity	Year of establishment	N	Mean	Standard deviation
	Before 1991	50	74.1000	19.6316
	After 1991	50	68.4000	16.3333

**Degrees of freedom: 98** Calculated value: 1.578  
Table value at 5% level: 1.984

The calculated table value is found to be 1.578 which is lesser than the table value 1.984 at 5% level of significance. Since the calculated value is lesser than the table value it is inferred that there is no significant relationship between year of establishment and average utilised capacity. Hence the null hypothesis is accepted.

#### AVERAGE UTILISED CAPACITY AND BANK CREDIT

**Aim:** To find out significance between average utilized capacity and users and non-users of bank credit.

**Null Hypothesis:** There is no significant difference between the users and non users of bank credit with regard to average utilized capacity.

**Level of significance:** Let  $\alpha = 0.05$

**TABLE 7**

#### TEST STATISTICS

Average utilised capacity	Bank credit	N	Mean	Standard deviation
	Yes	59	70.2542	16.3323
	No	41	72.6829	20.7092

**Degrees of freedom: 98** Calculated value: 0.655  
Table value at 5% level: 1.984

The calculated table value is found to be 0.655 which is lesser than the table value 1.984 at 5% level of significance. Since the calculated value is lesser than the table value it is inferred that there is no significant difference between user and non user of bank credit and their average utilised capacity. Hence the null hypothesis is accepted.

#### AVERAGE UTILISED CAPACITY AND EXPORT

**Aim:** To find out significance between average utilised capacity and export.

**Null Hypothesis:** There is no significant difference between the exporters and non-exporters in their average utilised capacity.

**Level of significance:** Let  $\alpha = 0.05$

**TABLE 9**  
**TEST STATISTICS**

Average utilised capacity	Export	N	Mean	Standard deviation
	Yes	31	64.0323	19.4688
No	69	74.4928	16.7408	

**Degrees of freedom: 98** Calculated value: 2.746 **T a b l e**  
**value at 5% level: 2.627**

The calculated 't' value is found to be 2.746 which is greater than the table value 2.627 at 5% level of significance. Since the calculated value is greater than the table value it is inferred that there is significant difference between exporters and non exporters in their average utilised capacity. Hence the null hypothesis is rejected.

#### **AVERAGE UTILISED CAPACITY AND IMPACT OF INDUSTRIAL POLICY**

**Aim:** To find out significance between average utilised capacity and Impact of Industrial Policy.

**Null Hypothesis:** There is no significant difference between the Impact and non Impact of Industrial Policy in their average utilised capacity.

**Level of significance:** Let  $\alpha = 0.05$

**TABLE 10**  
**TEST STATISTICS**

Average utilised capacity	Impact of Industrial Policy	N	Mean	Standard deviation
	Yes	31	68.5484	18.2206
No	69	72.4638	18.1826	

**Degrees of freedom: 98** Calculated value: 0.995 **Table**  
**value at 5% level: 1.984**

The calculated 't' value is found to be 0.995 which is lesser than the table value 1.984 at 5% level of significance. Since the calculated value is lesser than the table value it is inferred that there is no significant difference between Impact and non Impact of Industrial Policy and their average utilised capacity. Hence the null hypothesis is accepted.

#### **AVERAGE UTILISED CAPACITY AND DIFFICULTY IN GETTING ASSISTANCE**

**Aim:** To find out significance between average utilised capacity and difficulty in getting assistance.

**Null Hypothesis:** There is no significant difference between the difficulty and no difficulty in getting assistance in their average utilised capacity.

**Level of significance:** Let  $\alpha = 0.05$

**TABLE 11**  
**TEST STATISTICS**

Average utilised capacity	Difficulty in getting assistance Policy	N	Mean	Standard deviation
	Yes	31	68.5484	18.2206
No	69	72.4638	18.1826	

**Degrees of freedom: 98** Calculated value: 0.893 **Table**

**value at 5% level: 1.984**

The calculated t value is found to be 0.893 which is lesser than the table value 1.984 at 5% level of significance. Since the calculated value is lesser than the table value it is inferred that there is no significance differences between difficulty and no difficulty in getting assistance in their average utilised capacity. Hence the null hypothesis is accepted.

#### **AVERAGE UTILISED CAPACITY AND TYPE OF THE INDUSTRY**

**Aim:** To find out significance between average utilised capacity and type of the industry.

**Null Hypothesis:** There is no significant difference among type of the industry and their average utilised capacity.

**Level of significance:** Let  $\alpha = 0.05$

**TABLE 13**  
**AVERAGE UTILISED CAPACITY AND TYPE OF THE**

INDUSTRY the Industry	N	Mean	Standard deviation
Foundry	19	75.5263	21.4667
Motor	35	74.8571	15.4580
Pump	33	69.0909	19.7031
Allied Industries	13	60.7692	11.3369
<b>TOTAL</b>	<b>100</b>	<b>71.2500</b>	<b>18.1933</b>

#### **ANOVA TABLE**

Variation	Degrees of freedom	Sum of squares	Mean Square	Ratio
Between groups	3	2384.692	794.897	2.512
Within groups	96	30384.058	316.501	
<b>TOTAL</b>	<b>99</b>	<b>32768.750</b>		

The calculated value is found to be 2.512 which is lesser than the table value 2.699 at 5% level of significance. It is inferred that there is no significant difference among different type of industry in their average utilised capacity. Hence the null hypothesis is accepted.

#### **AVERAGE UTILISED CAPACITY AND NATURE OF THE COMPANY**

**Aim:** To find out significance between average utilised capacity and nature of the company.

**Null Hypothesis:** There is no significant difference among nature of the company in their average utilised capacity.

**Level of significance:** Let  $\alpha = 0.01$

**TABLE 14**  
**AVERAGE UTILISED CAPACITY AND NATURE OF THE COMPANY**

NATURE OF THE COMPANY	N	MEAN	STANDARD DEVIATION
Company	10	55.0000	21.0819
Private Limited	17	66.7647	19.1981
Partnership	32	70.6250	15.2268
Sole Proprietorship	41	77.5610	16.6254
<b>TOTAL</b>	<b>100</b>	<b>71.2500</b>	<b>18.1933</b>

## ANOVA TABLE

Variation	Degrees of freedom	Sum of squares	Mean Square	Ratio
Between groups	3	4628.094	1542.698	5.263
Within groups	96	28140.656	293.132	
<b>TOTAL</b>	<b>99</b>	<b>32768.750</b>		

The calculated value is found to be 5.263 which is greater than the table value 3.992 at 1% level of significance. It is inferred that there is significant difference among different nature of the company and their average utilised capacity. Hence the null hypothesis is rejected.

## AVERAGE UTILISED CAPACITY AND AMOUNT INVESTED IN PLANT AND MACHINERY

**Aim:** To find out significance between average utilised capacity and amount invested in Plant and Machinery.

**Null Hypothesis:** There is no significant difference among amount invested in Plant and Machinery and their average utilised capacity.

**Level of significance:** Let  $\alpha = 0.05$

TABLE 15

Variation	Degrees of freedom	Sum of squares	Mean Square	Ratio
Between groups	3	1596.925	532.308	1.639
Within groups	96	31171.825	324.707	
<b>TOTAL</b>	<b>99</b>	<b>32768.750</b>		

## ANOVA TABLE

Amount invested in Plant and Machinery	N	Mean	Standard deviation
Upto 10 lakhs	18	77.2222	20.1627
11 - 30 lakhs	24	72.9167	18.2921
31 - 60 lakhs	28	71.7857	16.1138
Above 61 lakhs	30	65.8333	18.1509
<b>TOTAL</b>	<b>100</b>	<b>71.2500</b>	<b>18.1933</b>

The calculated value is found to be 1.639 which is lesser than the table value 2.6999 at 5% level of significance. It is inferred that there is no significant difference among different amount invested in plant and machinery in their average utilised capacity. Hence the null hypothesis is accepted.

## AVERAGE UTILISED CAPACITY AND NUMBER OF EMPLOYEES

**Aim:** To find out significance between average utilised capacity and number of employees.

**Null Hypothesis:** There is no significant difference among number of employees in their average utilised capacity.

**Level of significance:** Let  $\alpha = 0.05$

TABLE 16

## AVERAGE UTILISED CAPACITY AND NUMBER OF EMPLOYEES

Number of employees	N	Mean	Standard deviation
1 to 10	27	78.3333	15.8114
11 to 20	33	72.1212	16.7253
21 to 30	23	67.8261	19.0589
Above 30	17	62.9412	20.1602
<b>TOTAL</b>	<b>100</b>	<b>71.2500</b>	<b>18.1933</b>

## ANOVA TABLE

Variation	Degrees of freedom	Sum of squares	Mean Square	Ratio
Between groups	3	2822.989	940.996	3.017
Within groups	96	29945.761	311.935	
<b>TOTAL</b>	<b>99</b>	<b>32768.750</b>		

The calculated value is found to be 3.017 which is greater than the table value 2.6999 at 5% level of significance. It is inferred that there is significant difference among different number of employees and their average utilised capacity. Hence the null hypothesis is rejected.

## SUGGESTIONS

1. SSI units should be given adequate degree of priority in the allocation pattern of essential and scarce raw material.
2. The Government should take steps to reduce the raw material cost and tax rates.
3. Technical knowledge with regard to production to be provided to entrepreneurs and to their workers to enhance the production level and its utilization capacity.
4. The SSI units must maintain and adhere to better quality, price, terms of sale, fulfillment of time schedule to overcome the competition and retain their market share.
5. More number of concessions and incentives to be provided to these clustered industries and help them to expand their unit and
6. Since the role of SSI in the national economy is recognized, it is imperative that a secured berth is to be provided to it. In this connection a clear demarcation as far as possible should be made between SSI and large-scale Industries.

## CONCLUSION

Pump, Motor, Foundry and allied industries play a vital role in developing countries for economic growth through employment generation, entrepreneurial development, utilization of resources and generation of foreign exchange. From the present study it is concluded that major factors affecting the growth are Raw material cost, tax structure, competition and Technology. If the Government takes necessary steps to remove the obstacles then the SSIs will grow in an effective way.

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# A Study on Consumption Pattern of Preserved Foods in Satara District

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**ABSTRACT-** *This article deals with consumption pattern of preserved food and potentiality of new entry in the industry.*

*The results of the study undertaken in six locations of Satara District in Maharashtra State have been obtained from 354 usable samples out of 517 samples visited. Population has been stratified as Hotels, Caterers, Hostels, Hotels, Retailers, Educational Institutes, Individuals, Hospitals, and Industrial Canteens. Data has been collected from these samples through schedules using convenient sampling.*

*The study is focused on select preserved food products viz. Sweet Corn, Baby Corn, Holcon, Mushroom, Bamboo Shoot, Green Peas, Mix Fruit, Pineapple Slice and Mango Pulp. Qualitative data relating to potential of Preserved Food and Government Policies has been obtained through Internet.*

*Data obtained through seven structures in schedule has been analysed using simple statistical tools viz. tabulation, percentage and simple average. From Data Analysis it can be inferred that Hotels and Caterers are potential consumers of Preserved Food Products. Green Peas, Sweet Corn, Mango Pulp, Mushroom are having potential demand.*

*Branded products are preferred more. Further it can be added that inclination towards naturally preserved products is more. Preserved Food Industry has a promising future owing to rising income levels of individuals, changing lifestyles and influx of various choices to consumers. Favourable Government policies for promotion of Preserved Food Industry would also make an impact.*

**Key Words:** Food, Food Processing, Frozen Food, Preserved Food, Fruits and Vegetables.

## Introduction:

Rising income levels of individuals, paucity of time in changing life styles, change in attitude towards consumption of readymade food and food products is having a large impact on food processing industry. Easy and on demand availability of food products due to faster distribution channel coupled with advent of technology has brought about a sea change. And owing to these the frozen food or preserved food industry is showing lot of potential for growth. Consumption of Preserved food is in bulk by service industry like Hotels and Caterers and also by individuals. The study tries to give insight into consumption pattern of preserved food in the defined geography.

## Objective:

Objective of this study is to assess consumption pattern of preserved food in defined geography and to assess the potentiality of new entry in industry.

## Scope of Study

Scope of study confines to geography viz. Satara city, Wai, Mahabaleshwar, Panchgani, Karad and Shirwal in Satara District of Maharashtra State of India. The study has been undertaken using selected Preserved Food products viz. Sweet Corn, Baby Corn, Holcon, Mushroom, Bamboo Shoots, Green Peas, Mix Fruit, Pineapple Slice and Mango Pulp.

Analysis has been done using simple statistical tools viz. tabulation, percentages and simple averages.

**Rationale:** The study is aimed at analyzing the potential of select preserved food in Satara District. This would provide statistics for underlying perspectives for entering the manufacturing and trade of persevered food. It also highlights the preferences of users to various preserved food items and points to trend of average consumption of such preserved products.

## Data Sources:

Present research used data from primary and secondary sources to attain set objectives. Primary data has been collected with the help of Structured Schedule, which is quantitative in nature. Desired qualitative data has been collected through secondary sources.

## Instrument:

Structured Schedule was developed to assess opinions of samples regarding Preserved Food products. Seven structures were designed to obtain information regarding Identification of respondent, Consumption of Preserved Food, Purchase Pattern, Sources of Purchase, Demand for Products, Problems in Getting Preserved Food on the enormity of season and off season, preservation systems, expiry period and preference for natural or chemically preserved food products.

## Sampling:

Total 517 samples were visited to collect the data and researcher found 354 samples were usable for this research and taken for analysis. (Refer annexure no.01 for sample distribution). The samples were selected conveniently by using non-probability sampling method. Stratified quota sampling technique was used.

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Population was alienated into different stratas.

The geographical area was first defined as mentioned in scope of study. Sample units were defined as Hotels, Caterers, Educational Institutions, Hostels, Hospitals, Retailers, Industrial Canteens and Individuals. From each stratum samples were selected and instrument was executed.

As far as individual samples are concerned, those individuals whose household income is more than approximately Rs. 25,000 per month were selected. The research was conducted in the month of September and October 2006.

#### **Analysis of Data:**

Analysis has been done using simple statistical tools viz. tabulation and percentages. Qualitative data from secondary sources has been used to support inferences.

#### **Limitations of Study:**

1. Non-vegetarian food, milk and milk products, confectionary product have not been covered.
2. In Satara District majority of hospitals, industrial units and educational institutions are not equipped with canteen or meals facility. This restricts the researcher to obtain data from these sample units.

#### **FINDINGS**

Findings of research has been presented in four sections as, Specific findings on the basis of location, samples unit wise and product usages wise, specific findings of individual samples, general findings and qualitative data.

#### **(A) Specific Findings**

Majority of users of preserved food products are hotels and caterers. All preserved food products are in demand. Green peas are most preferred preserved food followed by mango pulp, sweet corn and mix fruit. Meager demand has been recorded for Holcon, Bamboo Shoots and Baby Corn.

(Detailed figures on the basis of location, samples unit and product usage wise has been annexed, refer annexure no. 02. Comprehensive figures of average consumption of preserved food products in sample units location wise in district and sample unit wise in district has been annexed. Refer annexure no. 03 and no. 04).

#### **(a) Specific Findings of Sample Units:**

1. Total monthly consumption of preserved food among samples is 5768 kg. Major consumed preserved food is Green Peas (2639 Kg), Mango Pulp (786 Kg), Mix Fruit (624 Kg) and Sweet Corn (558 Kg).
2. Major consumers of preserved food are Hotels (2500 kg.), Caterers (809.7 kg.) and Hostels (69 Kg.) per month.

#### **(b) Specific Findings of Individual Samples:**

Figure in parenthesis indicates percent of sample users.

1. 92% of sample individuals consume Green Peas. Next preferred preserved food is Mango Pulp (51%), Sweet Corn (39%) and Mix Fruit (25%).
2. Preference to branded preserved food is more, which is average

72% and ranging from 71% to 95%.

3. At location Karad, preference for preserved food is Green Peas (83%), Sweet Corn (63%), Mango Pulp (57%) and Mix Fruit (47%).
4. Karad is the only location found where there is demand for Bamboo Shoots (3%) and Holcon (3%).
5. At location Panchgani, preference for preserved food is Green Peas (100%), Mango Pulp (50%), Sweet Corn and Mushroom (33% each).
6. At location Satara preference for preserved food are Green Peas (92%), Mango Pulp (60%) and Sweet Corn (37%).
7. At location Shirwal, preference for preserved food is Green Peas (94%), Mango Pulp (31%), Mix Fruit (13%) and pineapple (13%).
8. At location Wai, preference for preserved food is Green Peas (100%), Mix Fruit (70%), Sweet Corn and Mushroom (45% each).

#### **(B) General Findings**

These findings are based on overall data and discussions with investigators.

Findings are presented in two parts, first part deals with general findings related to organizations and second part narrates general findings related to individuals.

#### **(a) General Findings Related to Organizations:**

1. Hotels and caterers are potential consumers for preserved food products.
2. Products viz. Green Peas, Sweet Corn, Mango Pulp, Mushroom is in good demand in sample units. Pineapple Slice, Mango Pulp and Mushroom do not find potential in respect of sample units Hospital and Hostels as compared to Hotels.
3. Except Green Peas all organizations prefer branded food products. Green Peas are used both branded and unbranded.
4. All preserved food products are available with retail counter at location Satara, dealing exclusively in branded products.
5. All the frozen and preserved food products have an expiry period, which ranges up to one year.
6. Majority of organizations prefer naturally preserved food products because of freshness and originality in test. It is also perceived that chemicals, added flavors and preservatives are harmful and may have side effects. Naturally preserved products require preservation systems. The organizations that prefer to use these products have sufficient preservation system.
7. Chemically preserved food products are also preferred because of durability, availability, and trusted brands. Chemically preserved food products do not require preservation system.
8. Majority of organizations purchase products preferably from wholesalers followed by retailers and retailers purchase the products from manufacturers.

#### **(b) General Findings Related to Individual Samples:**

1. Green Peas, Mango Pulp, Mix Fruit, Sweet Corn and Pineapple Slice depict high demand.
2. Most preferred option of sample individuals for purchase is retailers.
3. Individuals are hesitant to use frozen and preserved food products due to fear of side effects of chemicals or adhesive used in the same. These foods are not served to elders and younger.
4. Reason for preference for naturally preserved products are good for health, no side effects, carries nutritional values, retain original taste, retains colour, more hygienic.
5. Reason for preference for chemically preserved product is longer shelf life, useful in travel, immediately available, available in all seasons, preferred in off-season. Branded chemically preserved food is perceived as quality food products.
3. The industry is estimated to grow at 9-12 per cent, on the basis of an estimated GDP growth rate of 6-8 per cent, during the tenth five-year plan period. The food processing industry contributed 6.3 per cent to India's GDP in 2003 and had a share of 6 per cent in total industrial production. The industry employs 1.6 million workers directly.
4. Fruit and vegetable processing, which is currently around 2 per cent of total production will increase to 10 per cent by 2010 and to 25 per cent by 2025. Value addition of food products is expected to increase from the current 8 per cent to 35 per cent by the end of 2025.
5. The popularity of food and agro products is not surprising when the sector is now offering a growth of more than 150 per cent in sales. With such promise in the sector, a number of foreign companies have joined the fray. While US brands such as McDonald's, Pizza Hut and Kentucky Fried Chicken have become household names, more are on their way.

### (C) Qualitative Data

**Qualitative data has been collected from secondary sources and used to support findings.**

#### (a) Glimpses of Food Processing Sector:

1. Related and supporting industries: The Indian food processing industry has significant support from the well-developed R&D and technical capabilities of Indian firms. India has a large number of research institutions like Central Food Technological Research Institute, Central Institute of Fisheries Technology, National Dairy Research Institute, National Research and Development Center etc to support the technology and development in food processing sector in India.
2. Government regulations and support: The government has been developing agri-zones and the concept of mega food parks to promote food-processing industry in India. It is considering investing US\$22.97 million in at least 10 mega food parks in the country besides working towards offering 100 per cent foreign direct investment and income tax benefits in the sector. In order to promote investment in the food-processing sector, several policy initiatives have been taken during recent years. The liberalized overall policy regime, with specific incentives for high priority food processing sector, provides a very conducive environment for investments and exports in the sector.

#### (b) Food Processing Sector Present and Future:

1. The Confederation of Indian Industry (CII) has estimated that the food processing sector has the potential of attracting Rs 1,50,000 crore (US\$ 33 billion) of investment in 10 years and generate employment of 9 million person-days.
2. In order to boost the food-processing sector, the Center has permitted under the Income Tax Act a deduction of 100 per cent of profit for five years and 25 per cent of profit in the next five years in case of new agro processing industries set up to package and preserve fruits and vegetables. Excise Duty of 16 per cent on dairy machinery has been fully waived off and excise duty on meat, poultry and fish products has been reduced from 16 per cent to 8 per cent.

#### (c) Supportive Demographic Features:

1. Two-third of India's population is under the age of 35 years. Urban India is growing faster than rural India. An increasing number of young people from rural India are moving to urban cities for higher education, employment, etc. profile of the Indian population is changing, as a consequence of the high birth rates prevalent until the 1990s, a large proportion of the Indian population is relatively young - in the age group of 20-59 years. This group is also high in consumption and therefore, this trend is expected to provide a further boost to the growth of consumption in India.
2. Higher income levels of Indian youth, along with their exposure to western culture, intensifies their aspiration to achieve a higher standard of living, like their counterparts in the western world. Alongside this, the Indian markets have been seeing an influx of foreign and domestic brands, making the consumer more conscious of what he uses.
3. According to NCAER, the consuming class, with an annual income of US\$ 980(INR 45000) or above, is growing and is expected to constitute over 80 per cent of the population by 2009-10. The increase in income levels of the Indian population and the emergence of the consuming class that has higher propensity to spend, offers great growth opportunities for companies across various sectors.
4. The rising income of the middle class is also a result of the emergence of sectors like IT services, retailing, etc, which have been hiring a growing number of young people. These youngsters are open to adopting a lifestyle more refined than their forefathers.

#### (d) Government Regulations and Support:

1. The Ministry of Food Processing, Government of India indicates the segments within the Food Processing industry

Sector	Policy
Fruits and Vegetables (F&V)	<p>Though no industrial license is required for setting up Fruits and Vegetable Processing industries, setting-up 100 per cent Export Oriented Units require specific Govt. approvals.</p> <p>Many Fruits and Vegetables Processing industries are eligible for automatic approval of foreign technology agreement and up to 51 per cent foreign equity participation including tomatoes, Mushrooms and other frozen vegetables, fruit, nuts, fruit -peel, fruit jellies, marmalades, fruit juices and vegetable juices etc.</p> <p>This sector is regulated by the Fruit Products Order, 1955 (FPO), issued under the Essential Commodities Act.</p> <p>All processing units are required to obtain a license under this order.</p> <p>Some items like: pickles and chutneys, tapioca sago and tapioca flour are reserved for exclusive manufacture in the small-scale sector.</p> <p>Export of fruit and vegetable products is freely allowed.</p>

**Annexure No. 01****Distribution of Sample**

Sr	Sampling Unit	Sample Size						
		Satara City	Panchgani	Mahabaleswar	Karad	MIDC Wai	MIDC Shirwal	Total
1	Hotels	21	10	25	12	06	06	80
2	Caterers	06	00	00	03	00	02	11
3	Hostels	00	00	00	02	00	00	02
4	Hospitals	01	00	00	00	00	00	01
5	Educational Institutions	00	07	00	04	00	00	11
6	Retailers	13	05	08	10	03	01	40
7	Industrial Canteens	02	00	00	01	00	02	05
8	Individuals	132	06	00	30	20	16	204
	<b>Total</b>	<b>175</b>	<b>28</b>	<b>33</b>	<b>62</b>	<b>29</b>	<b>27</b>	<b>354</b>

Source: (Primary Data)

## Annexure No. 02

**Usage of preserved products location, sample unit and product usage wise.**

(Figures are of consumption in kilograms per month)

Sr.	Product	Location	Avg. Monthly Consumption in Kilograms.	Sample Units						
				Hotels	Caterers	Educational insti.	Hostels	Hospitals	Retail	Ind. Canteen
1	2	3	4	5	6	7	8	9	10	11
1	<i>Sweet Corn</i>	<i>Karad</i>	<i>1</i>	<i>32.4</i>	<i>7.6</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>5.6</i>	<i>0</i>
2	Baby Corn	Karad	2	2.3	1	0	0	0	1.25	0
3	Holcon	Karad	3	0	0	0	0	0	0	0
4	Mushroom	Karad	4	18.6	20.2	0	0	0	3.1	0
5	Bamboo Shoots	Karad	5	0	0	0	0	0	1.35	0
6	<i>Green Peas</i>	<i>Karad</i>	<i>6</i>	<i>195</i>	<i>90</i>	<i>0</i>	<i>50</i>	<i>0</i>	<i>13.85</i>	<i>40</i>
7	Mix Fruit	Karad	7	33.7	0	0	9	0	3.7	0
8	Pineapple Slice	Karad	8	2.5	14	0	0	0	4.55	0
9	<i>Mango Pulp</i>	<i>Karad</i>	<i>9</i>	<i>37.8</i>	<i>69</i>	<i>1</i>	<i>10</i>	<i>0</i>	<i>5.59</i>	<i>0</i>
10	<i>Sweet Corn</i>	<i>Panchgani</i>	<i>10</i>	<i>42</i>	<i>0</i>	<i>5</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
11	Baby Corn	Panchgani	10	9.8	0	0.2	0	0	0	0
12	Holcon	Panchgani	0	0	0	0	0	0	0	0
13	Mushroom	Panchgani	26.80	24.6	0	0.2	0	0	0	0
14	Bamboo Shoots	Panchgani	5	2.4	0	2.6	0	0	0	0
15	<i>Green Peas</i>	<i>Panchgani</i>	<i>223.1</i>	<i>5</i>	<i>203</i>	<i>0</i>	<i>10.20</i>	<i>0</i>	<i>0</i>	<i>0.3</i>
16	<i>Mix Fruit</i>	<i>Panchgani</i>	<i>54.0</i>	<i>40.4</i>	<i>0</i>	<i>2.6</i>	<i>0</i>	<i>0</i>	<i>10.4</i>	<i>0</i>
17	Pineapple Slice	Panchgani	18.2	13.40	0	4.4	0	0	0	0
18	Mango Pulp	Panchgani	19	0	0	7.20	0	0	4.4	0
19	<i>Sweet Corn</i>	<i>Satara</i>	<i>19</i>	<i>41</i>	<i>51</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>145</i>	<i>0</i>
20	Baby Corn	Satara	20	23	50	0	0	0	64	0
21	Holcon	Satara	21	0	0	0	0	0	10	0
22	Mushroom	Satara	22	44	50	0	0	0	75.5	0
23	Bamboo Shoots	Satara	23	19	NA	0	0	0	0.2	0
24	<i>Green Peas</i>	<i>Satara</i>	<i>24</i>	<i>197</i>	<i>197.5</i>	<i>0</i>	<i>0</i>	<i>5</i>	<i>365</i>	<i>45</i>
25	Mix Fruit	Satara	25	64	0	0	0	0	94	0
26	Pineapple Slice	Satara	199	11	100	0	0	0	81.5	0
27	<i>Mango Pulp</i>	<i>Satara</i>	<i>414.2</i>	<i>9</i>	<i>38</i>	<i>107.2</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>221</i>
28	Sweet Corn	Shirwal	28	12.1	2	0	0	0	0	0
29	Baby Corn	Shirwal	29	0	0.1	0	0	0	0	0
30	Holcon	Shirwal	30	0	0	0	0	0	0	0
31	Mushroom	Shirwal	31	12.52	0.1	0	0	0	0	0.16
32	Bamboo Shoots	Shirwal	32	2.42	0	0	0	0	0	0
33	<i>Green Peas</i>	<i>Shirwal</i>	<i>33</i>	<i>183</i>	<i>45</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>250</i>	<i>0.56</i>
34	Mix Fruit	Shirwal	34	4.25	0	0	0	0	0	0
35	<i>Pineapple Slice</i>	<i>Shirwal</i>	<i>35</i>	<i>16.85</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
36	<i>Mango Pulp</i>	<i>Shirwal</i>	<i>36</i>	<i>4</i>	<i>5</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0.08</i>
37	<i>Sweet Corn</i>	<i>Wai</i>	<i>37</i>	<i>33</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>9.6</i>	<i>0</i>
38	<i>Baby Corn</i>	<i>Wai</i>	<i>38</i>	<i>27</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>12.4</i>	<i>0</i>
39	Holcon	Wai	39	0	0	0	0	0	10	0
40	Mushroom	Wai	40	18.5	0	0	0	0	16.2	0
41	Bamboo Shoots	Wai	41	13	0	0	0	0	4.6	0
42	<i>Green Peas</i>	<i>Wai</i>	<i>42</i>	<i>76</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>27.6</i>	<i>0</i>
43	Mix Fruit	Wai	43	31	0	0	0	0	8	0
44	Pineapple Slice	Wai	44	4	0	0	0	0	11	0
45	Mango Pulp	Wai	45	0	0	0	0	0	30	0
46	Sweet Corn	Mahabaleshwar	46	139.6	0	0	0	0	0	0
47	Baby Corn	Mahabaleshwar	47	33.2	0	0	0	0	0	0
48	Holcon	Mahabaleshwar	48	0	0	0	0	0	0	0
49	Mushroom	Mahabaleshwar	49	83.8	0	0	0	0	0	0
50	Bamboo Shoots	Mahabaleshwar	50	21.7	0	0	0	0	0	0
51	<i>Green Peas</i>	<i>Mahabaleshwar</i>	<i>51</i>	<i>444.01</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
52	<i>Mix Fruit</i>	<i>Mahabaleshwar</i>	<i>52</i>	<i>97.45</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>196.0</i>	<i>8</i>
53	Pineapple Slice	Mahabaleshwar	53	78.8	0	0	0	0	90	0
54	<i>Mango Pulp</i>	<i>Mahabaleshwar</i>	<i>54</i>	<i>59.4</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>115</i>	<i>0</i>

Source: (Primary Data)

## Annexure No. 03

**Average consumption of preserved food products in sample units location wise in district.**  
(Figures Kilograms per month)

Sr.	Description		Caterers	Hostels	Hospitals	Educational Institutions	Retailers	Industrial Canteens	Individuals	Total
1	Sweet Corn	<b>300.1</b>	60.6	0	0	5	160.2	0	32.755	558.655
2	Baby Corn	<b>95.3</b>	51.1	0	0	0.2	77.65	0	8.25	232.5
3	Holcon	0	0	0	0	0	<b>20</b>	0	0.5	20.5
4	Mushroom	<b>202.02</b>	70.3	0	0	0.2	94.8	0.165	16.71	384.195
5	Banboo Shoot	<b>58.52</b>	0	0	0	2.6	6.05	0	0.1	67.27
6	Green Peas	<b>1298.01</b>	332.5	50	5	10.2	656.75	85.565	201.43	<b>2639.455</b>
7	Mix Fruit	270.8	0	9	0	2.6	<b>312.1</b>	0	29.96	624.46
8	Pineapple Slice	136.55	114	0	0	4.4	<b>187.05</b>	0	13.05	455.05
9	Mango Pulp	139.2	181.2	10	0	8.2	<b>376.35</b>	0.08	71.24	786.27
	<b>Total</b>	<b>2500.5</b>	809.7	69	5	33.4	1890.95	85.81	373.995	5768.355

Source: (Primary Data)

## Annexure No. 04

**Average consumption of preserved food products sample unit wise in district.**  
(Figures Kilograms per month)

Sr.	Description		Caterers	Hostels	Hospitals	Educational Institutions	Retailers	Industrial Canteens	Individuals	Total
1	Sweet Corn	<b>300.1</b>	60.6	0	0	5	160.2	0	32.755	558.655
2	Baby Corn	<b>95.3</b>	51.1	0	0	0.2	77.65	0	8.25	232.5
3	Holcon	0	0	0	0	0	<b>20</b>	0	0.5	20.5
4	Mushroom	<b>202.02</b>	70.3	0	0	0.2	94.8	0.165	16.71	384.195
5	Banboo Shoot	<b>58.52</b>	0	0	0	2.6	6.05	0	0.1	67.27
6	Green Peas	<b>1298.01</b>	332.5	50	5	10.2	656.75	85.565	201.43	<b>2639.455</b>
7	Mix Fruit	270.8	0	9	0	2.6	<b>312.1</b>	0	29.96	624.46
8	Pineapple Slice	136.55	114	0	0	4.4	<b>187.05</b>	0	13.05	455.05
9	Mango Pulp	139.2	181.2	10	0	8.2	<b>376.35</b>	0.08	71.24	786.27
	<b>Total</b>	<b>2500.5</b>	809.7	69	5	33.4	1890.95	85.81	373.995	5768.355

Source: (Primary Data)

# The Impact on Knowledge, Skill, Experience, Qualification and Culture in Merged Entities.

James Thomas\*

## Introduction:

The study was conducted to analyze the impact on knowledge, skill, experience, qualification, and culture of merged entity. The present study was to explore the issue that affects the H.R policies in these companies. When companies merge their main objective should be to achieve progress and prosperity for both management and employees. Leadership of merging organization should be clearly defined. Merged entity should have clear vision and values. Smooth and honest flow of communication regarding policies of organization among employees.

## Mergers and Acquisition-Introduction .

In today's competitive environment mergers and acquisitions are the order of the day. Survival of the organizations and its profitability is totally dependent upon realignment and partnership, with other bigger or smaller organizations. The review literature has indicated that most mergers and

Acquisitions fail due to incompatibility of the people dimension.

(Schuler and Jackson, 2001; and Key Strategy, 2003, Porter, 1987, Young 1981, KPMG, 2001, Devine,

2003). Merger is combination of two companies wherein one loses its corporate existence. The surviving company acquires both assets and liabilities of the merged

company. A merger must be distinguished from a consolidation, which is a combination of two companies whereby an entirely new company is formed. Both the old companies cease to exist and shares of their common stock are exchanged for shares in the new company. When the two companies of approximate the same size combine, the term consolidation applies. When the two companies differ in size merger is the appropriate term.

Many mergers do not consider people dimension as an important issue of the merged entity. A world wide survey in 1998-99 by Watson Wyatt reveals that retention of talent; communication and integration of cultures are the three most critical areas in integration. (Napier, 1989, Love 2000,).

Merger is not a recent phenomenon in business. The mergers can be put into three stages. First wave of mergers from 1890 to 1904, Second wave of mergers from world war 1<sup>st</sup> to 1920, and Third wave of mergers from world war 2<sup>nd</sup> to today. In 1991 the government of India realized the need to review existing economic policies. The pace of mergers and acquisitions has continuously increased over the past years.

It will be appropriate to say that Indian industry is undergoing a process of restructuring, in order to gain

competitive strength both in domestic and export markets. The said restructuring taking place through various means such as takeovers, mergers, strategic alliance, spin-offs, divestures, privatization of public sector undertakings etc... In many merger HR experts do not get involved until the due-diligence phase is over (Kamat and Murthy 2002).

The major objective of the new industrial policy announced in 1991 is to maintain sustained growth in productivity, gainful employment and gain international competitiveness. With liberalization of economic policies, business enterprises have the freedom to expand, diversify, modernize the operation and set up new undertakings. In a liberalized economy with lesser restrictions; government control, the enterprise have to prepare viable development plans. So the free economic environment plays a boosting factor for mergers and acquisitions of business. The globalization measures word over forces organizations to strengthen their position strategically.

## Objectives of the study

The objective study was to analyze the impact of HR policies on merged entity. Mergers and acquisitions are considered to be master tool of strategy. It is a popular way of companies to seek profitable growth. The earlier studies by Anderson T.A, Weston J.F indicate the Synergy behind the merger. Organizations opt for mergers for variety of reasons. Efficiency theory which states that the more efficient firms will acquire less efficient firms and make profit through managerial efficiency. Market power theory, which states that merger profits arise from increased concentration, heading to collusion and monopoly benefits, the increased market power may be terms of higher market share or operating in monopoly (Kavitha Pathak, Dheeraj Misra) (2006). Operating synergy theory, hold that mergers are aimed at level of activity that provide economies of scale due to synergies of technical, marketing or research activities (Kavitha Pathak) Financial synergy theory, first assumes that the two firms that going for a merger are complimentary in their cash flow position. With one have large cash flow but few investment opportunities and other having more investment opportunities but low cash flows. When these two firms merge the merged entity will enjoy lower cost of capital and higher leveraging capacity. Tax motivated mergers, may take place because companies want to save tax by merging a high tax bracket company with loss making one. Complimentary resource theory, where two firms have complimentary resource, it may make sense for them merge. A commonly stated motive for merger is to achieve risk reduction through diversification. Merging a company in distress with another healthier company is supposed to rescue the former. In practice it doesn't always work out.

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The motive for buying and selling varies considerably but it is important that both the companies understand what they want from other. First what is buyer looking for? The reason could be An opportunity to grow faster with ready made market share, to eliminate competition, Better integration- Horizontal or vertical, diversification with minimum cost, to improve dividend yield, to enjoy the prospects of turning around a sick company. Secondly what is the seller looking for? The reason could be, Decline in sales, uncertain future, desire to maximize growth under the umbrella of a large company, lack of adequate financial and managerial skill.

**Research methodology**

The study was based on merger and acquisition during the year 2005, 2006 in Indian companies. The sample consists of companies restructured through merger and acquisition during the year 2005 and 2006 with relevance to Indian Software Company's. The analysis is based on the data related to merger and acquisition to explore the impact on knowledge, skill, experience, qualification, culture of HR on merged entity. The study was to identify the people dimension for an effective merger or acquisition, 40 HR executives and 210 employees of the respective companies were administered questionnaire to analyze in detail the people dimension and there significance for a successful merger or acquisition. Does Knowledge, Skill, Experience, Qualification of the employee does influence the prosperity and progress after merger?. Does Change in culture have any significant association with the progress of employee after merger?

