ISSN 0974-763X

SOUTH ASIAN JOURNAL OF MANAGEMENT RESEARCH
(SAJMR)

Volume 4 Number 1 January 2012

Contents

Chh. Shahu Institute of Business Education and Research (SIBER)
(An Autonomous Institute)
Kolhapur - 416 004, Maharashtra State, INDIA

SOUTH ASIAN JOURNAL OF MANAGEMENT RESEARCH (SAJMR)

ISSN 0974-763X

(An International Peer Reviewed Research Journal)

Published by

Chh. Shahu Institute of Business Education & Research (SIBER)

University Road, Kolhapur - 416 004, Maharashtra, India

Contact: 91-231-2535706 / 07 Fax: 91-231-2535708 Website: www.siberindia.co.in, Email: sajmr@siberindia.co.in, sibersajmr@gmail.com

Editorial Note

Management as a concept is discussed in all functional areas. The scope is not just restricted to the industries but becomes applicable to almost all the sectors such as agriculture, industries, services and the entire economy. In all these areas the resources being employed by the entrepreneurs are fundamentally scarce. They are not only scarce but can be used for multiple purposes. So there arises the problem of decision making and effective utilization of the resources. Management in particular attempts to provide an answer to this fundamental problem faced in the different sectors. In this process of decision making, the role of leadership gains prominence.

In the present issue, we include the research study conducted on the leadership. The paper highlights the point that the need of the hour is transformational leadership. In other words we require a leader who can think innovatively and give a new direction to the people and resources for being placed on higher growth path. The second article uses statistical techniques to study the level of development . The article develops few hypotheses and employs scientific techniques to verify these hypotheses with respect to development. The third article focuses on the understanding the trends and variations in the exports of India. By using the graphical method the author brings an insight into the export canvas of the country. Consumer behavior issues with regard to the trade practices are examined in the last article. The case study and the book review are the features of the journal that are being continued in the present issue. The articles, case study and the book review would help in giving new direction to researchers in the respective fields.

Dr. T. V. G. Sarma
Editor

Building Transformational Leaders At Workplace

Dr R Nirmala

Assistant Professor, Department of Management Studies, Goa University; (nirmala@unigoa.ac.in)

Mr R Krishnagopal

Associate Vice-President (HR), SESA Goa Ltd, Goa, (gopal_rk_99@yahoo.com)

Mr R ShanthiKiran

Managing Director, SK's Training & Consultants, Hyderabad (sksians@yahoo.com)

Abstract : Modern organizations face a continuous challenge of growing leaders at the workplace who are geared to steer the organization forward in turbulent times. The importance of growing leaders is appreciated by progressive organizations in the industry and many of them initiated measures like developing a leadership pipeline, in-house continued education to prepare for leadership challenges, etc in one form or other. Management research claims that organisational performance is directly influenced by the quality of leadership across different levels. Leader characteristics, factors affecting leader– member exchange, and a number of mediating variables are studied in depth by researchers over decades, and there is a general consensus that leadership plays a significant role in organizational performance.

In the last twenty five years, a concept which gained increasing popularity among leadership researchers is Transformational Leadership(Burns 1978). A principal aspect of transformational leadership is its emphasis on follower development (Avolio& Gibbons, 1988). Transformational leaders evaluate the potential of all followers in terms of their ability to fulfill current commitments, while also envisioning expansion of their future responsibilities. In contrast, transactional leaders expect followers to achieve agreed-upon objectives, but do not encourage them to assume greater responsibility for developing and leading themselves and others (Bass, 1985; Burns, 1978).

The current article dwells on the need for developing transformational leaders at workplace, the tools and techniques, and the potential impact on organizational performance. A model will be proposed showing the role of different variables impacting growth of transformational leaders in modern organizations.

Key words : Transformational leadership, follower development, transactional leadership

Transformational leadership is that which :

...facilitates a redefinition of a people's mission and vision, a renewal of their commitment and the restructuring of their systems for goal accomplishment. It is a relationship of mutual stimulation and elevation that converts followers into leaders and may convert leaders into moral agents. Hence, transformational leadership must be grounded in moral foundations.

