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CHHATRAPATI SHAHU INSTITUTE OF BUSINESS EDUCATION & RESEARCH

Chhatrapati Shahu Institute of Business Education and Research (CSIBER)

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KOLHAPUR

योजकस्तत्र दुर्लभः

CHHATRAPATI SHAHU INSTITUTE OF BUSINESS EDUCATION & RESEARCH

Editorial Note

The world is passing through a turbulent economic times. The growth rates of the countries world over are not as per the expected speed. The increased rate of population growth is making the policy making all the more difficult. The problems are compounded with the increased level of social disturbances within and among the nations. At this juncture it becomes necessary to go to the root cause of these economic and social disturbances. Accordingly in the present issue of the journal the article on global financial crisis and its impact on India is selected for publication. The article not only identifies the reasons for the crisis but also brings of the implications for developing economies such as India. The use of statistical and econometric techniques for highlighting the implications is the strong point in the research article. The new research scholars can understand the global crisis scenario based on the review published. At the same time the art of using the advanced techniques for data analysis can also be understood.

In these difficult times man has to be mentally strong at individual and organizational level to effectively overcome the situations. Accordingly the value systems and ethics become significant for all. In the present issue the research article addressing these two important issues is also covered.

As a case study the organization which has successfully implemented the turnaround strategy in the situation of global crisis is presented. The backdrop of the case and the strategy adopted by the company is discussed in detail. The published case will be useful to all the management students and for companies to understand the ways and means to overcome a crisis situation.

The book review too is on an important concept of strategic management. It mentions the features of each chapter for the learners and reviews the contribution made by the authors to simplify the concept. In view of the important management issues covered in the research articles and the case study along with the book review, it is expected that the current issue of the journal will definitely be an asset to the researchers and managers in different organizations.

Dr. T. V. G. Sarma
Editor

Impact of Global Financial Crisis on the Indian Economy: An Econometric Analysis

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Abstract : Globalization is intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa. The economies must realise that benefits and shocks are part and parcel of the interconnectivity of economies. They need to look at pros and cons and then only can go for it. The economies should take as much advantage possible, through trade or foreign capital, and try to be resilient to shocks arising from globalization. Emerging economies have obstacles in their growth path, and same is the case with India.

The study brings forth the events that caused the global financial crisis and euro zone crisis and their impact on the Indian economy. For comparing the behaviour of macroeconomic variables of India before, during and after the crises, the data has been taken for analysis from 1996Q1 to 2011Q4. To look at forecast of variables, Gauss-Seidel method was applied through Vector Autoregressive framework. Most of the macroeconomic variables are more volatile during the post crises period and a result of this, the model did not have that good fit especially during the post crisis period. Applied econometric methodology of modern time series is utilised to ensure rigorous analysis.

Key Words: Liberalisation, Globalisation

1.0 Introduction

Globalization has been both boon and bane for Indian economy. When the fundamentals of economy were strong, foreign investments from the rest of the world flew in, and when the economy's performance was poor, there was reversal of capital. The external shocks had cut down the economy's growth. The macro economic variables show lot of fluctuations since the recent global economic crises. The government said that the economy was not affected from the global financial crisis and had appreciated its good policies. Then what prevented them from steering the economy out of euro zone debt crisis?

The US government after the great depression had formed set organizations in order to help those who find it difficult to find home loans. These organizations would help in meeting the demands of the borrowers as well as lenders. Any mortgage defaults would be repaid by them, on behalf of the defaulters. The Federal National Mortgage Association bought mortgages insured by Federal Housing Administration and issued long term bonds to investors and others. The Federal Housing Enterprise Safety and Soundness Act was passed in 1992, which helped low income people in owning a house. Innovations in financial securities helped transferring the risk to others. The housing had boomed and high lending rates attracted lenders. At that point of time, it was possible for anyone to take loans without distinction. The Clinton and Bush administration had encouraged home ownership for all, which in turn increased subprime lending. Here the situation was willingness to supply loans and not demand driven borrowing. After the NASDAQ index crash, the interest rates were reduced to encourage investments in 2000-01. After four years, the rates were raised which made the home loan borrowers to default payment. The risk taken by the insurance companies was tail risk, and the possibility of the event happening is very less. But the unexpected had happened and many households defaulted payments, and the insurance companies went bankrupt. What was supposed to be a small problem in financial sector had turned out to be global crisis. Some call it the global financial crisis, and others call it as the great recession. The crisis of such magnitude was first one in the modern financially sophisticated world. The direct effects of the crisis were seen with countries which had connection with the dangerous assets, and other countries had indirect impact either through reduction in trade or capital flows. The US government had taken steps to bail out banks, and also to regulate financial markets.

The problem with the Euro zone was with Greece, Portugal, Italy and Spain. These economies were performing their worst since the recession. The former Greek Prime Minister Andreas Papandreou had spent lavishly, for which his son George Papandreou, the next Minister had to clean up. After the recession, the economy continued to shrink, which made the rating agencies reduce their rankings. The budget deficit to the percentage of GDP was 12.7% in 2009. The economy had received €110bn bailout on May 2010, but the problem was not solved. They were ready to sign up for second bailout in exchange for reforms, which made the public angry, as the government takes austerity measures. In the name of austerity, taxes are increased and wages are cut. The IMF and European Union wants the economy to follow austerity measures and reduce budget deficit and public debt and maintain at levels as specified by the Union, to continue to be part of the euro zone. Greece could not cut spending and the Union was planning for Greece's exit from the zone. The problems mentioned were not only of Greece's but also of the other three other economies, which are next to Greece to exit from the zone. The Portugal had budget deficit was 9.4% of GDP in 2009, and the publc was 85% of GDP. The household debts were to the level of 100% of GDP. The Italian economy had public debt of 115%, and the Prime Minister was more problematic than the economy. He was involved in scandals and refused to introduce reforms in the economy. The unemployed Spaniards are to the extent of 19% in 2009, and increased to 23% in 2011. The growth rates continuously fell since recession. The housing boom had helped the construction workers, and after the burst they became jobless. Germany and France economies were also having their own problems, but they performed better than other economies. Germany had huge surpluses in current account. They did not spend their monies but had invested in US subprime assets and Greek government bonds. The IMF, German chancellor Angela Merkel and French president Nicholas Sarkozy helped the economies which are affected from huge debt levels, by bailing out them. If the economies do not cut spending or continue to maintain their debt levels and go against the rules given by European Union, they may have to leave the zone. The citizens of these economies are already outraged by the recent situations and if the country will have to leave the zone, they may not be able form a proper government for themselves.

Until recently India was a silent spectator to the happenings around the world. India had started its growth engine two decades back, by introducing reforms. The economy had gone through lot of fluctuations within 20 years. The average growth of the economy was around 9% for five years prior to the global financial crisis. As the crisis spread to India, the growth started to fall down and had deteriorated much worse with the start of the euro zone crisis. Much of the contribution towards growth was from services sector (60%) and was followed by industries (20%) and agriculture (20%). The economy's inflation generally was due to rise in global oil prices, as much of India's oil consumption was imported. The BSE sensitive index which had reached 19000 points in 2007-08 crashed down with the crisis. Then in the next year with economy's recovery the index plunged to 20000 points, and that too had tumbled down with the Euro zone crisis. Indian economy after globalization policies had opened up itself to other economies, which helped the economy through trade and finance. The trade since 1990s had increased and along with it, the deficit too was rising. After the crises the trade flows between the economy and OECD had declined. The economy was increasing its trade relationships with developing nations. Foreign capital into India had provided financial backup for the economy. The foreign investments had increased a lot and during both the crises there was huge volatility in investments. The growth of net invisibles had reduced. The exchange rate had continuously depreciated from 1990s and with the euro zone crisis; the rupee per dollar value had depreciated to 54. The economy had seen huge variations since start of the reforms.

2.0 Impact of Crisis on Indian Economy

India had no choice from escaping from the recent crises which have shaken the world. The economy was not directly related to these shocks, but indirect impact was huge. Regarding the euro zone debt crisis, India was no way directly related to the debt problems of those economies. Here too the indirect impact was huge. India's openness to the rest of the world can be seen during both the crises.

The Indian banks had little exposure to the dangerous assets of the US financial markets, and so the direct effect of the crisis on India was very little. There were indirect effects of the crisis on the economy. The policies taken by the then governor Y.V. Reddy had helped Indian economy to go in line with his guidelines and kept the crisis at bay. The indirect effects of crisis on India were through the transmission channels. The transmission channels which had troubled the economy are 1) Trade, 2) Financial, 3) Commodity and, 4) Confidence channels.

Prior to the crisis, India was going through down turn phase of business cycle in the year 2007. The winter (Rabi) crop was less and manufacturing productivity was less due to high productivity in previous years and was more of cyclical shift. There were inflationary situations in the economy and it was mainly due to high oil prices around the world. India imports 70% of its oil consumption and so the inflationary pressures in the economy were high. The crisis had its immediate effect on capital flows. The 'FDI' was not much affected but the FII was taken away with in short span. Due to fall in confidence levels, it reflected the foreign investment inflows. The trade growth rate had shrunk by 12.3%. As the global exports reduced by 22%, India's export declined by 8%. The foreign exchange reserves were reduced and the exchange rate was in 2008-09 \$45.99 per dollar as compared to \$40.26 per\$ during 2007-08. The stock market had lost 10,000 points.

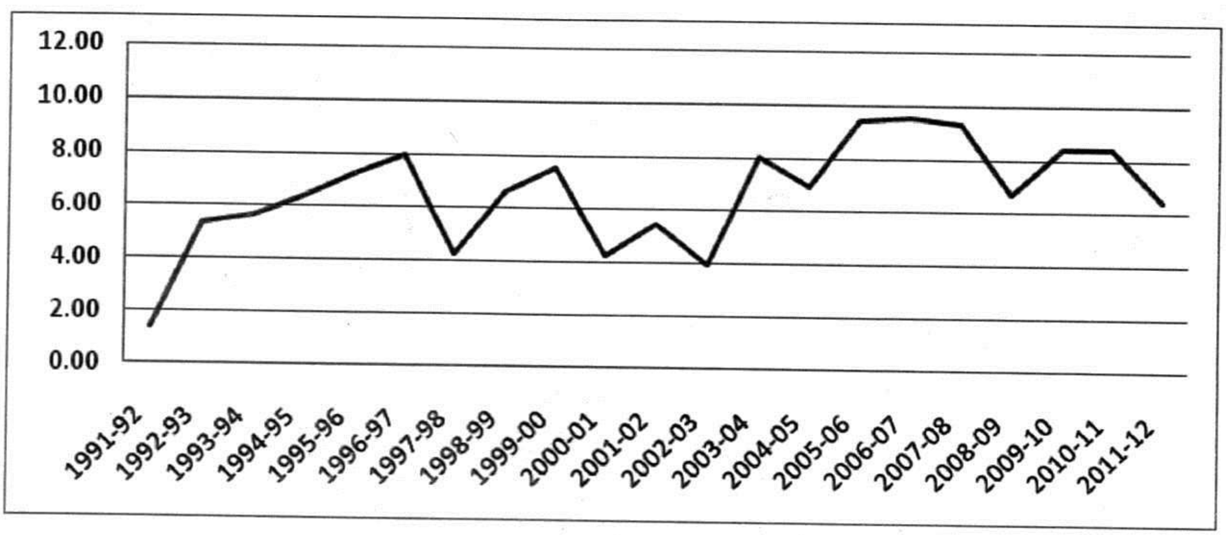
India was no way related to the debt problems arising in the Euro zone economies, but here too the indirect impact of debt crisis was huge. The foreign trade was seriously affected. The economy's trade towards Europe had been declining drastically. The foreign capital was being reversed as investors were concerned about slowdown of economies around the world.

Chart Explaining the Transmission Channels of Global Shocks

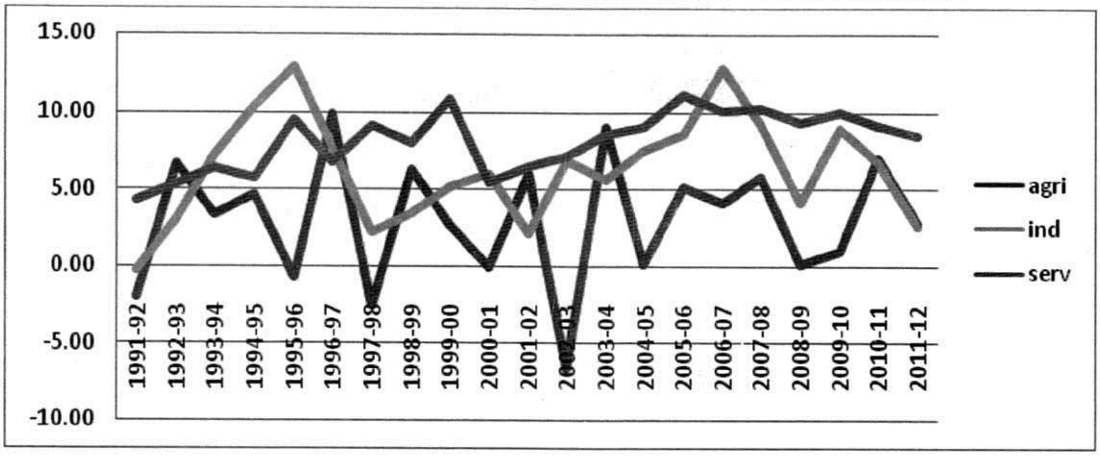
To understand the impact of US subprime and euro zone debt crises on India, we need to look at the macroeconomic variables. Looking at variables only at the time of crisis will not give the exact picture of volatility. It would be better to look at the past performances of the variables and compare it with present performance. So we look at the performance of economic variables from 1990-91 to 2011-12. The study is divided into three parts. The first part explains the nature of variable during 1990-91 and 2000-01, which is after reforms. The time period from 2001-02 to 20007-08 is second part, which explains the performance of the variable after the new economic reforms were introduced. The third part looks at the variables during the two major crises. Any other major fluctuation in the behaviour of the variable is also explained. The variables under study are GDP, inflation, BSE sensitive index, trade, foreign investments and invisibles.

The GDP growth rate since 1990-91 was on a rise and had reached 7.59% in 2000-01. All the three sectors contributed towards the growth; however the contribution of agriculture sector started to fall behind industrial sector from 2004-05. During 1990-91, contribution of agriculture sector (average 20%) was around 30% during 1990-91, and by 2011-12 it has fallen down to 14.01%. The growth rate of this sector (average 3%) was not so good when compared to other sectors. The services sectors' share (average 57%) in the GDP was on a continuous rise, but the growth rate started to fall from 9% in 2007-08 to 7% in 2008-09 due to the crisis. The contribution of industrial sector towards GDP (average 20%) was maintained throughout the period from 1990-2012. The growth rate (average 6.5%) shows volatility in the production, and before the 2008 crisis there was a fall, and the crisis has deepened the fall. There was recovery after the crisis which did not stand for long, but immediately started to fall with the start of Euro zone crisis, and reached 2.5% in 2011-12. The average GDP growth rate was above 8.5% for five years, prior to the crisis. The economy's growth rate was affected during both the crises, showing that the country is very much open to the rest of the world (US and Europe). The services and the industry sector were affected, but not the agriculture sector.