**H.R aspects of merger and acquisition.**

Most individual view a merger as a major life change similar to loss of job which may affect staff behavior negatively. Today consumerism has taken firm roots, there is wide choice available. H.R aspect related to merger and acquisition can be in terms of anxiety and escapism. Mergers are most likely to succeed when inspired by clear objective. Since people from diverse culture and different background will have to come together to form a single strong entity, much will depend on quality of management that will have to spearhead the effort. Clarity of purpose, ability to foresee the future, courage to make and implement tough decision without losing human touch will be the priority for H.R policies. Mergers and acquisitions leads to cultural clashes, new structure may not align, managers have to work their way to achieve efficient and effective combination, and proper communication among employees regarding merger and acquisition clarify the misunderstanding in the minds of the employee.

The integration of human assets and culture of two merging companies is difficult. Mismanagement of merger results in loss of key talent, customer defection, missed sales opportunities. Some of the factors that help companies to manage the people components of merger and acquisition are, people due diligence, organization/job design, job/person matching, cultural change.....To analyse the data following hypothesis were derived,

*Hypotheses-1*

*H<sub>0</sub>*; knowledge, skill, experience, qualification of employees does not influence the prosperity and progress after merger.

*H<sub>1</sub>*; knowledge, skill, experience, qualification of employees does influence the prosperity and progress after merger.

Table-1 Observed and Expected values.

Variables	SA	A	DA	SDA	Total
Knowledge	59(52.8)	47 (40.8)	08(13.92)	06 (12.48)	120
Skill	25(26.4)	21 (20.4)	08 (6.96)	06 (6.24)	60
Experience	15 (16.72)	08 (12.92)	07 (4.40)	08 (3.96)	38
Qualifications	11 (14.08)	09 (10.88)	06 (3.72)	06 (3.32)	32
Total	110	85	29	26	250

SA=Strongly Agree, A=Agree, DA= Disagree, SDA=Strongly Disagree.

Table-2 Calculated Value

(O - E) / E	0.728030303	0.942156863	2.517701149	3.364615385
	0.074242424	0.017647059	0.155402299	0.009230769
	0.176937799	1.873560372	1.536363636	4.121616162
	0.67375	0.32485294	1.397419355	2.163373494
			Total	20.0769000

$$\chi^2 = \frac{\sum [(O - E)^2]}{E} \text{ Values}$$

O = Observed Value,

E = Expected Value,

d.f. = 7

$\chi^2$  0.05 for 7d.f. = 14.067

Where Null Hypothesis is rejected that is Knowledge, Skill, Experience, Qualification

of the employee does influence the prosperity and progress after merger.

Hypotheses-2

*H<sub>0</sub>*; Change in culture does not have any significant association with the progress of employee after merger.

*H<sub>1</sub>*; Change in culture does have significant association with the progress of employee after merger.

Table-3 Observed and Expected value.

Variables	VI	I	NI	NVI	Total
Changed	59(56.16)	51(50.96)	15(13.52)	05(9.36)	130
Best of both	43(41.47)	41(37.63)	6(9.98)	6(6.92)	96
Unchanged	06(10.370)	06(9.41)	05(2.5)	07(1.72)	24
Total	108	98	26	18	250

VI= Very Important, I=Important, NI=Not Important, NVI= Not Very Important.

Table-4 Calculated Value

(O - E) / E	0.143618234	3.13972E-05	0.162011834	2.03094017
	0.056448035	0.301804411	1.587214429	0.122312139
	1.841552555	1.235717322	2.5	16.20837209
			Total	26.19002262

$$\chi^2 = \frac{\sum [(O - E)^2]}{E} \text{ Values}$$

O = Observed Value,

E = Expected Value, d.f. = 6.

$\chi^2 0.05$  for 6d.f. = 12.592

Where Null hypothesis is rejected, that means Change in culture does have influence

on progress of the employee after merger.

### Conclusion.& further research

In today's competitive environment mergers and acquisitions are the order of the day. Survival of the organizations and its profitability is totally dependent upon realignment and partnership, with other bigger or smaller organizations. The review literature has indicated that most mergers and acquisitions fail due to incompatibility of the people dimension. The present study was to explore the issue that affects the H.R policies in these companies. When companies merge their main objective should be to achieve progress and prosperity for both management and employees. Leadership of merging organization should be clearly defined .merged entity should have clear vision and values. Smooth and honest flow of communication regarding policies of organization among employees. The cultural change should be in consonance with related cultures of merging companies, conflict strategy should be collaborating rather than coercion and this accommodate both employer and employees.

If merger and acquisition route is chosen for growth , learning from other's best practices and integration success- successes and failure shortens the learning curve. As Buono(2003) argued that 'soft' synergies are difficult to achieve than its hard counterpart; the management of people problems would remain the key in unlocking the value out of a deal. The extension of study is possible such as leadership role in merger acquisition, communication related to merger and acquisition, actively forging different culture in merger and acquisition.

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# Global Identification of the Cyber Laws

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## Introduction:

Global computer-based communications cut across territorial borders, creating a new realm of human activity and undermining the feasibility--and legitimacy--of applying laws based on geographic boundaries. While these electronic communications play havoc with geographic boundaries, a new boundary, made up of the screens and passwords that separate the virtual world from the "real world" of atoms, emerges. This new boundary defines a distinct Cyberspace that needs and can create new law and legal institutions of its own. Territorially-based law-making and law-enforcing authorities find this new environment deeply threatening. But established territorial authorities may yet learn to defer to the self-regulatory efforts of Cyberspace participants who care most deeply about this new digital trade in ideas, information, and services. Separated from doctrine tied to territorial jurisdictions, new rules will emerge, in a variety of online spaces, to govern a wide range of new phenomena that have no clear parallel in the non virtual world. These new rules will play the role of law by defining legal personhood and property, resolving disputes, and crystallizing a collective conversation about core values.

In the today's era of rapid growth, Information technology is encompassing all walks of life all over the world. These technological developments have made the transition from paper to paperless transactions possible. We are now creating new standards of speed, efficiency, and accuracy in communication, which has become key tools for boosting innovations, creativity and increasing overall productivity. Computers are extensively used to store confidential data of political, social, economic or personal nature bringing immense benefit to the society.

## Territorial Borders

We take for granted a world in which geographical borders--lines separating physical spaces--are of primary importance in determining legal rights and responsibilities: "All law is *prima facie* territorial." Territorial borders, generally speaking, delineate areas within which different sets of legal rules apply. There has until now been a general correspondence between borders drawn in physical space (between nation states or other political entities) and borders in "law space." For example, if we were to superimpose a "law map" (delineating areas where different rules apply to particular behaviors) onto a political map of the world, the two maps would overlap to a significant degree, with clusters of homogenous applicable law and legal institutions fitting within existing physical borders, distinct from neighboring homogenous clusters.

*The rapid development of Internet and Computer technology globally has led to the growth of new forms of transnational crime especially Internet related. These crimes have virtually no boundaries and may affect any country across the globe. Thus, there is a need for awareness and enactment of necessary legislation in*

*all countries for the prevention of computer related crime. Globally Internet and Computer based commerce and communications cut across territorial boundaries, thereby creating a new realm of human activity and undermining the feasibility and legitimacy of applying laws based on geographic boundaries. This new boundary, which is made up of the screens and passwords, separate the "Cyber world" from the "real world" of atoms. Territorially based law-making and law-enforcing authorities find this new environment deeply threatening.*

## When Geographic Boundaries for Law Make Sense

Physical borders are not, of course, simply arbitrary creations. Although they may be based on historical accident, geographic borders for law make sense in the real world. Their relationship to the development and enforcement of legal rules is logically based on a number of related considerations.

Each community lives by its own law. As transport and media improve, transactions increase between distinct communities. As a result, conflicts tend to arise between the respective laws of these communities. For example, a judge may ask whether to apply the law of the forum community, or that of another community, in a case where one of the parties is from the other community or where a private transaction moves between the communities. In the middle ages, these communities were not necessarily territorial; they only became so with the modern advent of the nation-state.

The nation-state arose as geographers were mapping the world in co-ordinates of latitude and longitude. National law was then asserted as sovereign within territorial borders traced out in this geographic space. In the nineteenth century, von Savigny conceived of each set of legal relations as having its focal point in one such territory. For example, rights of real property could be seen as assuring the power of the owner of land to control trespass and like behaviours of any and all legal subjects relative to that land. Such property claims, von Savigny concluded, were subject to the law in effect at the situs of the land.

Von Savigny sought a method for choosing the same laws to govern the same legal claims, no matter where suit was brought or who brought it. His method may be encapsulated in the following three steps: First, determine the appropriate focal point, sometimes called a connecting factor or point of attachment, for each category of legal claim. Secondly, in order to know what points are appropriate in a given case, characterise (qualifier) each claim asserted in the case in terms of legal categories. Thirdly, localise the corresponding point of attachment in a given state whose law then applies to the claim at issue.

For von Savigny, there could be no interplay between characterisation (qualification) and localisation for a simple reason. He posited that legal relations developed inside, but without impacting on, geographic space.

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For broad-ranging torts such as defamation or the infringement of intellectual property, the analysis is less simple. Nonetheless, the classic premise that geographic space is a fixed framework for conflicts analysis has not been questioned in the field of intellectual property. The Berne and Paris Conventions, and later treaties, impose the principle of national treatment supplemented by minimum rights, as well as the principle of the independence of rights. That is, foreign treaty claimants enjoy the same rights as nationals of a treaty country, the so-called protecting country, unless they are entitled to more extensive minimum rights, and the rights in one state do not depend on those in others. This approach corresponds to the classic conflicts rule in the field of torts: the law of the place of infringing acts governs resulting claims.

#### **Power.**

Control over physical space, and the people and things located in that space, is a defining attribute of sovereignty and statehood. Law-making requires some mechanism for law enforcement, which in turn depends (to a large extent) on the ability to exercise physical control over, and to impose coercive sanctions on, law-violators. For example, the U.S. government does not impose its trademark law on a Brazilian business operating in Brazil, at least in part because imposing sanctions on the Brazilian business would require assertion of physical control over those responsible for the operation of that business. Such an assertion of control would conflict with the Brazilian government's recognized monopoly on the use of force over its citizens.

#### **Effects.**

The correspondence between physical boundaries and boundaries in "law space" also reflects a deeply rooted relationship between physical proximity and the effects of any particular behavior. That is, Brazilian trademark law governs the use of marks in Brazil because that use has a more direct impact on persons and assets located within that geographic territory than anywhere else. For example, the existence of a large sign over "Jones' Restaurant" in Rio de Janeiro is unlikely to have an impact on the operation of "Jones' Restaurant" in Oslo, Norway, for we may assume that there is no substantial overlap between the customers, or competitors, of these two entities. Protection of the formers trademark does not--and probably should not--affect the protection afforded the latter's.

#### **Legitimacy.**

We generally accept the notion that the persons within a geographically defined border are the ultimate source of law-making authority for activities within that border. The "consent of the governed" implies that those subject to a set of laws must have a role in their formulation. By virtue of the preceding considerations, the category of persons subject to a sovereign's laws, and most deeply affected by those laws, will consist primarily of individuals who are located in particular physical spaces. Similarly, allocation of responsibility among levels of government proceeds on the assumption that, for many legal problems, physical proximity between the responsible authority and those most directly affected by the law will improve the quality of decision making, and that it is easier to determine the will of those individuals in physical proximity to one another.

#### **Notice.**

Physical boundaries are also appropriate for the delineation of "law space" in the physical world because they can give notice that the rules change when the boundaries are crossed. Proper boundaries

have signposts that provide warning that we will be required, after crossing, to abide by different rules, and physical boundaries -- lines on the geographical map -- are generally well-equipped to serve this signpost function.

#### **The Absence of Territorial Borders in Cyberspace**

Cyberspace radically undermines the relationship between legally significant (online) phenomena and physical location. The rise of the global computer network is destroying the link between geographical location and: (1) the *power* of local governments to assert control over online behavior; (2) the *effects* of online behavior on individuals or things; (3) the *legitimacy* of the efforts of a local sovereign to enforce rules applicable to global phenomena; and (4) the ability of physical location to give *notice* of which sets of rules apply.

The Net thus radically subverts a system of rule-making based on borders between physical spaces, at least with respect to the claim that cyberspace should naturally be governed by territorially defined rules. Cyberspace has no territorially-based boundaries, because the cost and speed of message transmission on the Net is almost entirely independent of physical location: Messages can be transmitted from any physical location to any other location without degradation, decay, or substantial delay, and without any physical cues or barriers that might otherwise keep certain geographically remote places and people separate from one another. The Net enables transactions between people who do not know, and in many cases cannot know, the physical location of the other party. Location remains vitally important, but only location within a *virtual* space consisting of the "addresses" of the machines between which messages and information are routed. The system is indifferent to the *physical* location of those machines, and there is no necessary connection between an Internet address and a physical jurisdiction.

Although a domain name, when initially assigned to a given machine, may be associated with a particular Internet Protocol address corresponding to the territory within which the machine is physically located (e.g., a ".in" domain name extension), the machine may move in physical space without any movement in the logical domain name space of the Net. Or, alternatively, the owner of the domain name might request that the name become associated with an entirely different machine, in a different physical location. Thus, a server with a ".in" domain name may not necessarily be located in the India, a server with a ".com" domain name may be anywhere, and users, generally speaking, are not even aware of the location of the server that stores the content that they read. Physical borders no longer can function as signposts informing individuals of the obligations assumed by entering into a new, legally significant, place, because individuals are unaware of the existence of those borders as they move through virtual space.

The power to control activity in Cyberspace has only the most tenuous connections to physical location. Many governments first respond to electronic communications crossing their territorial borders by trying to stop or regulate that flow of information as it crosses their borders. Rather than deferring to efforts by participants in online transactions to regulate their own affairs, many governments establish trade barriers, seek to tax any border-crossing cargo, and respond especially sympathetically to claims that information coming into the jurisdiction might prove harmful to local residents. Efforts to stem the flow increase as online information becomes more important to local citizens. In particular, resistance to "transborder data flow" (TDF) reflects the concerns of

sovereign nations that the development and use of TDF's will undermine their "informational sovereignty," will negatively impact on the privacy of local citizens, and will upset private property interests in information. Even local governments in the United States have expressed concern about their loss of control over information and transactions flowing across their borders.

It is in this sense that laws of intellectual property are territorial. The category at the heart of the classic conflicts rule, the place of infringing acts, is territorial. In the nineteenth century, the meaning of this category seemed self-evident to courts considering infringement claims at home. They easily localised places where copyright works were put on stage or published, where trade marked goods were sold, and where patented inventions were used or made. Such acts took place where live performances, hard copies or products, or factories were found, on one side or the other of clearcut borders, inside a patchwork of national markets.

Unfortunately, the key category here, the place of infringing acts, can be doubly ambiguous. To start, before knowing what place that is, a court must localise the acts in question, but authorities differ about what law or laws provide terms in which to characterise infringing acts. In addition, the place of such acts can be extended backwards to that of preliminary acts, such as organising the infringement, or forwards to the place of damages. At the end of the twentieth century, the meaning of this place, once obvious in geographical space, is becoming impossible to pin down in cyberspace. The points where acts of infringement begin and end become indistinguishable as transactions cross multiple borders simultaneously in global, interactive networks.

This ambiguity arises out of the increasing efficacy of the media and technology. Legal relations develop within spaces in which, with increasing speed and power, subjects communicate with each other and control objects at a distance. To the extent that legal claims bear on communication and control itself, as they will in fields such as defamation and intellectual property, a principle of indeterminacy comes into play. Depending on what laws govern claimants' rights in such fields, their respective positions of power will change in what might be called social space, that is, in the relevant communication and control networks. Thus characterisation and localisation are not categorically independent of each other, but rather tied together to the extent that they impact on the values at stake in the overall resolution of any conflict of laws which they help to formulate. In these threshold inquiries to determine the places of infringing acts, the public policies underlying conflicts analysis, ultimately considerations of *ordre public*, already come into play. Since more powerful media accentuate the ambiguity of territoriality, it is to be expected that the Internet dramatises the policies at stake in localisation. In particular, in localising the place of the infringing act in one spot or another, a court might apply the law of one country or another throughout any global network. If the law of one country provides too little protection, or another too much protection, applying one or the other law can result in pirate havens or choke points for data flow in the network. For example, what law should govern transmitting raw data from a European database via the Internet to the United States or China? Suppose, on the one hand, that a court localises the relevant acts in the United States or China, where data is received but not strongly protected: then, to European eyes, pirates may find havens in these countries, from which data might be more or less freely retransmitted. Suppose, on the other hand, that a court localises inside \*127 Europe all unauthorised transmissions of raw data from Europe:

then a European law granting property rights in the data might apply to the transmissions, even to the United States or China. That choice of law might well choke off data flow to or at points within the Internet that policies in these countries would still leave open.

Typically, while reasoning in terms of fixed territorial categories, courts vacillate considerably in localising infringing acts and choosing applicable laws.

### 1. The Trademark Example.

The question who should regulate or control Net domain names presents an illustration of the difficulties faced by territorially-based law-making. The engineers who created the Net devised a "domain name system" that associates numerical machine addresses with easier-to-remember names. Thus, an Internet Protocol machine address like "36.21.0.69" can be derived, by means of a lookup table, from "leland.stanford.edu." Certain letter extensions (".com," ".edu," ".org," and ".net") have developed as global domains with no association to any particular geographic area. Although the Net creators designed this system as a convenience, it rapidly developed commercial value, because it allows customers to learn and remember the location of particular Web pages or e-mail addresses. Currently, domain names are registered with specific parties who echo the information to "domain name servers" around the world. Registration generally occurs on a "first come, first served" basis, generating a new type of property akin to trademark rights, but without inherent ties to the trademark law of any individual country. Defining rights in this new, valuable property presents many questions, including those relating to transferability, conditions for ownership (such as payment of registration fees), duration of ownership rights, and forfeiture in the event of abandonment, however defined. Who should make these rules?

Consider the placement of a "traditional" trademark on the face of a World Wide Web page. This page can be accessed instantly from any location connected to the Net. It is not clear that any given country's trademark authorities possess, or should possess, jurisdiction over such placements. Otherwise, any use of a trademark on the net would be subject simultaneously to the jurisdiction of every country. Should a Web page advertising a local business in Illinois be deemed to infringe a trademark in Brazil just because the page can be accessed freely from Brazil? Large U.S. companies may be upset by the appearance on the Web of names and symbols that overlap with their valid U.S.-registered trademarks. But these same names and symbols could also be validly registered by another party in Mexico whose "infringing" marks are now, suddenly, accessible from within the United States. Upholding a claim of infringement or dilution launched by the holder of a U.S.-registered trademark, solely on the basis of a conflicting mark on the Net, exposes that same trademark holder to claims from other countries when the use of their U.S.-registered mark on the Web would allegedly infringe a similar mark in those foreign jurisdictions.

### 2. Migration of Other Regulated Conduct to the Net.

Almost everything involving the transfer of information can be done online: education, health care, banking, the provision of intangible services, all forms of publishing, and the practice of law. The laws regulating many of these activities have developed as distinctly local and territorial. Local authorities certify teachers, charter banks with authorized "branches," and license doctors and lawyers. The law has in essence presumed that the activities

conducted by these regulated persons cannot be performed without being tied to a physical body or building subject to regulation by the territorial sovereign authority, and that the effects of those activities are most distinctly felt in geographically circumscribed areas. These distinctly local regulations cannot be preserved once these activities are conducted by globally dispersed parties through the Net. When many trades can be practiced in a manner that is unrelated to the physical location of the participants, these local regulatory structures will either delay the development of the new medium or, more likely, be superseded by new structures that better fit the online phenomena in question.

Any insistence on "reducing" all online transactions to a legal analysis based in geographic terms presents, in effect, a new "mind-body" problem on a global scale. We know that the activities that have traditionally been the subject of regulation must still be engaged in by real people who are, after all, at distinct physical locations. But the interactions of these people now somehow transcend those physical locations. The Net enables forms of interaction in which the shipment of tangible items across geographic boundaries is irrelevant and in which the location of the participants does not matter. Efforts to determine "where" the events in question occur are decidedly misguided, if not altogether futile.

### **A New Boundary for Cyberspace**

Although geographic boundaries may be irrelevant in defining a legal regime for Cyberspace, a more legally significant border for the "law space" of the Net consists of the screens and passwords that separate the tangible from the virtual world. Traditional legal doctrine treats the Net as a mere transmission medium that facilitates the exchange of messages sent from one legally significant geographical location to another, each of which has its own applicable laws.

Yet, trying to tie the laws of any particular territorial sovereign to transactions on the Net, or even trying to analyze the legal consequences of Net-based commerce as if each transaction occurred geographically somewhere in particular, is most unsatisfying.

#### **A. Cyberspace as a Place**

Many of the jurisdictional and substantive quandaries raised by border-crossing electronic communications could be resolved by one simple principle: conceiving of Cyberspace as a distinct "place" for purposes of legal analysis by recognizing a legally significant border between Cyberspace and the "real world."

Using this new approach, we would no longer ask the unanswerable question "where" in the geographical world a Net-based transaction occurred. Instead, the more salient questions become: What rules are best suited to the often unique characteristics of this new place and the expectations of those who are engaged in various activities there? What mechanisms exist or need to be developed to determine the content of those rules and the mechanisms by which they can be enforced?

Answers to these questions will permit the development of rules better suited to the new phenomena in question, more likely to be made by those who understand and participate in those phenomena, and more likely to be enforced by means that the new global communications media make available and effective.

#### **2. The Trademark Example.**

The ultimate question who should set the rules for uses of names on the Net presents an apt microcosm for examining the relationship between the Net and territorial-based legal systems. There is nothing more fundamental, legally, than a name or identity--the right to legally recognized personhood is a predicate for the amassing of capital, including the reputational and financial capital, that arises from sustained interactions. The domain name system, and other online uses of names and symbols tied to reputations and virtual locations, exist operationally only on the Net. These names can, of course, be printed on paper or embodied in physical form and shipped across geographic borders. But such physical uses should be distinguished from electronic use of such names in Cyberspace, because publishing a name or symbol on the Net is not the same as intentional distribution to any particular jurisdiction. Instead, use of a name or symbol on the Net is like distribution to all jurisdictions simultaneously. Recall that the non-country-specific domain names like ".com," and ".edu" lead to the establishment of online addresses on a global basis. And through such widespread use, the global domain names gained proprietary value. In this context, assertion by any local jurisdiction of the right to set the rules applicable to the "domain name space" is an illegitimate extra-territorial power grab.

Conceiving of the Net as a separate place for purposes of legal analysis will have great simplifying effects. For example, a global registration system for all domain names and reputationally significant names and symbols used on the Net would become possible. Such a Net-based regime could take account of the special claims of owners of strong global marks (as used on physical goods) and "grandfather" these owners' rights to the use of their strong marks in the newly opened online territory. But a Net-based global registration system could also fully account for the true nature of the Net by treating the use of marks on Web pages as a global phenomena, by assessing the likelihood of confusion and dilution in the online context in which such confusion would actually occur, and by harmonizing any rules with applicable engineering criteria, such as optimizing the overall size of the domain name space.

A distinct set of rules applicable to trademarks in Cyberspace would greatly simplify matters by providing a basis to resist the inconsistent and conflicting assertions of geographically local prerogatives. If one country objects to the use of a mark on the Web that conflicts with a locally registered mark, the rebuttal would be that the mark has not been used inside the country at all, but only on the Web. If a company wants to know where to register its use of a symbol on the Net, or to check for conflicting prior uses of its mark, the answer will be obvious and cost effective: the designated registration authority for the relevant portion of the Net itself. If we need to develop rules governing abandonment, dilution, and conditions on uses of particular types of domain names and addresses, those rules--applicable specifically to Cyberspace--will be able to reflect the special characteristics of this new electronic medium.

### **The New Boundary is Real.**

Treating Cyberspace as a separate "space" to which distinct laws apply should come naturally, because entry into this world of stored online communications occurs through a screen and (usually) a "password" boundary. There is a "placeness" to Cyberspace because the messages accessed there are persistent and accessible to many people. You know when you are "there." No one accidentally strays across the border into Cyberspace. To be sure, Cyberspace is

not a homogenous place; groups and activities found at various online locations possess their own unique characteristics and distinctions, and each area will likely develop its own set of distinct rules. But the line that separates online transactions from our dealings in the real world is just as distinct as the physical boundaries between our territorial governments--perhaps more so.

Crossing into Cyberspace is a meaningful act that would make application of a distinct "law of Cyberspace" fair to those who pass over the electronic boundary. As noted, a primary function and characteristic of a border or boundary is its ability to be perceived by the one who crosses it. As regulatory structures evolve to govern Cyberspace-based transactions, it will be much easier to be certain which of those rules apply to your activities online than to determine which territorial-based authority might apply its laws to your conduct. For example, you would know to abide by the "terms of service" established by CompuServe or America Online when you are in their online territory, rather than guess whether Germany, or Tennessee, or the SEC will succeed in asserting their right to regulate your activities and those of the "placeless" online personae with whom you communicate.

### **Other Cyberspace Regimes**

Once we take Cyberspace seriously as a distinct place for purposes of legal analysis, many opportunities to clarify and simplify the rules applicable to online transactions become available.

#### **1. Defamation Law**

Treating messages on the Net as transmissions from one place to another has created a quandary for those concerned about liability for defamation: Messages may be transmitted between countries with very different laws, and liability may be imposed on the basis of "publication" in multiple jurisdictions with varying standards. In contrast, the approach that treats the global network as a separate place would consider any allegedly defamatory message to have been published only "on the Net" (or in some distinct subsidiary area thereof)--at least until such time as distribution on paper occurs.

This re-characterization makes more sense. A person who uploads a potentially defamatory statement would be able more readily to determine the rules applicable to his own actions. Moreover, because the Net has distinct characteristics, including an enhanced ability of the allegedly defamed person to reply, the rules of defamation developed for the Net could take into account these technological capabilities --perhaps by requiring that the opportunity for reply be taken advantage of in lieu of monetary compensation for certain defamatory net-based messages. The distinct characteristics of the Net could also be taken into account when applying and adapting the "public figure" doctrine in a context that is both global and highly compartmentalized and that blurs the distinction between private and public spaces.

#### **2. Regulation of Net-Based Professional Activities.**

The simplifying effect of "taking Cyberspace seriously" likewise arises in the context of regimes for regulating professional activities. As noted, traditional regulation insists that each professional be licensed by every territorial jurisdiction where she provides services.

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because the Net has distinct characteristics, including an enhanced ability of the allegedly defamed person to reply, the rules of defamation developed for the Net could take into account these technological capabilities --perhaps by requiring that the opportunity for reply be taken advantage of in lieu of monetary compensation for certain defamatory net-based messages. The distinct characteristics of the Net could also be taken into account when applying and adapting the "public figure" doctrine in a context that is both global and highly compartmentalized and that blurs the distinction between private and public spaces.

This requirement is infeasible when professional services are dispensed over the Net and potentially provided in numerous jurisdictions. Establishing certification regimes that apply only to such activities on the Net would greatly simplify matters. Such regulations would take into account the special features of Net-based professional activities like tele-medicine or global law practice by including the need to avoid any special risks caused by giving online medical advice in the absence of direct physical contact with a patient or by answering a question regarding geographically local law from a remote location. Using this new approach, we could override the efforts of local school boards to license online educational institutions, treating attendance by students at online institutions as a form of "leaving home for school" rather than characterizing the offering of education online as prosecutable distribution of disfavored materials into a potentially unwelcoming community that asserts local licensing authority.

#### **3. Fraud and Antitrust.**

Even an example that might otherwise be thought to favor the assertion of jurisdiction by a local sovereign--protection of local citizens from fraud and antitrust violations--shows the beneficial effects of a Cyberspace legal regime.

How should we analyze "markets" for antitrust and consumer protection purposes when the companies at issue do business only through the World Wide Web?

Cyberspace could be treated as a distinct marketplace for purposes of assessing concentration and market power. Concentration in geographic markets would only be relevant in the rare cases in which such market power could be inappropriately leveraged to obtain power in online markets--for example by conditioning access to the net by local citizens on their buying services from the same company (such as a phone company) online. Claims regarding a right to access to particular online services, as distinct from claims to access particular physical pipelines, would remain tenuous as long as it is possible to create a new online service instantly in any corner of an expanding online space. Consumer protection doctrines could also develop differently online--to take into account the fact that anyone reading an online ad is only a mouse click away from guidance from consumer protection agencies and discussions with other consumers. Can Minnesota prohibit the establishment of a Ponzi scheme on a Web page physically based in the Cayman islands but accessed by Minnesota citizens through the Net? Under the proposed new approach to regulation of online activities, the answer is clearly no. Minnesota has no special right to prohibit such activities. The state lacks enforcement power, cannot show specially targeted effects, and does not speak for the community with the most legitimate claim to self-governance. But that does not mean that fraud might not be made "illegal" in at least large areas of Cyberspace. Those who establish and use online systems have a

interest in preserving the safety of their electronic territory and preventing crime. They are more likely to be able to enforce their own rules. And, as more fully discussed below, insofar as a consensually based "law of the Net" needs to obtain respect and deference from local sovereigns, new Net-based law-making institutions have an incentive to avoid fostering activities that threaten the vital interests of territorial governments.

#### 4. Copyright Law.

We suggest, not without some trepidation, that "taking Cyberspace seriously" could clarify the current intense debate about how to apply copyright law principles in the digital age. In the absence of global agreement on applicable copyright principles, the jurisdictional problems inherent in any attempt to apply territorially-based copyright regimes to electronic works simultaneously available everywhere on the globe are profound. As Jane Ginsburg has noted:

A key feature of the GII [Global Information Infrastructure] is its ability to render works of authorship pervasively and simultaneously accessible throughout the world.

The principle of territoriality becomes problematic if it means that posting a work on the GII calls into play the laws of every country in which the work may be received when . . . these laws may differ substantively.

Should the rights in a work be determined by a multiplicity of inconsistent legal regimes when the work is simultaneously communicated to scores of countries? Simply taking into account one country's laws, the complexity of placing works in a digital network is already daunting; should the task be further burdened by an obligation to assess the impact of the laws of every country where the work might be received? Put more bluntly, for works on the GII, there will be no physical territoriality . . . Without physical territoriality, can legal territoriality persist?

But treating Cyberspace as a distinct place for purposes of legal analysis does more than resolve the conflicting claims of different jurisdictions: It also allows the development of new doctrines that take into account the special characteristics of the online "place."

The basic justification for copyright protection is that bestowing an exclusive property right to control the reproduction and distribution of works on authors will increase the supply of such works by offering authors a financial incentive to engage in the effort required for their creation. But even in the "real world," much creative expression is entirely independent of this incentive structure, because the author's primary reward has more to do with acceptance in a community and the accumulation of reputational capital through wide dissemination than it does with the licensing and sale of individual copies of works. And that may be more generally true of authorship in Cyberspace; because authors can now, for the first time in history, deliver copies of their creations instantaneously and at virtually no cost anywhere in the world, one might expect authors to devise new modes of operation that take advantage of, rather than work counter to, this fundamental characteristics of the new environment. One such strategy has already begun to emerge: giving away information at no charge -- what might be called the "Netscape strategy" -- as a means of building up reputational capital that can subsequently be converted into income (e.g., by means of the sale of services). As Esther Dyson has written:

*Controlling copies (once created by the author or by a third party)*

*becomes a complex challenge. You can either control something very tightly, limiting distribution to a small, trusted group, or you can rest assured that eventually your product will find its way to a large nonpaying audience - if anyone cares to have it in the first place. . . . Much chargeable value will be in certification of authenticity and reliability, not in the content. Brand name, identity, and other marks of value will be important; so will security of supply. Customers will pay for a stream of information and content from a trusted source. For example, the umbrella of The New York Times sanctifies the words of its reporters. The content churned out by Times reporters is valuable because the reporters undergo quality-control, and because others believe them. . . . The trick is to control not the copies of your work but instead a relationship with the customers - subscriptions or membership. And that's often what the customers want, because they see it as an assurance of a continuing supply of reliable, timely content].*

A profound shift of this kind in regard to authorial incentives fundamentally alters the applicable balance between the costs and benefits of copyright protection in Cyberspace, calling for a reappraisal of long-standing principles. So, too, do other unique characteristics of Cyberspace severely challenge traditional copyright concepts. The very ubiquity of file "copying" -- the fact that one cannot access any information whatsoever in a computer-mediated environment without making a "copy" of that information -- implies that any simple-minded attempt to map traditional notions of "copying" onto Cyberspace transactions will have perverse results. Application of the "first sale" doctrine (allowing the purchaser of a copyrighted work to freely resell the copy she purchased) is problematic when the transfer of a lawfully owned copy technically involves the making of a new copy before the old one is eliminated, as is defining "fair use" when a work's size is indeterminate, ranging from (1) an individual paragraph sold separately on demand in response to searches to (2) the entire database from which the paragraph originates, something never sold as a whole unit.

Treating Cyberspace as a distinct location allows for the development of new forms of intellectual property law, applicable only on the Net, that would properly focus attention on these unique characteristics of this new, distinct place while preserving doctrines that apply to works embodied in physical collections (like books) or displayed in legally significant physical places (like theaters). Current debates about applying copyright law to the Net often do, implicitly, treat it as a distinct space, at least insofar as commercial copyright owners somewhat inaccurately refer to it as a "lawless" place. The civility of the debate might improve if everyone assumed the Net should have an appropriately different law, including a special law for unauthorized transfers of works from one realm to the other; we could, in other words, regulate the smuggling of works created in the physical world, by treating the unauthorized uploading of a copy of such works to the Net as infringement. This new approach would help promoters of electronic commerce focus on developing incentive-producing rules to encourage authorized transfers into Cyberspace of works not available now, while also reassuring owners of existing copyrights to valuable works that changes in the copyright law for the Net would not require changing laws applicable to distributing physical works. It would also permit the development of new doctrines of implied license and fair use that, as to works first created on the Net or imported with the author's permission, appropriately allow the transmission and copying necessary to facilitate their use within the electronic realm.

### **Whether Structure is Responsible for the Activity comes forward on the Net?**

Even if we agree that new rules should apply to online phenomena, questions remain about who sets the rules and how they are enforced. We believe the Net can develop its own effective legal institutions.

Experience suggests that the community of online users and service providers is up to the task of developing a self-governance system. The current domain name system evolved from decisions made by engineers and the practices of Internet service providers. Now that trademark owners are threatening the company that administers the registration system, the same engineers who established the original domain name standards are again deliberating whether to alter the domain name system to take these new policy issues into account. Who has the ultimate right to control policy in this area remains unclear.

Every system operator who dispenses a password imposes at least some requirements as conditions of continuing access, including paying bills on time or remaining a member of a group entitled to access (e.g. students at a university). System operators (sysops) have an extremely powerful enforcement tool at their disposal to enforce such rules--banishment. Moreover, communities of users have marshaled plenty of enforcement weapons to induce wrongdoers to comply with local conventions such as rules against flaming, shunning, mailbombs, and more. And both sysops and users have begun explicitly to recognize that formulating and enforcing such rules should be a matter for principled discussion, not an act of will by whoever has control of the power switch.

While many of these new rules and customs apply only to specific, local areas of the global network, some standards apply through technical protocols on a nearly universal basis. And widespread agreement already exists about core principles of "netiquette" in mailing lists and discussion groups --although, admittedly, new users have a slow learning curve and the Net offers little formal "public education" regarding applicable norms. Dispute resolution mechanisms suited to this new environment also seem certain to prosper. Cyberspace is anything but anarchic; its distinct rule sets are becoming more robust every day.

Perhaps the most apt analogy to the rise of a separate law of Cyberspace is the origin of the Law Merchant--a distinct set of rules that developed with the new, rapid boundary-crossing trade of the Middle Ages. Merchants could not resolve their disputes by taking them to the local noble, whose established feudal law mainly concerned land claims. Nor could the local lord easily establish meaningful rules for a sphere of activity he barely understood, executed in locations beyond his control. The result of this jurisdictional confusion, arising from a then-novel form of boundary-crossing communications, was the development of a new legal system--Lex Mercatoria. The people who cared most about and best understood their new creation formed and championed this new law, which did not destroy or replace existing law regarding more territorially-based transactions (e.g. transferring land ownership). Arguably, exactly the same type of phenomenon is developing in Cyberspace right now.

Governments cannot stop electronic communications coming across their borders, even if they want to do so. Nor can they credibly claim a right to regulate the Net based on supposed local harms caused by activities that originate outside their borders and that travel electronically to many different nations; one nation's

legal institutions should not, therefore, monopolize rule-making for the entire Net. Even so, established authorities likely will continue to claim that they must analyze and regulate the new online phenomena in terms of some physical locations. After all, the people engaged in online communications still inhabit the material world. And, so the argument goes, local legal authorities must have authority to remedy the problems created in the physical world by those acting on the Net. The rise of responsible law-making institutions within Cyberspace, however, will weigh heavily against arguments that would claim that the Net is "lawless" and thus tie regulation of online trade to physical jurisdictions. As noted, sysops acting alone or collectively have the power of banishment to control wrongful actions online. Thus, for online activities that minimally impact the vital interests of sovereigns, the self-regulating structures of Cyberspace seem better suited than local authorities to deal with the Net's legal issues.