(Leithwood, as cited in Cashin et al., 2000)

1.0 Introduction :

Leadership scholars define a leader as a person who sets attractive goals and has the ability to attract followers, or constituents, who share those goals. Leadership is considered a very potent area for management research.In his Pulitzer Prize-winning book *Leadership*, the political scientist James MacGregor Burns (1978) introduced a leadership theory that has been widely influential during the past three decades. Central to Burns's theory is a differentiation between two contrasting leader types, transactional and transforming.

Organisational performance is directly influenced by the quality of leadership across different levels. Leaders have an innate responsibility to ensure that their followers willingly do the needful to ensure that organizational objectives are achieved. Leader characteristics, factors affecting leader–member exchange, and a number of mediating variables are studied in depth by researchers over decades, and there is a general consensus that leadership plays a significant role in organizational performance.

Bower M (1997), an ex-senior consultant of McKinsey's, urged senior managers in organisations to abandon command-and-control structures and adopt a program to develop leaders, starting with themselves. He posited that a business should not be run by a single leader, but that it should be run by a network of leaders positioned right through the organization.

Modern organizations face a continuous challenge of growing leaders at the workplace who are geared to steer the organization forward in turbulent times. The importance of growing leaders is appreciated by progressive organizations in the industry like the Tatas, the Birlas and the Ambanis and many more business groups in India; many of them initiated measures like developing a leadership pipeline, in-house continued education to prepare for leadership challenges, etc in one form or other.

The subject of leadership and organization change is embedded deeply in the lexicon and discourse of business executives, management consultants, and organizational scholars (Cummings, 1997).

Burns (1978) had been the pioneer in proposing the concepts of transformational and transactional leadership, drawing from the literature concepts of traits, leader-member exchange,leadership styles and from his observations in research. A number of researchers worked on the topic henceforth, the most notable being Bass &Avolio (1985) who had developed a multifactor leadership instrument to capture transformational leadership skills of an individual self and by rater. They promoted the use of full range leadership.

2.0 Transformational Leadership Vs Transactional Leadership

Over the past twenty five years, a number of researchers worked in the area and meta analyses conducted at varied points of time showed some convergence among organizational behavior scholars concerning a new genre of leadership theories, alternatively referred to as"transformational," charismatic," or "visionary." Despite different emphases in each theory,House and Shamir (1993) asserted that "it can be safely concluded that there is a strongconvergence of the findings from studies with charismatic leadership and those concerned withtransformational and visionary leadership".

Transactional leaders exert influence by setting goals, clarifying desired outcomes, providing feedback, and exchanging rewards for accomplishments. Bass (1985) characterized the traditional transactional leader as one who operates within the given structural and cultural limits, avoids risk taking, prefers going by the rule, time constraints, efficiency and the like are guiding his work behavior. A skillful transactional leader is most successful in stable environments where past performance can be analysed to predict future requirements and traditional decision making process helps in achieving his goals.

Transformational leaders, who exhibit charismatic behaviors, arouse inspirational motivation, provide intellectual stimulation, and treat followers with individualized consideration, transformtheir followers toward reaching their full potential and generate higher levels of performance (Bass &Avolio, 1990). Transformational leaders exert additional influence by broadening and elevating followers' goals and providing them with confidence to perform beyond the expectations specified in the implicit exchange agreement.

O'shea et al (2009) proposed that transactional and transformational leadership co-exists in individuals and they are not mutually exclusive. They concluded that two of the three patterns emerging as types contained high levels of both transformationaland transactional behaviors. The optimal pattern was the most commonmixed (i.e. transformational and transactional) type.

A principal aspect of transformational leadership is its emphasis on **follower development**(Avolio& Gibbons, 1988). Transformational leaders evaluate the potential of all followers interms of their ability to fulfill current commitments, while also envisioning expansion of theirfuture responsibilities. In contrast, transactional leaders expect followers to achieve agreed-uponobjectives, but do not encourage them to assume greater responsibility for developing andleading themselves and others (Bass, 1985; Burns, 1978).