Growth Rate of GDP

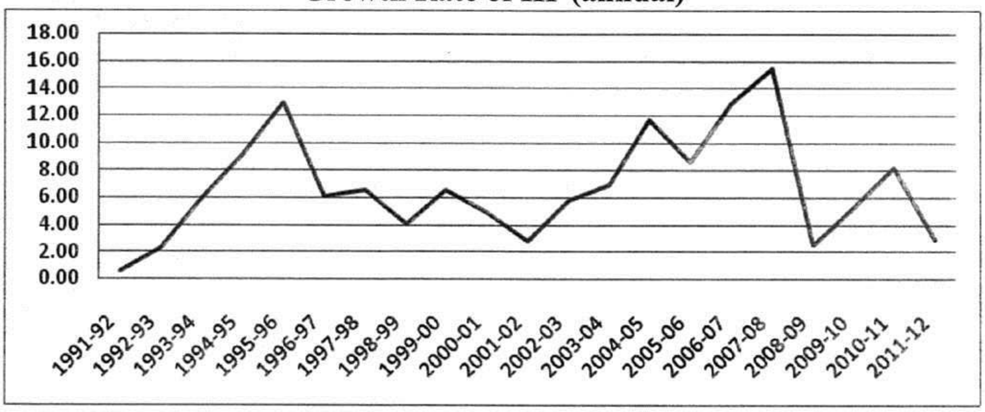


Growth Rates of Agriculture, Industrial and Services Sectors

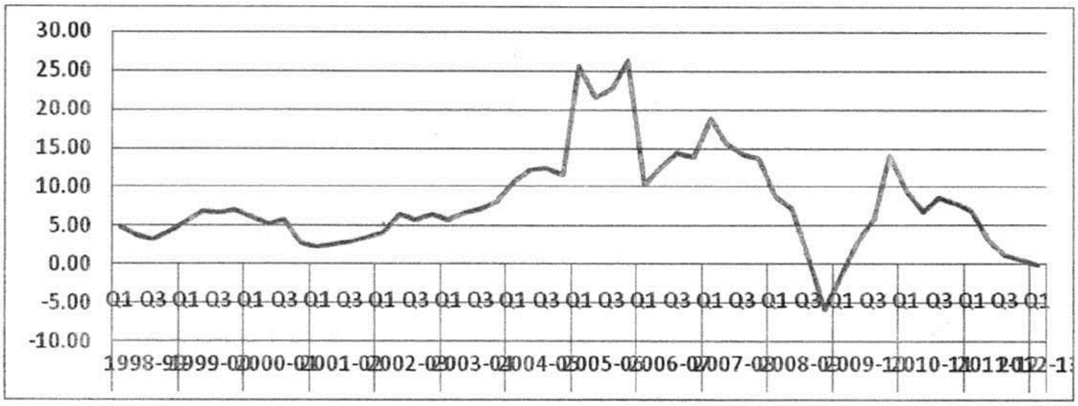


We can observe that there were lots of fluctuations in the economy's growth path. The fluctuations did not totally arise out of external factors. Sometimes it was the poor industrial performance or high fiscal deficits, Inflation was the biggest concern. The economy is almost dependent on services sector, leaving the agriculture sector on its own, and the industrial performance was poor in the recent past, with huge volatility. India was supposed to act as shock absorbers of crises along with China. The average high growth prior to the crisis could not be continued after. India must also give preference to agriculture sector. If the contribution of sectors towards is balanced, then problem relating to single sector will not affect the entire economy, as happened during the crises. The economy after the euro crisis was unable to reach the growth rates.

Growth Rate of IIP (annual)



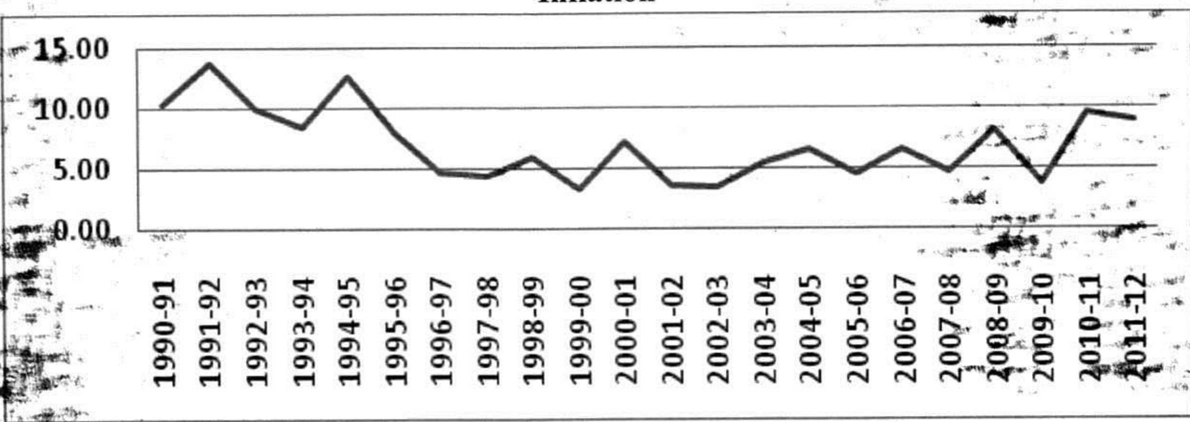
Quarterly Growth Rates of Index of Industrial Production



The annual growth rate of IIP (Industrial Sector Production) on an average was above 6% since 1990-91 to 2000-01, and it was 8.6% in 2005-06. The sector was performing very well, but from Q3 of 2007-08, started to show deceleration. This is prior to the US crisis and after the crisis had started, the quarterly growth rates were negative (-5.5% in Q4 of 2008-09). Then the growth had recovered in Q4 of 2010-11 to 8%. In Q2 of 2011-12, the growth rate was just above 3%. The fall in these rates can be attributed to the two crises. With the fall in growth rates, other sectors which are dependent on industries also were not doing well.

The industrial sector had achieved tremendous growth a year prior to the crisis. And in the next year, the growth started to fall, which was considered to be cyclical behavior of the sector. The economy would have recovered immediately from the slowdown, but was affected by the global financial crisis. The crisis had affected the industry so badly that it had negative growth. The government could not have helped the sector preventing from the crisis. it was not able to perform as it used to do before. The weak fundamentals of the economy were preventing the sector from receiving foreign capital.

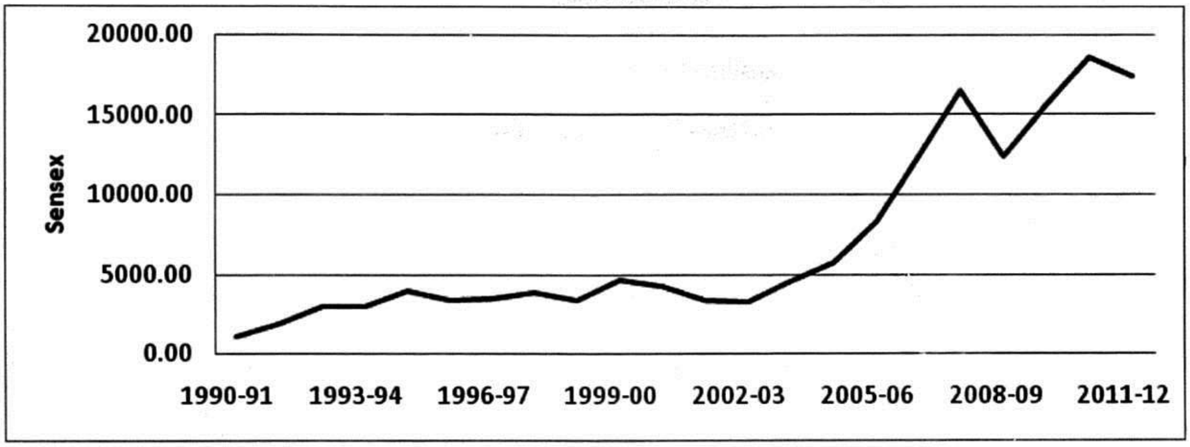
Inflation



The government is very much particular about the inflation rates and aimed at price stability. The average inflation was around 10% during 1990-91 and 1994-95, due to balance of payments crisis. Then it had decreased to 4.5% in 1996-97 and reached 7% in 2000-01 (due to high petroleum prices), and had fallen down in the next year to 3.6%. In 2004-05 there were global oil price rise situations, and along with it the reserves on a rise, and the rainfall was also deficit. All these circumstances had lead to inflation. Later on inflation started to increase gradually and in 2008-09 it was 8%. This rise in inflation beyond the previous years was due to rise in oil prices. Recovery from the global crisis reduced inflation for a year and again rose to 9.5% during 2010-11. India being importing 70% of its oil consumption, the rise in oil price led to further inflationary pressures. Later on it had reduced to 7%, but even this value is huge for the economy.

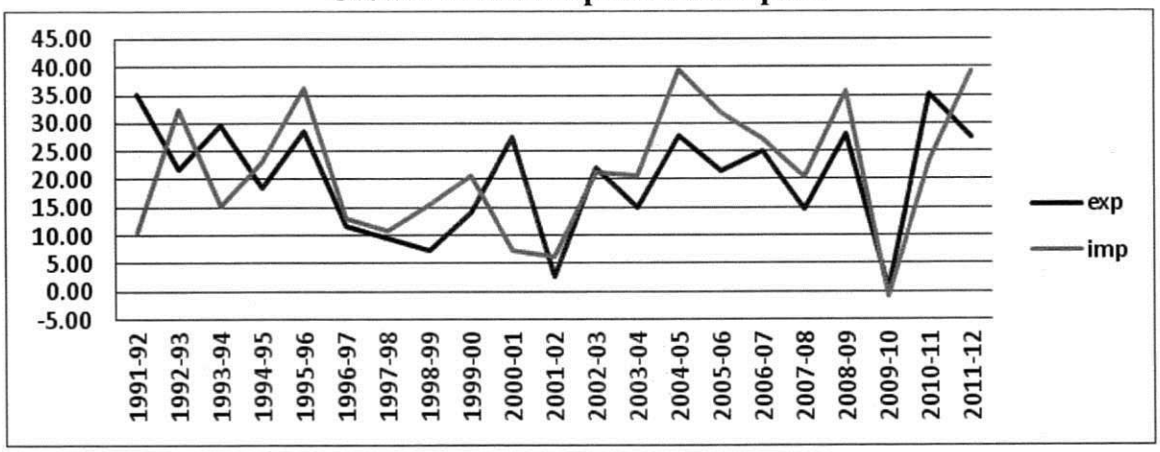
The inflation in the economy was always due to rise in the global oil prices. The economies always aimed at price stability. The government was taking sufficient measures, but was unable to tame inflation. The Reserve Bank of India was not able to cut interest rates in December 2012, even after the euro crisis was due to inflation in the economy. If such high inflation continues to exist, the high interest rates will temper the investments in industries. The government must reduce its oil consumption for a while, till the inflation moderates. The inflationary pressures had seriously standard of living in India, and it is difficult for poor informal workers whose wages cannot catch up with the rising inflation. Inflation had also affected the rupee, which depreciated drastically.

Movements of BSE Sensex (Annual Average)

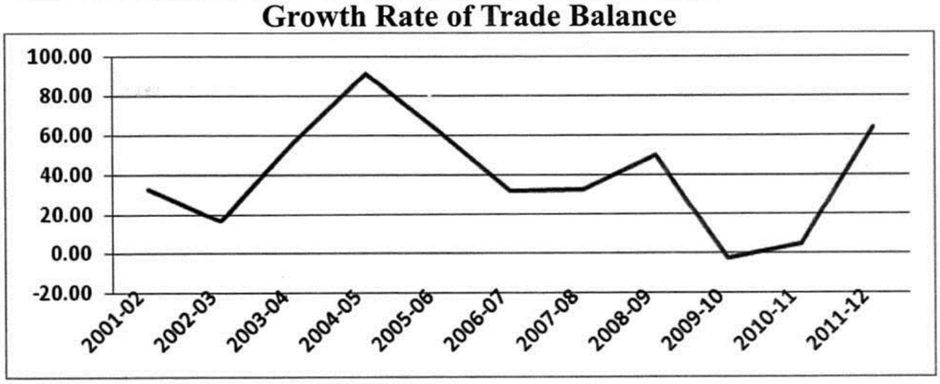


The burgeoning growth of the financial markets shows that the economy was following the advanced economies. The trade volume of stock markets is high. Any minor economic problem in any part of the economy seems to have affected the economy. The index shows that the economy was performing very well until the US crisis. The index was almost going with the advanced economies, implying that the economy is tracking not only the happenings within the economy, but also the outside world. The BSE sensex (annual average) since 1990-91 to 2000-01 had risen from 1049 points to 4269 points, and it had doubled in the next five years. The annual average of index had reached 16,568 points during 2007-08. The crisis in the US had affected the stock market and the index fell to 12,365 points in the next year. Recovery from the crisis increased the index immediately and during 2010-11 reached 18,605 points. Later on the index started falling mainly due to the ongoing Euro zone crisis and the annual average for 2011-12 was 17,422 points.

Growth Rate of Exports and Imports



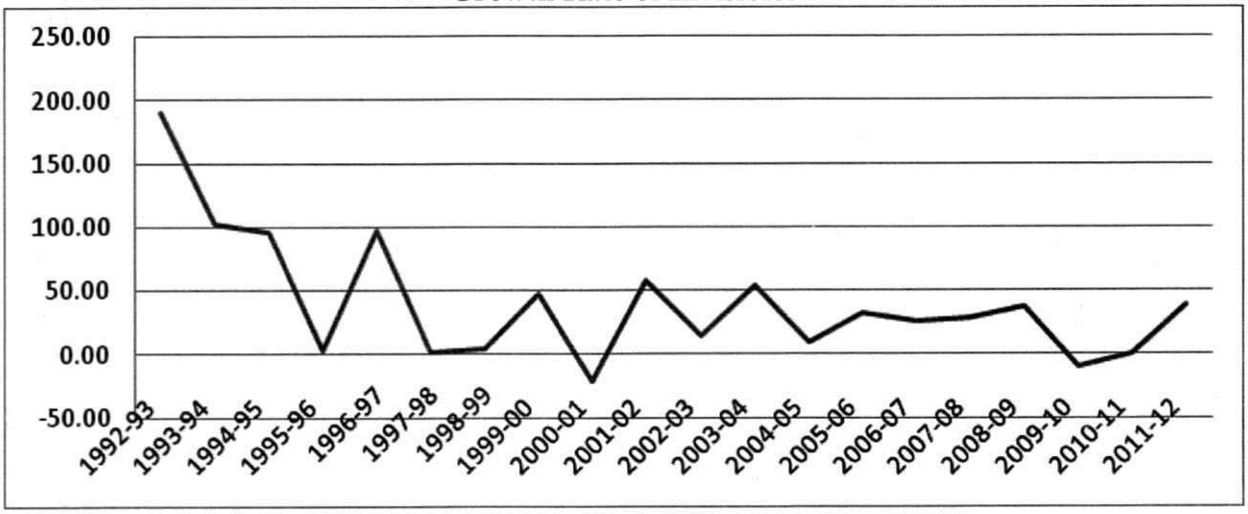
Growth Rate of Trade Balance



Since 1990-91 to 1994-95 there were fluctuations in the trade, and in 2005-06 fell drastically till1999-00. After recovering to previous levels, again in 2001-02, the trade fell. Followed by which there were maximum imports in 2004-05 and later on the trade started to fall in 200-08. India's connection with the external economy can be seen during the crises, which was severely affected during 2000-08, and since the start of the crisis, both imports and exports fell drastically. The growth was above 20% since 1990-91 to 2008-09. The growth rate of exports fell to 0.57% and that of imports fell to negative 0.78%. The fall in the trade can be attributed to reduction in global demand. The growth rate of imports was has turned negative, which was due to depreciation of the Rupee that made it difficult to import. There was also rise in oil prices. Much of the economy's oil consumption comes from abroad. The economy had recovered immediately and so the trade grew strongly after the crisis, until the recent Euro zone crisis. The trade deficit during 1991-92 was up Rs.106bn. The increase in deficit was around 90%, and had later on reduced until recently where the deficit had increased to Rs.5336bn during US crisis, and to Rs.8866bn with the start of the Euro crisis. In 2011-12, the increase in trade deficit was 64%.