### **The Trademark Example**

In order for the domain name space to be administered by a legal authority that is not territorially based, new law-making institutions will have to develop. Many questions that arise in setting up this system will need answers--decisions about whether to create a new top level domain, whether online addresses belong to users or service providers, and whether one name impermissibly interferes with another, thus confusing the public and diluting the value of the pre-existing name. The new system must also include procedures to give notice in conflicting claims, to resolve these claims, and to assess appropriate remedies (including, possibly, compensation) in cases of wrongful use. If the Cyberspace equivalent of eminent domain develops, questions may arise over how to compensate individuals when certain domain names are destroyed or redeployed for the public good of the Net community. Someone must also decide threshold membership issues for Cyberspace citizens, including how much users must disclose (and to whom) about their real-world identities to use e-mail addresses and domain names for commercial purposes. Implied throughout this discussion is the recognition that these rules will only be meaningful and enforceable if Cyberspace citizens view whomever makes these decisions as a legitimate governing body.

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Governments cannot stop electronic communications coming across their borders, even if they want to do so. Nor can they credibly claim a right to regulate the Net based on supposed local harms caused by activities that originate outside their borders and that travel electronically to many different nations; one nation's legal institutions should not, therefore, monopolize rule-making for the entire Net. Even so, established authorities likely will continue to claim that they must analyze and regulate the new online phenomena in terms of some physical locations. After all, the people engaged in online communications still inhabit the material world. And, so the argument goes, local legal authorities must have authority to remedy the problems created in the physical world by those acting on the Net. The rise of responsible law-making institutions within Cyberspace, however, will weigh heavily against arguments that would claim that the Net is "lawless" and thus tie regulation of online trade to physical jurisdictions. As noted, sysops acting alone or collectively have the power of banishment to control wrongful actions online. Thus, for online activities that minimally impact the vital interests of sovereigns, the self-regulating structures of Cyberspace seem better suited than local authorities to deal with the Net's legal issues.

#### **Local Authorities, Foreign Rules: Reconciling Conflicts**

What should happen when conflicts arise between the local territorial law (applicable to persons or entities by virtue of their location in a particular area of physical space) and the law applicable to particular activities on the Net? The doctrine of "comity," as well as principles applied when delegating authority to self-regulatory organizations, provide us with guidance for reconciling such disputes.

The doctrine of comity, in the Supreme Court's classic formulation, is "the recognition which one nation allows within its territory to the legislative, executive, or judicial acts of another nation, having due

regard both to international duty and convenience, and to the rights of its own citizens or of other persons who are under the protections of its law."

It arose as an attempt to mitigate some of the harsher features of a world in which lawmaking is an attribute of control over physical space but in which persons, things, and actions may move across physical boundaries, and it functions as a constraint on the strict application of territorial principles that attempts to reconcile "the principle of absolute territorial sovereignty [with] the fact that intercourse between nations often demand[s] the recognition of one sovereign's lawmaking acts in the forum of another." In general, comity reflects the view that those who care more deeply about and better understand the disputed activity should determine the outcome. Accordingly, it may be ideally suited to handle, by extension, the new conflicts between the a-territorial nature of cyberspace activities and the legitimate needs of territorial sovereigns and of those whose interests they protect on the other side of the cyberspace border. This doctrine does not disable territorial sovereigns from protecting the interests of those individuals located within their spheres of control, but it calls upon them to exercise a significant degree of restraint when doing so.

Local officials handling conflicts can also learn from the many examples of delegating authority to self-regulatory organizations. Churches are allowed to make religious law

Despite the seeming contradiction of a sovereign deferring to the authority of those who are not its own subjects, such a policy makes sense, especially in light of the underlying purposes of both doctrines. Comity and delegation represent the wise conservation of governmental resources and allocate decisions to those who most fully understand the special needs and characteristics of a particular "sphere" of being. Although Cyberspace represents a new sphere that cuts across national boundaries, the fundamental principle remains. If the sysops and users who collectively inhabit and control a particular area of the Net want to establish special rules to govern conduct there, and if that rule set does not fundamentally impinge upon the vital interests of others who never visit this new space, then the law of sovereigns in the physical world should defer to this new form of self-government.

#### **Internal Diversity**

One of a border's key characteristics is that it slows the interchange of people, things, and information across its divide. Arguably, distinct sets of legal rules can only develop and persist where effective boundaries exist. The development of a true "law of Cyberspace," therefore, depends upon a dividing line between this new online territory and the non virtual world. Our argument so far has been that the new sphere online is cut off, at least to some extent, from rule-making institutions in the material world and requires the creation of a distinct law applicable just to the online sphere.

But we hasten to add that Cyberspace is not, behind that border, a homogeneous or uniform territory behind that border, where information flows without further impediment. Although it is meaningless to speak of a French or Armenian portion of Cyberspace, because the physical borders dividing French or Armenian territory from their neighbors cannot generally be mapped onto the flow of information in Cyberspace, the Net has other kinds of internal borders delineating many distinct internal locations that slow or block the flow of information.

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internal locations that slow or block the flow of information. Distinct names and (virtual) addresses, special passwords, entry fees, and visual cues --software boundaries--can distinguish subsidiary areas from one another.

*The hope for self-government today lies not in relocating sovereignty but in dispersing it. The most promising alternative to the sovereign state is not a cosmopolitan community based on the solidarity of humankind but a multiplicity of communities and political bodies--some more extensive than nations and some less--among which sovereignty is diffused. Only a politics that disperses sovereignty both upward [to transnational institutions] and downward can combine the power required to rival global market forces with the differentiation required of a public life that hopes to inspire the allegiance of its citizens. . . . If the nation cannot summon more than a minimal commonality, it is unlikely that the global community can do better, at least on its own. A more promising basis for a democratic politics that reaches beyond nations is a revitalized civic life nourished in the more particular communities we inhabit.*

The ability of inhabitants of Cyberspace to cross borders at will between legally significant territories, many times in a single day, is unsettling. This power seems to undercut the validity of developing distinct laws for online culture and commerce: How can these rules be "law" if participants can literally turn them on and off with a switch? Frequent online travel might subject relatively mobile human beings to a far larger number of rule sets than they would encounter traveling through the physical world over the same period. Established authorities, contemplating the rise of a new law applicable to online activities, might object that we cannot easily live in a world with too many different sources and types of law, particularly those made by private (non-governmental) parties, without breeding confusion and allowing anti-social actors to escape effective regulation.

But the speed with which we can cross legally meaningful borders or adopt and then shed legally significant roles should not reduce our willingness to recognize multiple rule sets. Rapid travel between spheres of being does not detract from the distinctiveness of the boundaries, as long as participants realize the rules are changing. Nor does it detract from the appropriateness of rules applying within any given place, any more than changing commercial or organizational roles in the physical world detracts from a person's ability to obey and distinguish rules as a member of many different institutional affiliations and to know which rules are appropriate for which roles. Nor does it lower the enforceability of any given rule set within its appropriate boundaries, as long as groups can control unauthorized boundary crossing of groups or messages. Alternating between different legal identities many times during a day may confuse those for whom cyberspace remains an alien territory, but for those for whom cyberspace is a more natural habitat in which they spend increasing amounts of time it may become second nature. Legal systems must learn to accommodate a more mobile kind of legal person

### Conclusion

Clear boundaries make law possible, encouraging rapid differentiation between rule sets and defining the subjects of legal discussion. New abilities to travel or exchange information rapidly across old borders may change the legal frame of reference and require fundamental changes in legal institutions. Fundamental activities of lawmaking--accommodating conflicting claims,

defining property rights, establishing rules to guide conduct, enforcing those rules, and resolving disputes--remain very much alive within the newly defined, intangible territory of Cyberspace. At the same time, the newly emerging law challenges the core idea of a current law-making authority--the territorial nation state, with substantial but legally restrained powers.

If the rules of Cyberspace thus emerge from consensually based rule sets, and the subjects of such laws remain free to move among many differing online spaces, then considering the actions of Cyberspace's system administrators as the exercise of a power akin to "sovereignty" may be inappropriate. Under a legal framework where the top level imposes physical order on those below it and depends for its continued effectiveness on the inability of its citizens to fight back or leave the territory, the legal and political doctrines we have evolved over the centuries are essential to constrain such power. In that situation, where exit is impossible, costly, or painful, then a right to a voice for the people is essential. But when the "persons" in question are not whole people, when their "property" is intangible and portable, and when all concerned may readily escape a jurisdiction they do not find empowering, the relationship between the "citizen" and the "state" changes radically. Law, defined as a thoughtful group conversation about core values, will persist. But it will not, could not, and should not be the same law as that applicable to physical, geographically-defined territories.

The law of any given place must take into account the special characteristics of the space it regulates and the types of persons, places, and things found there. Just as a country's jurisprudence reflects its unique historical experience and culture, the law of Cyberspace will reflect its special character, which differs markedly from anything found in the physical world. For example, the law of the Net must deal with persons who "exist" in Cyberspace only in the form of an email address and whose purported identity may or may not accurately correspond to physical characteristics in the real world. In fact, an e-mail address might not even belong to a single person. Accordingly, if Cyberspace law is to recognize the nature of its "subjects," it cannot rest on the same doctrines that give geographically based sovereigns jurisdiction over "whole," locatable, physical persons. The law of the Net must be prepared to deal with persons who manifest themselves only by means of a particular ID, user account, or domain name.

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# Communication and Promotion in Rural Markets

**Manoj Narwade\***

***ABSTRACT** - In a country, where the bulk of the population still lives in villages, no development program can make any impact unless due care is taken to carry it to the villages in a successful manner. Villagers have to be adequately informed, suitably motivated and duly facilitated, so that they not only participate but also feel involved in these programs. This calls for an effective rural communication system.*

*An effective communication system helps in the transmission of messages with the help of media, from the communicator to the receiver, so that it is interpreted correctly. Thus, selection of an appropriate media-mix becomes a pre-requisite for an effective communication system. When the target audience comprises rural people, the task of designing the message as well as selecting the media-mix poses challenges to the communicator. As per the National Council for Applied Economic Research (NCAER) study, there are as many 'middle income and above' households in the rural areas as there are in the urban areas. There are almost twice as many 'lower middle income' households in rural areas as in the urban areas. At the 'highest income level' there are 2.3 million urban households as against 1.6 million households in rural areas. According to the NCAER projections, the number of middle and high-income households in rural India is expected to grow from 80 million to 111 million by 2007. In urban India, the same is expected to grow from 46 million to 59 million. Thus, the absolute size of rural India is expected to be double that of urban India.*

*This paper highlights the potential of Rural Markets and analyses Rural Marketing Strategies, present and future challenges of Rural Markets and discusses some of the strategies that can help the communicator to meet the challenges.*

## INTRODUCTION

In a country, where the bulk of the population still lives in villages, no development program can make any impact unless due care is taken to carry it to the villages in a successful manner. Villagers have to be adequately informed, suitably motivated and duly facilitated, so that they not only participate but also feel involved in these programs. This calls for an effective rural communication system.

An effective communication system helps in the transmission of messages with the help of media, from the communicator to the receiver, so that it is interpreted correctly. Thus, selection of an appropriate media-mix becomes a pre-requisite for an effective communication system. When the target audience comprises rural people, the task of designing the message as well as selecting the media-mix poses challenges to the communicator.

If we look at the government-aided rural development programs like IRDP, TRYSEM, Jawahar Rozgar Yojna, Million Wells Scheme, Indira Awas Yojna, Wasteland Development Project, etc., we find low awareness of these programs among rural people. One of the main reasons for this is the lack of effective communication. If this is the fate of government-aided schemes having requisite facilities such as machinery, infrastructure and funds at their disposal, one can imagine the challenges for marketers who have to face limited funds, undeveloped infrastructures, low literacy rates, etc.

Due to liberalization, companies are increasingly targeting villages

since approximately 72 per cent of Indians reside there and future battles between companies for market-shares will be fought on the village battlefields. 90% of the rural population is concentrated in such villages that have a population of less than 2000 (NCAER). This reflects the great potential that rural India has to drive the much-needed volumes and help the FMCG companies to bank upon the volumedrive growth. This is a boon in disguise for FMCG companies that have already reached the plateau of their business cycle in urban India.

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## **RURAL MARKETING STRATEGY:**

In-depth knowledge of the village psyche, strong distribution channels and awareness are the prerequisites for making a dent into the rural market.

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## The Psyche

The price sensitivity of a consumer in a village is an important factor that rural marketers should be aware of. According to Mr. Dalveer Singh VP, Ogilvy Outreach (the rural marketing division belonging to O&M) their strategy revolves around what attracts the rural customers to a product. For instance packaging: the rural customers are generally daily wage earners and thus they don't have monthly incomes like their urban counterparts. So, packaging in smaller units and lesser-priced packs makes sense to increase their affordability. 'Colour' that attracts them is also an important factor. 'Convenience' is the other key factor. Here 'Colgate' is an apt example. First of all it introduced sachets as was required by their rural income streams. Secondly, since many households don't have proper sanitation facilities, it made sense to cap these sachets for convenience of storage while use. Similarly, Britannia's low priced and conveniently packaged Tiger brand of biscuits became a success story in rural marketing.

## Importance of Distribution Channel

Study on buying behaviour of rural consumer indicates that the rural retailers influence 35% of purchase occasions. Therefore, sheer product availability can affect brand choice, volumes and market share. Some of the FMCG giants like HLL came up with series of projects to significantly enhance the control on the rural supply chain through a network of rural sub-stockists, based in villages. Apart from this, to acquire further edge in distribution, HLL started 'Project Shakti' in partnership with Self Help groups of rural women ([www.hll.com](http://www.hll.com)).

## Awareness

Mass media is able to reach only 57% of the rural population. Creating awareness then, means utilizing targeted, unconventional media including ambient media. For generating awareness, events like fairs and festivals, Haats etc. are used as occasions for brand communication. Cinema vans, shop-fronts, walls and wells are other media vehicles that have been utilized to increase brand and pack visibility. Some instances of innovation in advertising like putting stickers on hand pumps and walls of the wells, putting tin plates on trees surrounding the pond have been used for promoting personal care brands such as Lux and Lifebuoy and fabric wash brands like Rin and Wheel. The strategy was to advertise not only at the point of purchase but also at the time of consumption.

Though there is definitely a lot of money in rural India, there are hindrances at the same time. The greatest obstacle is that the rural market is still evolving and there is no set format to understand consumer behavior. A lot of research is still to be conducted in order to understand the rural consumer. Only FMCGs with deeper pockets, unwavering rural commitment and staying power will be able to succeed in this rural race. Rural population's disposable incomes are increasing, their attitudes are changing, and their desire for durable and non-durable branded products is increasing. But, to tap this vast expanding market, companies need to develop effective communication strategies taking all the challenges into account.

## Present and Future Challenges

The challenges to the marketer include low literacy rate, poor infrastructure facilities, low income, unique media habits, etc.

### Low Literacy Level

Low literacy is the largest limiting factor in the effectiveness of the press as a medium for village markets. Less than 10 per cent rural households in the states of Uttar Pradesh, Madhya Pradesh, Bihar and Rajasthan are exposed to press. There is a marginal increase to 18 per cent in Orissa, West Bengal, Karnataka and Andhra Pradesh. Kerala is a singular exception, with press exposure at 64 per cent of rural households. What do these figures mean? They are an indicator that it is unrealistic to use print media to convey one's message.

### Poor Infrastructure Facilities

It is not easy to access villages. Lack of roads, telecom facilities and postal services make the task of the marketer reaching the target audience really difficult. There are 5, 76,000 villages in India, and almost 80 percent of these villages don't have all weather roads (NCAER). Remote rural locations undermine the utility of press. Even TV viewer ship is affected by low voltage and uncertain power supplies.

### Unique Media Habits

Media habits also pose challenges for marketers. In most of the villages, almost all the readership is secondary. Household press subscription is virtually non-existent. In a city, secondary readership is largely limited to a home unit, but in villages, we can find newspapers mostly at groceries or teashops. Magazines are not read and the few homes where one can find a magazine are those with non-resident villagers.

### Low Spending Capacity

The low income of ruralites also poses a problem. They have low disposable income; hence, they fail to buy many products. This is also the reason for the small number of radio sets, TV especially color TV sets, VCRs, etc. In 1991, there were only 40 million radio sets in the rural segment (NCAER).

According to 1989-90 data, slightly above 385 of every 1,000 rural homes in the country have a table or portable radio unit. How about the idiot box? Penetration rates per 1,000 households is about 59.32 for black and white TV sets and barely 9.03 for color TV sets, obviously due to the small number of TV sets (NCAER).

### Lack of Research Data

Decisions on message and media-mix in the urban areas are aided by study of available data. The final decision is based on a review of a number of elements like past and forecast sales, market environment, availability and cost effectiveness of media, by various firms, but there is complete absence of syndicated research services on media access, reach and media habits, when it comes to rural media. Although NCAER (National Council of Applied Economics and Research) conducts regular studies and then publishes the findings, they are few and far between. Hence, decisions regarding message and media-mix are largely dependent

on feedback from sales-force, retailers, distributors, etc.

**Selective Attention/Retention**

Rural reach is incidental and through spillover. It is often said that people select messages that are of interest to them and filter out those that are not. Most advertisements aired on the urban circuit reach villages, but the products are not found for miles in the interior rural environment. This serves to divert rural receptor's attention and adds to the noise levels in the communication. This is compounded by low product availability, where the receptor's purchase of a particular brand may well be a fortnight after the advertisement exposure, on a visit to a nearby feeder market, assuming he still recalls the advertisement.

**Linguistic and Socio-cultural Differences**

Mass media and messages in one language can't work, as linguistic and socio-cultural norms are different. It is difficult for the marketer to use a single language message in a country where there are 24 major languages, and hundreds are spoken in rural areas. Similarly, cultural and social norms differ from place to place, creating problems for the marketer in designing the message.

**Joint Families and Strong Kinship Ties**

One can find high intensity of inter-personal interaction due to strong kinship ties in rural areas. People live in joint families; in this scenario, usually male members act as information diverters, influencer and buyer of products. Most of the females depend on their male counterparts for information regarding various products and services. So, it becomes difficult for the communicator to reach the female directly.

**Situation-based Leisure Time Activities**

In villages, daily routines revolve around agricultural activities. These activities don't have fixed timings. Sometimes, one has to work during the nights and at odd hours. So, it becomes difficult to find the time slot for the ads, as the leisure times are situation-based.

All the problems discussed above pose challenges to the communicator, but he can convert these challenges into opportunities by using effective communication strategies. Although it is difficult to reach rural people, it is not impossible. Hundreds of years ago, Gautam Buddha, Kabir, Guru Nanak, Adi Shankracharya, etc., were able to spread their messages of peace and humanity without the use of any modern means of communication. Gandhiji spread the message of freedom with the same effectiveness and was able to inspire and motivate the large population from backward rural India. Lack of infrastructure facilities like roads, postal services, etc., or even illiteracy and cultural differences failed to stop their word of mouth messages. When these great people could do it, why can't marketers do it today when they have ultra-modern means of communication? Though difficult, rural people can be reached and a message can be passed on to them by using appropriate design and media-mix strategies.

**Strategies**

Let us discuss some of the strategies that can help the communicator to meet the challenges.

**Use of Audio-video Medium**

Communication through Radio and TV should get priority over newspaper and magazines as literacy rate is low in rural areas. Radio has exposure value of 40-45 per cent, and TV has more than 27 per cent, while the press has only 15 per cent exposure value. Hence, audio-visual media will be more effective as far as exposure value is concerned. Radio should get priority over TV according to this rule, but TVs have greater growth rate than radios.

**Appropriate Communication Mix**

Use of local promotional tools should get priority over advertising, as advertising is marked by selective attention and retention. Usually, a 70:30 plan is recommended by experts, i.e. 70 per cent of budget should be spent on promotion and 30 per cent on advertising. Local promotion activities like wall paintings, stalls, hoardings, etc., should be effectively utilized.

**Tailor-made Communication**

The contents of advertising should be moulded according to regional requirements, instead of national releases. Tailor-made messages can counter linguistic, social and cultural differences.

The Indian villages are complex social system with different castes, classes, creeds and tribes. The high rate of illiteracy adds to the inadequacy of mass media and impedes reach almost to 80% of India's population who reside in village. Mass media is too glamorous, interpersonal and unreliable in contrast with the familiar performance of traditional artist whom the villager could not only see and hear, but even touch. Besides this villagers are more conservative buyers than their urban counterparts. Their desire to innovate with new product is restricted.

Companies like Bajaj, Rajdoot, HLL, and Nirma are the few companies which have used these methods to the fullest extent.

**Few companies which have used traditional media effectively & the strategy behind it are (Singh S.): -**

Company	The Strategy	The Lesson
Dabur	Address the rural marketing to both men and Women.	Rural women make the decisions while Its the men who buy.
Reckitt and Coleman	Use NGO's in rural areas to educate customers about product benefits.	Establishes one to one communication channels.
BBLIL (Brooke Bond Lipton India Ltd)	Market rural brands through magic shows and skits.	Use local idioms to convey your message in a meaningful context
Hero Honda	Has established mobile service centers to take care of rural customers.	Reinforce product quality through service indicators.

**Puppetry**

Puppetry is the indigenous theatre of India. For long period it has been the most popular form and well-appreciated form of entertainment available to the village people. It is an inexpensive activity. The manipulator uses the puppets as a medium to express and communicate ideas, values and social messages.

**Types of Puppet theatre in India (Singh S.):-**

Place	Type	Content
Rajasthan	String puppets or Kathputlis	Heroic deeds of Vikramaditya, Prithviraj Chouhan, Amar Singh Rathore
Orissa	String puppets	Radha-Krishna
Bengal	Rod puppets	Mahabharat, Manas, Radha-Krishna
south (Tanjavur, Madras and Andhra)	String and Rod puppets	Kathakali
(a) Orissa (b) Kerala (c) Andhra (d) Karnataka	Shadow puppets	Ramayana

Thus in rural India puppetry is a source of livelihood, avenue for

Place	Name
Andhra Pradesh	Veethi Natakam, Kuchupudi, Burratatha
Assam	Ankiya Nat, Kirtania Natak, Ojapali
Bihar	Bidesia, Serikela Chhau, Jat-Jatni Bidpada, Ramkhehla
Gujarat	Bhavai
Haryana	Swang, Naqqal
Himachal Pradesh	Kariyala, Bhagat, Ras, Jhanki, Harnatra Haran or Harin
Jammu & Kashmir	Bhand Pathar or Bhand Jashna, Vetel Dhamali
Karnataka	Yakshagan, Sanata, Doddada - Bayalata, Tala Maddle or Prasang, Dasarata, Radhna
Kerala	Kodiyattam, Mudiattam, Therayattam, Chavittu Natakam, Chakiyar Kooth, Kathakali
Madhya Pradesh	Maanch, Nacha
Maharashtra	Tamasha, Lalit Bharud, Gondha, Dashavatar
Orissa	Pala Jatra, Daskathia, Chhau Mayurbhanj, Mangal Ras, Sowang
Punjab	Nautanki, Naqaal, Swang
Rajasthan	Khyal, Rasdhari, Rammat, Turra Kilangi, Gauri, Nautanki, Jhamtara
Tamilnadu	Therukuttu, Veethi Natakam, Bhagwat Mela Natakam, Kurvaanji, Pagal Vasham, Kavadi Chindu
Uttar Pradesh	Ram Leela, Ras Leela, Nautanki, Bhagat, Sang-Swang, Naqqal
Goa, Daman & Diu	Dashavatar, Tiyatra

Finally, the government can also play a vital role and help in the overall promotion of rural communication. Some of the suggestions are as follows:

- Government-owned media like A.I.R. (All India Radio) and Doordarshan can focus on ruralites by opening new channels and frequencies especially for them.
- The government can provide subsidy to small newspapers circulating in rural areas.
- Special efforts should be made to train rural media persons.
- The government should fund more and more research projects related to rural people, e.g., information needs, buying habits of rural people, etc.

#### *Use of Information Technology*

ITC is setting up **eChoupals** across the agricultural belt in India to “offer the farmers of India all the information, products and services they need to enhance farm productivity, improve farm-gate price realization and cut transaction costs. Farmers can access latest local and global information on weather, scientific farming practices as well as market prices at the village itself through this web portal - all in Hindi. Choupal also facilitates supply of high quality farm inputs as well as purchase of commodities at their doorstep.

#### *Appropriate Scheduling*

Scheduling of advertisements is very important. Generally, during the post-harvest, period, farmers are cash-rich and in the right frame of mind to consider buying new products. Hence most of the ads should be slotted around this time.

#### **A REAL TIME EXAMPLE: COCA -COLA TURNS TO RURAL INDIA FOR GROWTH** (Business Standard, August 21, 2003)

Coca-Cola India doubled the number of outlets in rural areas from 80,000 in 2001 to 160,000 in 2003, which increased market penetration from 13 per cent to 25 per cent. It brought down the average price of its products from Rs 10 to Rs 5, thereby bridging the gap between soft drinks and other local options like tea, butter milk or lemon water. It doubled the spend on Doordarshan, increased price compliance from 30 per cent to 50 per cent in rural markets and reduced overall costs by 40 per cent. It also tapped local forms of entertainment like annual haats and fairs and made huge investments in infrastructure for distribution and marketing.

**Result:** the rural market accounts for 80 per cent of new Coke drinkers and 30 per cent of its volumes. The rural market for Coca-Cola grew at 37 per cent over the last year, against a 24 per cent growth in urban areas. Per capita consumption in rural areas has doubled in the last two years. The launch of the Rs 5 pack has reaped rich dividends in terms of sales and the bottles are expected to account for 50 per cent of the company's sales in 2003.

Coca-Cola is just one example. A lot of fast-moving consumer

goods (FMCG) and consumer electronic companies are aggressively targeting rural consumers.

#### **FINAL THOUGHTS**

Speakers at the session on "*Going Rural: The new marketing mantra*" agreed that the rural market IS the key to survival in India. "The rural market was tempting since it comprised 74 per cent of the country's population, 41 per cent of its middle class, 58 per cent of its disposable income and a large consuming class", Coca-Cola India President and CEO, Sanjiv Gupta said. Today, real growth is taking place in the rural-urban markets, or in the 13,113 villages. Of these, 9,988 villages are in seven states Uttar Pradesh, Bihar, West Bengal, Maharashtra, Andhra Pradesh, Kerala and Tamil Nadu.

For manufacturers of consumer goods, these are the markets to look out for. While the 1980s saw a boom in Class I towns with the spread of television, the Class II towns showed strong growth in the 90s propelled by reforms. According to the National Council for Applied Economic Research, the millennium belongs to the Class III and IV rural-urban towns. It estimates that an average rural Indian household will have five major consumer appliances by 2006, almost double of what it had five years ago. Therefore better Communication and Promotional strategies targeted towards the rural market are imperative and crucial for the future success of any organization.

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# CSR: A Strategic Management Tool of PepsiCo India.

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**ABSTRACT** - Corporate social responsibility (CSR) is about how companies manage their internal and external business processes in order to produce an overall positive societal impact. More specifically, CSR involves identification of various stakeholder groups, their needs, values and aspirations, incorporating them in to the company's strategies and day to day decision making process.

Many companies have strategically used CSR as a competitive tool. Pepsi-Cola, the US soft drink giant is often charged with exhausting ground water levels, releasing toxic effluents in to the ground and using pesticides in soft drinks in India. These issues seriously damaged the reputation of PepsiCo India. In order to retain and build its customer base again, it became imperative for PepsiCo India to rebuild the brand image in the minds of the consumers through various CSR initiatives.

This paper is an attempt to highlight the CSR initiatives implemented by PepsiCo India in the country, and the impact of such initiatives on the concerned stakeholders and the company. The study is based on secondary data which was obtained from sources such as Journals, Magazines, Books, and Websites.

**Key Words:** CSR, Performance with purpose, CSE, NGO, PAIC, PAU, PAGREXCO, TERI, IMA, LRC, EXPEETI, Stakeholders.

## Introduction

**Corporate social responsibility** (CSR) is about how companies manage their internal and external business processes in order to produce an overall positive societal impact. More specifically, CSR involves identification of various stakeholder groups, their needs, values and aspirations, incorporating them in to the company's strategies and day to day decision making process. This obligation is seen to extend beyond the statutory obligation to comply with legislation and sees organizations voluntarily taking further steps to improve the quality of life for employees and their families as well as for the local community and society at large.

CSR is a commitment to voluntarily serve the community in which the corporation does business. Corporate social initiatives are formalised, intentional activities to support actions leading to community-serving social causes. Initiatives can be both internal and external. For example by making an internal decision to locate a new plant in an undeveloped area to provide jobs ,economic development and services to the community is an internal corporate initiative to serve the local community. An external corporate initiative focuses on areas such as community health, safety, education, employment and environment.

Many companies have strategically used CSR as a competitive tool. Pepsi-Cola, the US soft drink giant is often charged with exhausting ground water levels, releasing toxic effluents in to the ground and using pesticides in soft drinks in India. In 2006, one study led by the Center for Science and the Environment (CSE), an independent laboratory in New Delhi, found that the Pepsi soda drinks contained residues of dangerous pesticides which could provoke cancers and

negatively affect the nervous and immune systems and cause birth defects. This news was publicized in the various media to create public awareness. The issue was addressed so seriously that, the Government of Karnataka banned the sale of Pepsi's soft drinks near schools, hospitals and canteens. In the state of Kerala, sale and production of Pepsi soft drinks was banned.

These issues seriously damaged the reputation of PepsiCo India. In order to retain and build its customer base again, it became imperative for PepsiCo to rebuild the brand image in the minds of the consumers through various CSR initiatives. This paper is an attempt to highlight the CSR initiatives implemented by PepsiCo India in the country, and the impact of such initiatives on the concerned stakeholders and the company. The study is based on secondary data which was obtained from sources such as Journals, Magazines, Books, and Websites.

## About PepsiCo

PepsiCo is a world leader in convenience foods and beverages, with 2007 revenues of more than \$39 billion and more than 1, 85,000 employees across the world. Its world renowned brands are available in nearly 200 countries and territories. PepsiCo has grown to become the country's largest selling food and beverage companies. It has 40 bottling plants in India. It generates US \$ 700 million annual retail sales in India. The company's annual exports from India are US \$ 60 million. It is one of the largest multinational investors in the country, which has established a with the aim to serve the long term dynamic needs of consumers in India. PepsiCo India and its partners have invested more than US\$ 700 million since the company was established in the country in 1989. In India,

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PepsiCo provides direct employment to 4,000 people and indirect employment to 60,000 people including suppliers and distributors.

### **Product Portfolio**

PepsiCo India's expansive portfolio includes iconic refreshment beverages Pepsi, 7 UP, Mirinda and Mountain Dew, in addition to low calorie options Diet Pepsi and 7Up Light; hydrating and nutritional beverages such as Aquafina drinking water, isotonic sports drinks - Gatorade, and 100% natural fruit juices and juice based drinks Tropicana, Tropicana Twister and Slice. The companies' local brands Lehar Everess Soda, Dukes Lemonade and Mangola complete their diverse spectrum of brands.

PepsiCo's snack food company, Frito-Lay, is the leader in the branded potato chip market and was amongst the first companies to eliminate the use of trans fats and MSG in its products. It manufactures Lay's Potato Chips, Cheetos extruded snacks, Uncle Chipps and traditional namkeen snacks under the Kurkure and Lehar brands. The company's high fibre breakfast cereal, Quaker Oats, along with Lehar Lites, low fat and roasted snack options enhance the choices available to the growing health and wellness needs of the consumers. Frito Lay's core products, Lay's, Kurkure, Uncle Chipps and Cheetos are cooked in Rice Bran Oil to significantly reduce saturated fats and all of its products contain voluntary nutritional labeling on their packets.

The group has built an expansive beverage, snack food and exports business and to support the operations are the group's bottling plants in India. In addition to this, PepsiCo's Frito Lay snack division has 3 state of the art plants. PepsiCo's business is based on its sustainability vision of making tomorrow better than today.

### **Factors influencing CSR practices of companies.**

Corporations may be influenced to adopt CSR practices driven by several factors. They are:

#### **Ethical consumerism**

The rise in popularity of ethical consumerism over the last two decades could be linked to the rise of CSR. As the global population increased, so did the pressure on limited natural resources required to meet the rising consumer demand. Industrialization in many developing countries is booming as a result of technology and globalization. Consumers are becoming more aware of the environmental and social implications of their day-to-day consumer decisions and are beginning to make purchasing decisions related to their environmental and ethical concerns.

#### **Globalization and market forces**

As corporations pursue growth through globalization, they have encountered new challenges that impose limits to their growth and potential profits. Government regulations, tariffs, environmental restrictions and varying standards of what constitutes labour exploitation are problems that could cost organizations millions of dollars. Some view ethical issues as simply a costly hindrance. Some companies use CSR methodologies as a strategic tactic to gain public support for their presence in global markets, helping them sustain a competitive advantage by using their social contributions to provide a subconscious level of advertising. Global

competition places particular pressure on multinational corporations to examine not only their own labour practices, but those of their entire supply chain, from a CSR perspective.

#### **Social awareness and Education**

The role among corporate stakeholders to work collectively to pressure corporations is changing. Shareholders and investors themselves, through socially responsible investing are exerting pressure on corporations to behave responsibly. Non-Governmental Organizations (NGO) are also taking an increasing role, leveraging the power of the media and the internet to increase their scrutiny and collective activism around corporate behavior. Through education and dialogue, the development of community in holding businesses responsible for their actions is growing.

#### **Ethics training**

The rise of ethics training inside corporations, some of it required by government regulation, is another driver credited with changing the behaviour and culture of corporations. The aim of such training is to help employees make ethical decisions when the answers are unclear.

#### **Government laws and regulation**

Another driver of CSR is the role of independent mediators, particularly the government, in ensuring that corporations are prevented from harming the broader social good, including people and the environment.

#### **Crises and their consequences**

Often it takes a crisis to precipitate attention to CSR. Some times companies engage themselves in businesses which prove harmful to the health of the consumers and the environment. In India, PepsiCo was charged with the accusation of pesticides content in their carbonated drinks. This news was publicised in the various media to create public awareness. The issue was addressed so seriously that, the Government of Karnataka banned the sale of Pepsi soft drinks near schools, hospitals and canteens. In the state of Kerala, sale and production of Pepsi-Cola was banned. This issue seriously affected the image of the company. In order to combat this crisis PepsiCo developed an innovative CSR strategy.

#### **Benefits of CSR Initiatives to the company**

##### **Reputation building**

From a practical perspective, being socially responsible brings in benefit in the form of reputation building. This reputation attracts good employees, as well as increase corporate commitment, employee motivation and overall productivity. It also attracts the attention of the Government and society, who may seek to help the corporation in all possible ways to continue their service and reward them for such service.

##### **Cordial relationship with consumers**

The increased involvement of the company in community services and environmentally healthy practices builds customer trust and attracts new customers for the business. This creates positive image which results in increased sales and profitability.

##### **Retention of employees**

A CSR programme can be seen as an aid to recruitment and retention. An effective CSR policy would help to improve the perception of a company among its staff, particularly when staff can become involved through payroll giving, fundraising activities or community volunteering. It assures them that the company would not involve itself in any action resulting in a negative impact on others and any action that might cause harm or damage to others. This assurance leads to employee loyalty and superior performance.

### **Risk management**

Managing risk is a central part of many corporate strategies. Reputations that take decades to build up can be ruined in hours through incidents such as corruption, scandals or environmental accidents. These events can also draw unwanted attention from regulators, courts, governments and media. Building a genuine culture of 'doing the right thing' within a corporation can offset these risks.

### **Brand differentiation**

In marketing, a company's image is a highly competitive tool to gain new customers and build positive brand image in the consumers' mind. Good publicity, connected with the social initiatives of the company, opens the channels of marketing to a broader audience. Today's consumers are looking to do business with companies who care about their local, national and global responsibility to do "good business" and "give back" in a positive way. These lead to new competitive advantages that companies can use to leverage their own position.

### **License to operate**

Corporations are keen to avoid interference in their business through taxation or regulations. By taking substantive voluntary steps, they can persuade governments and the wider public that they are taking issues such as health and safety, diversity or the environment seriously, and so avoid intervention. This also applies to firms seeking to justify eye-catching profits and high levels of boardroom pay. Those operating away from their home country can make sure they stay welcome by being good corporate citizens with respect to labour standards and impacts on the environment.

### **Operational efficiency**

It reduces operating cost in conjunction with higher operational efficiency and improving operational effectiveness. It leads to innovative procedures and processes and alternative options in supply chain, logistics, inventory management and better vendor relations.

### **CSR Initiatives of PepsiCo India**

The PepsiCo India has been involving in many social activities, which promotes the betterment of the stakeholders and the company as well. It is trying to retain and build its corporate image and product portfolio in India, through CSR initiatives. The company's innovative strategic management tool called "**Performance with Purpose**" would help the company to execute this herculean task. "Performance with Purpose" articulates PepsiCo India's belief, that its businesses are intrinsically

connected to the communities and world that surrounds it. Performance with Purpose means delivering superior financial performance at the same time, with the will to improve the world.

To deliver on this commitment, PepsiCo focuses on the areas that have a business link and where it believes that it can have the most impact. Pepsi works on three basic principles- **Nourish, Replenish** and **Cherish**. The company mainly focuses on water, energy and packaging areas in which it can make the biggest impact on the environment. The company aspires to be a positive water balance company using latest technology and experiments at plant levels. In India the company has taken a wide range of initiatives, aimed at protecting the environment and reducing the impact of the accusation as a 'health hazardous soft drink' on it.

#### **1. Partnership with farmers**

PepsiCo's involvement in Indian agriculture stems from its vision of creating a cost-effective, localised agri-base in India by leveraging its access to world class agricultural practices. During the process of working in close cooperation with State Governments, PepsiCo helped transform the lives of thousands of farmers by helping them refine their farming techniques and raise farm productivity. The various activities in this area are:

- **Joint programme with Institutions**

The most ambitious project is a joint programme, launched in 1989, between PepsiCo India, the Punjab Agriculture University (PAU) in Ludhiana and Punjab Agro Industries Corporation (PAIC) in Chandigarh. The programme focuses on evolving agricultural practices to help Punjab farmers produce crops that would make Indian products internationally competitive.