3.0 Significance Of Transformational Leadership In Today's Business Context

Transactional leadership gets results in stable conditions, but in volatile business conditions, leaders need to be more transformational, be able to introduce changes in the organisationstaking environmental and internal changes into consideration. More importantly, transformational leaders not only take decisions in the best interests of the organization, but also guide followers to the best of their potential.

Transformational leadership has been associated with the personal outcomes (Hatter &Bass, 1988; Barling, Moutinho, &Kelloway, 1998; Kirkpatrick & Locke, 1996) of the follower as well as organizational outcomes (Boerner, Eisenbeiss, &Griesser, 2007; Zhu, Chew, & Spangler, 2005; Jorg&Schyns, 2004; Barling, Weber, &Kelloway, 1996; Howell &Avolio, 1993). Research has shown that transformational leadership impacts follower satisfaction (Hatter & Bass; Koh, Steers, &Terborg, 1995) and commitment to the organization (Barling et al., 1996; Koh et al.).

Research has also shown that transformational leadership impacts employee commitment to organizational change (Yu, Leithwood, &Jantzi, 2002) and organizational conditions (Lam, Wei, Pan, & Chan, 2002). Due to its impact on personal and organizational outcomes, transformational leadership is needed in all organizations (Tucker & Russell, 2004). According to Aarons (2006), "Leadership is associated with organizational and staff performance".

> ***Organisational Experiences***
>
> *While talking to executives working in private insurance organisations in Goa on leader development, a general process had come to the fore. The Chief Executive Officer creates a hype around leadership, and mentions in periodic branch visits that some leaders (from those who had put in five years with the organization, etc) are being identified based on their potential, and will be groomed separately. Certain feelers are sent as what kinds of leaders are valued, and in each lot one or two leaders are identified from each office and grouped separately. They attend different training modules, get ahead much faster than their colleagues. Their performance seems to visibly improve and their commitment to organization development becomes immense.*

4.0 Significant Attributes of Transformational Leaders:

Charismatic leaders, visionary leaders, Level-5 leaders (Collins J),are terms used synonymously in literature, with transformational leaders. With minor differences in a couple of attributes, they reflect a leader personality that focuses on introducing, implementing and monitoring transformational changes across the organization – that impact the organizational performance exponentially.

Transformational leaders work to bring about human and economic transformation. Within the organization they generate visions, missions, goals, and a culture that contributes to the ability of individuals, groups, and the organization to "practice its values and serve its purpose" (Hickman, 1997). These leaders are reliable leaders who generate commitment from followers which results in a sense of shared purpose (Waddock& Post, 1991). The leader's ability to inspire, motivate, and foster commitment to a shared purpose is crucial (Bass, Waldman et al., 1987).

The table 1 gives the most comprehensive attributes of transformational leaders

Together, the four main dimensions of transformational leadership are interdependent; they must co-exist; and they are held to have an additive effect that*yields performance beyond expectations* (Gellis, 2001; Hall, Johnson, Wysocki&Kepner, 2002; Kelly, 2003).

Table 2 summarizes the characteristics that, according to the extant literature, accompany the four foundational attributes of a transformational leader. Collectively, they do suggest a human being of remarkable capabilities! They lead changes in mission, strategy, structure and culture, in part through a focus on intangible qualities like vision, shared values and ideas, and relationship building. They are able to give significance to diverse activities, illustrating, for example, the ways in which different people and groups might be working towards larger organizational objectives. Transformational leaders also find common ground that allows them to initiate followers in processes of change.