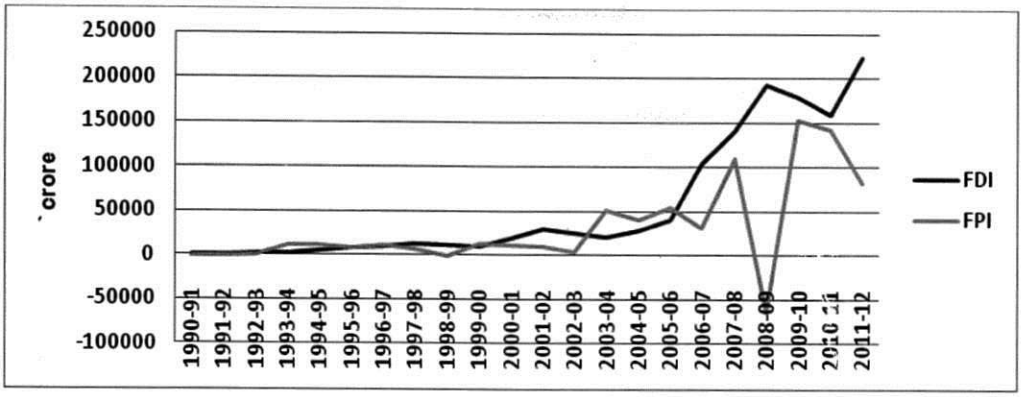
The current account was always negative. The gap between had increased with the start of the US crisis. With the Euro crisis, the gap had further increased. There always deficit in the current account since 1990-91. The current account deficit was 3.5% of GDP in 2011-12. There was fall in capital account during the crises as the investors immediately took off money from the economy. The economic fundamentals were not so strong with the start of both the crises, which made the investors worried. The gap between current and capital account had been increasing, and in 2011-12, the capital account was standing at RS.3190bn, the current account was negative Rs.3760bn.

Growth Rate of Invisibles



During 1991-92 the net invisibles were negative due to the balance of payments crisis, and in the next year, it was positive. Invisibles account gives transactions involving trade in services, income from and to non-resident members. From 1990s to 2000, the net invisibles growth was decelerating. In 2009-10, the net invisibles showed negative growth (9.43%). Then later on the growth picked up and reached 39%, and the net invisibles were Rs.5362bn. the growth rate of net invisibles is downward sloping. But the negative current account is being nullified by the net invisibles. The government must make note of this and encourage growth of invisibles.

Foreign Direct and Portfolio Investments



From 2000-01 the economy had received tremendous amounts of capital flows. This is due to the economy performing very well, and it had raised confidence in foreign investors with its fundamentals. Since the US crisis started, the foreign capital started to fall. The foreign portfolio and foreign direct investments were to the level of Rs.109741 crore and RS.140212 crore in the year 2007-08. The immediate year saw negative FPI due to the US crisis. As the economy immediately recovered from the crisis, the FPI had increased to Rs.153516 crore. In the year 2011-12 the FPI was reduced due to the Euro crisis as well as weak fundamentals of the economy.

The exchange rate of rupee per dollar during 1990-91 to 2000-01 was continuously depreciating and it was Rs.45 per dollar. It had fluctuated to 47 and had come back to 45 in 2006-07. In the year 2007-08 the currency had appreciated to Rs.40, and in the immediate year, it depreciated to Rs.45. This has seriously affected the foreign trade of the economy. The currency had depreciated to Rs.45 in 2010-11, due to ongoing Euro zone crisis. According to theory, the exports should rise while there is depreciation of a currency, but that was not the case because, the decrease in income levels around the world with the two crises had reduced their demand. Rupee depreciation had also bothered students studying abroad, and importers who emptied their pockets importing goods. The economy imports much of its oil consumption and had to import inflation along with oil, with the rupee depreciation.

The foreign exchange reserves since 1990-91 were reducing till 1995-96. After which reserves were accumulated by the economy and they were Rs.12379bn during2007-08. The foreign currency assets and gold reserves were Rs.11960bn and Rs.401bn respectively in the same year. With the US crisis, the reserves were depleted. The currency depreciation and increased import bill reduced the reserves. With rise in oil prices the economy had to shell out its foreign exchange reserves. After the crisis the gold reserves accumulation was continuously on a rise, as it would be better to preserve gold rather than dollar.

3.0 Empirical Analysis

The structural approach to simultaneous equations modelling uses economic theory to describe the relationships between several variables of interest. The resulting model is then estimated, and used to test the empirical relevance of the theory. Along with that, we can also look at the responses of particular variable while a shock is given to other variable. The model helps us in explaining variance decomposition. Later with the equations estimated in VAR are used for forecasting the variable. The major macro-economic variables taken in the study track the major economic movements both internal and external, and this is helpful in understanding of the economy as a whole. The study of variables from 1996-97 to 2011-12 explains the movement of variable under different circumstances.

3.1 Unit Root Tests

Economic variables show some trend and pattern in them, and time series regression needs the variable to be stationary. Testing of stationary is to check that mean and variance are constant over time. Stationary is checked initially at level I (0), if not stationary, we go for first difference and later for second difference, if not stationary. The procedure is stopped if the variable is found stationary.

Unit Root Tests and Trend and Intercept (1996Q1 to 2011Q4)

Variable	Level	Inference	1st Difference	Inference
LNGDP	-6.47	Stationary at I (0)	-	-
FD	-7.64	Stationary at I (0)	-	-
LNM3	-1.43	Non-stationary	-7.57	Stationary I (1)
LNCMR	-3.38	Non-stationary	-9.30	Stationary I (1)
LNINF	-3.72	Non-stationary	-6.77	Stationary I (1)
LNBSE	-2	Non-stationary	-5.75	Stationary I (1)
FI	-6.03	Stationary at I (0)	-	-
LNTB	-4.58	Stationary at I (0)	-	-
LNRES	0.44	Non-stationary	-5.62	Stationary I (1)
LNEXR	-2.16	Non-stationary	-5.45	Stationary I (1)

According to Augmented Dickey-Fuller Test, here it accepts four variables LNGDP, FD, FI and LNTB stationary at level. The test accepts six variables LNM3, LNCMR, LNINF, LNBSE, LNRES and LNEXR as stationary at their first difference.

3.2 Vector Autoregresssion Model

Estimating VAR model requires a good understanding of the variables, and need to be ordered properly. Here GDP affects all other variables, so the ordering starts with GDP followed by other variables. The last variable is exchange rate as it is least affects other variables. After ordering of variables and running the model, we look at goodness of fit.

The VAR model gives inter dynamics among various endogenous economic variables, along with their lags. The Akaike Information Criteria indicates to take 4 lags, which helps us to look at effects of variables and their lags on other variables. First we need to check for stationarity of time series variables through unit root tests.

3.3 Dynamics of Interdependence

Here GDP depends on its previous three quarters, which was happening in the five years prior to the crisis and also in other situations; the GDP looked back at its growth and took forward step. The GDP is also affected by the behaviour of previous quarters of trade balance.

Fiscal deficit depends on past three quarters of the GDP, BSE and reserves and past one quarter on itself, call money rates and foreign investments. If all these are doing well, then the fiscal deficit would be less. Broad money supply depends on itself, fiscal deficit, call money rates and trade balance. Inflation depends on most of the variables, like money supply has immediate effects on inflation. If the trade deficit increases the inflation also would rise. BSE sensex is mostly affected GDP, inflation and foreign investments. This can be seen in any economy, where the stock market is the first one to get affected by change in major macro economic variables. Foreign investments look at trade balance, reserves and exchange rate, which are the main factors determining capital flow from abroad. if all these are favourable, they would be ready to pour in monies into the economy. Trade depends on previous two quarters of itself and reserves. If the reserves are less the economy would not be in position to pay for its imports. Reserves are affected by past three quarters of foreign investments and exchange rate. When foreign investments are more, the economy receives huge foreign currencies and thereby it will add to reserves. Exchange rate depends on past two quarters of broad money supply, inflation and foreign investments. If the money supply rises, it automatically depreciates the

Dynamics of Interdependence

	LN GDP	FD	DLN M3	DLN CMR	DLN INF	DLN BSE	FI	LN TB	DLN RES	DLN EXR
LN GDP	12 3	3				1 2				
FD		1	3	1	3			2	2	
DLN M3					1					2
DLN CMR		1	2 3					1		
DLN INF						2				2
DLN BSE	1 2 3	3			2					
FI		1	1	1	2	2			3	2
LNTB	1 2 3		1 2 3	23	1 2		2	1 2		
DLN RES	2	3					2	2		
DLN EXR		2			3		2		3	

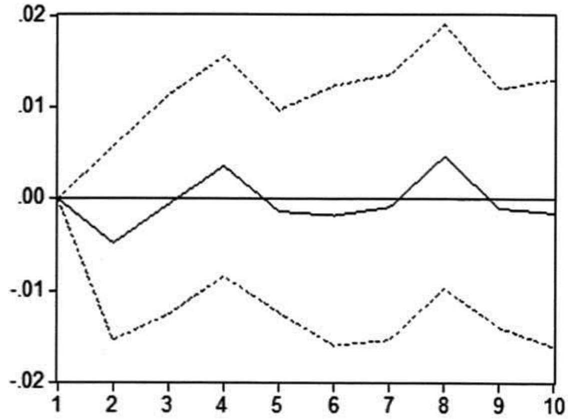
currency compared to other currencies, and same way inflation does affect exchange rate.

3.4 Impulse Response Functions

Here we can have a look at impact of a standard deviation shock of a variable on other variables. The shocks affects the error terms of variables. All the variables are showing the impact on GDP almost exactly, except money supply which took time to increase the growth. Here we can also understand at which quarters, the variable is affecting GDP. The main variable is GDP, and we are looking at shocks given to other variables and its impact on GDP. When a positive shock is given to fiscal deficit, it immediately affects the GDP and it takes two quarters for GDP to come back, which can also be seen during the crisis, when the fiscal deficit rose to 6%, the GDP also had fallen down. When positive shock is given to inflation, the GDP reduces. This can be observed many times when the economy had inflation; it was followed by fall in 2000-01 and 2004-05. The inflation was more than the previous years, and so the GDP had fallen. Increase in growth due to increase in money supply is taking time as given here. The GDP is rising when a positive is given to BSE sensex and continue to maintain the same later on. The foreign investment increases the GDP immediately. When foreign capital comes in, the production levels go up. Increase in trade balance (deficit) impacts GDP immediately and the economy recovers immediately from it. As the foreign currency reserves reduce, the GDP is affected. There were cases with the economy where it growth was affected when reserves reduced, and this fall is immediate and later on recovers to normality. GDP is affected by rupee depreciation, and this situation can be observed in the present situation of the economy, where the growth had fallen due to fall in value of rupee.

Figures Explaining Impulse Response Functions

Response of LNGDP to Cholesky
One S.D. FD Innovation



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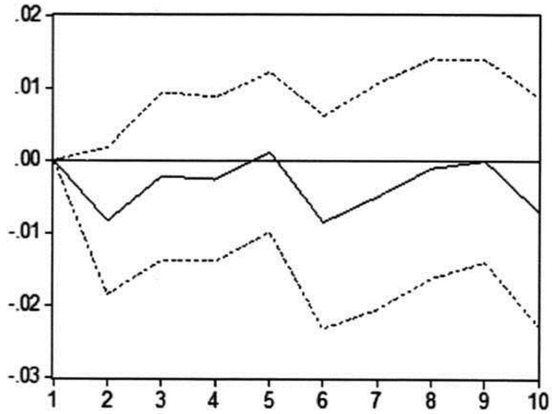

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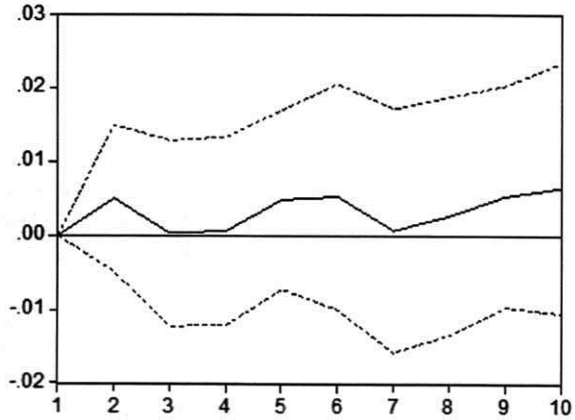

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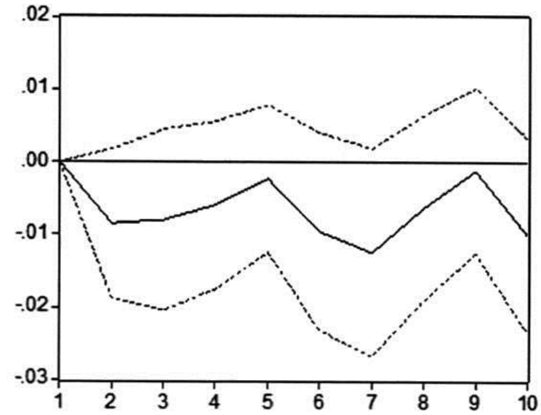

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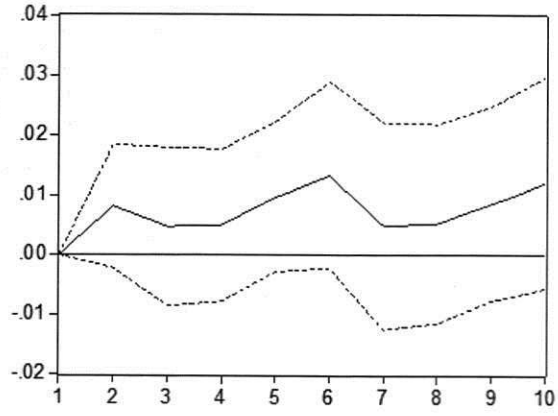