- **Contract farming for potato/tomato cultivation**

PepsiCo pioneered the concept of contract farming under which the PepsiCo team transfers agriculture technology to farmers who, in turn, produce raw material for PepsiCo products. To support the initiative PepsiCo set up a 27-acre research and demonstration farm in Punjab to conduct farm trials of new varieties of tomato, potato and other crops.

The programme includes seed production and has successfully evaluated the following crops:

- Several varieties of basmati rice and more than 200 varieties and hybrids of chilli.
- 25 varieties and hybrids of corn
- More than 60 varieties of peanut
- More than 100 varieties and hybrids of tomato.

Additionally, the development of new tomato varieties has helped to increase total annual production of tomato varieties from 28,000 tons to over 200,000 tons in Punjab. Yields have more than tripled from 16 tons to 54 tons per hectare. Under the programme, 6 high-quality, high-yield potato varieties have also been introduced to Indian farmers. These new potato seeds have helped to increase farm income and enabled PepsiCo India to procure world class chip-grade potatoes for its Frito Lay snacks division.

The company has partnered with 13,000 farmers working in over 10,000 acres across Punjab, U.P., Karnataka, Jharkand West Bengal and Maharashtra for the supply of potatoes.

- **Citrus Development Programme**

The PepsiCo/Tropicana and PAGREXCO (Punjab Agri Export Corporation) Citrus Development Programme has emerged as one of the most successful models of public-private partnerships in Indian agri-business. For PepsiCo India, the citrus project was part of its efforts to create a localised supply base for citrus juice under Tropicana, the world's largest juice brand. PepsiCo India was also interested in exploring the export potential of the local produce. The project, signed in 2002, served to deepen PepsiCo India's involvement in Punjab agriculture which started in 1989. It also marked a step forward in fulfilling its commitment to improving the quality of life for thousands of farmers. This project launched by PepsiCo India and the Punjab Government to promote Citrus farming, would make the state the second largest citrus producer in the world.

#### Technical support and expertise

PepsiCo India also provided technical support and expertise to the Punjab Government to set up two fruit processing plants in Hoshiarpur and Abohar which are prime citrus growing areas in Punjab. Each plant is capable of processing multiple fruits, offering an advantaged supply chain for fruit juice concentrates. Each Plant contains cold stores with a capacity of 2400 tons for finished products. Trials have been carried out with Kinnow, Musambi, Tomatoes, Mangoes, Melons and Strawberries.

## 2. Replenishing Water

Water is a key sustainability priority for PepsiCo India. It is working closely with governments, municipalities and technical experts to make sure that their water management practices are responsible. Over the years, the company has voluntarily developed many programs to reduce, reuse and recycle water, and that commitment is stronger than ever. The company is also striving hard to improve water supplies in locations where quality or quantity is a problem. PepsiCo's efforts to effect a major cut in the usage of water has been profound in this area. Across PepsiCo manufacturing operations, it has introduced active conservation programmes.

### Positive Water Balance

In 2003 PepsiCo India embarked on its journey to achieve Positive Water Balance by 2009. In other words, the total water that is conserved or recharged at the plant and community level should exceed the total water usage.

#### Positive Water balance is defined as:

<ul style="list-style-type: none"> <li>In-plant water recharge and harvesting</li> <li>+ Water recharged through community programs</li> <li>+ Savings through agricultural interventions</li> </ul>	}	<p>Total water used in manufacturing process</p> <p>&gt;</p>
<b>CREDITS</b>		<b>&gt; DEBITS</b>

### Reducing water debit

The pursuit of the vision to achieve *Positive Water Balance* resulted in water as a resource being "revalued" across the organization. This, in turn, catalyzed a comprehensive movement to conserve and optimize water usage within the manufacturing process (or the debit side). The multi-pronged approach across manufacturing plants included innovative reuse and recycling initiatives in the manufacturing process that focused on the reduction of water usage.

- **In-plant water recharge and harvesting**

The multi-pronged approach comprises awareness, commitment and metrics, installation of water recovery equipment and improved water management practices. This has been made possible due to the significant contributions from the company's beverage plants, along with the tremendous amount of water recycled through the starch recovery process used in its snack plants. PepsiCo India reduced water use in manufacturing plants by over 60% and in the last two years itself the company has saved over 2 billion litres of water.

- **Zero Water Discharge**

By reusing water for processes such as cooling towers, watering gardens and flushes, PepsiCo India plants achieved a total reduction in waste water of over 80% in 2006 and 2007.

- **Harvesting water**

Rain or roof water harvesting methods have become standard practice for all PepsiCo plants in order to maintain and strengthen water reserves in the surrounding areas. Examples consist of the Jainpur, Bazpur, Bharuch, Palakkad, Panipat and Neelamangala plants, along with the snack plants in Channo and Pune, which harvest and collect rain water in excavated lakes and ponds while the Mamundar, Mahul and Panipat plants use roof water harvesting to rejuvenate the surrounding aquifers.

### Strengthening water credit

Having reduced the "debit" side of the water balance equation significantly, attention was focused on earning the "credits" to achieve *Positive Water Balance through the following initiatives:*

#### Rain and roof water harvesting

Rain and roof water harvesting structures were constructed wherever feasible. Community water projects were initiated, and comprehensive watershed management programmes in partnership with TERI (The Energy Resources Institute) in diverse and challenging geographic locations were started. Next on the agenda was the untapped potential for significant water reductions through interventions in agriculture.

- **Community Projects**

Providing water to surrounding communities has been another key focus area for PepsiCo India plants in Neelamangala in Karnataka, Palakkad in Kerala and Mamandur in Tamil Nadu. Due to acute water scarcity in these villages, thousands of villagers had to walk a distance of 1 to 2 kms each way to collect water. With PepsiCo's

support, villagers participated and actively contributed to the construction of taps, water tanks, bore wells and submersible pumps in their villages.

The benefits of PepsiCo's community water initiatives in these villages were tremendous. In Mamandur, the lives of 700 families have become considerably easier. Through the efforts of the PepsiCo Palakkad plant, clean water was provided to more than 2,000 village members while PepsiCo's Neelamangala plant supported rural water projects in 2 villages which impacted 900 families and covered 3,200 people in these locations.

In Uttarkhand, PepsiCo's partnership with TERI has been successful in rejuvenating traditional water harvesting structures in villages. This initiative has transformed 4 villages in Uttarkhand into model villages. The villagers have also benefited immensely from the health and sanitation initiatives developed with the support of PepsiCo and TERI along with a programme to promote renewable energy. The results of this integrated watershed development programme have created a holistic and sustainable change in the villages.

PepsiCo India has also funded Malkapur village in Andhra Pradesh for a water supply project, providing financial support of Rs 9.4 Lakhs to the district for a water contract with the Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB). Due to insufficient quantity of drinking water in the village, the Malkapur Panchayat and the MP of the constituency had reached out to the HMWSSB for a water contract under which the latter will be supplying drinking water to the district. PepsiCo India will be funding 75 per cent of the total project cost of Rs 12.5 lakh.

### Water conservation in agriculture

Agricultural interventions are another opportunity area to achieve water balance. Over the last three years, PepsiCo India, in partnership with the Punjab Government, has been involved in trials of direct seeding versus conventional transplantation in rice fields. The direct seeding methodology has shown the potential to reduce water consumption significantly.

The common method of growing Paddy is by first raising a nursery and then manually transplanting it to a field "puddled" with three to four inches of water. As opposed to this water intensive method, the direct seeding method sows the seeds directly in the fields. This method results in a higher yield due to the higher seeding density.

Over the last three years, PepsiCo India has conducted trials of various paddy varieties in farmer's fields to validate the technology. A seeding machine which can sow paddy seeds at a specified gap and at a uniform depth has also been developed. Repeated direct seeding methodology trials have demonstrated water savings of 30% (2.5 million litres/acre). A large-scale implementation of this initiative has the potential to achieve huge water savings.

### Converting Waste to Wealth

This is a great example of how a private industry can join hands with the Government, the community and non-government organizations, and make a demonstrably positive impact on the environment. The inauguration of the PepsiCo India-EXNORA

Zero Waste Management Project in Nagapattinam marked the expansion of PepsiCo India and Exnora's efforts to manage domestic solid waste in an environmentally-friendly manner.

The scope of the project in Nagapattinam covers garbage collection from approximately 2,500 households. Continuous door-to-door campaigns, rallies and street plays are carried out to motivate people to segregate organic and inorganic garbage at source. The organic waste is converted into compost using vermin-culture and the inorganic waste is sorted into categories for recycling. The innovative project not only promotes sanitary surroundings, but provides several opportunities for micro-enterprises such as PET (Polyethylene Terephthalate) bottle, waste paper and tetra pack recycling. Along with this project in Nagapattinam, the PepsiCo Foundation also initiated similar projects in Cuddalore and Tenkasi, benefiting a population of 20,000 people. In 2007, the PepsiCo-Exnora partnership was launched in North India with its inauguration in Panipat, Haryana. The programme currently reaches out to 12,000 people in 6 wards in Panipat. EXNORA and PepsiCo India also inaugurated the Environmental Training Institute (EXPEETI) in 2007.

The Training Institute acts as a knowledge centre and creates awareness in the area of solid waste management for stakeholders and various decision makers. An integral responsibility of this initiative is to spread knowledge on how to adapt existing technologies and customize them to suit specific local conditions. The Training Institute serves to support and strengthen the capacity of the local Government and conducts training programmes for all stakeholders, promotes information exchange mechanisms and helps to bring together a network of professionals working in the area of solid waste management.

To make Sangareddy district in Andhra Pradesh cleaner, greener and garbage-free, PepsiCo India, in partnership with Exnora and Sangareddy Municipality, would set up a Waste to Wealth programme, which will be executed with people's participation through motivation and awareness generation activities. The programme aims to support the Sangareddy community to manage domestic solid waste in an environment-friendly manner in partnership with Sangareddy Municipality and Exnora. The first phase of the project will target ten wards, impacting a population of around 20,000 people. PepsiCo has funded a sum of Rs. 19 lakhs for the construction of Zero Waste Centre in Sangareddy.

### Healthy kids

**PepsiCo India stays committed to the health and well-being of children. It will continue to provide children with a healthy and fun portfolio while simultaneously tackling the 'calories out' side of the equation by expanding its "Get Active" programme for kids.** PepsiCo India believes that in order to build its business in a sustainable manner, it has a responsibility to ensure that its consumers are nourished in multiple dimensions.

PepsiCo India has been proactive in taking a variety of steps to sustain and strengthen this platform of **human sustainability**. PepsiCo's diverse portfolio reflects its commitment to provide consumers with nutritious options. The wide spectrum of nutritious

options offered by PepsiCo India includes its range of Tropicana juices, rehydrating Gatorade sports drinks and Aquafina packaged drinking water. Frito Lay's healthy snack options include the high-fibre breakfast cereal, Quaker Oats, while the nutritious Lehar Lite range of snacks contains 25% less oil. Its core products, Lay's Kurkure, Uncle Chipps and Cheetos are cooked in Rice Bran Oil to significantly reduce **saturated fats**.

PepsiCo has initiated the *Get Active* programme that promotes active lifestyles and healthy nutritional habits among 1, 00, 000 children in approximately 120 schools, located in Delhi and Mumbai. Launched in 2006, Get Active is a partnership between PepsiCo India and Swashrit Society, an NGO.

Through the Get Active programme, PepsiCo's snack and beverage businesses collaborate with the National Advisory Board - comprising medical practitioners, nutritionists and public health policy experts - to work towards the vision of improving the health and well-being of children. The Get Active programme promotes active lifestyles and healthy nutritional habits among children in schools. In 2007, a Get Active seminar was organised by Swashrit in association with the Indian Medical Association (IMA) to facilitate a discussion between leading NGOs, principals and representatives from CBSE on how to incorporate an essential balance of physical activities into school curriculums. This first of its kind seminar reflected PepsiCo's commitment to spreading awareness and creating a holistic network of professionals working in areas relevant to this issue. By 2008, the company plans to implement the "Get Active" programme nationally in all 6 metros.

#### **Health and HIV/AIDS Awareness Programmes**

Health camps, conducted by PepsiCo India, serve to build awareness about health and environmental protection in communities. The company conducts numerous programmes for community members, including youth and children, using traditional and modern means of communication to raise the general level of health awareness and to highlight the importance of sanitation. Teams of doctors and nurses from various hospitals conduct these health camps which consist of medical check ups and medicine distribution. The Gram Pradhans and Gram Sevaks of various villages assist in ensuring that a high number of community members participate in and benefit from the health camps. These initiatives offer medical assistance, easy access and address a range of ailments. PepsiCo's plants in Sathariya and Madurai are amongst those that frequently carry out health camps.

PepsiCo India initiated its HIV/AIDS workplace awareness and prevention programme which covered employees across the country. The building blocks of the programme are based on creating awareness, capacity building, encouraging prevention and reducing the stigma associated with HIV/AIDS. In partnership with the ILO, PepsiCo has designed awareness sessions to provide information about the basics of HIV, promote use of condoms and educate employees about other sexually transmitted infections. The programme has also been extended to the families of employees of PepsiCo India through their spouses and partner associates such as distributor salesmen and transport contractors. The endeavour marks the beginning of PepsiCo India's commitment to making a

difference in the fight against AIDS.

#### **Training for employment**

##### **The Livelihood Resource Centre (LRC)**

The Livelihood Resource Centre (LRC), Chennai, aims at facilitating alternative livelihood to the rural youth living below poverty line, between the age group of 18-35 years by extending training in Customer Relations and Hospitality Management Courses with spoken English and computer education. PepsiCo India has invested Rs 3.8 lakh in the programme. The company plans to provide training and employment opportunities to more than 200 rural youth in the region in the year 2008.

PepsiCo India initiated this unique rehabilitation programme to revive and re-establish the livelihoods of the tsunami affected people in Nagapattinam district of Tamil Nadu. PepsiCo India implemented a dual strategy of providing alternative occupations and setting up micro enterprises for individuals and Self Help Groups. Three operational Centres in the district impacted over 1500 youth, of which 1200 youth are gainfully employed across Tamilnadu with organizations such as Goldmine Hotel in Chennai, Reliance, ICICI and HDFC. Need based training programmes were developed to provide students with life skills and business communication skills, exposure to industrial units and interaction with guest lecturers. A Board, comprised of local body representatives and industrial giants, was set up to ensure the sustainability and effectiveness of the Centres and to assist with placement of the graduates.

Training is imparted in a spectrum of fields relevant to the region like refrigeration, electrical and air conditioning, hotel and hospitality management, information technology and IT enabled services, two-wheeler training and customer executive programmes. In addition to this, the programme aims to establish micro enterprises for individuals and Self Help Groups in occupations that include integrated vegetable cultivation, marketing of herbal products and fish vending. More than 200 individuals will benefit from these micro-enterprises. Adding sustainability to the programme is a tie-up with local banks that will provide seed capital to help start up the micro enterprises.

##### **Employment to Ex-Service Men**

Project Healing Touch began in the aftermath of the Kargil war and marked a mutually beneficial partnership between former armed force members and PepsiCo. Under the auspices of the project, Mission Vijay 2 helps rehabilitate former service men by providing them with sustainable employment opportunities. In their new roles as distributors, sub-distributors, salesmen or trolley vending distributors for PepsiCo India, these servicemen enjoy stable and sustainable incomes. Currently in its sixth year, the project employs 38 distributors in rural and urban markets nationwide. Their outstanding achievements are clear reflections of their perseverance and hard work. In 2006, this new team of distributors earned a gross income of nearly Rs. 20 lakhs and sold over 2.8 lakh cases of PepsiCo's refreshment beverages. PepsiCo India hopes to substantially expand this initiative, touching 200 ex-servicemen by 2008

### Impact of CSR initiatives of PepsiCo India on the stakeholders and the company.

CSR initiatives of PepsiCo India	Benefits to the concerned stakeholders*	Benefits to PepsiCo India
<b>1. Partnership with farmers</b> <ul style="list-style-type: none"> <li>Joint programme with Institutions</li> <li>Contract farming for potato/tomato cultivation.</li> <li>Citrus Development Programme</li> <li>Technical support and expertise</li> </ul>	<ul style="list-style-type: none"> <li>Access to World class agricultural practices.</li> <li>Increase in farm productivity.</li> <li>Beneficiaries of continuous research and Development by the company.</li> <li>Improvement in the level of income and standard of living.</li> <li>A ready market for the farm produce.</li> <li>Implementation of eco-friendly technology.</li> <li>It creates more employment opportunities in the region.</li> </ul>	<ul style="list-style-type: none"> <li>A cost effective localised agri base in India would help the company to increase its profitability.</li> <li>A ready source of raw materials of the required quality for the company.</li> <li>Helps to build the positive corporate image.</li> <li>The farmers have created a positive image about the company and changed the fate of “chemical brand” Pepsi in to “safe brand”.</li> <li>Customer loyalty, Product acceptance increased sales and profitability.</li> <li>Facilitates manufacture of Internationally competitive products.</li> </ul>
<b>2.Replenishing water</b> <ul style="list-style-type: none"> <li>In-plant water recharge and harvesting</li> <li>Rain and roof water harvesting</li> <li>Community projects</li> <li>Water conservation in agriculture</li> </ul>	<ul style="list-style-type: none"> <li>Rejuvenation of the aquifers.</li> <li>Helped in solving water scarcity problem in various places.</li> <li>Quality drinking water to rural areas.</li> <li>Water harvesting methods have helped to maintain and strengthen water reserves in the surrounding areas of PepsiCo’s plants.</li> <li>High yield in farm productivity due to direct seeding technology.</li> </ul>	<ul style="list-style-type: none"> <li>It has helped the company to slash the water usage by over 60% and save over 2 billion litres of water.</li> <li>Innovative reuse and recycling initiatives in manufacturing process has helped the company to achieve a Positive Water Balance.</li> <li>Water Management system assures the company continuous supply of water for their operations.</li> <li>It increases customer base especially in rural market.</li> </ul>
<b>3.Converting waste to wealth</b>	<ul style="list-style-type: none"> <li>Promotes hygienic and eco-friendly environment.</li> <li>It gives rise to Micro-enterprises,thereby providing employment opportunities to local people.</li> </ul>	<ul style="list-style-type: none"> <li>Strengthens the local Government support and relationship which facilitates the smooth operations of the company.</li> <li>The recycled material is used as the cost effective and hygienic packaging material for the company’s products.</li> </ul>
<b>4. Healthy kids</b> <ul style="list-style-type: none"> <li>Get Active Programmes</li> </ul>	<ul style="list-style-type: none"> <li>Calorie free nutritious multiple food options.</li> <li>Strengthens human sustainability.</li> <li>Promotes active life style of children.</li> <li>The company influences the government to implement policies which are beneficial to children.</li> </ul>	<ul style="list-style-type: none"> <li>Effective publicity</li> <li>Multiple healthy foods and beverage brands helps the company to combat risk in an effective manner.</li> <li>It helps the company to emerge as a market differentiator and position the company strongly in the market place.</li> <li>Wide acceptance of its products in the nation.</li> </ul>
<b>5.Health and HIV/AIDS awareness programmes</b>	<ul style="list-style-type: none"> <li>Creates awareness about various diseases and its prevention.</li> <li>Promotes the health of people by providing health check-ups and medicine.</li> <li>Provides education regarding health and sanitation.</li> </ul>	<ul style="list-style-type: none"> <li>Helps the company to develop and maintain healthy relationship with local people,which is essential to carry on its operations without opposition.</li> <li>Builds a strong and healthy workforce.</li> <li>It promotes goodwill and corporate trust which ensures long term success.</li> </ul>
<b>6.Training for employment</b> <ul style="list-style-type: none"> <li>The Livelihood Resource Centre</li> <li>Employment to Ex-servicemen</li> </ul>	<ul style="list-style-type: none"> <li>Facilitates improvement in the livelihood of rural youth living below poverty line.</li> <li>Improvement in the standard of living.</li> <li>Helps to channelise the talent of nation’s youth in to productive activities.</li> <li>Provision of employment opportunities to disabled people.</li> </ul>	<ul style="list-style-type: none"> <li>It enhances organisation image.</li> <li>Increase in company sales due to loyal distributors.</li> <li>Facilitates penetration in to rural markets.</li> </ul>

\* Stakeholders refers to Consumers, Farmers, Unemployed youth, Children, Ex-servicemen, and Society.

### Sustainability of CSR Initiatives by the PepsiCo India

**Sustainability** can be defined as the company's investment in a system of living, projected to be viable on an ongoing basis that provides quality of life for all individuals and preserves natural environment. In its simplest form it describes a characteristic of an action or initiative that can be maintained at a certain level indefinitely.

PepsiCo India has implemented innovative CSR initiatives in different states in India. It can sustain these initiatives for a long time, due to its Big, muscular brands; Proven ability to innovate and create differentiated products; and Powerful go-to-market systems. The company has a team of extraordinarily talented and dedicated people who will implement these initiatives in an effective sustained manner. In India PepsiCo has partnered with many Institutions, NGOs and Self Help Groups which ensures the CSR programmes benefit the needy and the target population.

The company's CSR initiatives would result in increased awareness among the people and is rewarded by increased sales. Given the same price and quality, consumers tend to spend more on the products of the company whose CSR initiatives are well known. This results in increased revenue and also ensures that consumers remain with the company even in the bad times. Such increased revenue results in profits and there-by benefits the stake-holders, who in turn would be incentivised to invest more in CSR initiatives, creating a virtuous cycle.

### Conclusion

The greatest challenge in today's world is to instill a mind set of continuous innovation that will allow achieving sustainable competitive advantage, market success, customer satisfaction and profitability. PepsiCo has been driven by several forces to implement various CSR initiatives in India. This has been committed to building a fully balanced portfolio, making healthy and providing consumers with a full range of nutritious products, engaging in activities which are socially, economically, environmentally, and ethically appreciable. Adopting CSR practices has helped PepsiCo India to turn things around for its good and sustain it in the long-run too. Hence we can conclude that the CSR practices of PepsiCo India acts as a strategic management tool for addressing the wide ranging and ever changing demands of stakeholders.

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# Implications of Information Technology and Its Impact in Organizational Values: A Study of Developing Countries

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**Introduction - The rate and magnitude of change are rapidly outpacing the complex of theories, economic, social, and philosophical ways on which public and private decisions are based. To the extent that we continue to view the world from the perspective of an earlier, vanishing age, we will continue to misunderstand the developments surrounding the transition to an information society, be unable to realize the full economic and social potential of this revolutionary technology, and risk making some very serious mistakes as reality and the theories we use to interpret it continue to diverge. We have modified our environment so radically that we must modify ourselves in order to exist in this new environment.**

*The survival and growth of organizations in an increasingly turbulent environment would depend upon effective utilization of information technology for aligning the organizational structure with environmental preferences and for creating symbiotic interorganizational structures. How can IT help the organizations in responding to the challenges of an increasingly complex and uncertain environment? How can IT help the organizations achieve the .flexible. organization structure? These are the topics that remains to be a matter of question for many developing countries. This study will try to illuminate the aspects and the impact of Information Technology in managing organizational change and its implications for developing countries.*

## Aspects of Information Technology

Information technology (IT) may be defined as the convergence of electronics, computing, and telecommunications. It has unleashed a tidal wave of technological innovation in the collecting, storing, processing, transmission, and presentation of information that has not only transformed the information technology sector itself into a highly dynamic and expanding field of activity - creating new markets and generating new investment, income, and jobs- but also provided other sectors with more rapid and efficient mechanisms for responding to shifts in demand patterns and changes in international comparative advantages, through more efficient production processes and new and improved products and services (e.g. Replacing mechanical and electromechanical components, upgrading traditional products by creating new product functions, incorporating skills and functions

into equipment, automating routine work, making technical, professional, or financial services more transportable).

The development of IT is intimately associated with the overwhelming advances recently accomplished in microelectronics. Based on scientific and technological breakthroughs in transistors, semiconductors, and integrated circuits ("chips"), micro-electronics is affecting every other branch of the economy, in terms of both its present and future employment and skill requirements and its future market prospects. Its introduction has resulted in a drastic fall in costs as well as dramatically improved technical performance both within the electronics industry and outside it (Malone and Rockart, 1993). The continuous rise in the number of features on a single micro-electronic chip has permitted lower assembly costs for electronic equipment (each chip replacing many discrete components), faster switching speeds (thus faster and more powerful computers), and more reliable, smaller, and lighter equipment (fewer interconnections, less power and material). Similar dramatic falls in costs occurred in the transport and steel industries in the nineteenth century and in energy in the twentieth, associated with the emergence of the third and fourth Kondratiev cycles, respectively. The potential effects of microelectronics are thus very far-reaching, for its use in production saves on virtually all inputs, ranging from skilled and unskilled labor to energy, materials, and capital.

All sectors of the economy have been influenced by the development of IT applications: information technology opens up greater opportunities for the exploitation of economies of scale and scope, allows the more flexible production and use of labor and equipment, promotes the internationalization of production and markets, offers greater mobility and flexibility in capital and financial flows and services, and is frequently the precondition for the creation of innovative financial instruments. Information system developments are constantly being applied to increase the productivity, quality, and efficiency of finance, banking, business management, and public administration. In manufacturing, and to some extent in agriculture, many processes have been automated, some requiring highly flexible, self-regulating machines, or robots. The engineering industry has been transformed by computer-aided

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design and three-dimensional computerized screen displays. The pace of technological change in IT will most likely accelerate the already observable growth in the interdependence of international relations not just economic or financial, but also political and cultural. National economies have become more susceptible to the effects of policy decisions taken at the international level, and domestic economic measures are having increased impacts on economic policies of other countries. World markets for the consumption of similar goods are growing, and so are common lifestyles across national borders. The advance of telecommunications and computerization has recently enabled large companies to use information systems to transmit technical and economic information among numerous computer systems at different geographical locations, subjecting widely dispersed industrial plants to direct managerial control from a central location; this affects the international division of labor and production and international trade, changing the patterns of industrial ownership and control, altering the competitive standing of individual countries, and creating new trading partners. It is the integration of functions that confers on information technology its real economic and social significance. More than just a gradual and incremental technological evolution leading to improved ways of carrying out traditional manufacturing processes (i.e. simply the substitution of new technologies for existing systems and the rationalization of standard activities), IT offers the opportunity for completely new ways of working through systems integration. Rather than applying one item of new technology to each of the production functions now performed at distinct stages of the production process, i.e. design, production, marketing, and distribution (in what could be called "stand-alone" improvements or "island automation"), having evolved in to new technologies, i.e. Enterprise Resource Planning systems, IT offers the possibility of linking design to production (e.g. through programmable manufacturing, measuring, and testing equipment responding to the codification of design), planning and design to marketing and distribution (e.g. through a variety of computer aids and databases that sense and collect changing market trends), production to distribution (e.g. By automatically incorporating orders and commissions by customers and suppliers into the production process), etc. The complete integration of all these production subsystems in a synergistic ensemble is still more a long-term trend than a reality, but use of automated equipment to link together individual items of equipment belonging to hitherto discrete manufacturing operations has already made IT a strategic issue for industry.

### ***Implications for Developing Countries***

The first direct effect of the "micro-electronics revolution" was the location of production for export in third world countries. While production of mainframe computers continued to be located largely in industrialized countries, production of smaller computers and of microelectronic devices, more subject to price competition, was shifted to low-wage locations, mainly in East Asia, where countries presented low wage costs as well as political stability, a docile labor force, and government incentives. Location of production for local

and regional consumption followed, but the countries concerned were mainly middle income: threequarters of US investment in third world micro-electronic industries was concentrated in 11 countries, namely the four Asian "dragons," India, Thailand, Malaysia, the Philippines, Brazil, Mexico, and Colombia (Steward, 1991). Export-oriented investments in these countries were associated more with direct foreign investment from larger firms in industrialized countries than with firms producing for the local market; on the other hand, licensing was more associated with smaller firms (Tigre, 1995). The automation of production decreases the relative importance of labor-intensive manufacturing and cost of labor, thereby eroding the competitiveness of low labor costs. For instance, automation led to a sharp decrease in the difference between manufacturing costs of electronic devices between the United States and Hong Kong: in manual processes, manufacturing costs were three times higher in the United States, and the introduction of semi-automatic processes made the difference practically disappear (Sagasti, 1994). Equally, the expansion of automation in Japan has contributed to a reduction of Japanese investments in the Asia/Pacific region involving firms in electronics, assembly parts, and textiles (Sagasti, 1994).

The trend to increasing systems optimization and integration is most likely to induce large producers in industrialized countries to bring back a significant share of their production located in developing countries (offshore production). This movement has been called "comparative advantage reversal." As integration increases, with functions previously obtained by assembling pieces being incorporated in the electronic components, value-added is pushed out of assembly processes into the components themselves and upwards towards servicing. In addition, the growing technological complexity of electronic devices increases the value of the parts manufactured by firms located in industrialized countries. The amount of value-added obtained in offshore assembly has thus been constantly decreasing (Sagasti, 1994). Global factories constructed in locations of least cost, often at a considerable distance from final markets, were economically worthwhile because labor was one of the major determinants of costs. Technology and rapid responsiveness to volatile local markets are becoming more important components of competitiveness. The reduction of product cycles due to the growing resistance to obsolescence of programmable machines and equipment has led to a concentration of manufacturing investment in capital-intensive flexible manufacturing, further adding to the erosion of the comparative advantages of developing countries. The assembly of systems will probably continue in some developing countries that have adopted protective legislation for local production targeted at particular market segments (e.g. Brazil), although this is changing very rapidly (Steward, 1991). The types of equipment produced under these circumstances are used largely in internal markets and are hardly competitive on the international level; they tend to be far more expensive than comparable equipment available abroad, and often their installation and use are also more costly because of expensive auxiliary installations, under-use, and lack of management skills. Nevertheless, they may at least provide the country with the

capacity to follow the development of information technologies more closely. In other countries, assembly of equipment is taking place from components bought practically off the shelf, but as the level of hardware integration and the amount of software incorporated into the chips (firmware) grow, value added will be taken away from the assembly process, reducing or eliminating its economic advantages.

### ***The Impact of IT in Organizational Change and Human Resources***

As mentioned previously, the increasing global interdependencies and the accelerating pace of change demand more flexible and adaptive organizations (Malone and Crowston, 1991). Malone (1991) has defined organizational flexibility in terms of "vulnerability" and "adaptability." Effective implementation of IT would decrease vulnerability by reducing the cost of expected failures and enhance adaptability by reducing the cost of adjustment. Rockart and Short (1989) attribute the ever-increasing need for managing interdependence to competitive pressures that included globalization, time-based competition, increased market risk, and a greater emphasis on customer service and cost reduction. Bennis (1974) notes that "the organization's response to the environment will continue to be the crucial determinant for its effectiveness." Since postindustrial organizations will be faced with increasing environmental complexity and turbulence, organizations' needs to process information and make decisions will be substantially increased (Huber, 1981). The capabilities and flexibilities of computer-communication systems make them increasingly relevant to organizations by being able to respond to any specific information or communication requirement (Holt, 1992).

The cost of IT has plunged since the 1960s resulting in enormous investments in IT applications that have stimulated increasingly complex organizational change (Benjamin and Levinson, 1993). Benjamin and Blunt (1992) anticipate that technology cost-performance improvements will sustain this trend over the next decade. Presently, IT amounts to nearly one-half of US firms' annual capital expenditures and increasingly affects how firms organize, do business, and compete (Keen, 1991). IT may be considered as comprising of five basic components - computers, communications technology, work stations, robotics, and computer chips (Morton, 1988). In this article, "IT" is considered to be synonymous with the definition of "*advanced information technologies*" provided by Huber (1990):

- devices that transmit, manipulate, analyze, or exploit information;
- in which a digital computer processes information integral to the user's communication or decision task; and
- that have made their appearance since 1970 or exist in a form that aids in communication or decision tasks to a significantly greater degree than did pre-1971 forms.

IT is becoming all-pervasive and is having impact on all industries - in service as well as in manufacturing. It is affecting workers at all

levels of organizations (Daft, 1992) -- from the executives to assembly hands and clerks. IT is increasingly becoming an integral component of all types of technologies -- craft, engineering, routine, and non routine (Daft, 1992). Drucker (1985) has very rightly defined organization as "a structure in which information serves as the axis and as the central structural support." Benjamin and Levinson (1993) emphasized that for IT-based change to be effective, technology, business processes, and organization need to be adapted to each other. Comparing the present information revolution with the Industrial Revolution, Malone and Rockart (1993) indicated that the latest changes in IT would lead to the evolution of new technology-intensive organizational structures. They project that the advances in IT would result in dramatic decline in the costs of "coordination" which would lead to new, coordination-intensive business structures. Rockart and Short (1989) suggest that IT would enable the firms to respond to the "new and pressing competitive forces" by providing for "effective management of interdependence." Interorganizational relations, that are based upon trust and conditions of unstructured authority (Litwak and Hylton, 1962) would be created using newer types of coordination mechanisms. Malone and Crowston (1991) believe that in light of these new possibilities there is need to reassess our current theories of organizations, of markets, and of management. On the other hand, recent authors have recognized that information technology is a potential enabler of new types of work organization. Immediately following the changing environment of the mid-1980s, a number of authors proposed new work systems to contrast to the traditional "mass production" style of organization that dates back to the beginning of the industrial revolution. In batch manufacturing processes such as automobiles, new types of organization such as flexible specialization (Piore and Sabel, 1984), high performance work systems (MacDuffie et al., 1995; Ichniowski, et al., 1996), and lean production (Womack et al., 1988) have appeared. These general principles have also been examined by others in broader samples of the economy and in more narrowly defined industries such as metalworking (Osterman, 1994). While the exact description of these practices vary, they generally involve a combination of flexible machinery, skilled employees, and increased delegation of authority to line workers ("empowerment"), either through teams or through increased individual discretion. Recent authors have recognized that information technology is a potential enabler of these types of work organization. Milgrom and Roberts (1990) cite CAD systems and manufacturing automation as being complements to these types of work practices. Brynjolfsson et al., (1997) describes a case where new flexible production technologies failed to meet expectations in terms of productivity improvements until they were coupled with increased delegation of authority and a teambased production structure. Hicks (1970) indicate that integration of computers and communication networks with decentralization of decision rights to line workers improves organizational performance. Ichniowski et al. (1996) cite IT as a potential barrier to the diffusion of workplace innovation; despite high productivity gains possible with these work practices, diffusion may be slowed because of the need to make complementary investments in information

technology. Hitt (1999) indicates that the value of computer controlled machinery increases with flexible work practices. Numerous other authors have considered the notion of ITskill complementarity as potential explanations for rising differences in wages between high school educated and college educated workers (Autor et al., 1998; Krueger, 1993; Berman et al., 1994).

There are at least two possible explanations for a complementarity between decentralized organizations, skilled employees and IT. The first arises from the need to better utilize specific knowledge (Hayek, 1945). Through communications technologies and expert systems, line workers can be provided the necessary information as well as analytical support to take action on specific information that they might possess by virtue of their direct contact with customers or the production process (Fisher et al., 1994; Brynjolfsson and Mendelson, 1993). Monitoring systems can also enable managers to increase delegation of authority without losing management control.

Second, IT may increase the demand for information processing, creating information overload on key decision makers (Simon, 1976; Brynjolfsson, 1994). One way in which an organization can expand its ability to process information is to delegate authority to line workers (Brynjolfsson and Mendelson, 1993) or by building lateral communication links to enable individual decision makers to be more effective. As information processing demands increase on line workers it may also need to be coupled with an increase in the demand for cognitive skills (Hitt, 1999).

Altogether, this suggests the possibility that IT will be more complementary to higher skilled labor and those employees that possess high levels of decision authority. For tasks that can be easily codified though rules or require relatively low level cognitive skills (information retrieval and storage), IT can be used for automation, substituting for the use of labor. The recent developments in industry worldwide have shown that changes in workplaces and working life have, on the one hand, frequently led to considerable improvements experienced by the workers and employees: many unhealthy and dangerous jobs have disappeared in all the industrialized countries, groupwork and decentralization have been introduced in many branches of industry; automation has taken off many burdens from workers etc. On the contrary, jobs have vanished worldwide in the wake of these changes, at an alarming rate. Furthermore, changes of company ownership have made entire work sites disappear although considerable improvements in the economic viability of these plants may have been achieved through human-centered design of technology and work. The concept of 'shareholder value' has become more important than that of many industrial developments against long-term viability concepts.

These and other developments seem to counteract attempts to further improve production and service performance towards human-centeredness. Dissatisfaction, however, is already spreading. It is concerning the general economic strategies which are frequently termed 'rationalization', or lean production, downsizing etc. Today, rationalization may rather be understood as the continuous effort of humankind to achieve optimum system

performance through the most careful cautious consumption of resources (labor, materials, energy etc.), and without damage to the environment. It may not always include using more technology; it may rather concentrate on re-designing work organization to achieve its aims.

### Conclusions

The design of the organizational structure should take into account and take advantage of the information and information-processing supports which could be designed, and in the not distant future will be inexpensive. The technology itself is neutral, but it can greatly increase humanity's welfare, depending on how well it is used. What is missing is the full recognition of the strong interactions between this technology and organization design, and the consequent need to take a systems approach to the joint design of organizations and their information support systems (Holt, 1992). The developing countries should take into account IT integration with their organizational structures seriously. In order to compete with industrialized countries in the same arena and face crucial challenge of survival, application of IT capital and new organizational structures are inevitable for third world countries. Having realized the role of IT in managing organizational change, the firms in developing countries should not misinterpret IT as being substitution for work force. Yet they must give serious attention to provide IT integration as being complementary for labor.