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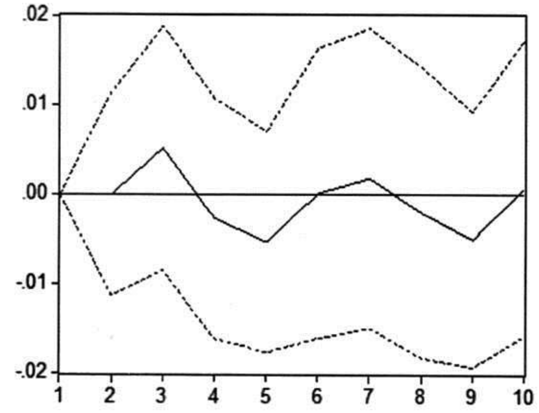
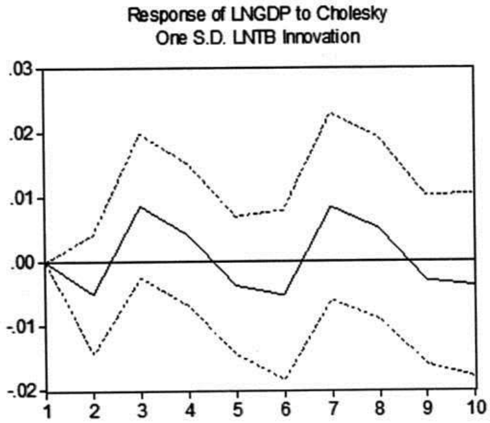
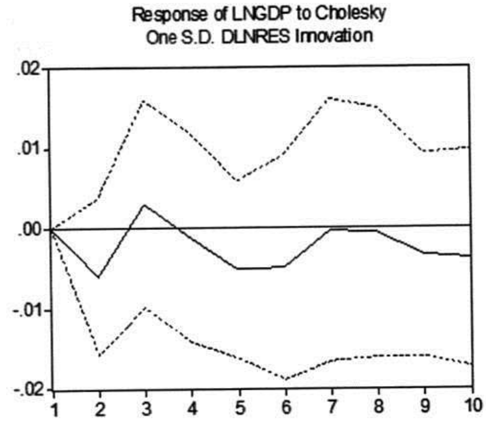
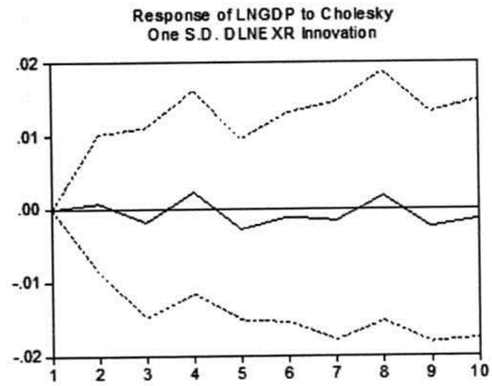








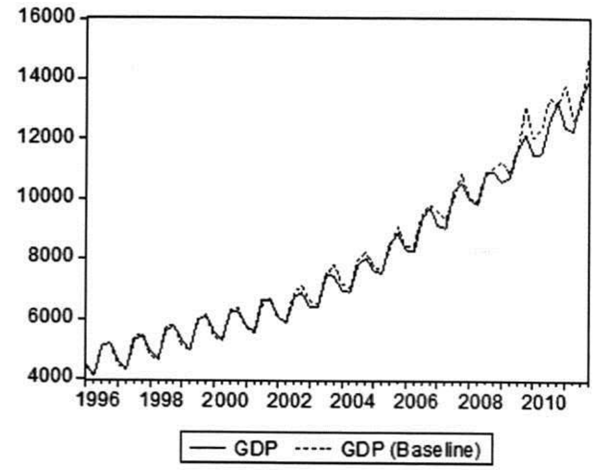
3.5 Variance Decomposition

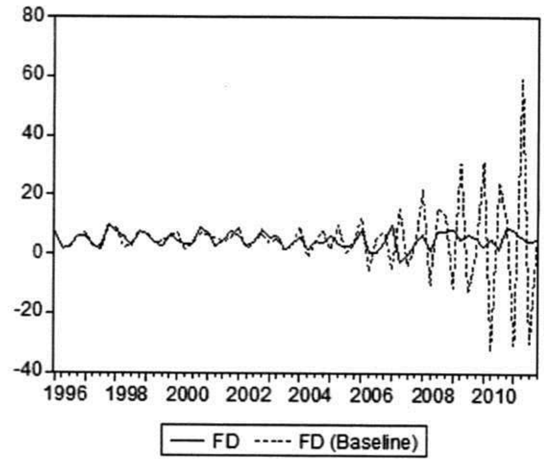
This analysis determines how much of forecast error variance of each of the variable would be explained by the exogenous shocks to the other variables. Around 70% of changes in GDP is explained by itself and the rest by changes in broad money supply, inflation. After some time the error variance explanation by GDP reduces and other factors would affect the GDP. The changes in fiscal deficit is explained by itself totally, but later is explained by increase changes in other factors almost equally. The error variance of broad money supply is explained by itself by 70%, after a while is explained by improvement in GDP. At first, the error variance of inflation is explained by itself, but after which, is explained by changes broad money supply. 70% of variations in BSE sensex is by itself and later is explained by variances in reserves, money supply, GDP. Around 80% of change in foreign investments is explained by itself, and later on the variations are explained by changes in reserves and exchange rate. An increase in trade balance is explained by itself and also by changes in GDP.

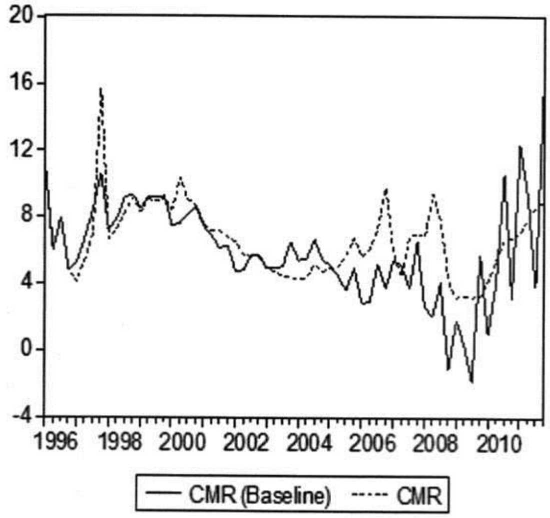
3.6 Forecast of variables

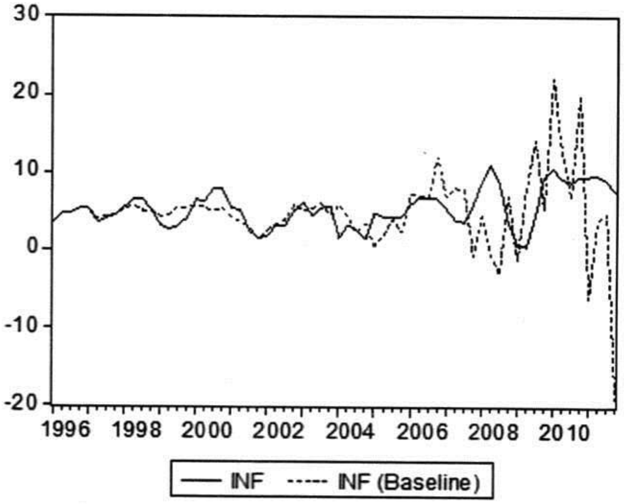
The equations observed in the VAR method are taken for forecasting. This VAR model gives baseline scenario and predicts the variables. Each variable is forecasted taking into account, the other variables. Here we cannot go for alternative scenarios, because the baseline scenario is not predicted properly. During the last five years of sample, the difference between the actual and estimated is more. The forecast of the variable is able to predict almost correctly. But from 2006 onwards we are unable to predict the behaviour of variables. During crisis period (2008-12), the model finds it difficult to forecast the variable. The reason is that during crisis we cannot predict the behaviour of a variable. Generally if a model is unable to forecast a variable, it means that there are other variables that are affecting it. Here we have taken major macroeconomic variables of the economy, which are the main determinants of an economy's movements. So the other variables that are affecting the variable are economic, but are objective. The expectations of individuals, institutions play very much important role in the economy. This cannot be quantified, and it becomes difficult to tell how expectations play their role in the economy.

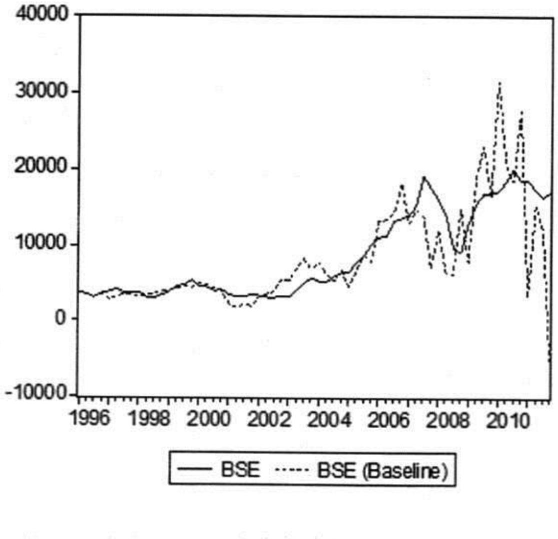
Figures Forecasted Variables

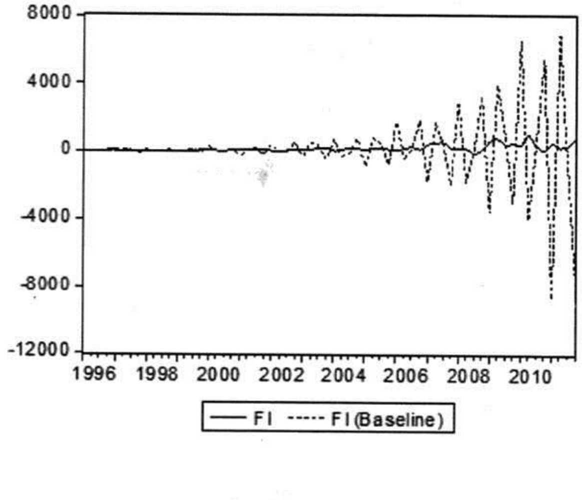


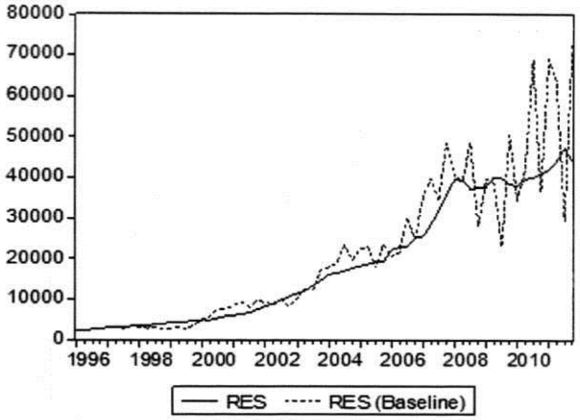


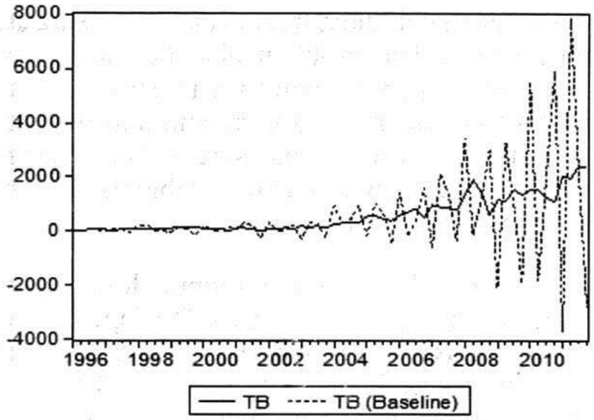


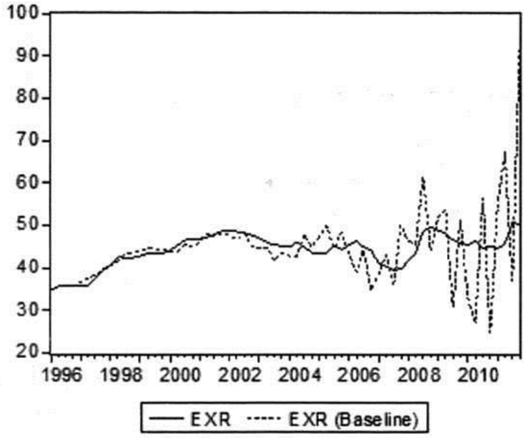












We are able to predict the gross domestic product, and it explains the behaviour of the variable exactly, because the growth is also affected by the variables other than the ones taken into consideration like gross fixed capital formation and other domestic factors. But during crises we are unable to predict the growth behaviour totally. The fiscal deficit is forecasted correctly till crisis, and later was not able to estimate. The model was able to forecast broad money supply because; there are other variables that affect it, which are internal. Inflation is very dependent on the world oil prices, and the behaviour of the prices were could not be tracked. The BSE sensex depends on most of the variables under study, but the model was not able to predict the sensex as there was huge volatility in expectations of institutions. Foreign investments were highly volatile during the crisis period. There were reverse capital flows during this period, and so the behaviour could not be tracked. Foreign exchange reserves were depleted during the crisis and gold was accumulated after that. Trade with the start of the US crisis was reduced. The rupee depreciation was also responsible for this. There were many other factors for volatility in trade. The variables interdependent very much, and during both the crises each variable had huge fluctuations and so it was difficult to predict the variables taking into account of other variables.

4.0 CONCLUSIONS

The global financial crisis, it all started with fall of Lehman brothers. The events causing for the fall are many. What was said to be a small problem in financial sector turned into huge crisis around the world. The spreading of the crisis to other economies was result of globalisation. The crisis was all over the world, because US was the epicentre of the crisis, and the economic and political power lies within it.

Now-a-days, the economy's policies are resulting in over spending, over saving and over production. The Greek government had over spent in the past and is suffering in the present. The debt levels of the economy along with

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Value System and Ethics as Determinants of Managers' Performance in Organisations

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Abstract: This paper discusses the role of ethics and importance of building organisational value system in detail. It also examines the roles of different executives in implementing the corporate code of ethics and the manner in which they impact the awareness and ethical behaviour of employees. It is observable that it is not easy for an organisation to implement all these, especially if shortcut methods are available and others seem to be benefitting from the same. However, all in an organisation need to understand the necessity and future advantages of ethical behaviour to the sustainability of the enterprise. This can be achieved with the support of top management executives and a strong will to develop an organisational value system. It will add definite value to the long term growth and development of an organisation.

Key Words: Values, Principles, Ethics, Organisational performance

"I can resist anything except temptation."
— Oscar Wilde

1.0 Introduction

Management education has traditionally been based on concepts developed in the West, but practiced by managers across the world. For example, managers who are currently working in organisations operating in India, operate in an organisation culture that is defined predominantly by norms and traditions prevalent in the Indian context. While these managers have been brought up in the Indian context of education and societal framework, they are exposed to global culture and trends, albeit secondary exposure, in the form of books, movies, news, Internet or working in multi-cultural settings, whether in India or stints abroad. The contrast lies herein that the Indian manager learns from books written by global authors, works with local employees and he adapts practices to suit his value system. While primary nurturing is in the Indian cultural context, aspirations lie in the global cultural context. Increasingly, with time, the distinction between global and local culture is diminishing. However, the cross-cultural conflicts have an impact on the behaviour of the Indian manager given the circumstances.

The early 2000s, specifically around the 2010s, has been a time of upheaval in the Indian social and political context, with instances of corruption, fraud and scams being reported and erupting with alarming frequency and scale, across all sections of society, sports, political and industrial. Based on reports, it would not be wrong to presume that the errant behaviour had pervaded all walks of life and involved all strata of society across all hierarchies. While modern society, across the globe, is accustomed to political corruption, the increasing number of corporate scams in reported India in the recent past suggests the need to re-look at the value-system framework in the country and the value systems of both individuals and corporates.

2.0 Value System and Ethics

An individual's value system is the psychological make-up that determines individual behaviour to a large extent. It is like the internal blood stream that is continually active, but not seen by the naked eye. Value system comprises of everything that an individual learns consciously and subconsciously – from people with whom they live in their formative years, from school, from society at large – that becomes a part of their experience and directs thinking and behaviour. Values are defined loosely as strong beliefs, for which the individual may or may not be able to give a logical explanation, for their origin or the reason for the strength of belief. Hence, a value system cannot be positive or negative. It just exists, and the shades of such value systems in individual can be innumerable, like the shades of grey between black and white.

On the other hand, ethics talk about what is right or wrong. The acceptable norms of behaviour, real or perceived, in a society dictate individual behaviour significantly. Such behaviour is subjected to scrutiny by other individuals and there is a fear of being judged on that basis. The perceptions of the individuals on how they may be judged tend to make them alter their outward behaviour suitably to get an immediate approval.

According to the Webster dictionary, ethics is defined as "a set of moral principles or values that govern the conduct of an individual or group."

Ethics is a set of principles used to govern organisational conduct and decision making process (Stanley, T L, 2004).

Ethics is also defined as "that characteristic which constitutes good and bad human conduct and that which decides what is good and evil, right and wrong, and thus what we ought and ought not to do. The ethical sense of right and wrong is derived by a set of social values through which our actions can be tested." (Maheshwari, S K and Ganesh M P, 2006)

Organisations also have their own value systems, like individuals. This may be governed by the founders' philosophy or outlook towards how organisations' decisions need to be taken in different situations. An organisation's culture is based on such value systems and, many a time, this may not be written down anywhere in the organisation.

While value systems are intangible, ethics are tangible in the sense that they are definitive dos and don'ts of behaviour. Ethics are bound by the framework of the right and wrong as is perceived or established by the social system in which they are applicable or within which the entity, individual or organisation exists.

Ethics of an organisation are bound by the perception of right and wrong and their impact on the existence of three entities, namely; the individual who is working in the organisation; the organisation itself; and the society in which the organisation exists. Value systems are honed by experience while ethics are defined by the prevalent laws of the land also.

The success of an organisation depends on an efficient and productive human resource which, to a large extent, is dependent on the integration of, and correlation between, the individual's value system and the organisational culture. Literature suggests that a proper match between the individual's value system and organisation culture is very important for improved productivity.

A few basicactions which the organisation should take, to build an effective organisation culture should be:

Clarify the organisation's core ethical values. All employees should know what is expected of them. It is a good practice to draft a code of ethics to cover different functional areas of business and to inform all employees of the same.

Articulate right and wrong behaviour. Organisations need to develop policies so employees know how to deal with foreseeable ethical issues. This will clarify the stand which employees have to take in conflicting situations.

Periodically renew and refresh knowledge on ethical conduct. Providing training and support systems will go a long way to help employees build a more ethical organisation.

3.0 Applications

According to Gadeken, O C (2005),one of the most important tasks of any leader is to create an environment where ethical behaviour and decision making is standard operating procedure. Managers may be working in different functional roles, and the nature of work may present different situations that require ethical behaviour. In a study conducted on business management students (Rawwas&Isaakson, 2000), researchers found that 'opportunity to cheat' as a single major variable that explained cheating more than any other determinants.

Organisations need to be aware that the scope for unethical practices varies among different managerial functions, and leaders need to sensitise their employees to be watchful and arrest any negative practices immediately. While emphasising the need for organisational ethical codes, Fisher (2001) stated that the number of organisations having values/ mission statements are found to be on the increase.He has also suggested that employees may develop loyalty to an organisation beyond their personal integrity and value systems.The presence of active ethical leadership within an organisation may overcome the contradictions that would otherwise emerge in the operation of ethical codes.

In a model that has been presented by A Kenyon (1998), a manager is seen to have potentially conflicting commitments to family and close friends, personal value system, professional code, colleagues, fellow employees, to the business and its survival.Observations such as these highlight the need for a clear organisational policy statement on ethics.

3.1 Organisational Policies and Practices

It is not possible to visualise all potential ethical situations in an organisation and draft policies that can guide individual behaviour at all times. However, it may help if the organisation identifies different functional areas and drafts suitable overarching guidelines that reflect transparencyand ensure that organisational outlook towards ethical practices is clear to all employees.

The legal and ethical perspectives are intertwined and any unethical practice of the organisation may be questioned by people through a court of law. In India, SEBI's rules pertaining to corporate governance, code of business conduct rules, specifically compliance required under Clasue 49,are such an example. The recent law on "Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013" to be implemented by all organisations may also be quoted as one such government intervention.Every organisation is expected to enforce such laws and absence of strict vigilance is prosecutable in a court of law. Hence, it is in the best interests of an organisation to be aware of the legal implications of unethical practices and to train personnel to be alert to such behaviour.

Few functional areas and their activities, which could impact ethical / unethical practices in an organisation are discussed in the following few paragraphs.

3.2 Human Resources

According to Martin, G &Woldring, K (2001),the HR function can affect the organisation's ethical choices in:

- Traditional HRM functions, e.g., recruitment, appraisal and remuneration policies
- The overall role of the HR manager; and
- The scope for HR managers to make acontribution to strategies to foster ethics in the organisation.

"HR functions can play a key role in developing ethics programs into important organisational activities, such as the design of performance appraisal systems, management training and disciplinary processes." (Weaver, G R and Trevino, L K, 2001).

One area where there is a potential case of ethical conflict is the dilution of prescribed rules and regulations in the selection of appropriate personnel for different positions available in an organisation. Given equally suitable candidates, if one candidate is preferred over othersdue to any parameter other than those required for the job, it can be considered as an unethical practice. Similarly, transfers, promotions, performance appraisals, compensation, etc. are all critical HR functions where managers need to be careful to avoid any non- objective criteria to influence their decisions.Some guidelines to employees working in the HR function are enlisted below.

1. Confidentiality of information: HR employees, by virtue of their role, are privy to details of employees working in their organisations. It is imperative that they maintain confidentiality and not divulge any details to others.
2. Hiring, training, promotions, etc. should be on merit and no other personal criteria unrelated to work should be considered. The tendency to prefer employees, whom they are related to, by virtue of proximity or other subjective criteria, should be avoided.
3. Disciplinary actions, if and when initiated, should be uniform across all employees and only objective criteria must be used for the same. Laid down written policies in these aspects helps in preventing discrimination, to a large extent.
4. Performance appraisal training should include emphasis on ethical appraisal, where only performance-related aspects of employees are appraised, and not the personality of the employees outside the workplace.

3.3 Marketing

Sales and promotion (especially advertisements in mass media) are two core functional areas within marketing that can be subject to abuse of ethics. The pressure to perform is perceived to be highest in the sales department, and the tools and concepts used to reach potential consumers are questioned for their veracity by many.

A regular ethical decision which a sales team is subjected to is "sale at any cost." Salesmen stocking dealers during month-ends, just to boost monthly sales figures, with a promise to take the stocks back in the first week of the next month as returnsare such examples of unethical behaviour. Fudging number of sales calls made in a day, using company resources for personal use, etc. are few aspects, which are difficult to monitor, but the temptation to do so may be high.

An element of caution is needed in determining the nature of advertisements, messages or models used to attract potential customers to the company's products, as the boundaries between ethical and unethical practices may be too thin in some areas.

3.4 Finance

Fudging costs and sales figures to artificially increase profits to reflect a better balance sheet is a major organisational worry. More often than not, organisations are involved in such practices to reduce tax payable to the government, to boost market capitalisation, investor retention, and to facilitate other organisational processes.

Unless clear guidelines are given to employees, there is a danger that they accept fudging as natural to their profession and may do it blindly. It is unfortunate that many reputed organisations came into limelight recently for reasons such as misappropriation of funds for projecting a better-than-actual financial health of the organisation. A strong corporate ethical code can itself lead to better financial performance in the long run.

3.5 Production

Quality of goods produced/ services delivered is the single important function that determines whether the consumers are converted into long term loyalists or not. Hence, it becomes very important that the employees in the production department are informed on the cost of cutting corners, and errors need to be checked immediately. Implementation of best quality practices may also help to add to the organisational bottom line.

3.6 Purchase and Administration

Lower quality raw materials cannot produce the best quality product. Officers involved in this function should be careful and avoid succumbing to pressures from their suppliers or customers. The scope of kickbacks is highest in this area, and an organisation's efforts in this area such as laying down well-defined guidelines for procurement and code of conduct, supplier code of conduct, creating cross-functional teams for making purchase decisions and other such measures canmake organisationstruly ethical.Misuse of facilities provided by the organisation to its employees need to be curbed immediately.

4.0 Constraints / Iplementation Challenges

A. Individual aspects

1. Need for investing time, resources and relentless effort by leaders in the organisation.
2. Pressure to perform
3. Unwillingness to discuss ethical dilemmas – among peers.
4. Fear to report misconduct observed – at peer level, superior level
5. Lack of information on legal consequences of unethical behaviour
6. When conflict arises between individual values and organisation culture, adapting to culture is a more common phenomenon with the rationalisation that they are "doing as others do"
7. Scope for ethics certification: can employees decide based on information of organisation ethics prior to joining?
8. The cumbersome and often-prone-to-error process of background checks, which is difficult to assess ethical behaviour of individuals during selection process.

B. Organisational aspects

1. Difficult to write every behaviour aspect as a rule or ethical code.
2. Employees perceive, and sometimes presume, a difference between expressed policy and expected practice.
3. Lack of trust on organisation – fear of whistle blowing.
4. A tendency to overlook certain unethical behaviour in the light of overall performance of individuals – may send wrong messages to other employees
5. Difficulty to monitor and control behaviour of individuals working away from the leaders – decentralisation of authority cannot be avoided.
6. Ethics code needs to be updated regularly to reflect changing standards of legal, societal and organisational frameworks dealing with ethical issues.
7. For global organisations, different practices may be considered ethical or legal in different countries.
8. Pressure to achieve organisational objectives, for growth, competitive pressures may undermine the importance of ethical behaviour as no immediate pay-offs can be seen.
9. Systemic hindrances may pose critical challenges to ethical functioning of an organisation.

5.0 Climate on Building Value System

According to Weaver, Trevino and Colhram (1999), formal corporate ethics programmes are very useful in creating a positive ethical climate in the organisation and typically include some or all of the following – formal codes of ethics, forming ethics committees charged with developing ethics policies, checking for their implementation, etc. The basic question here is whether values can be taught/ learnt from others, and an academic debate on the topic may be interesting.

Any organisation needs to make a conscious effort at building the organisational value system. One crucial step is selecting people who share a value system similar to the organisations.

More often than not, companies shy away from talking about their ethical value system, and expect the new employees to somehow adapt to the working practices of the organisation. Any misunderstanding at this stage, if not corrected immediately, may lead to long-term consequences.

If the hypothesis that values of individuals are inherent and cannot be changedor people cannot be trained to think differently is correct, then it is critical that an organisation takes adequate care to inform all employees that a uniform code of conduct is expected from all and adherence to the same is an essential qualification for growth in the organisation.

5.1 Developing a Value System

"Organisations are generally becoming more transparent, and the most progressive of them are adopting a complementary array of ethics programs to help them avoid the types of scandals that have lately tarnished the reputations of many" (Vickers, M R).There may be a number of direct and derived benefits if an organisation invests time in developing a value system for the organisation as a whole, and employees are made conscious of the same.

5.2 Building an Ethical Organisation – Role of Top Management

Schroeder, D (2002) suggested that the onus on creating a value-driven organisation lies on the top management and that they have to foster major changes in business practices, to re-orient the organisation philosophy from profit-driven to value-led objectives and strategies.

Ethics needs to be part of every policy, procedure and practice. More importantly, a culture needs to be developed that supports ethical behaviour in all areas (Sloan, K E N, & Gavin, J H,2010).

Quality and ethics appears much closer together when seen in a broader sense and can represents the limits of a further positive development in company management (Siarelli, S, 2002).

Business ethics encompasses much more than mere compliance to laws and regulations. It is about every individual in the organisation acting ethically, about creating an ethically sound working environment within the organisation and about organisational leadership modelling ethical behaviour at all levels. Research suggests that it makes good long-term business sense to be ethical.

According to Seshadri, D V R, Raghavan, A and Hegde, S (2007), as a leader, "one may be successful in demonstrating credibility, drawing up effective ethics policies and compliance standards, with a view to make people act within the ethical boundaries. Often however, leaders fail in making ethics an integral part of the organisation's culture".
For this to happen, the leader must create positive organisational symbols and must model ethical behaviour through visible actions.

i)Role model for ethical behaviour: Leaders need to be ethical in everything they do. If any gap is perceived by the employees between what leaders say and what they do, they tend to follow actions more than words. Also, it may not be sufficient just to be role models as others may acknowledge and applaud, but they do not necessarily emulate ethical behaviour.

ii) Communicate organisation philosophy on corporate ethics: Individuals take pride in their capability to read between the lines. They tend to add meaning to actions, much more than intended, and do not necessarily believe what they are told. So, effective communication of corporate ethics should be more than displaying the same on notice boards/ or in the meeting rooms. Special efforts are required to talk about corporate ethics in different forums and to emphasise on the role of each manager in living up to the same.

iii) Promote ethical behaviour: Encourage ethical behaviour, discuss dilemmas and punish unethical behaviour. When employees take appropriate ethical decisions (especially involving conflicting ethical norms), the decisions should be supported and the employees encouraged. New employees need to be advised to discuss ethical dilemmas with their superiors and peers so that they will be advised in the best interests of the organisation. They should also be advised to report unethical practices immediately and a proper mechanism needs to be established to nip them in the bud.

iv)Demonstrate support to ethical behaviour: Newsletters and other intra-office communication are good tools. Exceptional ethical behaviour, instances of employees who use ethical means to achieve seemingly impossible tasks, may be recognised and rewarded by open appreciation through different internal sources of communication. Such actions will motivate other employees and help in building an ethical and value-driven organisation. Being approachable and maintaining an 'open-door policy' towards ethical issues, and listening patiently when someone wants to talks about such issues by top management executives will send strong signals to employees across the organisation.

v) **Integrate values into corporate decisions, strategic and operational:** The values of integrity, honesty, and transparency when integrated into allcritical activities of the organisation, including planning, budgeting, goal setting, resource allocation, information gathering, communication, performance measurement, etc., send strong signals about the importance of ethics.Individuals' ethical behaviour is also influenced by certain intrinsic factors like their own moral awareness, individual values, demographic variables, etc., which may be influenced by the organisational ethical climate, the kind of group processes like leadership and team work, level of accountability and the kind of performance management system existing within the organisation.

5.3 Training on Ethics– Role of HR and Other Departments

We have discussed the role of top management in building an ethical organisation. The implementation of the ethical philosophy, drafting of suitable policies & procedures, punishment for violation, etc. is the primary responsibility of HR and legal functions in an organisation. HR also needs to ensure that the changes in ethical and legal issues are brought to the notice of the top management and suitable changes made in policies and guidelines on a regular basis. A component of ethics needs to be incorporated into major decision areas across all functions of the organisation.