Organizations with higher skilled staff, newer capital, decentralized work practices and lower inventories have a much greater degree of complementarity between IT and Capital, but a similar if not greater degree of IT labor substitution. The observation of differences in complementarities between IT and Capital is consistent with the idea that there are at least two clusters of organizational practices with different fundamental economics: traditional organization, based on concepts of mass production, and modern organization which is characterized by flexible machinery, newer capital, skilled workers, lower inventories and greater decentralization of decision rights to line workers. It is also consistent with recent observed trends in the rapid adoption of ERP systems and the general trend in the U.S. economy of accelerating capital investments. While the increase in capital is often attributed to a rise in IT spending, the amount invested in computers even today is still relatively small compared to the magnitude of other investments (by most estimates IT represents about 10% of capital spending in current dollar terms)(Brandt 1999). However, if computer investment also makes it more profitable to increase capital investment the benefits of computers to productivity can be greatly magnified.

The labor result is somewhat more perplexing. One explanation, that is not inconsistent with the modern manufacturing concept, is that IT increases demand for certain labor skills (ITskill complementarity) yet the skilled labor complementarity does not outweigh the substantial ability of IT to substitute for relatively lowskill, routine tasks. For example, in many of the classic reengineering stories (Brandt 1999) large staff reductions can simultaneously be accompanied by increases in skill and

responsibility for those employees who remain. For instance, the Ford Accounts payable reengineering project greatly increased the responsibility of the 125 workers who remained in the department, but also led to the elimination of 500 jobs. In other words, even within decentralized organizations there is still a large component of the workforce that is amenable to IT substitution and a much smaller segment of the workforce where IT is a complement (Hitt, 1999).

An alternative story is that organizations that are more decentralized have more staffing flexibility and are therefore able to take advantage of more IT labor substitution possibilities. Without detailed data on workplace skill, it is difficult to identify this effect by using the approach developed here, but this explanation would reconcile these results with evidence of a complementarity between IT and skill that has been identified in the literature on wage inequality (Krueger, 1993; Autor, Katz and Krueger, 1997; Bresnahan, 1997). While IT is a complement to skill, being able to realize these IT skill complementarities may require organizational restructuring and staff reduction. A second possibility is that another aspect of the modern manufacturing system, the increased reliance on suppliers and outsourcing, is also leading the appearance of labor substitution. There is theoretical and empirical evidence that IT investment is associated with decreased vertical integration (Hitt, 1998; Brynjolfsson, et al., 1994; Clemons et al., 1993) which is also consistent with this interpretation. However, regardless of which interpretation is true, it is suggested that even as firms shift toward using modern technology and empowered workers, we still expect IT investment to be associated with workforce reduction. Having claimed this particular result, there is even a great role that IT offers for firms in developing countries; instead of being pro of downsizing policies, they must ensure to make more of IT and labor complementarity in their organizations.

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# Exploring cross cultural dimensions for hiring processes

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**ABSTRACT** - People hailing from different parts of the world tend to interpret the words and the non verbal signs in different ways. With the world becoming a global village and geocentric ways of hiring right men for the right job gaining a high popularity, the interview taking processes have gradually evolved during the years. One cannot treat everybody the same regardless of culture without adverse consequences. In Asia, simple gestures that would be benign or complementary in one country could be a gross insult in another country. It is imperative not only for the aspirants but also for the people sitting on the other side of the table to understand the importance of cross-cultural communication for their organizations as well as for interviewing processes. This research paper highlights the importance of Intercultural communication for cross cultural hiring. It also studies the cues of cross cultural communication as an essential dimension for interview processes.

## Objectives

1. To study the importance of cross - cultural communication during the interviewing processes and
2. To focus on effective cross-cultural interviewing strategies for recruitment, selection and career development.

## Emergence and importance of cross cultural communication

The past few decades have witnessed rapid advancement in product and process technology and in information technology. Many firms have emerged with innovative products or with improved process technology. The development of information technology has brought different countries closer and has encouraged firms to move across their geographical boundaries. This effect is further enhanced leaps and bounds with the Indian economy going global and liberal. A competent organization needs strong communication linkages not only for hiring people but also for reaching out to the ultimate consumers. Cross-cultural management is one of the most important facets for a manager in the rapidly evolving business today. Sensitizing oneself with local cultures, business practices and their impact on personality traits is thus becoming increasingly important with cross-border processes. Understanding each other's culture facilitates cross-cultural communication.

However, with business flowing and penetrating deeper into different geographies and companies hiring people from diverse countries and cultures, a deeper sense of cultural appreciation is not just a passing fashion, but has become imperative for creating a better working environment both within and outside the organization. A case of Dell Computer Corporation can be studied for understanding the importance of cross-cultural management.

When Dell Inc. moved into Asia, people told them that their Western concept would not work there. But rather than tailoring the strategy to fit the culture, they did some localization. One can't sell English-language computers in China. From a cultural perspective too, customers in other countries are different. Some Germans were not comfortable telephoning in a response to an advertisement; they found it too forward. They will, however, respond to an ad that features a fax number. They'll send in a fax, asking for more information, and will provide their name and phone number so that a Dell representative can call them. The conversation that ensues is

almost exactly the same as that which would have occurred if the German customer had made the call himself. It was a slight modification that allowed the Dell to adapt to cultural differences without altering the business strategies.

(Source:[http://1000ventures.com/business\\_guide/crosscuttings/communication\\_cross-cultural.html](http://1000ventures.com/business_guide/crosscuttings/communication_cross-cultural.html))

Cross cultural communication and its importance can also be studied with the help of following examples which were nothing less than marketing disasters:

1. When Gerber started selling baby food in Africa, they used the same packaging as in the US, with the smiling baby on the label. Later they learned that in Africa, companies routinely put pictures on the labels of what's inside, since many people can't read.
2. Colgate introduced a toothpaste in France called Cue, the name of a notorious magazine.
3. An American T-shirt maker in Miami printed shirts for the Spanish market, which promoted the Pope's visit. Instead of "I saw the Pope" (el Papa); the shirts read, "I Saw the Potato" (la papa).
4. Pepsi's "Come Alive with the Pepsi Generation" translated into "Pepsi Brings Your Ancestors Back from the Grave" in Chinese.
5. When American Airlines wanted to advertise its new leather first class seats in the Mexican market, it translated its "Fly in Leather" campaign literally, which meant "Fly Naked" (vuela en cuero) in Spanish!
6. A simple language check employed by most modern marketers should have prevented a shoe being given the same name as the poison gas used by the Nazis during the Holocaust. But it didn't. The British sportswear manufacturer Umbro apologizes and withdraws the Zyklon brand name.

(Examples' source: [www.marketingjokes.com](http://www.marketingjokes.com))

Such kinds of problems could have been solved by gaining knowledge in advance. Employees of the organization need to understand the potential problems of cross-cultural communication and adjust one's behavior accordingly. The resolution can well begin with the following strategies:

1. Probing for the cultural dimension

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2. Learning about other cultures
3. Altering organizational practices and procedures for that geographic region only.

Improved cross-cultural communication increases global sourcing productivity. The cultural differences are an important factor in international negotiations too. In addition to language differences, different cultures have differing values, perceptions and philosophies. As a result, certain ideas may have different connotations in different cultures. For instance, Americans and Japanese tend to have a different view of the purpose of negotiations. Americans see the goal of negotiations as to produce a binding contract which creates specific rights and obligations. Japanese see it as a medium to create a relationship between two parties. The written contract is simply an expression of that relationship. While the Japanese may be willing to modify a contract to reflect changes in the party's relationship, Americans see as a tendency to renege. Americans' insistence on adherence to the original terms of the contract may be perceived as distrust by the Japanese. (Jeswald Salacuse)

The increase in cross border human traffic has meant that companies are no longer dealing with a homogenous native community from which they recruit their staff. Companies are now facing cross-cultural challenges in how they recruit, manage and develop a multi-cultural staff. One area of note where human resources and management are finding difficulties is in the interview room. Despite the widespread use of interviews as a selection tool (Graves & Karren, 1996), increasing workplace diversity has created challenges for interviewers and interviewees. The changing nature of workforce demography may result in a shift in people's work values, attitudes, and beliefs, which have important ramifications for the importance placed on certain work aspects. Different personal attributes are believed to exert influence on individuals' work expectations (Harpaz & Fu, 1997; Wiersema & Bird, 1993). Hence, recruiters and managers can expect different job expectations, and creative job designs may be required to accommodate diversity (Chan, 2002). Consequently, matching individuals to jobs while considering diversity issues can be challenging for those involved in the process. As many societies and workplaces become increasingly multicultural (Osman-Gani & Tan, 2002), interviewers and interviewees need to be prepared for job interviews. This is especially important when the mounting evidence that multiculturalism offers tremendous competitive benefits to an organization is considered (Raatikainen, 2002; Richard, 2000). Thus, having a better understanding of cultural values and behaviors may help recruiters make informed hiring decisions. This is necessary to ensure that candidates in cross-cultural interviews are not discriminated against through misperceptions and poor judgments. Cross-cultural interviewing refers to collection of interview data across cultural and national borders being interviewed by culturally different recruiters (James A. Holstein, Jaber F. Gubrium)

Hiring managers therefore need to be culturally sensitized for effective cross-border recruitment, but how can one effectively hire people whose attitude and behavior differs markedly from one's own? All hiring managers share a common goal in wanting to hire the best. Case studies are used to illustrate the importance of cultural sensitivity in successful interviewing.

#### **Case study 1 - The case of Zaidi**

Zaidi was an Algerian man with more than 10 years of relevant

industry experience. He had been in Australia for 6 months. The hiring manager (Bob) who interviewed Zaidi was a Caucasian Australian. Zaidi's resume and cover letter revealed a strong transferable skill set. The candidate demonstrated a reasonable knowledge of the relevant products and services offered by the hiring company. The hiring process had several steps. Zaidi had several phone discussions with the consultant. These contacts revealed Zaidi's lack of cultural awareness. At the interview, the consultant decided to take a culturally sensitive approach. The interview icebreaker focused on Zaidi's personal background, followed by his experience of living and working in Australia. This approach allowed the consultant to establish a closer rapport with Zaidi. More important, the consultant highlighted cultural similarities and differences with Zaidi, thereby allowing him to acknowledge and affirm his experiences. An acceptance of similarities and differences in attitudes, perceptions, and behaviors of the two different cultures was encouraged. When Zaidi seemed sufficiently relaxed, the rest of the interview focused on the selection competencies. The interview concluded with how Zaidi might modify his behavior to make himself better understood by an Australian manager. Although some of the feedback was personality based, other feedback was culturally based, with the recognition that both factors influence behavior.

It was considered equally important for the hiring manager to be coached. Bob showed great propensity, tolerance, and knowledge of cultural differences. He was advised to build a relationship with Zaidi in the first 10 minutes and not form any opinion of the candidate during this time. Suggested topics for discussion included family life, experiences, and circumstances. When good rapport was developed between interviewer and interviewee, the assessment for competencies could begin. Eventually, Bob with a starting salary that was more than 40% higher than the initial offer recruited Zaidi.

#### **Case study 2**

Siva was an Indian candidate who had applied for an information technology support role in the financial services industry. He was to be interviewed by an Australian manager, Tom. Initially, Siva's resume was not appropriate because his reverse chronological resume indicated he was, at that time, a trainer in a call center. When Siva's last role was ignored, his work experiences in three separate roles prior to the last had some relevance. The consultant decided to interview Siva. During the interview, Siva was very grateful, articulate, and engaging. It was mutually agreed that Siva's resume revealed some culturally driven values. Too much information was presented in the resume, which reflects the findings that people from a high-context culture tend to place more emphasis on nonverbal cues (Hall, 1989; Vida, 1999). Hence, when an individual from a high-context culture writes, there is a tendency to write more than necessary to compensate for the lack of verbal or written cues. Some of the information in Siva's resume was not job relevant. Relevant information about Siva's experience was crystallized; Siva then sent a revised resume to the consultant, who then forwarded it to Tom. Siva was offered the job with a salary of almost 30% above his initial expectations.

(Case studies' source: Richard Winter et al in their article "Cross cultural interviewing in the hiring process: challenges and strategies, dated Mar.'01, 2006)

#### **Interviews as a recruiter's tool**

The interview is an indispensable technique for gaining insight into

a person's thoughts, emotions, plans, motives, and expectations in short, all the elements that make the subject unique. An individual's academic or professional success no doubt depends on aptitudes and knowledge that can be measured objectively, but it is not possible to predict such achievements without some understanding of the person's motivations, interests, attitude towards work, and value system. Some personality traits can be measured through tests but in a competitive situation all such instruments are much too transparent and cannot tap the most relevant personality characteristics.

The face-to-face interaction of an interview provides a vital tool for uncovering such information. However, this measure is inevitably a subjective one, clouded by participants' personal reactions. The competitive situations in which most educational professionals conduct interviews create a further barrier to clear communication because interview participants do not necessarily share a common goal. While the interviewer is trying to get to know interviewees and evaluate their adequacy for a profession or a scholarship, the interviewees are trying to present themselves in the best possible way.

Experience may sharpen the interviewer's perceptions and sensitivity to various emotional reactions and cues coming from the interviewee. Tone of voice, facial expression, gestures, and the manner of speaking may be in apparent contradiction with the interviewee's statements. This inconsistency serves as a valuable source for hypotheses about causes for the difference between what is being said and how it is being said. At the same time, attempts to interpret Para verbal and nonverbal signals of this kind are even more subjectively loaded than interpretations of the interviewee's statements.

If the participants speak the same language but are coming from different cultures, the common language makes possible a fluent verbal conversation but at the same time may create an illusion in the minds of participants that they also share the same culture. Only development of interviewing skills and awareness of various error sources in subjective evaluations can help the interviewer avoid the many pitfalls of a cross-cultural interview and enhance the value of obtained results. It seems worthwhile to consider for a moment some of the cultural determinants that might play a part in a cross-cultural interview. Although the greater part of world and understands English, there are great cultural differences between people. These differences are caused by historical development, religious affiliation, traditions, customs, and conventions. An individual's development always takes place within a particular culture, which influences not only value systems, motivations, interests, working habits, and emotional reactivity, but the expression of all those characteristics as well.

This can be illustrated with following examples.

Example 1: There are parts of Yugoslavia where a male subject would never discuss his private thoughts and feelings with a female interviewer. This resistance grows out of his firm conviction that she is not his equal. If a young man is raised in an environment where, in accordance with religious rules, one male witness can be replaced only by two female witnesses, then he is not likely to believe resolutely in the equality of the sexes, at least not while still young.

Example 2: In some areas of Yugoslavia the father or an elderly makes every decision concerning a young person's future relative.

Such decisions are not to be questioned in any way. This means that in an interview such candidates would not discuss why they had chosen a particular vocation or to pursue a scholarship because the decision had been made for them. It would be useless to search for reasons, motives, or interests on the candidate's part. However, the fact that the choice was made for such candidates does not mean they cannot reach the chosen goal or will not try to reach it, as could be the case with a person coming from another culture. The point is that it would be wrong to dismiss a candidate who is not able or willing to articulate why a decision was made. (Source:

<http://www.managementhelp.org/evaluatn/intrview.html>)

### **Barriers to cross-cultural communication**

According to Stella Ting-Toomey, there are three ways in which culture interferes with effective cross-cultural understanding.

1. There are "cognitive constraints". These are frames of reference or world views that provide a backdrop about all new information which is compared to the existing system.
2. There are "behavior constraints". Each culture has its own rules about proper behavior which affect verbal and nonverbal communication.
3. There are "emotional constraints". Different cultures regulate the display of emotions differently.

It is widely recognized that socioeconomic background influences a variety of speech dimensions, such as vocabulary, syntax, and pronunciation. It is interesting to point out that even with education and intelligence level held constant; speech differences related to social background remain. Such extra linguistic cues, however, can elicit fairly clear-cut personality stereotypes or attributions about a speaker. If we add to this different conventions for emotional expression that determine when and how emotions are to be shown, it becomes obvious that in a cross-cultural interview we are faced with many difficulties in the interpretation of what we see and hear. However, cross-cultural misperceptions and poor judgment hinder the process of proper recruitment.

When interviews take on a cross-cultural element, differences in how to act can cause misunderstandings. Such misunderstandings will unfortunately lead to interviewers wrongly rejecting candidates. Each of us defines normal behavior according to our own cultural criteria, assuming similarities instead of differences. It is, therefore, important to be aware of our own cultural biases when conducting interviews. Other barriers to an effective interview include both verbal and non-verbal language, stereotyping (we hear what we expect to hear) and stress. It's important to remember that questions may have the effect of encouraging or discouraging talk. This means that the observation and interpretation of many cues may be significantly hindered in a cross-cultural interview. Understanding the Para verbal and nonverbal signs typical of one culture might not be helpful in understanding those of another culture. The interviewer cannot be knowledgeable of all cultural differences, nor would it be reasonable to expect this.

The first step is to avoid the divisive tendency to put negative labels on those whose behavior differs from our own. For example, the hiring manager may judge what one candidate may regard as relaxed and easy-going as lazy and indecisive. Being blunt in the conversation does not mean he/she is rigid, inflexible or reserved as the interviewer may assume. Assumptions refer to several inter-related elements. Interviewers assume what should or should not

happen, what is normal and abnormal, and what is correct or wrong. Assumptions also refer to what someone's physical appearance says about them, what their body language says about their confidence, how people communicate and how they present themselves.

For example, a cross-cultural interview is taking place between an English interviewer and a German interviewee. Fairly early on in the interview the interviewer starts to make assumptions regarding the person's character, personality and suitability for the post based on misperceptions of the German candidates appearance, behavior and communication style. Although the interviewee is rather highbrowed, blunt in conversation, formal and academic in demeanor this does not mean he/she is rigid, inflexible or reserved as the interviewer assumes. Rather, this is how the play is acted out in Germany. If the interviewer had been a bit more aware of German theatre (i.e. Cross culturally aware), then possibly such assumptions would not have been made.

As we can see from the above example, assumptions can lead to interviewers making the wrong decision based on their culturally insensitive assumptions. In this case, they could have potentially lost a genuinely positive addition to their company.

In addition to the areas mentioned in the example above, interviewers must also be aware of culturally ingrained assumptions made about areas such as eye contact, tone of voice, gestures, posture, showing emotions, the giving out of information and the use of language to name but a few. All have a cross-cultural element that needs to be understood properly. Interviewers may interpret behavior differently than the interviewee does. For example, not making eye contact is a form of respect in some cultures (including parts of the middle east and Far East) and not in others. When Middle Eastern candidates avoid making eye contact to show respect for interviewers, many European or North American interviewers perceive they are hiding something or not interested in the position. This usually results in these candidates not getting the job. (Source

[Http://www.cpiworld.ca/default.asp?tier\\_1=21&tier\\_2=29&content=48](http://www.cpiworld.ca/default.asp?tier_1=21&tier_2=29&content=48))

Similarly, to speak loudly and clearly may be construed to be a positive trait in the United Kingdom (UK), but in many other countries such as Malaysia they believe speaking softly is a good quality. In the United Kingdom (UK) and other 'western' nations, we communicate explicitly, meaning we divulge information beyond the topic at hand based on the premise the listener is unaware of background or correlating issues. Implicit communicators, such as the Japanese, divulge little, as they believe the listener will be aware of such issues. A Japanese interviewee therefore is not being purposefully vague, but on the contrary assumes that one understands what he/she means to imply.

To 'name drop' in interviews may be considered inappropriate for many recruiters in Europe, however in countries where family and community ties play a greater role such as in Mediterranean countries, to mention one's relationship with someone of influence is natural. Although Latin Americans are very expressive and emotional, this does not equal them as being excitable and unstable and therefore unsuitable for professional jobs. (William Gudykunst & Young Yun Kun)

Language also plays a crucial role in cross-cultural interviews.

A large software services client was looking to hire someone for the position of head- enterprise consulting for the Japanese

market, to be based in Tokyo. The hiring manager was conducting telephonic interviews with the candidates. One after another, good candidates with excellent pedigree were being rejected, the feedback being common they seemed to be lacking confidence and none of them had a good command over English. ([www.expresscomputeronline.com](http://www.expresscomputeronline.com), 27, March '06)

The key point is that assumptions must be overcome if recruiters are to do their job effectively. It is therefore critical that recruitment staff starts to assess analyze and overcome cultural assumptions through greater cross-cultural awareness if they wish to do the best for their companies.

### **Cross-cultural communication strategies**

Effective techniques, which include establishing rapport with the candidate, building a relationship, and choosing appropriate interview styles, are provided for practitioners.

The basis of incorporating a cross-cultural framework of understanding in interviews is in overcoming 'assumptions'. People can be trained to recognize some culturally determined characteristics, but they would be mostly stereotypes, for example, "people from the south gesture a lot and talk loudly." Guidelines when preparing and asking questions in a cross-cultural interview can be:

#### *Preparing Questions:*

1. It is important to word the questions properly.
2. One must be aware of how different cultures view direct or indirect questions. For some, a more direct approach to asking questions may cause discomfort; people from this culture may prefer a subtler, indirect approach.
3. Sentence structure should be clear and the words must be familiar. Use of slang or jargons must be avoided.

#### *Asking Questions:*

1. Questions must be specific and must be asked one at a time.
2. Questions must be put across in the right order. This will help the subject to follow the conversation more easily.
3. There must be a pause after each question. The interviewer must be aware of the different conversational patterns that exist in cultures. In the developed world, we are uncomfortable with those periods of silence we often refer to as awkward pauses. However, for many cultures, these periods of silence in the conversation indicate contemplation.

*A few suggestions are further mentioned for the interviewing processes:*

1. At the beginning of a cross-cultural interview, instructions should be detailed and copious. The interviewer should be ready to answer any questions about the interview the candidate might have. In this introductory phase, some mutual goals for the interview should be established. The interviewer should explain the purpose of the interview in a manner that may persuade the candidate to talk freely about all subjects. These preliminary instructions should create a cooperative climate and diminish any resistance from the candidate.

2. For a cross-cultural interview it may be helpful to use some so-called "projective questions." if candidates are not introspective or

not used to talking about their feelings and motives, they should be asked to describe their best friend, or the teacher they liked the most, and to explain their reasons for this affection. For instance, if one candidate describes a best friend as a hard-working, reliable, and loyal person, while another talks only about the material goods the friend possesses, both of them would be providing an insight into their value systems, without talking about themselves.

3. One of the aims of interviewing is to enable the interviewer to evaluate the adaptability of a candidate to stressful or frustrating situations. To get at the coping mechanisms of candidates, the interviewer might ask them to describe their worst experience and how they behaved. Their response to this question would reveal what they considered a painful experience, while the description of their behavior would disclose some of their coping mechanisms.

4. The interviewer could have a checklist with items for vocabulary, pronunciation, syntax, emotional expression, appearance of the candidate, etc., on which to check what is seen and heard without evaluating it.

5. At the end of the interview, before making any definite judgments, interviewers should ask themselves what the real weight of the registered behavior is in light of the candidate's goals. For instance, if the candidate's voice quality and manner of speaking are remote is it going to prevent him or her from becoming a good take to the organization? Interviewers should ask themselves whether certain behaviors could be a handicap for a chosen vocation or whether they have only tapped personal prejudices.

#### **Implications for interviewers and career development professionals**

Interviews are usually used in recruitment and selection, promotion, identifying training needs, and performance review. Thus, career development professionals (e.g., managers, career counselors, career development facilitators, employment counselors, workforce development professionals, and human resource practitioners) need to be aware of the potential impact of discrimination caused by cultural misunderstanding. Although the extent of discrimination is difficult to determine, many practitioners are concerned about the negative impact discrimination has on employees' attitudes, which could, in turn, compromise individual and organizational performance (snape & redman, 2003). Despite the presence of laws prohibiting racial vilification and organizational policies against discrimination, such awareness needs to be translated into practice where cross-cultural interviewing is concerned.

Because the success of an organization is believed to be heavily dependent on its human or intellectual capital, practitioners need to be aware of the cultural forces at play during an interview. Poor interview practices that result from interviewers' bias, halo effect (i.e., drawing a general impression about an individual based on a single characteristic, such as intelligence or sociability), and excessive use of unstructured interviews undermine an organization's competitive advantage (graves & Karren, 1996; spence & Patrick, 2000). An important lesson for interviewers and interviewees to bear in mind is that speaking the same language does not mean sharing the same culture. This was highlighted in Siva's case, in which fluency in English did not mean he was culturally similar. The icebreaker example cited in the case of zaidi illustrates the importance of developing rapport with the interviewee before assessing competencies for a given position.

Thus, an interviewer needs to develop rapport with the interviewee by building a relationship that is based on trust, understanding, and acceptance. Organizations might wish to diversify the interview panel. Another alternative is to use a composite assessment methodology, in which the interview is only a part of a range of selection tools. There are policy and practical implications for organizations to ensure that interviewers are aware of cultural similarities and diversities. For example, a mandatory cultural training policy that is supported by the executive team can be considered. The program needs to focus on raising cultural awareness and improving cross-cultural communication. In addition, interviewers need to be able to differentiate between skills, personality, and culturally based behaviors. Thus, career counselors, supervisors, managers, and trainers need to be prepared to deal with diversity (Evans & Iarrabee, 2002), provide minorities with tools to deal with workplace issues (Flores & Heppner, 2002), and understand the cultural needs of others so that effective intervention strategies can be applied (pope, 1999). Future researchers are encouraged to investigate the effects of career support for minorities on a variety of work attitudes and outcomes. (Source:

[Http://www.kwintessential.co.uk/cultural-services/articles/cross-cultural-interviews.html](http://www.kwintessential.co.uk/cultural-services/articles/cross-cultural-interviews.html))

#### **Conclusion**

The benefits of effective communication and cross-cultural competencies are priceless. Be it business dealings, off shoring or virtual teams, one-encounter interactions with people from around the globe every day. Effective communication and skillful cross-cultural management are essential tools of leaders: they add real value in cost savings (preventing loss of morale, employee turnover, lawsuits or post-merger pains) and top-line growth (sales results, strategic opportunities or productivity). The burden of neutralizing the impact of cultural differences in an interview lies with the interviewer. This burden will be less heavy if each of us considers the relative values of different cultures, including our own. Great caution in interpretation of interview data should be the first demand for a cross-cultural interview. Without a cautious attitude, the interviewer is liable to misinterpret some of the observed signs and not recognize them as culturally determined.

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# Achieving Customer Satisfaction through Customer Experience Management

Nazia Sultana\*

**ABSTRACT** - *Today's customers are becoming more demanding and often drive a hard bargain. They utilize multiple channels and touch points to interact with your organisation during their life cycle (customer journey). If you are serious about differentiating your organisation, you cannot ignore the negative impact that inconsistent and piecemeal customer experiences will have on your business. Every customer has a different experience with a company. The challenge is in understanding what their individual needs are. Marketing research has shown that about 70 to 80% of all products are perceived as commodities that are, seen as being more-or-less the same as competing products. This makes marketing the product difficult. Marketers have taken various approaches to this problem including: branding, product differentiation, market segmentation, and relationship marketing. The literature on Customer Experience is growing fast and the debate among scholars and practitioners is fervent. While many studies explore such theme from a theoretical viewpoint, tools aimed at supporting marketing managers in devising the right stimuli to support an excellent Customer Experience are still scarce. This paper will highlight the Customer Experience Management's Critique of traditional marketing, the techniques of Customer Experience Management, the elements of Customer Experience Management and the trends in Customer Experience Management and also puts forward the lesson that managers need to learn in securing customer satisfaction through experience management.*

## Introduction:

*"While great devices are invented in the Laboratory, great products are invented in the Marketing department."*

– William Davidow

Marketing has failed to live up to the exalted position that Peter Drucker gave it more than three decades ago when he declared, "The business has two basic functions: marketing and innovation. Marketing and innovation produce results; all the rest are costs." To claim the strategic high ground, marketing needs to reinvent itself. And in doing so, it should always remember that it is the CUSTOMER who has, who is and who will make the business for the marketer. Therefore, the role of a customer cannot be ignored and hence most organisations are now adopting the concept of Customer Experience Management.

Marketers often complain about the lack of authority and lack of influence over their colleagues in engineering, operations or finance. The simple fact is - nobody will give you a seat at the table; you have to earn it. And the best way to gain power is through knowing your customers better than anyone else in the organisation.

Customer expertise will provide marketers with the courage of conviction they need to promote their point of view to other parts of the organisation. Remember that you cannot outsource customer understanding to market research vendors. You have to get in front of customers and get inside their lives. As a Punjabi proverb states: "If you want to see heaven, you have to die yourself."

## Need for the Study:

Individuals are so busy in their professional and personal lives that they value more highly those companies that provide us with good experiences.

A company can gain immense value by listening to how their customers interact with them. That is when customers' sentiments and feelings are at their most raw and real and, therefore, will offer the greatest potential benefit to an organization though only when acted upon appropriately.

By creating marketing "experiences" compelling and frequently offbeat physical or virtual places designed to attract new customers and rekindle the interest of existing customers companies generate additional demand for core offerings. The experience itself may be poles apart from the company's core manufacturing or service business, but it becomes the entrée for a relationship and host of potential transactions. Indeed, many companies that understand the principle that the experience is the marketing among them American Girl Inc., Starbucks, and Recreational Equipment Inc. (REI) find that their venues create so much goodwill (and so much economic value) they completely forgo, or do very little, traditional advertising. Moreover, some of the most innovative and successful efforts at marketing experiences actually generate enough revenue to pay for themselves.

When companies create compelling, engaging, and memorable experiences, customers gladly pay for them and the companies can recoup their investments. Or, put another way, with no outgoing marketing expenditures, but rather cost recovery or even profits, the return on investment on the marketing budget can bring in incredible benefits to the organisation.

Therefore, the study has relevance in today's highly competitive and globalised environment. Added to this the market place is flooded with "me-too" products and it has become essential for companies to carve a niche in the minds of the consumers by creating delightful experiences at every level of customer interaction. By providing the experiences consumers want today, companies can forestall the forces of commoditization and reap the

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economic rewards.

### Who is a Customer and what is Customer Service?

**Customer:** A customer refers to individuals or households that purchase goods and services generated within the economy.

A person, company, or other entity which buys goods and services produced by another person, company, or other entity.

### Customer Service:

*"A customer defines good customer service as how he/she perceives that an organization has delighted him/her, by exceeding to meet his/her needs".*

**-Ron Kaufman, Customer Service Guru**

### A Back Drop to Customer Experience Management

**Definition:** Customer experience management (CEM) is "the process of strategically managing a customer's entire experience with a product or a company" (Schmitt, 2003, p. 17).

**Meaning:** Customer experience management (CEM) focuses on the total customer experience as the value proposition, and a growing number of companies are seeking to proactively design and manage the impressions made at each customer touch-point with their brand.

Marketing research has shown that about 70 to 80% of all products are perceived as commodities that are, seen as being more-or-less the same as competing products. This makes marketing the product difficult. Marketers have taken various approaches to this problem including: branding, product differentiation, market segmentation, and relationship marketing.

The literature on Customer Experience is growing fast and the debate among scholars and practitioners is fervent. While many studies explore such theme from a theoretical viewpoint, tools aimed at supporting marketing managers in devising the right stimuli to support an excellent Customer Experience are still scarce.

Chris Voss and Juan Pablo Valencia (London Business School), (2003) in their work on "Experience and the Brand" say that, the topic of experience management is increasingly attracting interest from both business and academic worlds. Companies are increasingly seeking to use experiential management and experiential marketing as part of their service design and offering

Relationship marketing, (also called loyalty marketing) focuses on establishing and building a long term relationship between a company and a customer. There are several approaches that have been espoused including customer experience management, customer relationship management, loyalty programs, and database marketing.

Looking at the current business literature, it appears as if CEM might be following CRM as one of the leading concepts for the years to come. Several books have been written on "Experience" in the last decade and a half, not all of them actually using the term customer experience management. "Experience" authors include Bernd Schmitt, Jerry Zaltman, Pine/Gilmore, Patricia Seybold, Shaun Smith, and Gerhard Schulze to name just a few. The term customer experience management is being used most obviously by Bernd Schmitt. Various leading consultancies now offer CEM

Consulting.

### CEM's critique of Traditional Marketing

The development of customer experience management originally started with a critique of the existing marketing concepts. It concluded that the following concepts do not go far enough:

- **Marketing concept**--Since the 1970s there has been a gradual shift from a product-technology, and sales-focused orientation towards a customer- and market-oriented approach by determining the wants and needs of customers and satisfying them more efficiently or effectively as compared to competitors. However, the approach is still mostly functional, with similarities and differences between competitors being defined mostly by product features and customer benefits. In addition, the customer is perceived as being rational, which is in most cases not the case, as e.g. Kahneman and Tversky's Prospect theory has proven. Also, it is asserted that market research is mostly analytical leaving little room for qualitative assessments of customer relationships towards products, services, or brands. It is claimed (by Shultz) that traditional marketing, in practice, takes an inside-out approach (starting with internal variables like production capabilities and available capital then moving to external variables like customer needs), rather than taking an outside-in approach as marketing theory requires.

- **CRM Concept:** Customer relationship management is claimed to be deficient because it primarily consists of database and software programs used in call centers and thus, focuses too much on quantitative data. By doing this, it is lead by transactions rather than a desire to build lasting relationships with customers. Customer satisfaction is an outcome-oriented attitude deriving from customers who compare the performance or value of the product with their expectations of it. It is claimed that the customer satisfaction approach depends too heavily on outcome oriented measures like satisfaction and too superficially on direct experiential measures. A customer is said to be satisfied when a product's performance is above the customer's expectations. Thus, traditional customer satisfaction techniques are deficient if they don't help firms to understand and manage customers' experiences, experiences that lead to the following equation: good experience = satisfaction.

The CEM concept recognizes, as does all of marketing since the early 1970s, that customers are a company's most valuable asset. What makes CEM different from traditional marketing is that it claims that marketing theory has seldom been implemented adequately. The elements that a CEM approach brings to the operational design process are twofold:

Enhance key value drivers to differentiate the customer experience, and

Include a systematic response to address the negative experiences.

For example, **Chennai Based BK Systems** started looking beyond tele banking solutions. The company looked closely at the BPO space, more specifically on contact centers. Here quality is of paramount importance, and the effectiveness and efficiency of the contact centers are determined by their First Call Resolution (FCR) rates. **Zivah**----The product is an Interaction Logger and Quality Monitoring (QM) suite which aims to address effectively the First Call Resolution (FCR). The product shifts the focus from being an

analytical tool to a real time performance improvement tool. The entire focus is on continuous performance improvement of call center agents.

### The CEM technique

By assessing customer profitability *and* customer advocacy, companies can tailor their strategies and their investments by segment:

- **High-profit promoters.** These are the customers you can't live without your core. You want to design and deliver your offerings in a way that expands this group, and to target new buyers who share their characteristics.
- **High-profit detractors.** These customers, often as important a your "core," are sticking around because of inertia or because they feel trapped. They are profitable, attractive to your competition, and unlikely to suffer quietly. Losing them can dent your bottom line and your market share. You need to find out what's irking them and fix their problems fast.
- **Low-profit promoters.** These are diamonds in the rough loyal customers whose current buying patterns leave money on the table. Tap into their advocacy by offering them additional products and services, but don't alienate them with heavy-handedness.
- **Low-profit detractors.** You can't please everyone. If there is no economically rational way to solve their problems, then help unhappy customers move to other providers.

Some important benefits of customer experience management are:

- Increased customer retention
- Reduced training time and costs
- Revenue increases from up-selling and cross-selling
- Communicating the core values of the enterprise
- Assuring compliance with state and federal regulations
- Effective customer dispute resolution
- Archiving and mining the valuable market information captured in customer interactions

CEM is a methodology that tries to overcome the gap between theory and practice by reformulating basic marketing principles. The result is that CEM stresses four aspects of marketing management:

- CEM focuses on all sorts of customer-related issues
- CEM combines the analytical and the creative
- CEM considers both, strategy and implementation
- CEM operates internally and externally

For instance, to address these challenges and reduce the risk of providing customers with outdated and/or inaccurate information, **HDFC Bank** sought a solution that would enable them to automate Web content publishing and enhance search functionality with robust and integrated metadata technology. After evaluating multiple systems, HDFC Bank selected Interwoven because of its leadership in providing ECM solutions to the global financial services industry, as well as its proven solutions designed to help enterprises improve customer experience.

**CEM Framework:** A framework is required based on clearly defined company objectives. So far, the following five steps have been suggested in the literature that should help managers understand and manage the "customer experience":

**Step 1:** Analyzing the Experiential world of the customer analyze socio-cultural context of the customer (needs/wants/lifestyle) analyze business concept (requirements/solutions)

**Step 2:** Building the Experiential platform connection between strategy and implementation specifies the value that the customer can expect from the product (EVP experiential value promise). Whereas steps 1 (Analysis) and 2 (Strategy) form the basis for CEM, steps 3, 4, and 5 are focusing on Implementation.

**Step 3:** Designing the Brand experience experiential features, product aesthetics, "look and feel", e.g. logos

**Step 4:** Structuring the Customer interface all sorts of dynamic exchanges and contract points with customers' intangible elements (i.e. value, attitude, behaviour)

**Step 5:** Engaging in Continuous Experiential innovation anything that improves end customers' personal lives and business customers' working lives

### Elements of CEM:

Building further on Schmitt's definition: "The term 'Customer Experience Management' represents the discipline, methodology and/or process used to comprehensively manage a customer's cross-channel exposure, interaction and transaction with a company, product, brand or service."

**The Customer:** CEM analysis focuses on developing a multidimensional understanding of customers. This understanding includes cultural, sociological, behavioral and demographic analysis, and culminates in a detailed ability to articulate the needs, wants, desires, expectations, conditions, context, and intentions of various customer groups. This understanding informs audience segmentation and guides the prioritization of key segments. Customer analysis is proactively benchmarked against a company's capability to meet customer needs both in a present and a future state capacity.