These systems need to trickle down from the top management to the middle management with equal intensity, and executives in the middle management have a crucial role in instilling ethical values across all other employees. They are in a position to identify aberrations at the earliest, and have the authority to take corrective actions immediately.

HR function, thus, has a crucial role in creating awareness and conducting requisite training for managers across all levels to propagate the organisational value system among the employees.It makes sense to involve top management executives in these effortsas their presence itself will send strong signals of commitment to the entire organisation.

Managers from all departments should act as custodians of ethics and promoters of corporate values among other employees. When new employees join the organisation, they look up to their seniors and peers to apprise them of organisational culture and ethical behavioural standards expected from them during the course of fulfilling their role responsibilities. As these expected behaviours are beyond job descriptions, all managers should share similar value systems, with all.

6.0 Value Systems and Business Returns

The below figure projects the link between the value system in an organisation and thepotential benefits to an organisation. The different stages of an organisation in implementing value based management system are well presented, and the same is reproduced here for the benefit of understanding this relationship.

6.1 Implications for Organisations

The above discussion highlights the need for organisations to spend effort and time in building a sustainable value system that promotes ethical behaviour. Organisations can benefit both directly and indirectly from such activities. Good organisations cannot be built on shaky ethical grounds. Time spent on building an organisational value system is well spent.In the long run, ethical behaviour can pay off through better goodwill, high reputation, better qualified personnel, better growth prospects, etc., all of which contribute significantly to the bottom line.

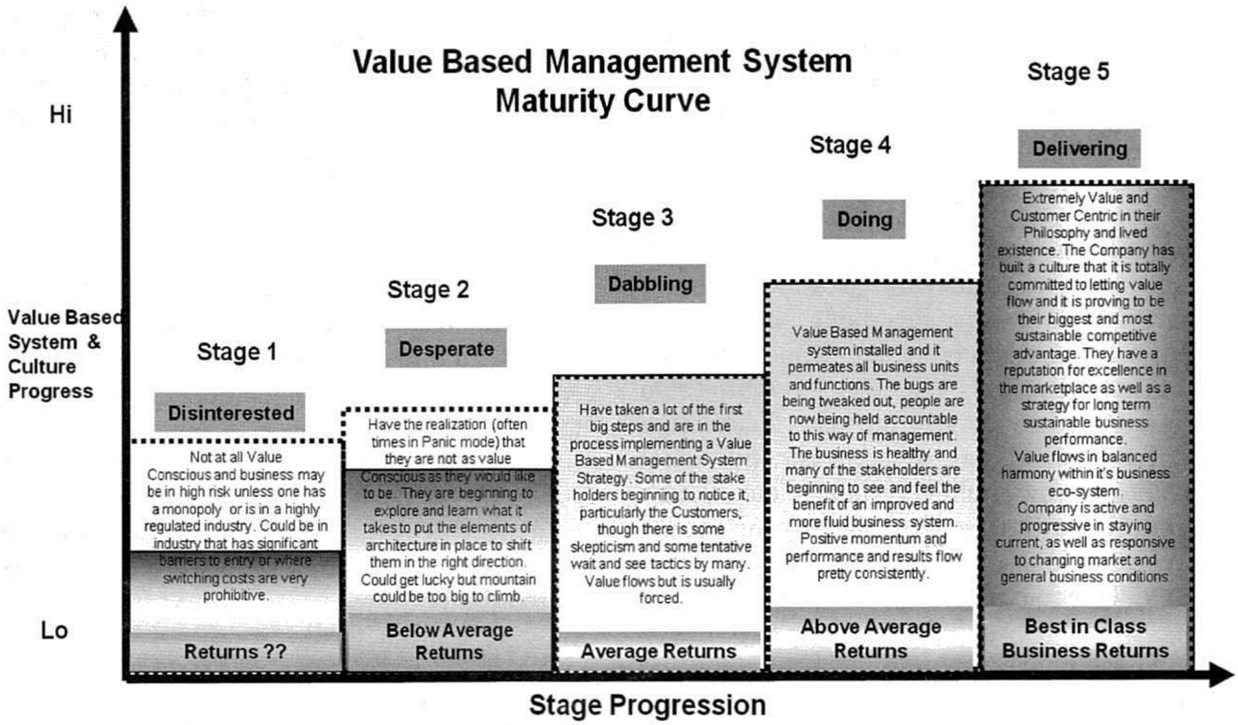

Fig. 1 Business Value Group International's Value Based eManagement System (Source:www.bvgintl.com)

A few implications for organisations may include:

i) Levels of employee engagement can be high, leading to better individual and organisational performance.

ii)Employees feel a sense of pride in association with value-oriented organisations.Thus enhances performance, sense of ownership and loyalty, all of which in turn lead to higher morale, lower turnover and better productivity. These can ensure smooth operations during tough times and efficient performance during fair-weather.

iii) Stakeholder participation is higher with value-based organisations. As with employees, pride of association is enhanced and therefore ensures upfront and sustainable symbiotic relationships. These lead to long-term customer loyalty and supplier base.It also helps in building wider customer and supplier base.

iv) While there could be short-term procedural delays at times when handling agencies which expect unethical behaviour, the long-term advantages in terms of reputation, legal comfort, goodwill and other matters of equity are higher, often off-setting the short-term gains. In an increasingly conscious and aware society, which is well-informed, these long-term advantages positively impact sustainability of the organisation.

v)When there is a conflict between organisational value system and individual values, the employee turnover may be high.

7.0 Conclusion

This paper discussed the role of ethics and importance of building organisational value system in detail. Furthermore, it also discusses the roles of different executives in implementing the corporate code of ethics and the manner in which they impact the awareness and ethical behaviour of employees. It is observable that it is not easy for an organisation to implement all these, especially if shortcut methods are available and others seem to be benefitting from the same. However, all in an organisation need to understand the necessity and future advantages of ethical behaviour to the sustainability of the enterprise. This can be achieved with the support of top management executives and a strong will to develop an organisational value system. It will add definite value to the long term growth and development of an organisation.

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Nature, Elements and Process of Customer Orientation: Evidences from Service Front Line

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Abstract : The research study is an attempt to understand how customer orientation happens in an organization particularly with reference to the role of front line. Critical Incident Technique was employed to collect stories of customer oriented responses from the front end managers of twenty interactive services organizations. The collected stories were analyzed and interpreted to capture the nature, elements and process of front end initiated customer oriented response. The responses were found to be systemic, localized and benefit driven in nature. Managerial initiative, system support and frontline participation were the elements which contributed to customer orientation. The process involved followed a generic decision making model with sequential steps of awareness, authentication, alternative generation, evaluation, response design, trial implementation, full scale implementation, and impact assessment and communication.

The paper provides a detailed study of the need for nurturing the leadership and initiative of the front line manager. Further, the current study should enlighten the top management of service organization that many customer oriented response initiation and implementation can occur at the grass root level within the organization rather than out of the vision of the top management.

Keywords : Customer Orientation, Service Delivery, Response Implementation

1.0 Introduction

Marketing philosophy entails that customer oriented organizations are better positioned to achieve long term business success than the ones that are not (Deshpande, Farely and Webster 1993; Kotler 2000). Customer orientation has been considered as an integral element of Market Orientation (Deng and Dart 1994) leading to superior firm performance in terms of profitability (Narver and Slater 1990), employee commitment and esprit de corps (Jaworsky and Kohli 1990). Given this significance of customer orientation, researchers in marketing have profusely studied factors contributing to superior customer orientation as well as varying implications of customer orientation across different organizational contexts (Chang and Lin 2008, Harris and Strong 2004,Ceyhern and Dursun 2007, Sax and Weitz 1982).

2.0 Theoretical Background

Researchers in the past have suggested the study of market orientation in a disaggregated manner (Noble, Sinha and Kumar 2002), particularly differentiating customer orientation and competitor orientation as separate constructs since their drivers are different (Homburg, Grozdanovic and Klarmann 2007). Customer orientation, particularly, has been treated as a culture driven, over all organizational orientation (du Gay and Salaman 1992) as well as individual employee orientation (Saxe and Weitz 1982). Researchers have studied influence of individual characteristics such as personality traits on customer orientation of service workers (Brown et al. 2002, Liu and Chen 2006). However, researchers have not given sufficient attention to the role of front line managers of service organizations in designing and delivering customer oriented response and especially to *how* such responses happen.

The boundary spanning employees could play a key role in making the firm customer oriented. The role includes understanding, filtering and interpreting information and resources to and from the service organization and its customers (Zeithaml, V. A. and Bitner

M. J. 2000). They also participate in designing and more so, in implementing customer oriented responses (Heskett, Jones, Loveman, Sasser Jr and Schesinger 1994). These customer oriented responses could be on the front end employees' own initiative or by virtue of the front end employee participating actively in organizations' top management driven customer orientation (Carr and Lopez 2007). There are multiple drivers for customer oriented behavior. While individual initiated customer oriented behavior by front end employee is driven by personality factors like openness and agreeableness (Periatt, Chakraborthy and Lemay 2007, Liu and Chen 2006) a more widespread- organization wide- customer oriented behavior is impacted by a market oriented organizational culture (Narver and Slater 1990). For example employee empowerment was identified to be positively impacting customer orientation (Bowan and Lawler 1992; Peccei and Rosenthal 2001). Similarly, education and training, involvement and contribution, and reward structure (Iris Mohr-Jackson 1991) were also found to be driving customer oriented behavior in service organizations at the front end.

Besides explaining key drivers of customer oriented behavior, existing literature deals in implications of customer orientation as well. Customer orientation of front end service employees was found to be positively influencing firm performance (Keilor, Parker and Pettijohn 2000) service quality (Carol, Carol and Rachel 2003) job satisfaction, commitment and organizational citizenship behavior (Donavan, Brown and Mowen 2004). The predominant measure for service quality was proposed by Parsuraman, Zeithaml and Berry (1988) in the form of SERVQUAL. Superior service quality leads to customer satisfaction and loyalty which in turn results in superior performance (Parasuraman et al. 1985). Service quality is achieved through matching or exceeding customer expectations (Zeithaml, Bitner and Gremler 2006). This would involve understanding, designing and delivering service promises in tune with customer expectations. Thus customer oriented behavior becomes a prerequisite of superior service quality and resultant customer satisfaction. Therefore, an understanding of the nature, elements and process of customer oriented behavior could facilitate front line employees as well as service organizations in improving on their customer orientation.

As discussed earlier, past research has largely concentrated on the key drivers and consequences of a customer oriented behavior. However, effort has not been made in identifying the nature, elements and processes of customer oriented behavior. An adequate understanding of these would demand a study into the "how" of customer oriented behavior. Therefore, the current research attempts to explore the nature, elements and process of customer oriented behavior in interactive services and the role of front end in implementing the customer oriented response.

3.0 The Context

Service, because of its intangible and inseparable nature, can only be delivered through customer-provider interaction. In almost all cases the provider is represented by service delivery personnel or service facility. Hence a customer oriented response in services has to be implemented through these boundary spanning elements. Service customers bring in variable demands and expect on the spot adaptations in services delivered. Service personnel, being organic in nature, are in a better position to understand the specific need and design and implement a response than an inorganic facility. Considering that the front end employees play a critical role in interactive services in becoming customer oriented, the researchers studied the characteristics and the process of customer orientation at the boundary spanning unit in interactive services. Hence, this research is carried out in the context of the front line unit of interactive services represented by the front line manager.

4.0 Methodology

Yin (1994) suggests that in order to answer a research question as to "how" a phenomenon occurs, an exploratory, qualitative and case based research strategy shall be adopted. As the researchers were primarily interested in the process of customer oriented action, they adopted an exploratory, critical incident based approach. A critical incident is described as one that makes a significant contribution either positively or negatively to an activity or phenomenon (Bitner, Boom and Tetreault 1990, Grove and Fisk 1997 and Chell 1998). Studies in the past in similar areas like market orientation have heavily relied on narrations or oral histories by protagonists in initiating and implementing such activities (Gerhart 2006). In the current study, the researchers identified 20 customer oriented incidents. These incidents were particularly drawn from customer interacting levels of medium or large service organizations. The researchers chose a chief protagonist in these specific customer oriented incident to narrate the story. Further, as the method demands, the incidents were qualified by asking the respondents to report only those which they perceived to be making a significant contribution to the organization and which happened in the recent past. By qualifying these incidents, the researchers ensured that high impact customer oriented activities at the front end alone got attention and the scope of the study was limited to impactful incidents.

Further the definition of CIT entails two aspects to be taken care of at the time of collection of self report of the protagonist. One is the incident in itself and the second is the phenomenon or the theme which it contributes to. In the case of the present study, the incidents were customer oriented responses and the theme was customer orientation in itself which is constituted by customer oriented information collection and processing and also the response. Hence the guidelines for interviews contained items about the response as well as the information about the customer which led to the response.

Trained investigators collected oral stories from front end managers on a customer oriented response (incident in this case) that the respondents themselves considered important. The organizations were selected by using convenience sampling method. The respondents were facilitated to be natural and were encouraged to narrate the full spectrum of the incident with very minimal interference from the investigators in the form guiding. The spectrum involved what the incident was, why it occurred, who all participated, and how the entire incident occurred. The first transcript was prepared by the investigators with verbatim reproduction of narration wherever possible. The researchers analyzed the transcripts one by one whereby every next incident contributed to insights and relationships identified in the previous cases or revealed new insights or relationships.

In the analysis the researchers used a general frame work with three dimensions namely nature, elements and process of customer orientation. This frame work was used keeping in mind the research objective of exploring, identifying and describing the nature, elements and processes involved in customer oriented response in the service front end. Insights drawn from the information gathered were formed into data categories the aggregate of which gave a comprehensive understanding of the phenomenon under study. Each data category was labeled and a collection of categories contributed to the three dimensions of the frame work.

5.0 Data Analysis

By a close examination of the transcripts derived from the reported critical incidents, the researchers arrived at the nature (what), elements (which) and processes (how) of front end involved customer oriented activity. The insights arrived at from the analysis of the incidents are described below.

5.1 Nature of Customer Oriented Action:

Customer oriented activity in the front end was by and large found to be systemic in nature. By systemic we mean that a response was designed and implemented keeping all such future occurrences in mind without having to address on a case to case basis. Homburg, Grozdanovic and Klarmann (2007) distinguish between cognitive and affective organizational systems that drive customer and competitor orientation. While cognitive systems refer to the extent of information processing within an organization the affective systems refer to the existence of values and norms to which the members are emotionally attached. They found that while affective organizational system is more important in driving responsiveness to customers, cognitive organizational system is more important in driving responsiveness to competitors. Similarly, we found that along with the implementation of a newly designed customer oriented response, supporting policies, procedures, guidelines and rules were also laid down by the organizations or units with an intention to drive similar customer oriented response in future. E-statement for ICICI credit card for travelling customers, Travel Insurance Policy for a new age group at Bajaj, Redefining responsibilities of staff in Reservations Office (CRO) at Landscape Resort, Introduction of express counter and separation of cash and card counters at Big Bazaar, Annual Maintenance Scheme at Bajaj service station, Express Delivery in case of short time for servicing and Night Shift during high demand by Bajaj Service Station were all examples for the same. All of the above responses were destined to be continuing for future with associated rules and procedures for supporting the implementation. After restructuring the CRO at Landscape Resort, the manager observed:

> "…..the work responsibilities were restructured; all the six CRO officers were made responsible for attending calls and the new policy was explained through a workshop organized".

Implementation of these systems was in such a way that it was clearly communicated to the customers as well as to front end employees. For example, the "new" e-statement facility provided by ICICI received a prominent position in front page of the company website and cash and card payment queue labels appeared prominently above Big Bazaar billing counters. We conclude from these observations that while disparate customer oriented action might happen at the individual employee level due to personality traits and characteristics of the employee, high impact and pervasive customer oriented responses, that in most cases become a regular feature in future, draw support from systems and procedures for their continued implementation.

Benefit orientation was another characteristic of customer oriented activity. The responses initiated and designed by the front end manager were evaluated on cost and revenue bases. In most cases cost and revenue implications of customer oriented actions were evaluated with the involvement of higher authorities. The facilitation of revenue collection without much of cost was one among the reasons for introducing e-statement facility in ICICI credit card division. Branch manager of ICICI observed:

> "the senior management and all of us concerned realized the importance of such feedback that was crucial in receiving payments….giving an opportunity to augment service offering to enhance customer satisfaction".

Similarly, Revenue loss due to customers leaving the store even after picking the item because of long queues was controlled by introducing a billing counter at the drug store of the super market that did not demand corresponding additional cost. Bajaj Allianz did test marketing and projected the financial feasibility of introducing newer policy for aged customers while Landscape Resort considered CRO restructuring due to business loss as booking agents prioritized other hotels.

One of the major characteristics of customer oriented responses was that the implementation of these responses demanded higher levels of localization. The role of front end manager, as chief protagonist for a customer oriented change, facilitated the implementation of locally relevant responses. Local adaptations were made both in the service design and delivery as well as in marketing communication. Because domestic business customers coming to Goa carried some exotic images of Goa much like the tourist customers they expected an in-house bar at Ginger, a unit of the no-frills hotel chain. The Goa branch manager of Ginger Hotels had to get a bar sanctioned against Ginger's organizational policy. Similarly, customer response at Fabindia's Panaji unit demanded more localized promotional strategies as against Fabindia's policy that resulted in superior business. e.g., Billboard on top of Inox multiplex and advertisement in local newspapers.

Customer oriented responses, in many cases, also required support and involvement of staff at the front end besides the manager. Therefore, as a practice, the front end managers included the immediate staff as early as response design stage through implementation and follow up. For example, the front line manager at Bajaj service station, Mr. Subhash, consulted and involved the head mechanic and others under him while deciding on night shifts as well as delivery based on service time requirement. He remarked:

> "....since implementation involves the rest of the mechanics, I consult the head mechanic from the beginning.........also orienting and training people if needed".

5.2 Elements of Customer Oriented Action:

The elements involved in the customer oriented response were not many. We found three main elements namely managerial initiative and leadership, front end implementers and system support.

In all the responses a front end manager took lead in selecting, pursuing, designing and implementing the customer oriented response. For example, in the introduction of single customer service number at Cidade de Goa, restructuring CRO at Landscape, introduction of bar in Ginger's Goa property, installation of separate billing counters at Big Bazaar and introduction of e-statement facility at the ICICI credit card division were all at the initiative and persistent pursuit of front end managers. The service manager at Cidade de Goa states

> "I carried out a survey on other hotels as to how they were tackling this service issue, took the results to the CEO..........the project took about one year from conceptualization to implementation that involved training employees, adding infrastructure and new recruitments".

In most cases implementation of customer oriented response required participation of front end employees. The elicitation of participation took the forms of consultation in designing response (the involvement of chief mechanic in Bajaj service station), training for implementation (training of CRO staff at Landscape, training of counter sales executives in Bharne Creations) as well as assignment of roles in the implementation (all the incidents except the case of e-statement of ICICI for credit card customers).

In many cases, introduction of customer oriented response benefitted from existing organizational systems and practices as well as technological systems. Existence of rules, procedures, and roles were examples of organizational systems gearing up to support customer oriented response as in the case of ideation lab of ICICI bank, and feedback department of Café Coffee Day. These findings were found to be similar to past research findings that job design and value based training and the resultant employee empowerment lead to customer oriented behavior (Peccei and Rosenthal 2001). The outlet manager at CCD narrates the role of feedback department:

> "The outlets forward all feedback slips to Bangalore where they are carefully scrutinized......suggestions regarding eatables are passed on to food and beverages department, those regarding décor and service quality are passed on to marketing department".

On the other hand, introduction of software and hardware were examples of technology systems supporting implementation (online access to credit card statement in ICICI bank, new telecom infrastructure at Cidade de Goa, call forward facility at Landscape Resort).

5.3 Process of Customer Oriented Action:

The first step in most cases was the front end service unit, specifically the manager, becoming aware of the need for a customer oriented action. This awareness was not a proactive discovery. Rather, a customer complaint, informal sharing of information by a customer or a channel member, formal reporting system and feedback mechanism brought such a need to the notice of the front end manager. For example, the cluster branch manager of ICICI credit cards received many customer complaints like the following one:

> "I have made my credit card payment on the basis of SMS received and I have actually not received the hard copy of detailed statement by mail. In case I am travelling abroad, I am unable to even receive this SMS and hence unable to access any credit card payment service."

However, this awareness was followed by detailed information collection for authentication which can be considered proactive. For example, the CRO manager at Landscape did the following steps for authentication; a) paid personal visits to major travel agents and sought their opinion and facts, b) made live booking calls from agents office, c) made 50 dummy calls over three weeks and tabulated the results.

Once the authentication revealed need for an action, further steps followed in the form of assessing possible alternative responses including financial implication. After selecting the optimum alternative, a detailed response design followed. This detailed response design, many a times, required participation of other members responsible for contributing to the design of the responses. These responses were then implemented on a trial basis. Along with the trial implementation, participating front line employees were trained to adapt to the changed system and areas for closer control and monitoring were identified. On successful lessens from trial implementation the customer oriented response was implemented as an organizational system throughout the organization. In certain cases, regular collection of information on the impact of the customer oriented response was gathered and communicated to the frontline response implementers with the purpose of motivating them.

While following the steps in generic decision making, the process also displayed a few specific features. The generic managerial decision making process involves the five steps of: a) problem identification b) developing alternative courses of action c) Evaluating and selecting alternatives d) Implementing alternatives and e) monitoring consequences of action (Koontz 2000). Figure 1 depicts the typical process involved in a customer oriented action that the front end manager considered important. The means of becoming aware of the issue, authentication of the issue, front end employee participation in designing response and impact assessment were salient to the process.

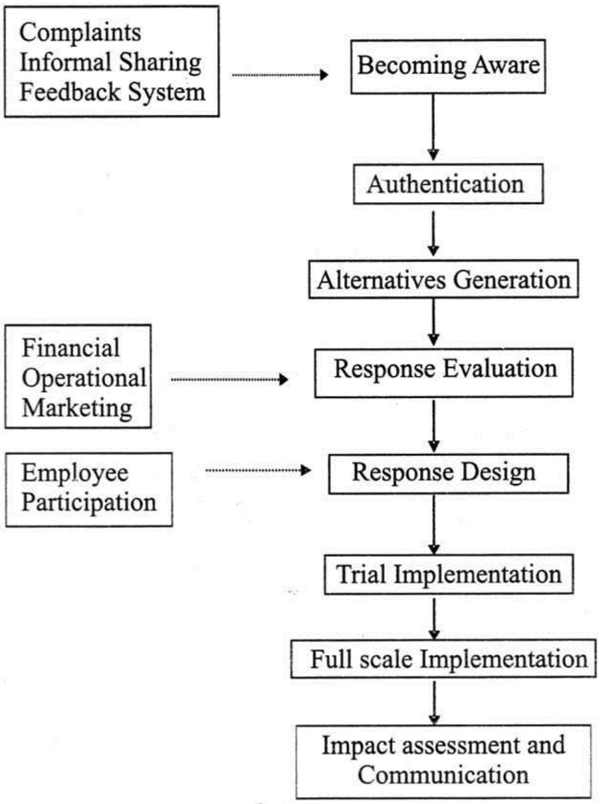

Figure 1: Process of Customer Oriented Action at the Service Front End

6.0 Managerial Implications

Given the systemic nature of responses and the need for system support for implementation, the onus is placed on the managers at higher levels to institutionalize the practices by designing or facilitating the design of proper systems in the form of policies, procedures, guidelines and rules. Again the reactive nature of customer oriented behavior stresses the need for systems and procedures which enable and facilitate the customers to express their needs and difficulties. Customer surveys, suggestion boxes and toll free numbers are some examples. The initiative, persuasiveness and persistence of the front line manager from becoming aware to impact assessment and communication has been found to be extremely important in the entire process. This has implication for front end manager selection, empowerment and facilitation.

Further the findings of the study have implications for human resource development in the front end for an attitudinal change through education and training. This should be in the form of developing a need for assigning highest priority for the customer need. The effort will be particularly relevant in the implementation of the customer oriented response through the front end. The need for nurturing the leadership and initiative of the front line manager is also evident from the research. Further, the findings of the current study should enlighten the top management of service organization that many customer oriented response initiation and implementation can occur at the grass root level within the organization rather than out of the vision of the top management. This calls for a change in perspective from a top down customer orientation to a bottom up customer orientation. But the research is based only on 20 incidents. Therefore, for many of the conclusions drawn a minimum number of at least five incidents (Zaltman) contributing to each insight were not available. Hence the contribution of this research largely remains generation of themes and insights relating to nature, elements and process of customer oriented responses rather than validation of the same.

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L.P.G. and Chakan Auto Industry

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Abstract : In the year 1991-1992, the Indian economic policies underwent a sea change adopting LPG with a view to boost industrial development. With this, the Indian industries have undergone a paradigm shift in their total vision and mission, style of thinking, monitoring the business operations to compete in the Indian and global markets. With the MNCs come in, JVs come in there is a total business process reengineering takes place. New avenues come up, new concepts come up and the traditional thinking, style is required to be replaced by the innovative techniques, technologies, skills, competence etc. LPG has created a new perspective : local becomes global to survive, grow in the market. The impact and implications on Chakan Auto Industry is described in the case.

Key words : Liberalizations, Privatization, Globalization, Auto Industry.

1.0 Economic Reforms : Background :

To boost the National Economy, Govt of India, in the year 1991 – 1992 had started forming industry friendly policies and had developed in the succeeding year many encouraging economic reforms for the industries. This meritorious phase of economic reforms led to flurry of activities in the industrial sector in the entire Country, and Pune being known as a industrial place. Tremendous growth of industries – flourished, expanded. Domestic Market – expanded as the opportunity of export increased.

1.1 Lberalization, Privatization, Globalization : Impact of LPG :

This new model of economic reforms is commonly known as LPG Model (Liberalization, Privatization and Globalization. Primary objective of this model was to make the fastest developing economy in the globe with capabilities that help it to match with the biggest economies of the world. In view of the same, the chain of reforms took place with regards to business, manufacturing and financial industries target at lifting the economy of the Country to a more proficient level. These economic reforms had influenced the overall economic growth of the Country in a significant manner.

Liberalization : Liberalization refers to the slackening of Government Regulations. The economic liberalization in India denotes the continuing financial reforms which began since July, 24th, 1991.

Privatization : Privatization refers to the participation of Private entities and entries in the business and services, and, transfer of ownership from the Public (Government) Sector to the Private Sector, as well.

Globalization : Globalization stands for consolidation of various economics of the World.

Salient Economic Reforms :

The following Statement of important Economic Reforms – initiatives taken by the Government of India since 1991 :

Sr. No.	Year	Salient Features of Economic Reforms
1.	1991	Liberalized – Industrial Licensing Policy. Allowed foreign investments up to 51% in high priority industries and reduced number of sectors reserved for the public sector (Privatization).
2.	1991	Encouragement for Export by allowing tradable import benefits against imports.
3.	1991	Amendment of MRTP resulted into diversification, expansion.
4.	1991	The Auto Mobile policy opened up – auto sector to the foreign manufacturers.

Sr. No.	Year	Salient Features of Economic Reforms
5.	1991	New Power Policy 1991 allowed private participation in power generation
6.	1992	Kicked off the process of sale of IPCL shares.
7.	1992	Amendment of SEBI Act – maintaining SEBI as a Statutory Body and new issue pricing was made market driven.
8.	1992	Cellular services were opened to private players.
9.	1994	The National Highway Authority Act was amended. Private sector participation in road sector with toll collection (BOO and BOOT principles).
10.	2000	The Insurance Regulations And Development Act was passed – privatization of Insurance Sector.
11.	2001	A year of mixed sentiments of economic reforms.
12.	2002	Industry friendly labor law reforms proposed by the Govt. Trade Unions protested the same.

2.0 Impact of Economic Reforms :

2.1 On Business Environment :

Liberalization, Privatization and Globalization has changed in the scenario of Industrialization in India, 1991 onwards. It attracted the Foreign Investors and the Foreign Investors have come forward either with the joint ventures with the Indian Companies, or at their own established the business. With this business opportunities and consequently, employment opportunities are considerably increased.

As a result of industry friendly economic reforms of industrial economic policy, in the year 1991,in India, the process of LPG (Liberalization, Privatization and Globalization) geared up. It led to phenomenon growth of industries and commerce as :

1. There has been expansion of capacities of the industries.
2. The industries aggressively diversified their business and tried to capture the products, projects, services, for which there was and is a market potential in domestic as well as global market.
3. Tie-ups with the foreign partners for both – technical as well as techno commercial objectives.
4. Investments of foreign Companies and establishment of Multi National Companies in India.
5. Emerging of new sectors and avenues IT, BPO, Service, Telecom, Pharmaceutical, Aviation etc
6. Privatization of public sector : power, public transport, insurance, banking.
7. Development of infra structure industry : road, bridges, dams, turnkey projects on Built Own Operate (BOO) and Build Own Operate and Transfer (BOOT) principles.
8. Rapid and massive industrial growth – in all the areas due to LPG.
9. Number of players for the same product due to amendment in MRTP Act : increase in competition.
10. Expansion of Auto Sector to take care of increasing demands of the Domestic as well as Global Market
11. Process of privatization of education geared up.

2.2 Impact of LPG on Engineering (Auto) Sector :

To withstand with the competition in the domestic and global market the Auto Engineering Sector has been undergoing a paradigm shift from the traditional, conventional to the modern industrial environment and practices. There is a reengineering in terms of technology, resources, processes, work environment, production techniques, lay outs, competence requirements, skill and knowledge requirements.

3.0 Development of Chakan Industrial Area :

Pune has been known as an industrial place since 1946 when Kirloskars have established their first unit Kirloskar Oil Engines Ltd, at

Kirkee. However, major industrialization in Pune took place 1960 -1965, onwards, in Pimpri, Chinchwad, Akurdi, Bhosari, Dapodi, Kasarwadi, Mundhwa, Hadapsar area. TELCO, Bajaj Auto, Bajaj Tempo, Bharat Forge, THERMAX, BUCKAU WOLF , Advani – Oerlikon , Garware Group, Finolex Group, Padmaji Paper Mills, Century Enka, SKF, KSB, Ruston, Alfa Laval, Atlas Copco, Kirloskar Cummins, Kirloskar Pneumatic, Kalyani Group, Indian Card Clothing, Philips, Elpro, HAL were some of the major industries. Most of these industries are engineering industries. Since they were old timers, they have in their set up, old layouts, techniques, conventional machines and skills.