Customer understanding therefore serves as the primary driver in shaping the business approach, aligning strategy and investment.

**2. The Environment:** Examining the "landscape for brand discovery" is an essential tenet of CEM. This landscape is composed largely of market conditions, competitive factors, channel use (and channel/cross-channel dynamics), the process for purchasing (steps to buying), the "real" purchasing environment (store, phone, Web, etc.), and the service environment. As a part of Environmental Analysis, strategists also focus on applying experience innovation to customer environments to remove barriers that confuse, inhibit, discourage or de-motivate customers, and create a more engaging, efficient, pleasing, personable or memorable environment within which to interact.

**3. The Brand:** From a tactical perspective, this analysis involves the development of visual identity, assets, taglines, communications, logos, and other brand assets that help shape perception and define the brand in the marketplace. From a strategic perspective, however, this analysis focuses on innovation and differentiation.

This includes the consistent and iterative evaluation, planning, and refinement of product or service features, functionality, pricing, options, attributes, benefits, and positioning of the company, service, or product.

**4. The Platform:** A company's operational infrastructure is the platform on which customer experience is delivered. As a result, operational efficiency has a direct impact on customer experience. As companies move from an "inside-out" focus (on internal operational constraints such as production, capacity, etc.) to an "outside-in" focus (on customer-centric delivery), operational analysis is essential. This includes comprehensive evaluation and improvement of people, process, policies, technology, and systems that facilitate, track, and measure customer interaction and transaction.

**5. The Interface:** This area of CEM analysis focuses on the interaction between consumers and the brand, from a human-to-technology, human-to-human, and human-to-environment perspective. Simply defined, this area focuses on refining and optimizing the customer interaction within any channel to produce desired and pleasing outcomes.

At a tangible level, CEM Interface analysis may center on improving the usability of electronic applications or products (e.g., a Web site or a TiVo interface, or the buttons and information flow on a cell phone). However, it also concentrates on optimizing the interfaces within other channels, such as brick-and-mortar outlets.

A recent **Bain & Company** survey reveals just how commonly companies misread the market. They surveyed 362 firms and found that 80 percent believed they delivered a "superior experience" to their customers. But when they asked customers about their own perceptions, they found that they rated only 8 percent of companies as truly delivering a superior experience. Clearly, it's easy for leading companies to assume they're keeping customers happy; it's quite another thing to achieve that kind of customer devotion.

So what sets the elite 8 percent apart? It was found that they take a distinctively broad view of the customer experience. Unlike most companies, which reflexively turn to product or service design to improve customer satisfaction, the leaders pursue three imperatives simultaneously:

1. They **design the right offers and experiences** for the right customers.
2. They **deliver these propositions** by focusing the entire company on them with an emphasis on cross-functional collaboration.
3. They **develop their capabilities** to please customers again and again by such means as revamping the planning process, training people in how to create new customer propositions, and establishing direct accountability for the customer experience.

Each of these "Three Ds" draws on and reinforces the others. Together, they transform the company into one that is continually led and informed by its customers' voices

#### **Trends in Customer Experience Management:**

**Moment Mapping:** Moment Mapping is a customer experience mapping tool which addresses the philosophies for building a great Customer Experience; Created by consistently exceeding Customers physical & emotional expectations. Great Customer Experience is build- designed "Outside In" rather than "Inside

Out". Revenue generating and can significantly reduce costs.

A great customer experience is "Created by consistently exceeding Customers physical & emotional expectations" at each Moment of Contact. Importantly this covers both the customer's physical & emotional expectations. To the best of the knowledge this makes the theory and process unique. In addition, the Moment Mapping theory looks at a number of other critical elements that affect the Customer Experience such as;

- Customer Targeting
- Customer Satisfaction Measurement

The Moment Mapping theory has proven to improve Customer Experiences and save money. It has been used effectively to;

- Measure customer satisfaction
- Re-engineer the process from "Inside out" to "Outside in".
- Identify new opportunities.
- Discover 'white space' not previously realized.

For example, between the booking and arriving at the restaurant two weeks could elapse. What normally happens? Nothing! Why doesn't the restaurant send you a menu and a table layout and ask where you would like to sit? To build great experiences companies need to understand their customer expectations at each moment of contact and then plan to exceed them both physically and emotionally.

Customer Experience mapping extends this concept by looking at the transactional costs and channel strategy you wish to deploy at each Moment of Contact

#### **Customer Mirror Benefit:**

Beyond Philosophy customer mirror benefit identifies the root causes of any problems contributing to poor Customer Experience: It renders a great help by:

- Providing concrete recommendations on how to address the issues.
- Providing evidence to support change in your organization.
- Providing an excellent tool to be used in training events for employees.
- Providing a useful benchmark against competitor organizations.
- Demonstrating how an improvement in Customer Experience will directly increase revenue and reduce costs.

#### **Outside - In Customer Experience Strategy**

This approach ensures that best practice tools, techniques and knowledge are developed to initially "Define the Customer Strategy". A customer centric strategy and customer contact strategy will achieve a deliberate customer focused experience.

It helps to implement a "Customer Centric Strategy" in an integrated manner, across all elements of the business and assures achievement of best practice levels of performance by being baked into all management and operational processes.

Ongoing levels of best practice performance are then achieved in a sustainable fashion through the people, knowledge and

management processes designed and implemented to achieve a "Learning Organisation." The customer strategy guidance should include not only the thought-leading methodologies but also a set of innovative tools and techniques proven to offer best practice in developing an effective Customer Experience Strategy

#### Lessons for companies to learn:

- Don't box employees into processes. Often the inflexibility of requiring employees to follow a set process means they can't adapt as a customer or situation requires. What other company does this well? Southwest Airlines. (Southwest has the lowest number of complaints of all US airlines with 0.18 per 100,000 customers. Also, they are the only US airline to be profitable for multiple consecutive years--35 years, in fact.)
- Do not create too many steps in any process for a customer to get to a satisfaction point (purchase).
- Do not ask lots of questions at any point in a relationship--let alone when it's at the start of a transaction or relationship. Customers don't like long surveys period. It's better to ask questions in installments over time.
- Recognition that customer interactions *are* customer experiences
- Designing the process with the customer in the forefront of consideration
- Recognition that variability is the enemy of effectiveness
- Instilling the customer experience focus into the culture
- Recognition that good CEM design costs little -- and may in fact be free

**Conclusion:** CEM strategists focus on how customers interact within and across channels, often examining the end-to-end shopping and service-delivery process. This may include task-based analysis of various interactions and transactions, such as a customer's discovery, browse, shop, purchase, and post-sale experience. CEM practitioners focus on improving the quality and efficacy of customer dialog. This may include conducting analysis of the call center or voice-response systems, as well as optimizing the approaches of sales or other customer-facing staff

However, the truth remains that an optimal customer experience is easier to describe than to deliver. In practical terms companies must coordinate with numerous content creators worldwide, combine the content that they create with centrally controlled and approved digital assets (electronic documents, images, PDF files, or other digital media that constitute an asset), localise it for specific markets, personalise it for particular customers, and publish it across the full range of customer interaction touch-points.

Customer experience extends beyond the sum of interactions to involve senses and emotions. 'Brand experience' sums up the overall view customers have of vendors. The overall view not only comes from customer experiences, but what customers have seen, heard, and otherwise learned about the vendor brand (and

competitors). In that sense, you can distinguish the customer touch points from the 'brand points' how they learn about you beyond direct experience.

A far more effective approach is customer experience management (CEM), which brings together an enterprise's entire create-to-publish customer experience process within a single ecosystem, uniting content management, digital asset management, localisation, content distribution, and more.

With a systematic approach, a company can consistently deliver persuasive, customer-facing content through all customer touch-points to attain its objectives.

Too many marketing organisations limit themselves to the products and services that they make, without realising that it is the total customer experience that matters most in differentiating yourself and delighting customers. Focusing on the customer experience requires marketers to think holistically about every single customer touch point and every stage in the customer lifecycle.

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# Challenges of HRD in Public Sector Banks in the New Environment

Dr. S. Husain Ashraf\*

## Introduction:

With the dawn of twenty first century, we are witnessing emergence of new knowledge economy interalia new word order revolving around people, stages where people are products and people are results. In a business scenario where people are perhaps the only inventory that business carry, knowledge economy companies cannot survive without a pro-active human resource management department that is capable of attracting qualified employees, retaining good ones by limiting job turnover and improving employees productivity by offering innovative support systems and incentives. HRD has moved from its primarily back-office status of being just a staffing function to a position where it is expected to play a central role in building and shaping the organization.

The human resource development concept needs immediate revisiting and re-engineering in the HRD area short term results will not be easily forthcoming even if changes do take place and therefore, most of the HRD decisions and investments in human resources are required to be based on conviction and commitment and not on the expectation that the figures in the Balance Sheet will change, for the most successful organisations of the world have most constructive outlook towards HRD practices. At the corporate level, the banks have evolved a number of HRD systems to develop employees' personality in all its dimensions. However, few of the systems like staff. meetings, performance appraisal system, job rotations, etc., have more or less stabilised. But there are other systems which can contribute substantially to the efficient working of the operational units, but are not being practised with the same vigour down the line. While there cannot be any second opinion on the utility of the HRD systems, a greater awareness needs to be created down the line for the successful functioning of these systems.

The past research studies and literature have clearly revealed that the prime challenge for the top management personnel and HRD functionaries in banks today is to mould the beliefs and values of their employees in favour of the HRD policy and systems. For effective HRD In banks, the aspects/mechanisms/subsystems/strategies which need special and active consideration are as follows:

## TRAINING

Training in banks has for long been recognised as one of the significant contributories to OD. It is a systematic effort aimed at developing operational skills and attitudinal changes amongst employees, to render effective service to the clientele and for self-development. It is now recognised as an integral component for HRD in banks.

Banking being a technical field, persons directly handling banking

affairs specially at the branch level must necessarily know their job in all its technicalities. Proper and timely training of the concerned personnel, both in theory and practice, become imperative particularly in view of the new spheres which are being constantly added to the present day banking and growing demands and expectations from the customers.

The importance of training has been recognised in banking for a long time. The RBI established the Bankers' Training College in 1954. The establishment of the Staff Training College in December 1962 at Hyderabad was a turning point and constitutes an important landmark in the history of training in the SBI and in the banking history. In the meantime, other banks were waking upto the need for providing training facilities to their employees. From the early Sixties, the RBI had been exercising gentle pressure on major commercial banks to create their own training institutions. Initial responses from banks were grudging. A few banks set up joint staff colleges. A few more established their own institutions. Soon after its establishment, NIBM organised many annual seminars and conferences on manpower planning and development (HRD). It also held a number of trainers' training programmes focusing on teaching methodology, performance budgeting, credit management, lending to priority and preferred sectors, research methodology with a view to modernising classroom teaching in training institutions of banks. Apart from NIBM, there were two other industry level institutions, viz., the Bankers' Training College, Bombay and the College of Agricultural Banking, Pune, which continued to offer programmes for middle and senior level executives in functional areas. Apart from this, banks took advantage of similar programmes offered by the Administrative Staff College of India and the Small Industry Extension Training Institute.

Many banks elevated the status of the training and the HRD function through the heading of these functions by the top level executives. Quite a few banks sought consultancy help from NIBM to design and install efficient training systems. The RBI has initiated an exercise to provide more freedom to banks to recruit staff and also improve upon their quality. The move comes in the wake of reports that the private sector banks may take away experienced staff from nationalised banks leaving the latter in the lurch.

Banks today have excellent training institutions. The 28 public sector banks in India today have a capacity of training nearly 9000 employees at a time; a total of nearly 4 lakhs employees could be given an one week training during a year. 9 Though these training institutions have imparted necessary job knowledge and technical skills to some extent, they have not made any visible inroads into developing the right kind of attitudes, motivation and work culture in the bank employees. The training methodology also relies, by

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and large, on the lecture method which may not have as much of a learning proficiency as other modern methods due to the limited attention span of individuals.

Sessions are supplemented by discussions, case-studies, role plays exercises. Later techniques include audio-visual cassettes. Training materials prepared are factual and at best reproductions of branch circulars. These do not create sufficient interest and response. Materials should be provocative and user-friendly. It should encourage new critical thinking and the emphasis should be more on problem structuring rather than on problem solving.

Management of training establishments is one of the important processes for efficient training system which include the following steps: 1) assessment of training needs; 2) faculty development; 3) effectiveness of training methodology; 4) control and monitoring of training centres; and 5) innovations in design and content of courses.

Regarding evaluation of training, a balance between short-term and long-term effects should be struck; intangibles like attitudinal changes and behavioural aspects should also be dealt with. Evaluation is a necessity as without that there would be no feedback mechanism for improvement, but it should be realistic objective and should assimilate the changing process meaningfully. Relevance of evaluation has to be judged with reference to the linkage to the banking system, the national environment and banks' own requirements.

#### **PERFORMANCE APPRAISAL SYSTEM (PAS)**

Banking service is one sector where a great degree of attention is being paid to PAS. Several of the nationalised banks have changed their PAS or are in the process of changing them. In most of the banks that follow the traditional system, their officers are being assessed on the following characteristics: 1) general intelligence; 2) job knowledge; 3) initiative and resourcefulness; 4) supervision; 5) business capacity; 6) ability to assess sound business propositions; 7) dependability; 8) relationship with junior and senior colleagues; 9) relationship with public; 10) sociability; 11) appearance and dress; 12) conduct; 13) manners; 14) managerial ability; 15) health; 16) special aptitudes; 17) any significant achievements; and 18) failures that attracted an issue of warning by supervisors.

Banks which have already changed their appraisal systems have normally performance-related as well as trait-based appraisals. Several of the banks also have self-appraisal as a part of performance appraisal, although mostly such self-appraisal is more of a communication of achievements. Usually a branch manager gives a self-appraisal on business growth, customer service, internal administration and training requirements in great detail. The reporting officer makes comments on each of these areas and gives his final assessment. Along with this assessment for branch managers, the regional manager is also expected to send branch inspection reports to HO.

Banks are now recognising the potencies of PAS due to the introduction of merit based promotions. Otherwise without any demonstrated integration of performance appraisal with organisational and individual goals, it was merely treated as an annual ritual, i.e., a procedure to be followed more than a system of 'conscious assessment' and was shown scant regard by the assessor, assessee and the reviewing authority. By integrating performance appraisal with future promotions, a major breakthrough has been achieved especially with regard to the attitude of the appraisees towards it. There is a constant clamour for information of an

objective PAS. However, it should be clearly understood that any appraisal is one which involves judgement and is therefore, by its very nature subjective. This is also because performance appraisal is not only based on the job performance of an employee which can be measured by targets achieved or tasks accomplished, it even consists of behaviour indices and personality traits of the employee as manifested in the job. Evaluation of especially behaviour and personality aspect is, by its very nature, subjective and error is more acute in these areas.

The technique of "Management by Objectives" (MBO) has been evolved by Peter Drucker to provide a strategy for objective assessment of performance. The system of MBO would not end with the designing of objectives and targets alone. The immediate supervisor has to periodically review and guide the grass root employees all the year round in achieving the reporting officer makes comments on each of these areas and gives his final assessment. Along with this assessment for branch managers, the regional manager is also expected to send branch inspection reports to HO.

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The technique of "Management by Objectives" (MBO) has been evolved by Peter Drucker to provide a strategy for objective assessment of performance. The system of MBO would not end with the designing of objectives and targets alone. The immediate supervisor has to periodically review and guide the grass root employees all the year round in achieving the objectives. With percolation of targets and goals to the grass root level, the existence of everyone in the bank would become more purposeful which would achieve effective delegation of work, accountability, objective achievement base for all and ensure commitment and help individual growth. In effect, the synchronisation of individuals with organisational goals will be the felt need and responsibility of all instead of a few pockets of people within the organisation. As performance appraisal becomes a continuous process of getting information and providing feedback, computers can play a significant role.

The banking sector is making serious efforts to have systems of appraisal that improve their efficiency, effectiveness and image through development of their employees. Fonnats regarding PAS are about to be standardised. The RBI has recently issued the formats to all the nationalised banks and invited suggestions from the banks as to its suitability or otherwise. In future, the PAS in

banks is likely to crawl further in the direction of multi-objective and multi-component based open systems of appraisal.

### **JOB ROTATION**

Job rotation as an effective tool for on-the-job training is not new to the bankers. It has been well accepted by all in principle and being practised in banks since long. However, it seems that the concept of job rotation which sounds so interesting and acceptable in principle does not turn out to be that simple in practice. Perhaps that is why one could observe varying degrees of success among banks in implementing this concept in practice. The constraints or difficulties in implementing a systematic job rotation may be many, ranging from lack of a clear-cut policy at the corporate level to unwillingness of employees in certain departments and lack of proper organisational arrangements. A conscious effort to identify such constraints will help the bank to plan for suitable remedial measures to overcome the same in case one is really serious about implementing systematic job rotation practices.

Job rotation should be practised at all levels as that itself could be a great motivator with restriction placed on quick promotions, etc. Although the rules are specific in this connection, they are seldom put to practice due to the inertia developed and creation of vested interest. Absence of job rotation creates a feeling of indispensability as a result of which routine transfers of such employees are not at all given effect. This problem is specially acute with credit departments where it is as difficult to get an entry into as it is to get out of it. Once the employee makes an entry into credit department, he continues to remain there and often gives the impression of indispensability, thereby stopping the entry of others who need exposure to credit.

### **CAREER PLANNING AND DEVELOPMENT**

In this area, a placement policy for the employees has been designed with a view to provide adequate opportunities to them in a systematic manner, for acquiring expertise in different areas of banking for their career development. Many young executives coming to banks are career minded, ambitious and looking for quick growth. Career advancement for most managers is the prime motivating factor. They want to know where they would be going in the organisation after some years of their joining. It will be to the advantage of the organisation to work out a meaningful career planning system based on potential appraisal. Career planning and development can become an effective tool for development of the employees and a key factor in the HRD system. Career management is aimed at generating among employees an awareness of their strengths and weaknesses and in helping them to match their skills and abilities to the needs and demands of the organisation.

Employees can feel the organisational interest in their growth, if they are provided with constant information on banking, its schemes, ways of improving business, etc., as this would give them confidence and motivation to achieve better and give them a taste of success. A newsletter providing this relevant information which also encourages their participation and suggestion would facilitate 'information explosion'. Open communication should be encouraged through various ways and employees should always discuss about bank schemes. Without proper dissemination of work aiding information, the employees are conspicuously oblivious of the progress of their own bank and its services and do not get a visible feel of the organisation. By professionalising in this fashion, they would feel that the organisation means business. For

instance, if newly inducted employees are straight away put on the field to mobilise deposits, it would help in developing them as field people and also help the bank by adding to deposits. Both performance appraisal and career development have potential for developing human resources, potential that can be increased by linking them together to meet the needs of both individual employees and the bank.

### **POTENTIAL APPRAISAL**

In most Indian organisations, the general practice is to promote people on the basis of past performance. But past performance is not necessarily an indication of future potential. Most organisations use performance appraisal form to collect data on the potential of the employees. In fact, the trend is to make assessment of potential as an integral part of the appraisal systems. As rightly observed by Narasimham Committee: It expansion in coming years will with branch expansion tapering off, opportunities for promotion are likely to be through the expansion of business through provision of new services, instruments and a greater exploration of the business needs of the Clientele. Business development would be as much qualitative as quantitative and promotions would increasingly have to be based on expertise and special skills rather than merely on seniority or on the basis of span of control over branches. In this context, open and result-oriented PAS based on mutually identified targets will have to be implemented. Key managerial roles will have to be redefined and would be assessed accordingly. In order to facilitate, (culture of performance and rewarding merit, the appraisal system will require credibility in terms of its use for developmental purposes. Similarly, scientific system of assessing potential will have to be introduced to ensure timely developmental strategies and providing career path to individuals. Modern methodologies such as use of in-basket exercise and assessment centres deserve serious consideration for identifying potentialities.

### **ORGANISATIONAL DEVELOPMENT (OD)**

The growth of the banking industry has not been without problems. Banks are witnessing tremendous problems on account of housekeeping, organisation and management problems arising out of fast expansion and reorientation of goals. The demand for quantitative growth and targeted loaning has been so overriding that the banks apparently could not concentrate on the consolidation and housekeeping. Ad hoc strategies, piecemeal methods and short-term perspectives have guided the development. The present reputation earned by the banking system and reflected in the increasing number of frauds and mismanagement of credit portfolios is only symptomatic of the large malaise which is corroding the banking system. Banks are today in the trap of high indiscipline, low productivity, falling profitability and loss of accountability. Rapid growth has created immense problems in the areas of information system, control, manpower planning, utilisation of personnel and the morale of the work force.

The massive change in the banking industry has taken place in the last one and a half decade created pressures for change on the bank management and the banking industry responded in the following manner, viz., organisational restructuring, specialisation, training and HRD. Obviously, response to change could not be fully managed by the above outlined strategies. One approach to manage organisational change in a planned manner by taking a total view of the organisation is OD. In a large organizations like banks, competency development is necessary -but not enough without creating mechanisms to sustain an effective level of functioning in a

changing environment. What is required is long-term planned changes in the culture, technology and management of the total organisation or at least in a significant part of the total organisation. Research has revealed that unless the problems of the organisation are diagnosed properly, most of the efforts to bring a change in an organisation will remain unproductive and even counter-productive.

In order to institutionalise OD as an ongoing activity it is proposed that banks, as a first step should create an OD Department. The job of this department should be to identify external consultants, liaison with TM on OD activities, developing systems to have regular feedback on organisational problems and developing research base in the department to initiate diagnostic studies.

There are several areas of concern in banks like the effectiveness of the training system. OD interventions for training are also desirable to diagnose to what extent training can help organisations to achieve their mission and also design suitable intervention to make training effective. One of the areas of concern in the banks is customer service and again there is a tremendous potential at the branch level to initiate OD intervention to diagnose the problems related to customer service and design suitable interventions to tackle the same. It must be remembered that standard interventions in every setting or situation may fail. Organisational culture varies from one zone to another zone, from one branch to another branch. There is a strong desire in many OD experts to commonality and to offer similar prescriptions. The problem may be common in some branches but the causes of the problem could be different.

This is where 'diagnosis' assumes importance.

OD has a great potential to help banks diagnose their present problems and initiate measures to tackle them. In a way banks with their highly educated work force and white collar unionism should be ideal institutions to initiate changes. All they need, is the will to initiate changes. Different kinds of interventions used in OD work are team building, intergroup development, confrontation meetings, role negotiations and personnel counselling.

### **QUALITY OF WORK LIFE (QWL)**

QWL denotes the experienced goodness of working in the organisational setting. It had originally included only the issue of wages, working hours and working conditions. The concept has been expanded to include such factors as the extent of worker involvement in the job, their levels of satisfaction with various aspects in the work environment, their perceived job competence and accomplishments on the job. The QWL in banks is not high. The reasons for this are fairly well recognised, but considered by managers to be beyond the control of the institutions. The external environment facing the banks are seen as impediments to take effective actions by the banks. For instance, the economic environment is not conducive enough to offer anywhere near full employment, and hence, morally there is some pressure to recruit the educated unemployed. Banks resort to a policy of recruiting the best academically qualified people, which perhaps only encourages others to pursue high academic degrees, thus, propelling a vicious circle. Recruiting academically high qualified people will not pose problems if the jobs can be enriched by mechanising the routine aspects and enriching the more people-oriented aspects of the job. This would also ensure more prompt, courteous and useful service to the clients. However, the ideological environment is not conducive to mechanisation due to trade union objections and government policies, which in turn are governed by the

demographic environment of large number of unemployed.

Monetary rewards, promotions, transfers and other important motivational mechanisms seem not to be governed by the banks' evaluation of personnel but by committee reports, which again do not fall within the purview of banks. The banks seem to feel powerless, caught up as they are in a web of several conflicting outside forces. Greater decentralisation, more autonomy, power and control will facilitate the individual banks to recruit the right people, design the jobs as best as could be done, reward employees differentially on the basis of performance and thus, enhance the quality of working life in banks while at the same time offering quality service to the public.

### **COUNSELLING**

Prior to the introduction of modern managerial techniques in banks, most branch managers reacted to the deficiencies of employees by reprimanding and punishing them. This often led to loss of confidence on the part of the employee and resulted in deterioration of his performance. To correct the mistakes made in the process, the employees had to slog for longer hours in the branch and were not able to enjoy much leisure.

In the modern approach, the manager adopts a helpful attitude towards development of his colleagues. Instead of focusing attention on their weaknesses, he identifies their strengths and reinforces them. By merely pointing out the weaknesses, he may demoralise them and in the process, he is likely to lose good potential workers. Employees, on their part, should also be interested in developing themselves and playing an 'active' role in exploring their strengths and weaknesses. It is only on a participative basis that the performance can be improved.

This 'enabling role' of the manager vis-a-vis his colleagues in guiding, coaching or helping them to identify their areas of deficiency and strength is technically termed as counselling. Branch managers have ample opportunities to counsel the employees in their day-to-day interactions. Some do it consciously and in a planned manner which others do it as and when the need arises. A general climate of openness and mutuality at branches is necessary for the success of counselling and the training system in banks need to impart the counselling skills to branch managers through role plays, video games and other similar techniques.

Ultimately, the success of counselling will depend largely on the attitude of the branch manager. If he has a positive attitude towards the development of employees, sincerely believes in improving their performance and perceives counselling as one of his important roles, he can be a successful counsellor. It should be remembered that in a branch, the branch manager should set an example of performance and behaviour. If there is any discrepancy between what is prescribed and what is practiced, counselling will not produce the desired results no matter how well it is done.

### **EXODUS FROM BANKS**

The recently signed national level agreement for providing pension and other related benefits to the employees working in the public sector banks, together with changes taking place in the private financial sector, have created tremendous job opportunities outside the public sector set up. Due to the efforts of many banks, large scale diversification of services and banking activities has taken place in the form of Factoring, Merchant Banking, Mutual Fund business, Housing Finance, Leasing Finance, etc. These diversified activities have also brought about relative specialisation and a cadre

of specialists within the public sector banks has emerged over the last few years. The measures of liberalisation resulting in setting up of private sector banks and financial institutions have thrown open tremendous employment opportunities for those who have developed these specialised skills. As a result, the public sector banks may have to face an exodus of trained and skilled personnel towards the private sector banks and the financial institutions. At present, the public sector banks are not in a very competitive position either to attract outside expertise or dissuade these specialists from going out of the public sector network. While the private sector organisations enjoy relatively constraint-free climate in recruiting and in paying the specialised personnel, the public sector banks cannot compete with the former. The exodus may be on account of more attractive pay packages, or to enjoy more freedom from the customary environment of the public sector, placement advantages or lack of prospects within the public sector set up. This situation demands attention from two angles immediately:

a) For the public sector banks to offer quality service to the customers and to maintain the drive for specialisation, there is a need to build up specialised personnel by planning suitable strategies.

b) Seek necessary autonomy to provide comparable compensation packages, so that the exodus of specialised personnel is arrested and at the same time, specialists from outside are attracted into the public sector system on competitive terms on par with the private sector.

In the changing banking scenario, as a result of liberalisation process, the banks in India can adapt successfully to their new roles only if some fundamental changes are made in the present ways of conducting HRD function. Changes would be required in the structure, strategies, system and processes. Better HRD holds key to successful implementation of liberalisation process. This implies the search for new strategies of managing human resource function

and skill development which together will provide competitive edge to banks.

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# Relationship Marketing : A Mantra For Marketing Success

Anurag Mittal\*

**ABSTRACT** - The article traces out the origin of relationship marketing approach to marketing and discuss its importance in today's highly turbulent marketing environment . The thoughts of various management thinkers on relationship marketing approach have been also incorporated along with an overview on the implementation of Relationship Marketing in the organisation .

## The Emergence of Relationship Marketing (R.M)

The marketing mix management paradigm has dominated marketing thought, research and practice since it was introduced almost 50 years ago. Today, this paradigm is beginning to lose its position. New approaches have been emerging in marketing . The globalization of business and the evolving recognition of the importance of customer retention and market economies and of customer relationship economics, among other trends, reinforce the change in mainstream marketing.

Marketing is no longer just about developing, selling and delivering products. It is increasingly more concerned with the development and maintenance of mutually satisfying long-term relationships with customers (Buttle, 1996). RM is based upon the premise that it makes economic sense to satisfy and retain customers as the strength and duration of the relationship is directly proportional to the resultant profitability. This contemporary interest in maintaining customers is reforming marketing with an emphasis on the creation of value and the building of relationships. This new marketing refocusing has been explored in consumer services marketing. The thrust has been to examine different aspects of customer satisfaction, relationship strength, relationship longevity and customer relationship profitability. The acceptance of relationship marketing is based upon the emerging body of research, which indicates how customer retention leads to increased profitability . This has prompted companies to treat their customer base as individual assets in themselves. Moreover, if a company builds and maintains good relationships with customers it cannot be easily replaced by the competitors and therefore provides for a sustained competitive advantage.

After the post-industrial or service economy, most of the developed world is now entering a new, information economy. Perhaps it was natural, then, that the new developments first appeared in the maturing service industries of the 1970s and 1980s. Berry *et al.* (1983) surveyed the factors and developments in service marketing that later gave rise to RM. These factors include the combined impact of low growth rates and deregulation, resulting in "everyone getting into everyone else's business". This naturally meant increased competition. According to the writers, this forced companies to think more in terms of "keeping customers" as opposed to only "winning new customers".

According to Berry *et al.* (1983) a customer relationship is best established around a "core service", which ideally attracts new customers through its "need-meeting character". However, creating customer loyalty among the old customers is one of the main goals of RM. The authors also mention "frequent flyer"

programmes and other incentive programmes intended to encourage customer loyalty by rewarding it.

## SOME POPULAR DEFINITIONS

RM is to identify and *establish, maintain and enhance* and when necessary also to *terminate* relationships with customers and other stakeholders, at a *profit*, so that the objectives of all parties are met, and that this is done by a *mutual exchange* and fulfilment of *promises* (Grönroos, 1994; Mattsson, 1997).

Relationship Marketing can be viewed as the *building, maintenance, and liquidation* of *networks* and *interactive* relationships between the supplier and the customer, often with *long-term* implications. As a consequence marketing becomes first and foremost relationship marketing (Gummesson, 1990).

RM emphasises a *long-term interactive* relationship between the provider and the customer, and *long-term profitability* .Relationship marketing is marketing seen as *relationships, networks and interaction*,and directs all activities by the firm to *build, maintain and develop* customer *relations* (Gummesson, 1994; Mattsson, 1997).

Relationship marketing refers to all marketing activities directed towards *establishing, developing and maintaining* successful relational *exchanges* (Bennett, 1996; Morgan and Hunt, 1994 ; Mattsson, 1997).

RM is the process of *co-operating* with customers to improve marketing *productivity* through *efficiency* and *effectiveness* (Paravatiyar, 1996; Mattsson, 1997).

RM is the process whereby the seller and the buyer *join* in a strong personal, professional, and mutually *profitable* relationship *over time* (Pathmarajah, 1991).

## A PARADIGMATIC SHIFT

Relationship building and management, or what has been labelled *relationship marketing*, is one leading new approach to marketing which eventually has entered the marketing literature in eighties. A paradigm shift is clearly under way. In services marketing, especially in Europe and Australia but to some extent also in North America, and in industrial marketing, especially in Europe, this paradigm shift has already taken place by that time. Books published on services marketing and on industrial marketing as well as major research reports published are based on the relationship marketing paradigm. ( Berry ; Ballantyne ; Gummesson; Gronroos; Hakkanson ; Payne)

Relationship marketing has often been contrasted to **Transaction Marketing** (e.g. Baye, 1995; Jackson, 1985) which is about

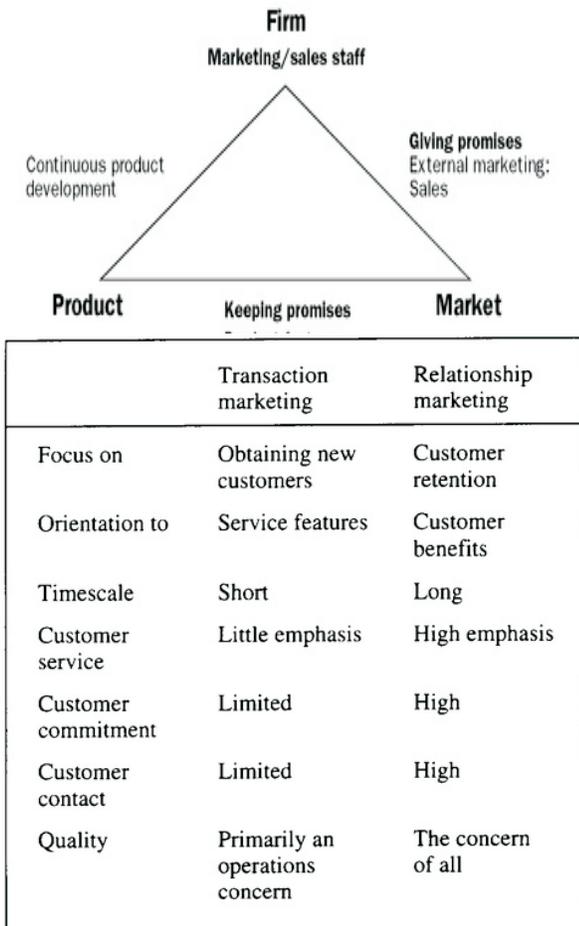
developing, selling and delivering products by means of short-term, discrete economic transactions. Because the lifetime value of the customer is not taken into account, customer attraction but not customer retention is at the heart of transaction marketing exchanges. However, it is now proposed that closer attention is paid to the long-term financial benefits, and other benefits, of retained customers the main reason being that competition in the marketplace has intensified. To achieve growth, it is argued, organisations must change their paradigm to that of relationship marketing.

As RM is a term used in a broad manner, there is probably a need for the marketing practitioner to understand what it is, its impact on the organisation (not just on the marketing aspects), its applicability to an organisation and its benefits to customers. There is a need to understand that RM is an overall strategy for the organisation and not just a sales tool with a short-term orientation. RM requires a long-term plan, and anything long-term requires a strong organisational commitment and appropriate investment.

**Figure-1 & 2** truly depicts the fundamental difference between nature, scope and core dimensions of transaction marketing approach & relationship marketing approach

**Figure 1**

The product-oriented marketing perspective: a transaction marketing approach



**Figure-2 Transaction Marketing Vs Relationship Marketing**

**Payne, Adrian”**

**There are several reasons why retaining customers is so profitable**

- sales and marketing and set-up costs are amortized over a longer customer lifetime;
- customer expenditure increases over time & repeat customers often cost less to service;
- satisfied customers provide referrals;
- **satisfied customers may be prepared to pay a price premium**

**THE SUCCESS MANTRA**

The relationship of marketing is based on a totally different philosophy from the marketing mix management approach. The relationship philosophy relies on co-operation and a trusting relationship with customers (and other stakeholders and network partners) instead of an adversarial approach to customers, on collaboration within the company instead of specialization of functions.

Customer service faces a number of problems of implementation, such as the functional separation of marketing from logistics. The marketing department, on the one hand, is the service promise maker; the logistics function, on the other, is the service promise provider. Also important is the personal commitment of individuals to provide service, which may be variable due to misalignment of strategic intent, confusing communications, and ill trained and poorly committed staff.

**In order to execute relationship marketing** the Ps of the marketing mix, such as advertising, pricing and selling, can and should be applied, but in addition a host of other resources and activities are needed. Most of these additional resources and activities, relating, for example, to delivering, installing, updating, repairing, servicing and maintaining goods or equipment, or to billing, complaints handling, customer education and other activities, are not considered part of the marketing function. Most of the people involved in such activities are not part of a marketing and/or sales department. Nevertheless, their attitudes towards customers and their behaviours and ways of executing their tasks are imperative to successful maintenance and enhancement of customer relationships and other types of market relationships. In many situations their impact is more important to long-term success in the marketplace than that of the full-time marketers.

At present the promise of RM remains just, a promise. The concept is simple. We engage with the customer, discuss their problems, wants and needs and create the product or service that satisfies those requirements precisely

**Finally,** the RM strategy starts with the commitment of the chief executive and the board. If the attempt at improving relationships is left to one function within the firm - typically sales or marketing - then it is unlikely that the firm will realise the full benefits. Indeed, such an approach may even prove counterproductive as conflicts arise between parts of the firm that orient towards internal production and operations and a sales team encouraged to develop relationships and partnerships..

**CONCLUSION**

Marketing mix as a general perspective evolved because at one time it was an effective way of describing and managing many marketing situations. Even before the marketing mix there were

other approaches. Now time has made this approach less helpful other than in specific situations. However, bearing in mind the long-term damages of the marketing mix as the universal truth, we are going to need several approaches or paradigms to succeed in marketing

Marketing mix management with its four Ps is reaching the end of the road as a universal marketing approach. However, even if marketing mix management is dying as the dominating marketing paradigm and the Four P model needs to be replaced, this does not mean that the Ps themselves, and other concepts of the managerial approach such as market segmentation and indeed the marketing concept, would be less valuable than before. Normally, advertising, distribution and product branding, or any other marketing application tool for example, will still be needed, but along with a host of other activities and resources.

However, what marketing deserves is new perspectives, which are more market-oriented and less manipulative, and where the customer indeed is the focal point as suggested by the relationship marketing concept.

The overall objective of relationship marketing, the facilitation and maintenance of long-term customer relationships, leads to changed focal points and modifications of the marketing management process. The common superior objectives of all strategies are enduring unique relationships with customers, which cannot be imitated by competitors and therefore provide sustainable competitive advantages.