3.1 Chakan Industrial Area : Impact of LPG

Chakan is Pune District, at a distance of 40 Km. from Pune City. Geographically convenient for the business purpose as closer to Mumbai for logistic point of view. The Chakan Industrial area is rapidly growing area in the vicinity of Mahalunge, Nighoje, Kharab Wadi, Nanhekar Wadi, Ambethan, Talegaon Road, Nasik Road, Shikrapur Road. Major OEMs and ancillaries – auto engineering companies have been establishing since 2001 onwards. The statement below indicates the details.

Chakan Industrial Area is newly developed area. Development of Chakan took place 2001 onwards, when Bajaj Auto and Kalyani Wheels entered in this area. However, this area has been developed in an aggressive way as the giant auto engineering Companies like Bajaj Auto, Mahindra, General Motors, VolKs Wagan, Mercedez Benz etc. started their manufacturing activity. The following OEMs in auto engineering sector, in Maharashtra are the main reasons for the development of Chakan Industrial Area as an Auto Cluster.

Sr.No	Auto Mobile Company	Location	Products
1.	Tata Motors	Pune	Cars, Light and Heavy Commercial Vehicles.
2.	TACO	Pune	Auto Ancillaries
3.	Bajaj Auto Ltd	Pune, Aurangabad	2 Wheeler, 3 Wheeler vehicles
4.	Mahindra & Mahindra	Pune, Nasik	Cars, Light and Heavy Commercial Vehicles, 2 Wheeler.
5.	General Motors	Pune	Cars
6.	Volks Wagon	Pune	Cars
7.	Mercedez Benz	Pune	Cars
8.	Piaggio	Baramati	2 Wheeler, 3 Wheeler, 4 Wheeler
9	FIAT	Ranjangaon, Pune	Cars.
10.	Premier Automobile Ltd	Pune, Mumbai	3 Wheeler, 4 Wheeler, Light and Heavy Commercial Vehicles
11.	SKODA	Aurangabad	Cars.

Due to these OEMs (Original Equipment Manufacturers), Chakan industrial sector is dominated by their vendors, suppliers, sub contractors which are in the business of manufacturing and supplying all the types of auto parts and components – mechanical, electrical, electronic, molding, plastic, leather, powder coating, steel, fabrication, casting, packing, glass, hydraulic, pneumatic etc. components.

There are 326 engineering industries in Chakan Industrial Area. However, out of them 91% are in the business of manufacturing auto components. Therefore, Chakan Industrial Area is known as Auto Hub.

3.2 Advantage to the Engineering Companies in Chakan Industrial Area :

Comparatively, in Bhosari, Pimpri, Chinchwad industrial areas majority of the industries established before 1990 (between 1965 – 80). Hence, limitations for adopting new lay outs, technologies, techniques, skills. Engagement of the people at operative level is dominated by the old, conventional, traditional skills.

Whereas in Chakan Industrial Area, it was and is possible for the industries for establishing their manufacturing facilities as per the sequential lay outs, new and advanced technologies, techniques, CNC and automated Plant and Machinery, Processes, SPMs, for qualitative and quantitative production. Chakan Industrial Area is known as "Auto Hub" as majority of the industries auto engineering industries. Similarly, these industries have scope and strategy to hire human resource as per the changing needs of the global competitive requirements.

3.3 Changing Needs of Business Environment of the Engineering (Auto) industries :

Due to global competition, "CQD", Cost, Quality and Delivery became important for the business process. "Customer Satisfaction" becomes a focus point. To meet these requirements of Domestic and Inter National customers the industries have under gone the following changes :

a) Changes in Technologies: Manufacturing facilities have under gone advanced changes. Conventional Machines have been replaced by the CNCs. Converization, Modernization, automation, Special Purpose Machines have been given importance to have the maximum productivity with high precision quality.
b) Product : size, specifications, features, quality, cost, life cycle, delivery as per the changing requirements of the society.
c) Process : conventional, manual skill based processes are minimized and replaced by simple, automatic, semi-automatic based processes.
d) Nature of work : less manual, hard, based on knowledge rather than skill due to automation, modernization. Push button industrial culture.
e) Changes in Management Attitude: Management looks forward to have standardization, systems, Quality Management Systems, Tools which are world wide accepted are introduced. E.g. TS, TPM, TPS, ISO, Kaizen, 5 S which lead to over all organizational improvisation. MBO : Management BY Objectives : based on targets, KRAs, KPAs, Cycle Time with a view to utilize the resources effectively. Effective employee engagement, capacity utilization approach.
f) Learning Organization ; Learning process takes place at all levels of the Organization to understand changes in the market and keep the organization updates in respect of all technical and business process to stand in the competition.
g) Change in skill requirements : To adopt changes, the management has realized that the traditional type of man power will not be suitable for their business processes. Preference is being given to the Knowledge Workers as the "knowledge" has become essential than the conventional "Skills".
h) Importance of training : Focus on operator training : OJT, Product, Process training and other technical training.
i) Emergence of documentation like SOP, Flow Chart, check list, Dos and Don's. Concepts like Off-line maintenance, preventive maintenance.
j) Emergence of engagement of Knowledge Workers at Operative Level in by the Engineering(Auto) Industries, in the Chakan Industrial Area : Preference to the Knowledge Workers at Operative Level :
   Reasons : a) Productivity
   b) Competence
   c) Availability

Knowledge Worker here means who can acquire the required knowledge, on the basis of their grasping due to educational investments (Diploma Engineers / Science Graduates) and apply the same to take care of operations of the advanced machineries like CNCs, automated lines and technology.

Knowledge includes : knowledge of the Process, Parameters : Input – Process – Output, Programming, Logic Controls, Process Controls, Tooling : set up, change etc. Knowledge to operate, inspect, correct and referring the machine manuals, drawings, ON Line – OFF Line maintenance, documentation, preparation for audits etc.

3.4 Productivity of Knowledge Worker :

It has been observed that, in the advanced technology, knowledge has been playing a very vital role. Conventional skills like grinding, turning, fitting, assembly, winding, cutting, welding are getting replaced as these jobs are taken away by CNCs. In the era of automation, semi and low automation, push button industries, the process driven industries, knowledge of setting, correcting, the parameters – of input, process, output are adequate. Therefore, preference being given to the educated workforce that too in engineering and science field who can take care of the jobs by applying basic knowledge which can be acquired by them. The Productivity, Quality, Skill, Flexibility of learning new techniques are the advantages of the Knowledge Workers. Their competence to withstand in the global standards and techniques is certainly on higher side, hence, being preferred as they can take care of challenges of the modern production requirements.

3.5 Engagement of Traditional / Conventional Workers :

However, there are certain processes, jobs where the Traditional Workers are required to be engaged eg, painting, powder coating, packing, varnishing etc. where labour oriended work exists. They have certain merits and demerits which are elaborated more in "Statement of Problem".

3.6 Availability of Knowledge Workers :

Due to privatization of Education, in the year 1987 the per centage of Colleges in the field of Science (B.Sc.) and Technical Education (Diploma, Degree) has gone up. As per the AICTE Approval Process Hand Book (2013 – 14) Number of Diploma and Post Diploma Institutes have gone up to 630 Nos. in Maharashtra. This has resulted in to out flow of Technical Background candidates which can be a source to the industries.

Hence, the engagement of educated, adaptable man power is given preference, basically at the operative level. The reasons are they are learners, like to grasp new techniques, quicker in grasping and delivering as per the new techniques and tools as they have capacity, desire to learn and follow system driven approach. E.g. SOPs, Flow Chart, Work Instructions, Process Parameters. Similarly, less supervision is required. Can go in detail and technical things e.g. programming.

i) Issues of Hiring Knowledge Workers, at operative level by the Engineering (Auto) Sector, in the Chakan Industrial Area :

Though, for the above advantageous, at operative level such work force is being preferred, there are sensitive issues and problems attached to it which are more particularly elaborated in "Statement of Problem". These problems and issues have serious effects on production planning, targeted deliveries, man power and machine planning, discipline. Human Resource is a dynamic concept depending upon its wants, expectations, satisfaction level, perceptions. This work force is educated and it does have its own identity, self respect. Hence, Human Resource Management in respect of this particular segment calls for strategic, planned, thoughtful, analytical ways and practices which will maintain balance of convenience.

ii) Management of Knowledge Workers are operative level in the engineering (auto) industries, in the Chakan Industrial Area.

Knowledge Workers have their merits and demerits. Therefore, hiring the knowledge workers at operative level needs a special attention with respect to the management of them. Most of the industries have yet to realize the same and have been adopting the same old style of managing the same in a traditional manner. To utilize them in a optimum manner, innovative HR approach, style, practices, processes are required. Similarly, need to train the middle management is also felt.

k. Other transformation examples

Sr. No.	Conventional Concepts	Modern Concepts
1	Management Style : Maintaining & Controlling.	Innovating & Developing
2	Manufacturing Units	Business Units
3	Production Plan	Business Plan
4	Workers	Operators
5	Employee	Human Resource Human Capital
6	Conventional process, Plant & Machinery	Automation, automatic, CNC M/cs. Semi-automation
7	Manual Controls	PLC Controls, Electronic, Computerized controls.
8	Measurement	"Cycle time" basis, Target basis.
9	Skill : preference	Knowledge preference.
10	Skill requirements : conventional, individual, manual.	Setting, correcting parameters : knowledge based.
11	Job Card / Slip	Report
12	Defined Job : rigidity.	Multi skilling : flexibility.
13	Presentation not required	Presentation essential
14	Exposure to International quality standards and concepts such as ISO/TS/TPM/OHSAS/EMS/Kaizen /5S/SOPs/Poka Yoke	Essential
	Functional terminology changes :	
1	Personnel	HRD
2	Q.C.	Q.A.
3	Customer Satisfaction	Customer Delight
4	R&D	NPD
5	EDP	IT
6	Marketing	Business Development
7	Work Environment	Neat & Clean, AC with PC culture
8	Transport/Dispatch	Logistics
9	Recruitment	Talent Acquisition
10	Vendor outside	Supplier Park
11	Domestic standards.	Global standards.
12	Approach towards employee	Caring
13	Performance Measurement	Based on targets, KRAs, KPAs
14	Salary & Wages Administration	Compensation management
15	Motivational Techniques : at definite time intervals	Quick Rewards, Recognition, Appreciation, Promotions, Increments based on performance, achievements.

16	IR	ER
17	Legal issues, Court matters : more	Reduced
18	Approach in labour matters	Compromise with mutual understanding.
19	Attrition : very less	higher
20	Union leadership	Preference to internal union

4.0 Conclusion :

LPG and the Economic Reforms have led to industrial revolution expanding the business horizons at global level. The industries in general and the auto industries in Chakan have realized the requirements of global standards in all respects and trying to change their operating, monitoring, maintaining and managing style of business processes.

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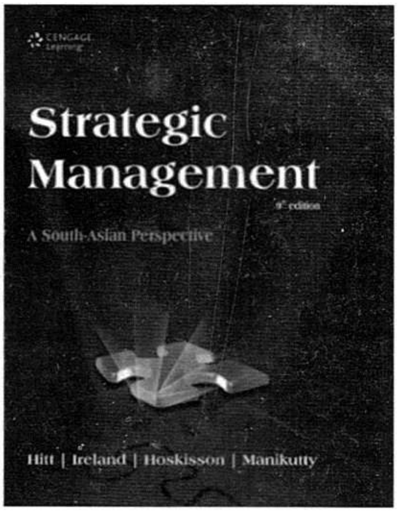

Strategic Management - A South Asian Perspective

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Strategic Management is an important aspect to be considered by organizations. Strategic management process is a full set of commitments, decisions, actions required for a firm to achieve strategic competitiveness. It is important to understand the current competitive landscape, globalization, technological changes, innovations, knowledge intensity to understand strategies. It requires multi disciplinary approach for understanding it.

The book is divided into 4 parts. They deal in Strategic Inputs, Formulation of Strategic Actions, Implementation of Strategic Actions and Case Studies. The entire book is presented in 13 chapters. Each chapter has an Opening Case, Summary, Key Terms and Definitions, Review questions and Experiential Exercises. Experiential exercises - is a group activity and various issues have to be discussed among group of students.

Part I deals with Strategic Management and Competitiveness, External Environment Analysis and Internal Environment Analysis. Opening cases of Bharti Airtel, Air Deccan, ITC Limited, Apple are very useful and easy to understand. Physical environment is discussed in Chapter 2 which deals with energy consumption, renewable energy efforts, environmental clearance, minimizing environment foot print etc. Large number of companies have a goal of neutral environment foot print. The discussion about 'Green Strategy' as a part of competitive advantage is new in this book.

Part II deals with Business Level Strategy, Competitive Rivalry and Dynamics, Corporate Level Strategy, Strategic Acquisition and Restructuring, Global Strategy, Cooperative Implications for strategy. Opening cases of Bajaj Auto, Coca Cola Vs Pepsi in India; Entry of foreign firms in India and China, Suzlon case, Strategies at IBM will help the reader to understand better the concepts involved, considering the economic recession, the strategies adopted are discussed. Cross border acquisition are discussed. The increasing use of acquisition strategies by Chinese and Indian firms as a means of gaining market power is discussed. All the types of strategies are discussed in detail in a simple and lucid language.

Part III deals with Corporate Governance and Ethics, Structure and Controls with Organization, Leadership Implication for Strategy, Entrepreneurial implications for strategy. Corporate Governance in different countries, issues, challenges are discussed. Cases of Satyam and Turbulence in ITC are discussed.

Part IV deals with case studies. The cases have student appeal, teachable and are able to drill the student to use concepts in the earlier chapters. The cases deal with companies, products, people students know or can identify with. It includes Indian and foreign companies. Arun Ice-cream, G.C.C.M.F, Arvind Eye Care, ITC Ltd. are some cases worth to be mentioned here.

The main feature of the book is an up to date and engaging discussion of the core concepts. The chapters are focused on the chapter theme, clearly written and complemented with fresh examples. I am confident that this book will ignite the students' interest in the subject and translate their enthusiasm into learning achievement. It will enable the teacher to be very effective in the class. The book definitely provides the punch, update coverage, clarity of concepts. The authors of the book are distinguished academicians with international exposure. They have been internationality awarded and are reputed scholars in this subject.

This book presents an up to date explanation of strategic management process with reference to international context. It is presented in a very easy readable style. The content is very relevant to be used in organizations and business school teaching. Examples of around the world companies are given in this book. There are more than 600 companies to describe the use of strategic management. Till date no other book gives the reader the use of strategic management in a wide range of organizations.

The language is easy to grasp. Chapter content is driven by the principles, examples, research findings, contribution to literature of strategic management and latest thinking of prominent academicians and practitioners. Web resources are available for the students and instructors. Instructor manual, test bank, and power point slides will definitely help the instructor for teaching the student.

The authors deserve appreciation for their remarkable contribution by developing and publishing this book on strategic management. The book should necessarily be a part of collection in library of Universities and Post Graduate Institutions as well as a personal reference copy for a competitive student.

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