Most certainly relationship marketing will develop into such a new approach to managing marketing problems, to organizing the firm for marketing, and to other areas as well. Today it is still an exotic phenomenon on the outskirts of the marketing map. In the future this will change. In fact, this change has already started. New paradigms have to come. After all, we live in the 21<sup>st</sup> Century, and we cannot for ever continue to live with a paradigm from the 1950s and 1960s or for that sake even 1990's or 2000's and so on .

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# A Peep into the Investment Climate of China and India

**Dr.P.Paramashivaiah\***

**Dr.Aravind.S\*\***

**ABSTRACT** - India and China opened their economy for reforms in the form of globalization. China way ahead started it in 1970's and India was very late only in 1990-91. India and China have only one similarity that is having a very huge population. China is currently having 1.28 billion and India 1.06 billion. The world's largest work forces are in these two countries. But the political climate is totally different. China is a communist country, Iron-curtained nation but India is the most respected largest democracy in the world. Of late India is running on a multi-party coalition government, it is a very difficult and challenging to keep the momentum of economic reforms.

The Investment climate is the set of location specific factors shaping the opportunities and incentives for firms to invest productively, create jobs and expand. Government policies and behaviors exert a strong influence through their impact on costs, risks and barriers to competition.

It is quite obvious that the investment climate indicator is very much in favour of India against china but at the same time it has to be stated that India attracts only \$4 billion per year whereas China garners \$50 billion per year. Therefore, appropriate steps to be taken by our policy makers to attract more FDI so that India forges ahead of other competitors in the field.

## Introduction

India and China opened their economy for reforms in the form of globalization. China way ahead started it in 1970's and India was very late only in 1990-91. India and China have only one similarity that is having a very huge population. China is currently having 1.28 billion and India 1.06 billion. The world's largest work forces are in these two countries.

But the political climate is totally different. China is a communist country, Iron-curtained nation but India is the most respected largest democracy in the world. Of late India is running on a multi-party coalition government, it is a very difficult and challenging to keep the momentum of economic reforms.

### What is Investment Climate?

The Investment climate is the set of location specific factors shaping the opportunities and incentives for firms to invest productively, create jobs and expand. Government policies

and behaviors exert a strong influence through their impact on costs, risks and barriers to competition.

### FACTORS THAT SHAPE OPPORTUNITIES AND INCENTIVES FOR FIRMS TO INVEST.

G	GOVERNMENT HAS STRONG INFLUENCE.	GOVERNMENT HAS LESS INFLUENCE
Costs	Corruption Taxes Regulatory burdens, red tape	Market-determined prices of inputs Distance to input and output markets Economies of scale and scope associated with particular technologies
Re	Infrastructure and finance costs Labour market regulation	
Risks	Policy predictability and credibility Macroeconomic stability Rights to property Contract enforcement Expropriation	Consumer and competitor responses External shocks Natural disasters Supplier reliability
Barriers to competition	Regulatory barriers to entry and exit Competition law and policy Functioning finance markets and Infrastructure	Market size and distance to input and output markets Economies of scale and scope in particular activities

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**COSTS**

Governments exert influence on the investment climate by their pronounced attitudes and policy decision. This is quite discernible on the costs, risks and barriers to competition faced by the firms. The success or failure of the governments in coming to terms with all three factors is inter-linked with all the establishment of a desirable investment climate. The contrasting nature of investment climates around the world only highlights such a potential for improvements.

Proclaimed policy decisions and well-entrenched behavior of the government considerably influence business costs and apparently the range of investment opportunities that are rewarding financially, herein lies the vital significance of taxation. The governments are also bound to aid in the amelioration of infrastructure and in positively addressing market failures. Any lapse on the part of the government in these areas could greatly increase the costs for these firms that could smother potential opportunities for profit making. The costs of insufficient infrastructure, contractual impediments, crime and corruption can even triple the normal amount paid in taxes.

Costs can also have an adverse time dimensions. This is evident in normal routine matters like obtaining a telephone connections or customs clearance for goods. Sometimes the attitude of the officials also causes unexpected delays in business transactions.

**RISKS**

It is a self-evident business axiom that firms' decisions bearing future plans hold the key to their development. Risks for firms like instability of public response and the wavering nature of competitors are a normal part of competitors. These have to be taken in their stride, but the establishment of a stable and secular environment has mainly with the government. The degree of incentives to invest can be powerfully influenced by policy uncertainties and macroeconomic instability, none can deny the fact that policy related risks are the main barriers of the fiscal growth of firms in developing countries.

**BARRIERS TO COMPETITION**

It is a well-known truth that firms normally prefer to have less competition than otherwise. No-doubt it is ironical that barriers to competition prove good for some firms while they prove detrimental to the economic growth of other firms. They also discourage protected firms from taking steps to innovate and increase their productivity, high costs and risks can prove themselves barriers to entry. Sometimes governments also directly come into the picture by their regulations of market entry and their exit.

**FACTORS LISTED OUT BY WORLD BANK**

- Policy Uncertainty
- Corruption
- Courts
- Crime
- Regulation & Tax administration
- Finance

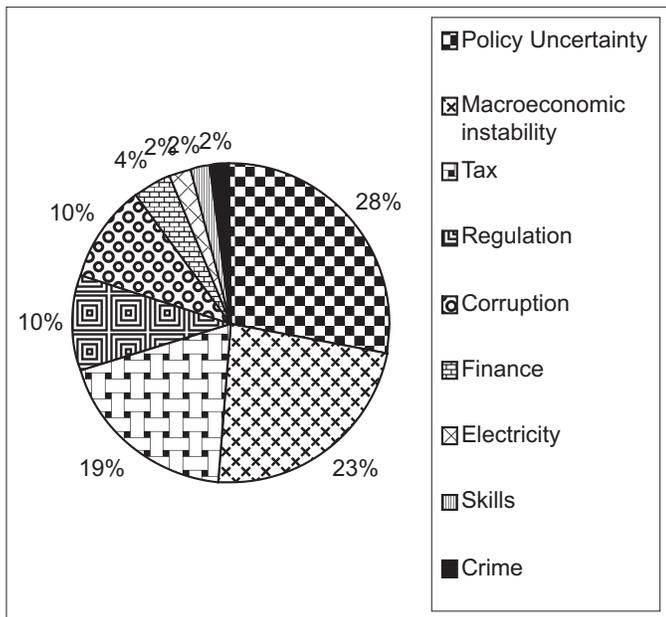
- Electricity
- Labour
- Starting a business
- Enforcing a contract
- Registering property
- Resolving insolvency
- Investment profile
- Intensity of local competition
- Transparency of Government policy making
- Regional disparities of business environment

SLNo	CATEGORY	INDIA In %	CHINA In %
1.	<u>Policy uncertainty</u> Major constraint Intervention of regulation	20.9 64.1	33.7 27.3
2.	<u>Corruption</u> Major constraint Report bribes are paid Average bribe % of sales	37.4 ---- ----	27.3 55% 2.6%
3.	<u>Courts</u> Major Constraint Lack confidence courts uphold property rights	29.4	17.5
4.	<u>Crime</u> Major Constraint Report losses from crime Average losses from crime % of sales	15.6 --- ---	20.0 10.4 2.6
5.	<u>Regulation and tax administration</u> Tax rates as major constraint Tax admin as major constraint Licensing as major Management time dealing with officials Average days to clear customs days	27.9 26.4 13.4 15.3 6.7	36.8 26.7 21.3 19.0 7.9
6.	<u>Finance</u> Major constraint Small firms in the loss	19.2 51.1	22.3 52
7	<u>Electricity</u> Major Constraint Firms reporting outages Losses from outages % of sales	28.9 69.2 11.6	29.7 38 5
8	<u>Labour</u> Skill constraint Regulation constraint	12.5 16.7	30.7 20.7
9..	<u>Starting a Business</u> Days Procedures	89 11	41 12
10.	<u>Enforcing a contract</u> Days Procedures	425 40	241 25
11	<u>Registering property</u> Days Procedures	67 6	32 3
12.	Registering Insolvency	10	2.4
13.	Investment Profile (ICRG 03)	8	7.5
14	Intention of Local Competition	5.6	5.3
15	Transparency of Government Policy making	4.1	4.2
16	Regional Disparities of Business Environment	2.5	3.5

Out of these 16 parameters, it is interesting to note that the two countries have established a rare kind of equilibrium. While India scores over China in eight categories, China has stolen a march over India in an equal number of areas.

Another significant feature of this peep into the investment climate of the above two Asian rivals is the stupendous achievement of China in attracting a fabulous around \$40 billion through FDI, while India has only managed a measly \$4 billion quite naturally China is street ahead in the matter of investment. India is now in the third place in the destination of investment.

#### INVESTMENT CLIMATE CONCERNS BY FIRMS



Source: World development report

#### COMPARISON OF INVESTMENT CLIMATE SCORES BY FIRMS

S.No	Categories	Indias constraint score	Remarks India	Chinas Constraint Score	Remarks China
1	Policy Uncertainty	20	F	33	UF
2	Macroeconomic instability	-	-	-	-
3	Tax	27	F	36	UF
4	Regulation	26.4	F	26.7	UF
5	Corruption	37	UF	27	F
6	Finance	19	F	22	UF
7	Electricity	28	F	29	UF
8	Skills	12	F	30	UF
9	Crime	15	F	20	UF

F- Favorable, UF- Un Favorable

When we make a comparative study of the investment climate concerns of firm between India and china what is obvious is that only in the matter of corruption (No 5) India finds it self at a disadvantageous position compared to china. But in all the other categories India has far superior position vis-à-vis china. It has to be therefore concluded that in the mater of business stability India comes out with flying colours in any kind of comparison with china in this field.

#### Conclusion

It is quite obvious that the investment climate indicator is very much in favour of India against china but at the same time it has to be stated that India attracts only \$4 billion per year whereas China garners \$50 billion per year. Therefore, appropriate steps to be taken by our policy makers to attract more FDI so that India forges ahead of other competitors in the field.

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# Evolution of Private Labels in developing economies.

**Shilpa Kamath\***

**ABSTRACT** - Private label products, those generated by the retailer, are demonstrating a significant presence in many of the retail markets across the globe. Retailers' use of private labels was relatively small in the past for several reasons. First, national brands had been heavily advertised on TV and other media for decades, creating a strong consumer franchise. Second, it had been hard for retailers to gain the economies of scale in design and production necessary to compete against manufacturer brands. Third, many retailers weren't sophisticated enough to aggressively compete against manufacturer brands. Finally private labels had a reputation of being inferior to manufacturer brands.

In recent years, private labels have assumed a new level of significance by establishing distinctive identities among the retailers. Retailers have developed strong private-label branding programs to increase store loyalty, store image and traffic flow. Retailers also like private labels because they are not available at any other retailer and they do not have to succumb to any restrictions imposed by vendors.

## Introduction:

The brand is now the key issue, the question is whose brand will dominate, the suppliers or the retailers. In Europe private labels, those generated by the retailer have now become a dominant issue. On average 45% of products sold in Europe are sold via private label, this compares with 25% in the USA. Over the past two decades super markets and other retailers have done an excellent job of moving beyond black-and-white substitutes to private label offerings that even beat the national brands at their own game. The Private Label Manufacturers Association reported private label brand sales grew 2.1% last year to \$47.1 billion in supermarket, drugstore and mass merchant channels, while branded goods grew 1.8% in the same categories.

## Meaning:

'Private labels' is the term used to signify the brands which are developed by the retailer himself. Typically, retail buyers or category managers develop specifications for the merchandise and then contract with a vendor to manufacture it. But the retailer, not the manufacturer, is responsible for promoting the brand.

Private label items are usually sold exclusively at the retailer's outlets only. The strategies adopted for allotting the brand name to private label items are quite diverse throughout the world. While some prefer to retain the same name as that of their stores, others prefer to use a separate name altogether.

More functional categories like toilet paper, paper towels, paper glasses etc, in those categories there is great penetration of private labels.

The more difficult categories for private labels to penetrate are the ones which add more symbolic and emotional component to the consumption, health and beauty Products. Private label involves 2 costs- product development cost and cost of launching advertisement and promotions. Higher the numbers of retail outlets greater is the economies of scale enjoyed by the retailer. Retailers do not incur failure cost as they copy only the products that succeed.

## Types of Private labels:

The private labels can be classified into four broad categories

namely bargain, copycat, premium and parallel.

1. Bargain: Bargain branding targets a price-sensitive segment by offering no-frills product at a discount price. Known as generic or house brands, such unbranded, unadvertised merchandise is found in grocery and discount stores. Ex: Aditya Birla's retail contains grocery items under the name 'More'. The bargain brand is perceived by the consumer as lower quality. In context of differentiating the retailer, bargain branding is primarily defensive. Its value comes from neutralizing competitors and serving a secondary market segment whose patronage potentially leads to collateral sales.
2. Copy cat: Copycat branding imitates the manufacturer brand in appearance and trade dress, generally is perceived as lower quality and is offered at a lower price. For ex: lot of local soft drinks imitates the taste and bottling of Pepsi and Coco-cola. By not drawing attention to the brand's origin, the copycat can confuse the consumer about the source of the product. Copycat branding is a risky private-branding alternative because close copies can violate trade dress and patent laws.
3. Premium: Premium branding offers the consumer a private label at a comparable manufacturer-brand quality, usually with modest price savings. For example, Pantaloon branded clothes is of same quality as any global brand. The premium brand attempts to match or exceed the product quality standard of the prototypical manufacturer brand in its category. Consumers frequently perceive the retailer premium private labels as competing manufacturer brands. Retailer premium brands, with the appearance of comparability, compete directly with manufacturer national brands. To succeed, the retailer must commit the resources in its market research, product development, quality control and promotion in its market area commensurate with its manufacturer-brand competitors.
4. Parallel: Parallel branding represents private labels that closely imitate the trade dress and product attributes of leading manufacturer brands but with a clearly articulated invitation to compare in its merchandising approach and on its product label. Parallel branding is leveraging strategy used to bolster a retailer's private brand sales. The closer two products are in

form, logo, labeling and packaging the more they are perceived as substitutes. The noticeable difference between manufacturer brand and parallel brand is price. This promotes the view that the parallel brand provides better value for the consumer. Manufacturer brands promote store traffic and the parallel brand leverages this traffic into parallel brand sales through similar trade dress and aggressive store signage, displays and shelf location.

#### **Strategies of Private labels:**

A significant portion of the retailer's sales and profits actually come from the private label segment. This is one product segment wherein the retailer, has to decide the retail price himself. The retailer has to be extremely careful in deciding his retail price such that the customer gets the positive feeling of value for money while purchasing a private label product. The relatively high prices of many well known brands and the relatively low prices of commodities, leave a substantial middle market for private labels. Private label brands dominate this market.

On a per unit basis, the variable margin for private labels may often be higher than those for the well known brands. While the well-known brands will typically command higher prices, their price differential over private labels may not offset their higher costs- especially those related to their branding efforts. Higher per unit margins encourages retailers to increase their private label efforts.

Strategies for private labels can be viewed exactly the same way that one would view strategies for different segments. The more offerings one can bring to a market, the more revenue one can expect to achieve- according to the Law of Micro-Targeting. However, at some point, the costs may eradicate any additional revenue that would be associated with targeting a product or service to ever fewer customers. So some retailers prefer to have a single brand strategy. Some retailers offer different levels of private labels. For example: Big bazzaars have Knightwood brand as low priced clothes and Pantaloon brand as high priced clothes.

#### **Advantages of private labels:**

1. Greater profits: Since private label items are the retail company's own products, selling them helps save almost entirely the profits of most of the intermediaries which are usually quite substantial. Even if the production or any other function is outsource, it is done within tight margins since the entire operation of the third party is totally transparent to the retailer wherein even the ultimate profits of the third party are decided by the retailer. The retailer is also free to decide his own pricing policy and hence enjoys much greater flexibility in marketing the products.
2. Exclusivity: A private label brand offered by a retailer will not be available anywhere except at the retailer's outlets only. Hence once a consumer buys and appreciates the item, he/ she is bound to come back to the same retailer for more and could also be motivated to buy many more items during the visit to the store.
3. Greater goodwill: If a retailer is able to build considerable brand loyalty for his private label products, the customers are also likely to develop fascination for and faith in the store's brand and would also likely always prefer to shop at his store.
4. Less dependency: After developing a good quality private

label, it is obvious that the retailer would try extremely hard to ensure that such products account for a substantial share of their respective total sales within the company. Once this is achieved, it is apparent that the retail company would have a much lesser dependence on other brands in the product lines especially where they themselves fairly successful.

5. Better apportionment of advertising costs: When the brand name of the private label products is same as that of the retailer, then each stands to benefit from the advertisements of the other and the expenses thereof are also better apportioned.
6. Own promotion policies: Since private label products are the retailers' very own products, there is no restriction on the display and promotion of such products by the retailer as in products of other manufacturers. Hence these products get much better visibility and thus generate better sales.

#### **Limitations of private labels:**

1. Too much at stake: It is not always easy for retailers to develop private label brands and sell them successfully. Initially the retailer must take great pains and spend huge resources for creating awareness about his own brand. The package has to be designed and for the brand image to be built very carefully because the retailer's own name is at stake. If in spite of all the retailer's efforts, the brand fails to take off or is not of good quality, it could have an adverse impact on the retailer's own reputation.
2. Increased complexity of operation: Creating private label brands, entails the retailer's involvement in the development and production of the products and hence the technical aspects of his business as well. Consequently, the complexities of operation and the company's responsibility increase dramatically.
3. High volumes required: In order to enjoy the advantages associated with private labeling, there has to be substantiate high volume of production. Otherwise, the cost associated with private labeling will offset the benefit derived from it.
4. No replacements: While in the case of a manufacturer's brand the vendor is usually responsible for all replacements, in private labels the entire responsibility of providing replacements lies with the retailer. If the product does not sell, it cannot be returned and even any dead stock ultimately remains with the retailer.

#### **Trends in Private labels:**

In the past, private labels were primarily targeted to the poor. Today, while the poor still buy private labels more often than other consumers, one observes wealthy consumers purchasing store brands. Increasingly, it is considered "smart" shopping to purchase private label products of comparable quality for a much lower price than buying high priced manufacturer brands.

Private labeling will continue to grow and will become international. Discount stores will develop their own private labels at the expense of brand labeled products.

Apart from price driven private labels, the upmarket label will develop. This has already been achieved in the UK with Sainsbury's wines and Marks & Spencer sandwiches. The private label will continue to compete with brand leaders. The warning is the branded product that is not a market leader could be seriously under threat in the next few years.

The overall feeling is that in the supermarket industry in Western Europe, the private label market has now matured and little growth will be seen. But, in Eastern Europe, especially Poland, Czech Republic, Slovenia, Russia and Turkey, there will be a huge growth in this market sector. Many of these labels will come from western retailers moving east.

In the last twelve months in the USA, private label growth has been 1.1% in supermarket products, 12.2% in hardware products, whilst drugstore products have declined by 1.3%. The general feeling is that in times of recession, private labels increase their market share, but tend to maintain that market share as economies recover.

According to AC Nielsen, one third of consumers in developed markets believe private labels offer higher quality than well-known brands. Given such consumer beliefs and given the amount of market information now available to retailers and their suppliers, the differentiation provided by private labels may be expected to increasingly rival those of national or global brands.

According to Dr. Nirmalya Kumar, twenty years from now, India will have good private labels. Indian retailer's private label can grow dramatically in all the kind of cereals and basic items like milk, sugar, atta and rice. In these basic categories there are a lot of purchases. So there is scope for private labels to increase dramatically.

#### **Suggestions to manufacturers of branded products:**

There could be a prosperous future for private labels and manufacturer brands to co-exist on the supermarket shelves- if manufacturers actually drive their product categories and if their core competency is not eroded by a lack of commitment to their work. The manufacturer brands have to innovate to compete against private labels.

Thus, the response to private labels by the well-known brands is either to increase their perceived value to the consumer or lower the per unit costs to the retailer or a combination of both.

#### **Suggestions to the manufacturers of private labels:**

In her article on private labeling in Small Business reports, McCune outlined three main factors that determine the potential for success of small businesses that wish to manufacture private label goods: the right product, a competitive price, and a strong marketing program. For products to be considered for private labels, they must have a large sales potential, because retailers are not usually interested in branding low-demand items. In addition, the manufacturer must be able to assure that the product quality is as good as or better than the leading brands. Small manufacturers may gain a marketing advantage if they are willing to assume responsibility for product quality, rather than leaving the retailer holding the bag. This might involve providing a toll-free number on product packaging for consumers to make complaints or suggestions, or giving the retailer a discount on future orders if the quality does not meet predetermined standards.

The type of manufacturing process involved is another important product-related aspect of private labeling. In general, private labels are most appropriate for products that can be manufactured on a tight schedule while maintaining high quality standards. Private label manufacturers must be able to assure their retail clients of reliable, on-time delivery. In addition, they must be flexible enough to ramp up production quickly to meet increases in demand or to

change the product's formulation according to the retailer's wishes.

Price is another important component of successful private label manufacturing. The price must compare favorably to competing name brands while also enabling both the manufacturer and the retailer to make money. In general, private label sales provide high volume but tight margins, so price calculations are crucial. When calculating the final sales price for private label items, manufacturers must be sure to consider any costs that are incurred especially for the private label line. These may include tailoring the product to meet retailer specifications, or designing special packaging for each retailer.

The third factor in successful private label manufacturing is a strong marketing program. The marketing program for private label goods consists of two parts: contracting with retailers to become their supplier for a certain product, and assisting the retailer in marketing that product to the final consumer. If a small business lacks expertise in dealing with retailers, it is possible to hire distributors or consultants who specialize in private-label selling. For small manufacturers who proceed on their own, however, McCune recommended getting all of the conditions of the contract in writing. It is particularly important to determine the amount of packaging that must be kept in stock, since extra packaging with a certain retailer's label becomes useless if the deal falls through. Manufacturers will want to keep the amount as low as possible and perhaps also include a clause that requires the retailer to reimburse them for unused packaging. It is also important that the contract specify realistic delivery dates, product design modifications, and the amount of notice required to terminate the contract. Finally, it may also be useful for private label manufacturers to contribute their product marketing expertise to their retail accounts. This may involve recommending specific promotions or even creating advertisements and writing ad copy.

#### **Conclusion:**

Private label is not about developed or developing country. Private label share is based on retail consolidation in the country. As private label share increases in a category, innovation increases, because the manufacturer brands are forced to innovate to compete against private labels. In general, however, the profit and advantages of a private label brand outweigh the disadvantages. However, it is not as simple as a new name and a new package. It requires a well-rounded, multiyear commitment, often backed with specialized expertise in everything from packaging to promotion.

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# Employees Attitude towards Ethical orientation in HRM Practices: A Case Study

Pankaj Tiwary\*

**ABSTRACT** - The role of Ethics in Human resource Management is very crucial. HRM practices of the organization should have ethical orientation. The ethical HRM practices help the Management to develop the atmosphere of trust within the organization and to manage the human resources effectively and efficiently. The well managed employees are the source of achieving competitive advantage. This article is a case study, which focuses on studying the employee's attitude towards ethical orientation in HRM practices followed in the organization. The present study has revealed the facts that the attitude of employees towards ethical orientation in HRM practices followed in the organization is positive but the organization should try to implement some innovative HRM practices in the organization which will help them to face the challenges and they should provide more facilities to employees to enhance their morale.

**Key words:** Ethics, HRM practices, Employees, Attitude.

## Concept of Ethics in HRM:

Ethics plays a very important role in every sphere of life. Whether it is personal life, professional life or social life, the significance of ethics cannot be overlooked. Ethics is a major branch of philosophy and it is the study of values and customs of a person or group. It covers the analysis and employment of concepts such as right and wrong, good and evil, and responsibility.

Ethics influences various business activities. We all have decisions about how we will treat others in the workplace and how we will ask to be treated. Ethics at work and in human resource management is about our relationships with others and with our organizations. If the organization expects something from the employees than they have to become ethical in their dealings with them.. The employees can be managed efficiently by adopting ethics in human resource management practices. If the employees perceive that the HR practices followed in the organization are ethical than it will help them to develop organizational commitment and they will exhibit organizational citizenship behavior (OCB)

## Influence of business ethics

1. Ethical business policies and practices influence and shape the individual ethics, characters and behavior.
2. The ethical standards of the top management influence and shape the decisional values and decision-making styles of the middle and junior level managers.
3. The business ethics influence the conduct of various business operations including HRM operations / functions.

## Present Study

### Rationale of the Study

Employees are very important asset in the organization. They are the source of achieving competitive advantage so they should be managed properly and it is only possible through the implementation of ethical HR practices. The present study is aimed at examining the attitude of the employees towards ethical orientation in HRM practices followed in the organization is

positive or not.

## Objective of the Study

1. To analyze the prevalent HR practices in respondent organization
2. To examine the attitude of employees towards ethical orientation in HRM practices followed in the organization.
3. To suggest the findings based on the analysis of the data.

## Hypothesis

**Ho:** The attitude of employees towards ethical orientation in HRM practices followed in the organization is positive.

**H1:** The attitude of employees towards ethical orientation in HRM practices followed in the organization is not positive.

## Research Plan

1. **Data Source**  
Primary and Secondary both.
2. **Research Approach**  
Survey method
3. **Research Instrument**  
Structured Questionnaire and Interview
4. **Sample Size**  
90
5. **Sampling Frame (Target Population)**  
HR Manager and Shop floor Employees
6. **Sampling Technique**  
Convenience Sampling

## Sample

We carried out this study in a Dairy plant at Baroda. The plant is engaged in the production and distribution of milk and milk products.

## Procedure

Firstly, We interviewed the HR manager to know about the

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prevalent HRM practices in the organization then we designed a questionnaire based on Likert's Scale. The questionnaire was prepared in English language and then converted in to Gujarati language with the help of translator because of the unfamiliarity of most of the employees with English. A good impression was established with the employees before giving this questionnaire. The employees asked us the purpose of data collection. First, they refused to give responses; we assured them that this data was only for our research (academic) purpose, and then only they filled the questionnaire.

### Statistical Analysis: Research technique

The following statistical tool has been used to test the hypothesis.

#### 1. Single way ANOVA (Analysis of Variance)

#### Results and Discussion

#### Interview with HR Manger

We have interviewed the HR managers to find out the prevalent HR practices in the organization. On the basis of the information provided by the HR manager, the main HRM practices are as follows:

#### 1. Recruitment and Selection

Employees are recruited by using internal and external sources of employment. They are selected on the basis of the qualification and ability to perform the job.

#### 2. Training and Development

It is very important function in the organization. Continuous training is given to employees to develop the skills. The competent trainers are invited to provide the technical and behavioral training.

#### 3. Performance Appraisal

Performance appraisal is done on annual basis and the results of the appraisal are shared with the employees to let him know about his strengths and weaknesses.

#### 4. Promotions and Transfers. Employees are promoted and transferred on the basis of the results of the performance appraisal.

#### 5. Compensation and Benefits

The salary/ wages are paid according to the standards and others facilities like transportation, housing are provided to the employees.

#### 6. Employee Retention

Proper attention is given to retain the employees in the organization by providing them monetary and non-monetary incentives.

#### Analysis and Interpretation of data collected through questionnaire

For analyzing the data single way ANOVA test has been applied. The calculated value (0.06) was less than the tabulated value (2.25), therefore we accepted the null hypothesis ( $H_0$ ) that the attitude of employees towards ethical orientation in HRM practices, followed in the organization is positive.

### Findings

On the basis of data analyzed the findings are as follows:

1. The HRM practices followed by the organization are conventional.
2. Employees believe that the organization is having clear HR policies and the recruitment and selection procedure, performance appraisal, training and development procedure are fair. The company provides compensation according to the competencies of the employees. Most of the employees believe that they have never noticed any discrimination based on gender, religion etc.

### Recommendation

1. In present scenario, the business environment is very dynamic and competitive, so to cope up with all these, the organization should implement the blend of conventional and innovative HRM practices, which will help them to manage the human resources effectively.
2. The organization should conduct the survey at regular intervals to know the opinion of employees about the HRM practices so that the timely action can be taken if the things are going wrong.
3. The organization should motivate the employees to come up with new ideas etc.

### Conclusion

On the basis of the data collected and analyzed, we conclude that the organization is following the conventional HR practices and the attitude of the employees towards ethical orientation in Human Resource Management Practices is positive. The organization should implement some innovative HRM practices and they should take motivate the employees to come up with new idea.

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## Appendix

## Questionnaire

		<b>1 Strongly Disagree</b>	<b>2 Disagree</b>	<b>3 Neutral</b>	<b>4 Agree</b>	<b>5 Strongly Agree</b>
1.	I enjoy working with this organisation.					
2.	The organization has clear HR policies.					
3.	The organization fairly treats with its employees.					
4.	Employees are selected on the basis of recommendation.					
5.	The trainees are selected on the basis of preferences.					
6.	Sometimes, I find that the trainers are less qualified to conduct the training.					
7.	The performance appraisal system in the organization is fair.					
8.	The decision regarding promotions, salary hikes are according to the outcomes of performance appraisal.					
9.	Salary/Wages are paid according to the prescribed standards .					
10.	I will be paid the same wage / salary even if I don't contribute enough.					
11.	The ways and means adopted by the company to retain me is ethical.					
12.	I have never noticed any discrimination based on the gender, religion.					
13.	I can report any inappropriate activities that may happen in my organization to the management.					
14.	Our organization provides prescribed facilities.					
15.	I would recommend this organization to others as a prospective workplace.					

# Retaining an Employee A novel approach

Dr. Ahmed Umar Khan\*

## Introduction:

Almost all of the business units have started realizing the essence of human capital in their organization. On an average, companies invest more than 1/3<sup>rd</sup> of their revenues in their employees by means of Recruitment & Selection, Training & Development, Career Planning etc. Now a days the employee is regarded as the most valuable asset rather proposed asset in the organization, and the employee who is the proposed asset(s) and it is the time to invest their efforts to achieve the goals and objectives of the company, resigns the job this creates havoc.

Retaining talented employees in today's competitive and global environment is becoming more and more difficult. In general no business unit can avoid this. But certainly provisions can be made to at least increase the life of the employee organization relationship.

In corresponds to decreasing the attrition rate in the unit it is very much essential to enhance the employee organization relationship. This is a major challenge, which has to be observed & studied carefully. A company should invest more time and money to devise a particular strategy or a relationship model that can reduce / minimize the employee turnover in the organization.

The strategy or a relationship model may vary from organization to organization based on the organization culture, it's work environment, the strategic role to face the globalization, pathway to achieve the goals and objectives. To compete with the competitors etc. which will definitely be the key to maximize the profit and face the competition. It is the only Human Capital of the organization, which improves the workability, mobility, and diversification of the organization.

## Objective:

To understand the importance of the work environment and it's effective role in developing the positive attitude of an employee towards work. The organization that takes initiative in developing the positive attitude of its work- force will definitely be able to reduce the rate of attrition.

## Literature Review:

To develop the strategy to face the retaining of talented employees in today's decade, the HRM function is much more integrated & strategically involved. The importance of recruitment, selection, training, developing, rewarding, compensating & motivating the workforce is recognized by managers in every unit & functional area of an organization which focuses on organization effectiveness for a global competition. The organizations have started realizing the importance of Human Capital and at the same time there is a

strategic move in the so called an Individual (Employee) who also thinks, feels and behaves with regards to work & place of work. An employee attitude is a characteristic and usually long lasting way of thinking, feeling and behaving towards an object, idea, person or group of persons and performance is a type of attitude that evaluates an object, idea and persons in positive or negative way. So it is the work culture, work environment, the treatment an individual is passing by in the organization generally affects the performance and accordingly the employee develops the attitude towards his work responsibilities and productivity.

## Case 1:

A recent research by KRC Research on how employees are treated. Southwest Airlines, one of the only airlines staying profitable since the 9/11 terrorist attacks, says, "People are our most important resource." Company policy is to treat employees like family, knowing that if they are treated well, they in turn will treat customers well. They have a "University for People" directed by Rita Bailey, and their policy is to hire people based on their **attitude** and then **train them for skills**, rather than the reverse. Unlike other airlines, negotiations between management and employees for pay raises and benefits are much shorter and easier as both sides come to the table wanting to hand write a win/win contract.

## Case 2:

Aaron Feurenstein, CEO of Malden Mills in Lawrence, MA, which produces popular Polartec fabrics, believes labor is the best asset a company has. He says a company has an equal responsibility to its community and to itself, and since his town has high unemployment, he kept all 3,000 employees on his payroll after a major fire destroyed three out of its four factory buildings.

Workers repaid his generosity with a 25% increase in productivity and 66% drop in quality defects

## Case 3:

**60 Minutes** did a television show on SAS, a billion dollar computer Software Company that has low absenteeism and only 3% turnover, which saves them \$80 million each year in training and recruitment. Their secret? A no-lay-off policy, 35 hour workweeks, flex time, and on-site amenities such as a gymnasium, a medical clinic, and massage therapists

## Case 4:

NYNEX established an Office of Ethics and Business Conduct to encourage employees to live by a set of core values: quality, ethics and caring for the individual. This new focus led to increases in profits, productivity and product and service quality, as this

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affected how customers and stakeholders perceive the company.

Apart from the Attitude development and preferences there are certain other factor too which cannot be overlooked which influence the employee retention.

Some organization that have started probing the problem in depth have been looking for various factors like employee satisfaction surveys or seeking factors / reasons for attrition through exit interviews, the compensation package, cutting edge technology etc

#### **Methodology:**

Interview method was used to gather opinions and gauge reactions of the aspirants and the associates of the Information Technology Organisation.

Though an exhaustive method it has helped in learning the facts about how people have been inducted in the IT organization.

The interviewees were either aspirants joining the industry or they were associated with it. During the interview, certain critical issues were discovered and were analyzed to identify strategies that will help in devising an effective methodology in the IT sector. Most of the questions asked were kept open ended to collect primary, first hand information.

Some of the parameters and their ratings which play a vital role in getting selected in a BPO Organisation.

On a scale of (1 to 5, 5 Very Important, 4-Important, 3-Moderately important, 2- Some what important, 1- Not important)

#### **Findings:**

<b>Sr. No</b>	<b>Parameter</b>	<b>Rating</b>
1	Dissatisfaction with compensation package	5
2	Insecurity over career growth	3
3	Lack of recognition	3
4	Dissatisfaction with work culture	2
5	Technological preference	4
6	Regional preference	2
7	Conflicts with supervisor	1
8	Personal & family reasons	2
9	Unfulfilled promises	1
10	Instable Management	1

#### **Conclusion:**

By devising the proper methodological approach to understand these above listed issues and in what degree it is influencing the employee-organization relationship one cannot ensure 100% reduction of the employee turn over but yes definitely one can reduce it with considerable figure. To conclude, "Better the work culture, the healthier the employee organization relationship is".

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# Tourism: An avenue of Organised Retail Sector

**Sajid Alvi\***

**Ramkrishana Dikkatwar\*\***

## 1.1 Introduction

This is a modest attempt by the authors to give a caricature about the trends visible particularly in the field of Tourism with an elaboration on potential available in various types of tourism and the governmental measures for promotion of Tourism.

The term tourism denotes the temporary, short-term movement of people to destine place where they normally live and work. It is a pleasure activity..

Tourism is a smokeless industry and is one of the fast growing businesses world over. World Travel and Tourism Council (WTTC) has predicted. That India has the potential to become the number one tourist destination in the world. With the demand growing at 10.1 per cent per annum, India's tourism industry is thriving due to an increase in foreign tourists arrivals and greater than before travel by Indians to domestic and abroad destinations. The visitors are pouring in from all over the world: Europe, Africa, Southeast Asia and Australia. At the same time, the number of Indians traveling has also increased.

This paper is divided into different sections s. First section introduces us to Tourism as a whole. Part two tries to focus on the industry structure. There are multiple areas where potential of tourism can be explored; this is highlighted in detail in the section on various categories of tourism in India. Tourism Contribution To The Indian Economy is indicated in the next section. The measures taken for tourism promotion are discussed in the end. Followed by conclusion.

## 1.2 Industry Structure

India is a huge market for tourism, both outbound and inbound. Apart from this India has a sizable domestic tourism industry which caters to around 37 crore internal travelers. The tourism industry is classified into outbound, inbound & domestic and there are different opinions about the size of the industry.

### 1.2.1 Inbound Tourism

Inbound tourism is concentrated largely in the North and Rajasthan. According to Industry sources, South accounts for only about 25 per cent of inbound tourism. "The first time traveller will invariably go to Agra and Rajasthan and not venture to other locales." However, "With the thrust given by Kerala, it is an exotic option and Gujarat too is a destination of the future."

## Tourism

Domestic tourists are also fuelling the industry's revival. Many of them escape from the summer heat on the plains to resorts in the Himalayan Mountains. One of the major beneficiaries is Kashmir, where a cease-fire between India and Pakistan has reduced violence, if not completely, at least enough to help revive the state's

sagging tourism industry.

Domestic tourism needs to be buoyed up. "Domestic tourists are looking at a short 3-4 holidays in a year in India and the concept of booking through a hotel directly is fading away and customers are increasingly coming to travel and tour agencies" avers an industry insider. The most favoured destinations continue to be the hill stations, Rajasthan and now, with the marketing thrust, Kerala is the largest destination for people in the West and South.

### 1.2.3 Outbound Tourism

India is in a continual process of upgrading its, Incentives, Conferences & Meetings ,Exhibitions facilities. There are multiple plans on the anvil for more world-class convention centres, airports that contest with the best in the world and efforts to team the famous Indian hospitality with customisation as per a visitor's requirement. One could also offer the credit to the world class incentive programs, her ability to heal spiritually, her unmatched offering as a health destination or continually improved infrastructure facilities that over 3 million foreign tourists thronged her this year generating over US \$30 billion as revenue, even as most other preferred hotspots marked a decline in their tourism graphs.

## 1.3 Various Categories of Tourism in India

Every country has something to offer to a tourist, it may be in the form of natural Products like scenic spots or man made wonders like Disneyland in USA. Many of the

Developing countries are blessed with such a vast amount of cultural heritage, material

Artefacts and life styles embedded with fairs and festivals that tourism industry can serve

as a great source of revenue generation. Despite the nature's gift in abundance in India the Countries, tourist traffic has remained dismally low and the region receives a minute percentile of the global traffic.

India is probably the only country that offers various categories of tourism. Major attractions in India are the world's highest mountains, miles of coastline with excellent beaches, tropical forests and wildlife, desert safari, lagoon backwaters, ancient monuments, forts and palaces, adventure tourism and the Taj Mahal. The tropical forests in Uttaranchal, Madhya Pradesh, Karnataka, Orissa, Kerala and Rajasthan can be developed into major tourist attractions. Among the most favoured tourist destinations in India, Kerala for its scenic beauty, Agra for Taj Mahal, Khujraho for its sculptures and temples, Goa for its beaches and some pilgrimages are the most important.

Indian tourism is one of the most diverse products on the global

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scene. These include history tourism, adventure tourism, medical tourism (ayurveda and other forms of Indian medications), spiritual tourism, beach tourism (India has the longest coastline in the East) etc.

### 1) Educational tourism

India is a fascinating destination for educational tours and excursions. For students on an educational tour, India offers a range of possibilities. From historical and cultural tours, to wildlife and ecology tours, from spiritual and pilgrimage tours to adventure and travel tours, educational tours to India can cover a range of interests, based on your tour groups needs.

On educational tours to India that cover India's historical and cultural sights, you can travel to amazing monuments such as the Taj Mahal, see the magnificent forts and palaces, tombs and mosques and splendid temples and churches of India. Learn about the art and architecture of ancient cultures. See beautiful sculpture and carvings on the walls of heritage buildings. Marvel at the skill of painters and artists who created murals and images on the walls of caves and temples in India. The exquisite calligraphy and carvings on Mughal monuments are amazing works of art, that will fill you with wonder, on educational tours of India. Visit the wildlife sanctuaries and National Parks of India on educational tours of the wildlife and ecology of India. Enjoy elephant safaris and nature treks, and see elephants, tigers, bears, leopards, deer, monkeys, and many species of animals, birds and plants in the forests of India. The biodiversity and natural wealth of India is truly astounding and waits to be explored. Enjoy getting closer to Nature on educational tours of India.

Visiting the spiritual sites, sacred places and holy destinations of India on pilgrimage tours of India. Learning about the spiritual traditions, beliefs, customs, rituals and how religion is an integral part of the daily life of the people of India on educational tours to India, If one want to learn how far he/she can test strength and endurance, then adventure tours to India offer the opportunity to stretch yourself to the limit. One can learn rock climbing, hang gliding, skiing, river rafting, scuba diving or other adventure related activity on adventure educational tours to India.

### 2) Medical Tourism

Medical tourism is the act of traveling to other countries to obtain medical, dental, and surgical care. A combination of many factors has lead to the recent increase in popularity of medical tourism: high costs of healthcare in industrialized nations, ease and affordability of international travel, improving technology and standards of care in many countries of the world.

Medical tourists are generally residents of the industrialized nations of the world, the countries they travel are typically the less developed ones with lower cost of medical care, in some cases due to favorable currency exchange ratios. Currently, many of the procedures accessed are considered "elective procedures," such as cosmetic surgery. Because elective procedures are rarely covered through health insurance plans, there may be greater incentive to find such care at lower costs.

It is advantage India in promoting medical tourism. According to CII, India has the potential to attract 1 million tourists per annum, which could contribute upto US\$ 5 billion to the economy. CII is of the opinion that India must leverage its competitive edge, especially its cost advantage. It is only 1/5th of costs in the West, says CII. A Heart Surgery in the US costs US\$ 30,000 while it costs

US\$ 6,000. Bone marrow transplant in the US costs US\$ 2, 50,000 while it is US\$ 26,000 in India, CII points out.

According to CII, India is unique as it offers holistic medicinal services. With yoga, meditation, Ayurveda, allopathy, and other systems of medicines, India offers a unique basket of services to an individual that is difficult to match by other countries, says CII. Also, clinical outcomes in India are at par with the world's best centres, besides having internationally qualified and experienced specialists.

CII along with Indian Healthcare Federation (IHCF) is working with tour operators to promote attractive packages for Medical tourism. Last year, according to rough estimates, India was able to attract approximately 1.5 lakh patients to the country, but has potential for much more. CII and IHCF will suggest a list of reputed hospitals in major cities, having good air connectivity, with details of their service to the Government. CII will further suggest uniform price band in major specialties, which are indicative pricing, to the Government. This would facilitate foreign patients seeking treatment in India. However, accreditation of Indian hospitals is quintessential for medical tourism, adds CII.

A case study done by CII has revealed that Thailand with a population of 60 million has been successful in attracting 1 million health tourists last year because of the development of world-class infrastructure. According to CII, the success story behind Thailand's tapping the health tourism market is due to aggressive international marketing in conjunction with tourism authority. It has also integrated with traditional medicine and service integration with tourism.

CII believes that India should also replicate the Thai model and capitalise on its inherent strengths to become a world player in medical tourism.

CII in association with Indian Healthcare Federation is working closely with the Government to evolve an enabling strategy to project India as a world-class health care destination. CII has also suggested that government should encourage medical tourism by increasing air connectivity linking major cities like Delhi, Chennai, Bangalore, Hyderabad and Kolkata, and create health support infrastructure.

CII says that it is also essential to establish the Indian healthcare brand synonymous with safety, trust and excellence. There is a need to undertake an international marketing campaign targeted at select countries, besides establishing one-stop centres in key markets to facilitate the inflow of foreign patients. There is also a need to streamline immigration process for medical visitors, adds CII.

CII is also of the opinion that if India develops its infrastructure to international levels, it will be able to benefit medical services sector and moreover help the world access the Indian medical services.

### 3) Agro Tourism

About 70% of India's population lives in rural areas and which is predominantly agrarian. This is one of the ways we can improve the life of farmers especially in mountainous regions and in areas. Incentives provided with agro tourism have been successful in keeping the residents of such regions at home, therefore preventing depopulation of the countryside and at the same time the architectural heritage is preserved through the renovation of buildings, and the regional cultural heritage is promoted, while the income of farmers is supplemented and improved.

The concept of agro tourism is a direct expansion of ecotourism, which encourages visitors to experience agricultural life at first hand. Agrotourism is gathering strong support from small communities as rural people have realised the benefits of sustainable development brought about by similar forms of nature travel. Visitors have the opportunity to work in the fields alongside real farmers and wade knee-deep in the sea with fishermen hauling in their nets. Agro tourism is emerging at the right moment to cover the need of tired city-dwellers for a closer contact with nature, as well as with things and experiences long-forgotten, such as bread baking and traditional pastry-making, loom weaving, horse-back riding, a stroll in the forest, life at a tranquil pace.

It brings growth to local communities, assisting their economies to flourish and prosper; it facilitates the production of traditional products that would otherwise possibly vanish, mainly traditional products such as fruit preserves and jams, embroidery, the cultivation of aromatic herbs and pasta. It assists in the preservation of crafts that would otherwise perish with the last artisan, preserves human memory through the revival of customs and traditional festivities, offers a communication channel between regions isolated from the large population centres and provides life-long opportunities to local youth.

#### 4) Adventure Tourism

ET Lionel India, a K K Birla group travel company, will foray into sports tourism.

Its focus will be to promote sporting lifestyle and leisure activities among children and adults.

The company has launched a joint marketing initiative with SportzVillage, a Bangalore-based organisation, which focuses on sports education for children, corporate sporting events and promoting of sports-related tour itineraries for school children in the age group of 9 to 15 years.

The first such group is scheduled to leave in May for Goa. Further activities under this umbrella will be rolled out across the metros in a phased manner.

A growing niche market in India, it is estimated that, in the next three years, over 100,000 Indians will travel exclusively to watch sports-related events internationally.

This trend will be particularly significant with football, cricket, tennis, golf and Formula One enthusiasts.

Saumil Majmudar, director of SportzVillage, said: "As one of India's leading grassroots-level, professionally-run sports organisation, SportzVillage's mission is to Create Champions in Life, through the magical medium of sports. The sports tourism initiative will go a long way in providing a high-quality sporting experience as well as help develop a passion for sports and fitness in children and adults. We are pleased to partner with GET Lionel India and combine their domestic and international travel expertise with our professional sports services for children and corporate."

SportzVillage provides high-quality sports services to children and corporate.

It aims to make sports, health and fitness a way of life for children and adults. It also works leading corporate and sponsors to leverage the magic of sports for individual, organisational and community development.

#### 5) Extreme or shock tourism

**Extreme tourism** or **shock tourism** is a type of niche tourism involving travel to dangerous places (mountains, jungles, deserts, caves, etc.) or participation in dangerous events. Extreme tourism overlaps with extreme sport. The two share the main attraction, "adrenaline rush" caused by an element of risk, and differing mostly in the degree of engagement and professionalism.

Extreme tourism is a growing business in the countries of the former Soviet Union (Russia, Ukraine, Armenia, etc.) and in South American countries like Peru, Chile and Argentina. The mountainous and rugged terrain of Northern Pakistan has also developed into a popular extreme tourism location.

While traditional tourism requires significant investments in hotels, roads, etc., extreme tourism requires much less jump-starting. In addition to traditional travel-based tourism destinations, various exotic attractions are suggested, such as flyovers in MiGs at 2.5 Mach, ice diving in the White Sea, or traveling across the Chernobyl zone.

#### 6) Cultural / Heritage Tourism

**Cultural heritage tourism** (or just **heritage tourism**) is a branch of tourism oriented towards the cultural heritage.

Culture has always been a major object of travel, as the development of the Grand Tour from the 16th century onwards attests. In the 20th century, some people have claimed, culture ceased to be the objective of tourism: tourism is now culture. Cultural attractions play an important role in tourism at all levels, from the global highlights of world culture to attractions that underpin local identities. (Richards, 1996)

Heritage tourism involves visiting historical or industrial sites that may include old canals, railways, battlegrounds, etc. The overall purpose is to gain an appreciation of the past. It also refers to the marketing of a location to members of a diaspora who have distant family roots there.

Cultural heritage tourism is based on the mosaic of places, traditions, art forms, celebrations and experiences that portray this nation and its people, reflecting the diversity and character of the India. Travellers who engage in cultural tourism activities visit the following:

- Art galleries, theater and museums
- Historic sites, communities or landmarks
- Cultural events, festivals and fairs
- Ethnic communities and neighborhoods
- Architectural and archaeological treasures

In fact, many travellers will extend their stay because of an arts, cultural or heritage event or activity. The International event is usually organised at Ajanta Caves is good example of promotion of cultural tourism. The event like Pune Festival is good showcase of Maharashtra State culture.

Explore India - choose the locales of your choice, and see what each state has to offer. Lose yourself in the wonder that is India. Meander through lands steeped in chivalry and pageantry that begin before recorded history. Explore modern cities that have grown organically from the roots of a multi-hued past. Make a pilgrimage to holy shrines that echo with tales of antiquity. Frolic on a vast array of golden beaches that dot an enviable coastline, washed by two seas and an ocean. Sport with adventure in style. Let the jungle

lure you to a fascinating world at a diverse array of wildlife sanctuaries and national parks..... this is the wonder that is India.

Being located virtually midway between Europe and the Far East, Europe and South East Asia/Australia, India has a strategic advantage. Since all international flights have to, out of necessity fly over India, the country can develop one or two international airports with the best of transit facilities, inducing passengers to break journey and thereby facilitating visitor export.

It also has one of the world's biggest railway systems opening possibilities for those interested in rail tourism. India also has excellent hospitals offering affordable medicare and traditional healthcare systems like Ayurveda. In addition to this India has numerous fairs and festivals which are quite attractive to foreigners.

The earlier setbacks in global tourism have strengthened the Department of Tourism's resolve to promote India's tourism through aggressive marketing strategies. The campaign under the banner of 'Incredible India' includes a wide ranging advertisement campaign in all prime print publications besides a global television campaign encompassing prominent English, French, German and Italian channels and an innovative online campaign on the world's most popular websites. The 'marketing mantra' for the Department of Tourism is to position India as a global brand to take advantage of the burgeoning global travel and trade and the vast untapped potential of India as a destination. It has also planned to promote spiritual tourism and its unique techniques of yoga, siddha, ayurveda and unani system of dealing with mental and physical rejuvenation by placing before the world, through tourist spots.

#### **1.4 TOURISM CONTRIBUTION TO THE INDIAN ECONOMY**

Flow of tourist to various countries actually acts as an indicator through which we can foresee a process of economic development in destination countries.

**It is not hidden that tourism is among India's important export industries. Even with comparatively low levels of international tourist traffic, tourism has already emerged as an important segment of the Indian economy. Tourism also contributed to the economy indirectly through its linkages with other sectors like horticulture, agriculture, poultry, handicrafts and construction. Besides being an important foreign exchange earner, tourism industry also provides employment to millions of people in India both directly and indirectly ( through its linkage with other sectors of the economy.) It is estimated that total direct employment in the tourism sector is around 20 million.**

#### **1.5 MEASURES TAKEN FOR TOURISM PROMOTION**

Since long tourism industry has been a cartel of developed countries in terms of foreign

investments. Last decade witnessed a battle among the emerging economies to attract foreign investment in tourism industry. All the emerging economies are implementing various measures in tourism sector for making it globally competitive. India, emerging as

a 'must see' tourist destination in recent years, is not yet among the most competitive tourist destinations in the world. In this process of reforms Government of India is taking

a number of proactive measure to strengthen the structure of its

tourism industry for making it globally competitive. If India wishes to negotiate and open Tourism sector further to benefit from the international tourism business, it has to think strategically and gear up internally to develop appropriate physical, human resource, and other organizational infrastructure in an **integrated manner**, which can meet the varied needs of international tourists

Keenly aware of the unfolding boom in the tourism industry, the government is lending a hand to the growth of the industry. The government has increased budgetary allocation for tourism and has also improved the approach to international marketing. The government has cut taxes on tourism and travel and has introduced a flexible policy on charters. The government is also disinvesting from some of its hotels. Government has allowed 100 per cent FDI through the automatic route. The government has declared an open skies policy and has decided to privatize the New Delhi and Mumbai airports. We have also declared more airports as international airports. As far as infrastructure is concerned today we have a more focused approach.

The government has okayed private investment in airports to strengthen landings, parking, navigation etc. We have worked out a scheme to encourage rail tourism by involving the private sector. We are also going to exploit our 6,000 km coastline to develop cruise tourism. To encourage the construction of hotels we are providing land and also inking PPP (public-private) pacts. We are taking steps to improve National Highways, Railways, airports and hotels. We are adding more destinations and resorts. We are encouraging investment in amusement parks, spas, wellness clinics and medical tourism and also trying to improve travel and destination management services.

Recently, Indian government adopted a multi-pronged approach for promotion of tourism, which includes new mechanism for speedy implementation of tourism projects, development of integrated tourism circuits and rural destinations, special capacity building in the unorganized hospitality sector and new marketing strategy.

A nation wide campaign, for creating awareness about the effects of tourism and preservation of our rich heritage & culture, cleanliness and warm hospitality through a process of training and orientation was launched during 2004-05. The aim was to rebuild that sense of responsibility towards tourists among Indians and re-enforces the confidence of foreign tourist towards India as a preferred holiday destination. More than 6500 taxi drivers, restaurant owners and guides trained under the programme.

The 'Incredible India' an integrated Global Campaign is designed . It is being carried out through the electronic media, particularly prominent TV channels like CNN, BBC, Discovery and National Geographic and the print media. The campaign is launched on the internet

Government also took several other initiatives to promote Indian tourism industry and increased the plan allocation for tourism i.e. from Rs 325 crore in 2003-04 to Rs. 500 crore in 2004-05. Road shows in key source markets of Europe, Incredible India campaign on prominent TV channels and in magazines across the world were among the few steps taken to advertise Indian tourism. In addition a task force was set up to promote India as prominent health tourism destination.

However, in order to attract more visitors, India still needs to upgrade its airports, roads and other infrastructure to global

standards. Even with the recent surge, tourist arrivals are just a mere percentage of those in such popular Asian destinations like Bangkok and Thailand.

Mr. Kavi Ghei, Director, TRAC Representations, is of opinion that "The government is concentrating on developing domestic tourism as disposable incomes in the hands of Indians are on the rise. There are a variety of options available for different strata of tourists- right from the affluent to those with on a shoestring budget. What has been lacking is an effort to market this spectrum of possibilities in the right way to potential foreign tourists. The government is now setting this wrong right by putting across these positives in the international marketplaces with the help of professionals. The 'Incredible India' campaign is a step in this direction

### 1.5.1 Strategic Initiatives to be taken by the Government

1. Recognising Tourism as 'Priority Industry' for the Country  
Government should declare Tourism as 'Priority Industry' like Information Technology
2. Putting Tourism on the 'Concurrent List' of the Constitution of India
3. Taxation Policy
4. Lay Down a Master Plan to implement planned and phased Development/Upgradation  
of Infrastructure and Areas of Tourism potential with Private sector Participation  
Develop 'Special Tourism Circuits' (like Telecom circles)
5. Recognise Enormous Employment Potential of the Hotel, Travel, Entertainment,  
Transport and other Allied Industries
6. Give 'Tourism' the desired importance in economic and budgetary planning process

### 1.6 Conclusion

The uniqueness of tourism business lies in the fact that it is not a single service, but involves a large variety of different, exclusive and specialized services, which can be provided by different group catering to hospitality, transport and travel, unique, attractive site etc. There is thus, an additional task or business: that of integration of these services. Tourism is a booming industry and is one of the fast growing businesses world over. And India has the potential to become the number one tourist destination in the world. **But for this to happen it is essential that ,Government will have to undertake several initiatives to promote Indian tourism industry.** . If India wishes to negotiate and open Tourism sector further to benefit from the international tourism business, it has to think strategically and gear up internally to develop appropriate physical, human resource, and other organisational infrastructure in an **integrated manner**, which can meet the varied needs of international tourists.

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# Globalization & Labour Flexibility: A Review of Contract labour (Regulation & Abolition) Act 1970 from multiple perspectives.

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*Abstract: Since the economic reforms of 1991 there has been no looking back. The Indian economy has been integrated with the world economy, liberalization and privatization has been the order of the day. The Indian industry which was hitherto working in a protected Environment has been exposed to global competition. Organizations are reacting to this by resorting to restructuring, re-engineering and retrenchment. The focus is on cutting cost and being competitive. These changes have had a great impact on labour. It is widely argued that in an open economy and liberalized trade, the country can no longer afford to carry on labour marked rigidity. In a recent study of labour market rigidity carried out by the World Bank India scores high on labour market rigidity. In this context the employers and their associations have been demanding more flexibility at work place on matters related to labour, specially the right to higher & fire Employees, flexibility in service condition, sub contracting etc. The recent changes in labour markets on the other hand are threatening the very existence of the working class. The size of regular workforce as a proportion of total work force is shrinking. There has been negative growth a public sector employment & marginal growth in private organized sector. There is increasing evidence of casualization and contractualisation of work. The Industry has been demanding rationalization of various labour laws which act as a hindrance in having a flexible work force. The two most commonly debated acts being the industrial disputes Act 1947 & the Contract labour (Regulation & abolition) Act 1970.*

*This paper tries to review and analyze the Contract labour (Regulation & abolition) Act 1970. From the prospective of multiple stakeholders i.e the employers, workers & the Government in light of the recent amendment and interpretation by various courts to bring about a better understanding and need for labour reforms*

**Introduction:** The adoption of economic reforms has had a great impact on the Indian Economy. Labour and capital are the two important aspects of any economy. The growth and development of the economy depends upon the effective and efficient utilization of labour and capital. From the very beginning of industrialization there has been a clash of interest between these two factors (Parties), it has assumed even more significance in the era of global competitive.

The employers have been demanding greater flexibility of labour in order to compete in the world markets. They have been demanding amendments to various labour laws, which according to them are hampering the flow of investments to the country and are detrimental to economic growth & development. The two most important laws which have an impact on labour flexibility one of the Industrial disputes Act 1947 and the Contract labour (Regulation & Abolition) Act 1970.

## **Contract Labour (Regulation & Abolition) Act 1970**

The system of employment of contract labour has been prevailing since many years. The Royal commission on labour which was constituted to inquire into the stage of Indian labourers had recommended the abolition of "Jobber System" way back in 1931 due to the exploitation of labour by the Jobbers or the contractors. The question of abolition of contract labour has been

under the consideration of the Government for a long time. During the second five year plan the planning commission made certain recommendations, namely, undertaking of studies to ascertain the extent of the problem of contract labour. Progressive abolition of the system and improvement of services, conditions of contract labour where abolition was not possible. The matter was then discussed at various meeting of tripartite committees at which the state government was also represented and the general consensus of opinion was that the system should be abolished wherever possible or practicable and that in case where this system could not be abolished all together, the working conditions of contract labour should be regulated so as to ensure payment & wages and provision of essential amenities.

It aimed at abolition of contract labour in respect of such categories as may be notified by appropriate government in the light of certain criteria that have been laid down, and at regulating the service conditions of contract labour where abolition is not possible.

The supreme court has held that the objective of the Act is to regulate & improve the conditions of services of contract labour and not merely to abolish contract labour. It is an important piece of social

legislation & seeks to regulate the employment of contract labour and wherever necessary to abolish the same

#### **Application of the Act:**

The Contract labour Act applies

- i) To every establishment, where 20 or more workmen are employed on any day of the proceeding 12 months.
- ii) To every contractor who employed on and day of preceding 12 months 20 or more workmen.

The Act will not apply to an establishment where work of a casual or intermittent nature is performed. The work will not be intermitted or casual (i) if performed for more than 120 days in the proceeding 12 months (ii) If seasonal character and is performed for more than 60 days in a year [S.1 (4)]

Appropriate Government can apply provisions of the Act to any establishment irrespective of number of labours after giving 2 months notice in official gazette.

#### **Appropriate Government means:**

In relation to an establishment in respect of which the appropriate Government under industrial Dispute Act, 1947 in the central Government, the central Government in relation to other establishment, the Government of the state in which the establishment is situated (Sec.2(1)(a))

#### **Contract Labour:**

Contractor is a person who undertaken to produce a given result for the establishment or who supplies contract labour for any work of the establishment and includes a subcontractor (Sec. 2(1) c)

A person who supplies goods or articles of manufactures to establishment through contract labour is not a contractor.

#### **Establishment:**

Establishment means any office or department of Government or a local authority or any where any industry, trade, business, manufacture or occupation is corned on (Sec 2(1)(C))

#### **Principal Employer**

Following persons can be called principal employer

- i) The head of the office or department or such other officer as the Government or local Authority, may specify in the behalf.
- ii) in a factory, the owner or occupier of the factory
- iii) in a any other establishment, any person responsible for the supervision and control of the establishment (Sec. 2(1) (g))

#### **Registration:**

Every Principal employer is required to get the establishment registered under the Act as per Sec.7 & Rule 17. The certificate & registration shall contain the a) Name and Address of the establishment b) Maximum number of contract labour to be employed and C) Nature of work for which contract labour is employed. (R. 18) similarly the contractor is required to obtain license from the licensing officers. The application for license shall contain the particulars of location of the establishment, the nature of process, operation or work for which contract labour is to be employed. (A license under Sec. 12 (1) may contain conditions as to hours of work regulation of wages and other essential amenities to be provided.

Employment of contract labour in any process operation or work of

the establishment (Sec. 10(1)).

**The Most debated and important section of the Act is Sec. 10. The deals with the prohibition of contract Labour. Accordingly the appropriate government only and not by any court, can offer consultation in the official gazette.**

However, before issuing notification u/s 10 (1) of the Act appropriate Government shall have regard to the conditions of work and benefits provided to the contract labour and other relevant factors such as :

- i) Whether the process, operations or other work is incidental to or necessary for the industry, trade, business, manufacture or occupation that is carried out our in the establishment
- ii) Whether work is of a perennial nature i.e. If it is of a sufficient duration having regard to the nature of industry. Trade, Business, manufacture or occupation carried on in that establishment.
- iii) Whether it is done ordinarily through regular workmen in that establishment or an establishment similar thereto
- iv) Whether it is sufficient to employ considered number of whole time workmen (Sec. 10 (2)).

This section has been interpreted by the courts in different ways and there have been contradictory judgments. The court has upheld the constitutional validity of the section under the Act ( Alembic Chemical works co Ltd V state of Gujarat , 1996 ILLJ 584 (Guj. D. B) ] The main issue related to the Act is what happens to the employees after abolition of contract labour. There are two opposite case laws on the matter. In a landmark judgment in case of Air India statutory corporation V. United labour Union 1997 ILIJ 1113 (SC) it was decided that the moment the contract labour system stands prohibited u/s 10 (1) the embargo to continue as contract labour is put an end to and contract worker.

The honorable court observed that “ -----in this behalf, it is necessary to re-capitulate that on abolition of the Contract labour system, by necessary implication, the principal employer is under obligation to absorb contract labour. The linkage between the contractor and the employee stood snapped and direct relationship stood restored between the principal employer and the contract labour as its employees. considered from this prospective, all the workmen in the respective services working on contract labour are required to be absorbed in the establishment of the appellants ..... (Page 149, page 61)

However the judiciary took a Complete U turn in the Case of SAIL and held that there cannot be automatic absorption of contract labour by principal employer on insurance of notification by Government for abolition of contract labour as there is no provision to that effect in the Act. The Court observed that “We have already referred to the statement of objects and reasons of the Act elsewhere in this judgment which also does not allude to the concept of automatic absorption of the contract on issuance of notification for prohibition of employment of contract labour (page 1121, para :8)”, the court further observed that “In the light of the above discussion we are unable to perceive in section 10 any implicit requirement of automatic absorption of contract by the principal employer in the concerned establishment on issuance of notification by the appropriate Government under section 10 (1) prohibiting

employment of contract labour in a given establishment (page 1122, Page 83)". (Steel Authority of India Ltd., Ors. V. National Union water from workers & ors. 2001. 11 1087 (5.c).

The stand taken by both the employers and employees seems to be rigid and extreme, The employers wants total flexibility in terms of hire & fire as well as conditions of service and subcontracting with minimum or no intervention by the government and wants the abolition and amendments to various laws. The employees on the other hand want protection and rigiours implementation of labour laws. Employers argue that the provision of these laws needs to be amended for speedy development in all sectors of the Indian economy. Trade unions argues that labour reforms in this context can only mean giving freedom to employers to hire & fire as apposed to the protection which they enjoy at present. They feel that these amendments threaten their very existance as their relevance lies in their ability to secure their members higher wages and benefits. The different prespectrive of the stakeholder can be understood as follows

#### Trade Unions

- No Amendment to Sec. 10, to the disadvantage of workers
- Obscuring due wages to the contract workers.
- Sense of Job Security
- Benefits of labour Laws.

#### Employers :

- Amendment to Sec 10 to Facilitate outsourcing of objective without any restrictions
- Flexibility at Workplace
- Reduced Cost
- Better output & more competitive
- Power and control at workplace
- No Legal hassles.

#### Government :

- Employment Generation
- Attracting FDI
- Economic growth & development
- Revival of Sick units to product employment
- Compliance with WTO norms
- Making the economy globally attractive
- Political support of working class
- Contribution to election fund by employers
- Political Ideology

#### Conclusion:

Although there appears to be an apparent clash of interest among the various stakeholders there is a need for a common platform to address the issue. Both the labour and employers should avoid taking extreme views. Ground realities of the impact of globalization on the different sectors of the economy should be taken into consideration. It should to be recognized that it is the unorganized sector which continues to be a major provider of employment. The tertiary sector is emerging as a major contributor of GDP with more than 55 percent. There has been a shift in the judiciary from pro labour to pro capital. Strike as a weapon is becoming blunted. There have been more lockouts than strikes in the recent years. There is an increase of informal labour in the formal sector. Government is Planning to make it easy to employ contract labour if they are being paid same wages as regular employees, but no social security contribution. The 2<sup>nd</sup> national commission on labour has recommended fixed contractual employment.

There is a need to simplify our Labour laws keeping in mind the interest of the economy at large. Governments like that of Maharashtra and Andra Pradesh have already amended the Contract labour Act to allow employment of contract labour in non- core activities. What is required the right spirit to implement & execute these laws. Flexibility to the employers & Social security to the labourers is the need of the hour.

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# Green Marketing

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**ABSTRACT-** This paper explains the concept of green marketing and discusses how green marketing presents important opportunities for industry. Green marketing requires creativity, foresight and environmental commitment. It means redefining the roles of business and products and working co-operatively with governments and consumer groups. Products can certainly increase 'The Quality of Life' but their environmentally destructive impacts must be amended if we are to move towards sustainability. Green marketing is taking shape as one of the key business strategies of the future and the increasing environmental consciousness makes it incumbent on marketers not just to respond to it, but to lead the way in environmental programs. The article also highlights the need and recommendations for incorporating environmental concerns into strategic marketing planning of the organizations.

## Introduction

Today one of the significant areas of concern is the environment. The ruthless environmental exploitation by the industrial sector has resulted in environmental degradation, pollution and ecological imbalance. The increased worldwide awareness regarding environmental degradation has forced the business houses to view it as a major issue. Marketers should determine which products are produced, and which products are indirectly affecting the environment:-

- ✍ The natural resources and materials used.
- ✍ The amount of energy required in the production process.
- ✍ The residuals that result from production.
- ✍ The consumption of resources and energy that is required to use products.
- ✍ The generation of pollutants.
- ✍ The amount of packaging material that may have to be discarded.

Marketers need to protect the environment and to improve the quality of life. They must be concerned with issues that include conservation of natural resources, reducing environmental pollution, protecting endangered species, and control of land use. The three Rs of environmentalism are Reduce, Reuse and Recycle. Many companies are finding that consumers are willing to pay more for a green product. Toyota has become quite successful with their hybrid cars.

Green marketing refers to the development and distribution of ecologically- safe products. It refers to products and packages that have one or more of the following characteristics: (1) are less toxic, (2) are more durable, (3) contain reusable materials or (4) are made of recyclable material.

As more companies engage in green marketing and as public awareness and concern over environmental issues rises, the challenges of green marketers will become increasingly complex.

## What is Green Marketing?

Consumers often associate various terms with green marketing such as phosphate free, recyclable, refillable, biodegradable, sustainable, compostable, ozone friendly and environmentally friendly. Though these are green marketing claims, in reality green marketing is a much wider concept and includes a number of activities e.g., product modification, altering production processes, changing product design, and even altering the communication relating to product. The concept not only applies to consumer and industrial products but also to services sector.

The American Marketing Association attempted to define ecological marketing in 1975 as the study of positive and negative aspects of marketing activities on pollution, energy depletion and non-energy resource depletion. This definition was useful but narrow in its approach. Later, Polonsky (1994) gave broader and comprehensive

definition. According to him, Green marketing consists of all activities designed to generate and facilitate any exchange intended to satisfy human needs and wants such that satisfaction of these needs and wants occurs with minimal detrimental impact on the natural environment. Similarly, Stanton (1994) described green marketing as any marketing activity of a firm that is intended to create a positive impact or to lessen the negative impact of a product on the environment and as a result capitalize on consumer's concern for environmental issues. It encompasses everything from using recycled material in making a product to claims on advertising.

## Why Green Marketing?

Today more and more organizations are inclined towards green marketing for the following enumerated reasons:-

- (i) Organizations have a moral responsibility to be more socially responsible.
- (ii) Government is also compelling the organizations to be more responsible.
- (iii) Competitive pressures are also pressing the firms to change their practices of doing the business.
- (iv) Changes in waste disposal management system have also led the firms to modify their practices.

The needs of consumers can be effectively addressed with a raised environmental consciousness through green marketing. It can be achieved by developing products that balances consumer needs for quality, price, performance and compatibility with environment. Green Marketing looks at how marketing activities utilizes the limited resources to satisfy the individual and organizational requirements. Today consumers are even more conscious than ever, as they prefer to purchase those products and packages that can be recycled and safely disposed off. Today's consumer prefer eco-labeled products that are not only environmental friendly but also ecologically safe. The reasons for such behavioral change among consumers is because they foresee things to get worse as no place of the globe will escape the by products of technological innovations, rapid industrialization and population growth. In fact industrial activities of the past have created serious ecological problems like global warming, ozone depletion, loss of biodiversity, natural resource scarcity, air pollution, acid rain, toxic wastes and industrial accidents.

Marketers in the age are facing a new breed of environmental consumerism representing deep psychological and sociological shifts. Consumers now scrutinize products at every phase of their life cycle, from raw material procurement, manufacturing and production straight through to product reuse, repair, recycling and eventual disposal. Because of this transformation of consumers, companies have shifted their priorities from conventional marketing to what is called 'Green Marketing'. The success stories of companies from developed countries

like P&G, Compaq, McDonalds, Pepsi, Stony field, Toyota, 3M, Phillips, have set the ball rolling and paved a new way to do business for conscious and demanding Green Consumer.

### The New Green Marketing Paradigm

	Conventional Marketing	Green Marketing
Consumers	Consumers with life styles	"Human being with lives"
Products	"Cradle -to-grave"	"Cradle -to-goodie"
Marketing and communications	Selling oriented end benefits	Educational values
Corporate	Reactive Independent Competitive Departmentalized Short term oriented Profit maximizing.	Proactive Interdependent Cooperative Holistic Long - term oriented Double bottom line.

Source: - J. Ottman Consulting, Inc.

There is a shift in marketing paradigm from conventional marketing to green marketing.

Consumers are now viewed as human beings concerned about the condition of the world around them. Products are no longer designed in a "Cradle to grave" fashion with no regard for the long term impact on society of their eventual disposal or no appreciation for the value of natural resources they represent. The corporate have long term rather than short- term orientation and believe in not only making profits but also contributing to the society.

### Organizational Benefits from Green Marketing

Various studies have indicated that consumer's consciousness toward environment has been increasing consistently and they are actually changing their buying behaviour. It seems that consumers are interested in protecting the environment even at the expense of economic growth. In times to come, firms marketing goods with environmental features will surely have an edge over the firms which are marketing with low environmental concern.

The benefits to organizations from green marketing are manifold.

**Increase in profits-** Being environmentally responsible is often the same as being efficient. By recycling, cutting down on energy use, and conducting environmental audits, companies can reduce operating costs and liability while boosting profits. In addition, creating less waste and using fewer raw materials saves businesses money. On top of these immediate economic benefits, eco-efficiency enhances employee morale and productivity and creates customer brand loyalty.

**Edge in competition-** The competitive pressure prevalent in every industry has forced the firms to modify their production processes to nullify the environmental effect. Companies find that edge over the competition can be attained by being first in the market with an environmental innovation.

**Larger market share-** Consumers can now be seen switching over to eco-friendly products manufactured by environment friendly companies thereby increasing their market share.

**Better quality products-** Companies will develop and supply better quality and safer products to the increasing number of environment conscious consumers.

**Premium price -** Consumers are willing to pay a premium price for a good quality green product.

**Socially responsible-** Companies will become more socially responsible by incorporating environmental issues in their corporate culture. Also, if a company conveys a green image, the consumer will more readily trust it and its claims. Such companies are also less likely to receive criticism from environmental groups, the media or consumers.

### Approach to Green Marketing

The demand for greener products undoubtedly exists and so do the opportunities to capitalize on that demand. As recent history has shown,

the more innovative companies will reap benefits and those who are radical re-thinking products and processes will be leaders of the future.

Companies adopting green marketing have to undertake much more tasks than merely attaching a green label or featuring images of wildlife in media advertisements:

**(1) Understanding the Environment-** The first and foremost requisite for an organization is to understand all external factors such as economic, social, political, competitive and general environment which affect its consumers and products.

**(2) Develop an environment friendly product-** In order to be successful, organization must develop and differentiate their products and services in environmentally oriented ways that command brand loyalty for e.g. Phosphate free detergents, organic baby food, energy efficient lighting, recycled office paper, advanced battery technology for electric vehicles, a new gasoline formula designed to sharply cut auto emissions etc. etc.

**(3) Educate and empower consumers-** Consumers are concerned about the environment but as they have become more sophisticated, they require clear information about how choosing one product over another will benefit the environment. Consumer education results in their empowerment. Empowered consumers choose environmentally preferable products when all else is equal. Research from the Council of Office Products and Environment (COPE, US) shows that there is a correlation between knowledge of computers and likelihood of purchasing an energy efficient computer (PC). The study revealed that consumers who considered themselves 'very knowledgeable' about computers were more likely to buy an energy-efficient PC than those who did not considered themselves to be knowledgeable.

**(4) The credibility factor -** Industry credibility suffered some debilitating blows over the past two decades when some businesses made unsubstantiated claims about environmental achievements. Eco-Labels awarded by third parties are one approach to increasing credibility of environmental claims. Businesses can also project credibility by being thorough and that is, by having a good environmental track record and by paying attention to details such as the use of recycled materials. Businesses should also be proactive. Leaders should take risks by advancing breakthrough environmental technology or by encouraging their company to be the first in the industry to sign voluntary environmental codes. Initiatives such as these should be effectively and strategically communicated to consumers in annual reports, in environmental reports, in stand-alone ads, and in media presentations so that corporate image is enhanced and consumer trust is gained. All claims should be accurate and based on scientific information. All of these factors contribute to 'business transparency' which will become increasingly important as green production and consumption evolve.

**(5) Associate with environmental concerned bodies-** The companies following green marketing should get associated with the bodies which are working for the protection of the environment. This association would certainly indicate their inclination towards the environmental concern.

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