Table 1. Dimensions of Transformational Leadership

The Four Common I's	Leithwood's Six
1. Idealized influence. Charismatic vision and behaviour that inspires others to follow. 2. Inspirational motivation. Capacity to motivate others to commit to the vision. 3. Intellectual stimulation. Encouraging innovation and creativity. 4. Individualized consideration. Coaching to the specific needs of followers.	1. Building vision and goals. 2. Providing intellectual stimulation. 3. Offering individualized support. 4. Symbolizing professional practices and values. 5. Demonstrating high performance expectations. 6. Developing structures to foster participation in decisions.
Sources: Barbuto (2005); Hall, Johnson, Wysocki&Kepner (2002); Judge & Piccolo, 2004; Kelly (2003); Simic (1998).	*Source: Leithwood&Jantzi (2000).*

5.0 Developing Transformational Leaders :

5.1 The Process of Building Transformational leaders at work :

Despite general consensus on the contribution of transformational leaders to organisational performance, literature does not speak much about the process of building transformational leaders at work place.

Emergence of transformational leadership depends in part on the context in which the leader and followers interact (Bass, Avolio, et al, 2003). They had studied how transactional and transformational leadership predicted unit performance, while operating under high conditions of uncertainty and concluded that both transactional and transformational leadership are required for maintaining cohesion and developing potency of the organizational units.

Only Avolio and Gibbons (1988) have addressed the development of transformational leadership specifically. They analyzed the life histories of successful CEOs and identified several early factors associated with transformational leadership, including parents who set high standards for achievement and who encouraged their children to be the best, and family circumstances that were difficult but not overwhelming. Furthermore, transformational leaders had often learned, within the family, how to deal with disappointment and conflict effectively.

Barling&Kelloway (2000) studied the impact of transformational leadership in parents (as perceived by their children) on development of similar behavioural patterns in the children.

They proposed and tested a model showing the impact of transformational leadership of father, mother and the skills of the student (they studied children who are sportsmen) on the

Table 2. Characteristics of Transformational Leaders.

· Clear sense of purpose, expressed simply (e.g. metaphors, anecdotes) · Value driven (e.g. have core values and congruent behaviour) · Strong role model · High expectations · Persistent · Self-knowing · Perpetual desire for learning · Love work · Life-long learners · Identify themselves as change agents · Enthusiastic · Able to attract and inspire others · strategic · Effective communicator	· Emotionally mature · Courageous · Risk-taking · Risk-sharing · Visionary · Unwilling to believe in failure · Sense of public need. · Considerate of the personal needs of employees · Listens to all viewpoints to develop spirit of cooperation · Mentoring · Able to deal with complexity, uncertainty and ambiguity
Sources: Bass (1990a); Cox (2001); Epitropaki (undated); Hall, Johnson, Wysocki&Kepner (2002); Lussier&Achua (2004); Stone, Russell & Patterson (2003); Tichy&Devanna (1986); and University of Regina (undated).	

transformational leadership skill of the children.

5.2 Can transformational leaders be made?

A few decades ago, leadership discussion used to center around it being a science (can it be taught logically?) or an art (you need to be born with the required traits to become a leader). Now there is a consensus between the academia and the industry that leaders can be trained, and millions of rupees are spent by the industry and the academic institutions nationwide to develop leaders who can contribute to the growth of an organization, and the nation at large. Some call it leadership pipeline, some call it performance management or grooming potential leaders or succession planning and so on. Leadership development is defined as expanding the collective capacity to engage effectively in leadership roles and processes.(McCauley et al, 1998).

In addition to building leaders by providing training in a set of skills and abilities, a complementary perspective talks of leadership development as a social perspective. Here, everyone is considered a leader. Leadership is considered as an effect rather than a cause (Drath, 1998). Leadership is therefore an emergent property of effective systems design. To build leadership capacity, organisations need to continuously reinvent themselves, and they need to cater to individual leader development and collective leadership development. Both these should be linked to each other and to the organization strategy. (Day, 2001). Hirai & Summers discussed at length the importance of leader development and education, stressing the need for growing leaders for tomorrow today, especially in the army context.

They suggested creation of fellowships for selected leaders in agencies that will enable in-depth analysis of Army doctrine, organization, training, materiel, leadership, education, personnel, and facilities (DOTMLPF). They postulated that such experiences will create heightened understanding of the relationship between the institutional, organizational, and self-development domains, exposing redundancy, promoting integration, synchronizing resource allocation, and focusing efforts on relevant requirements. They also mention that these are also relevant in the civil society.

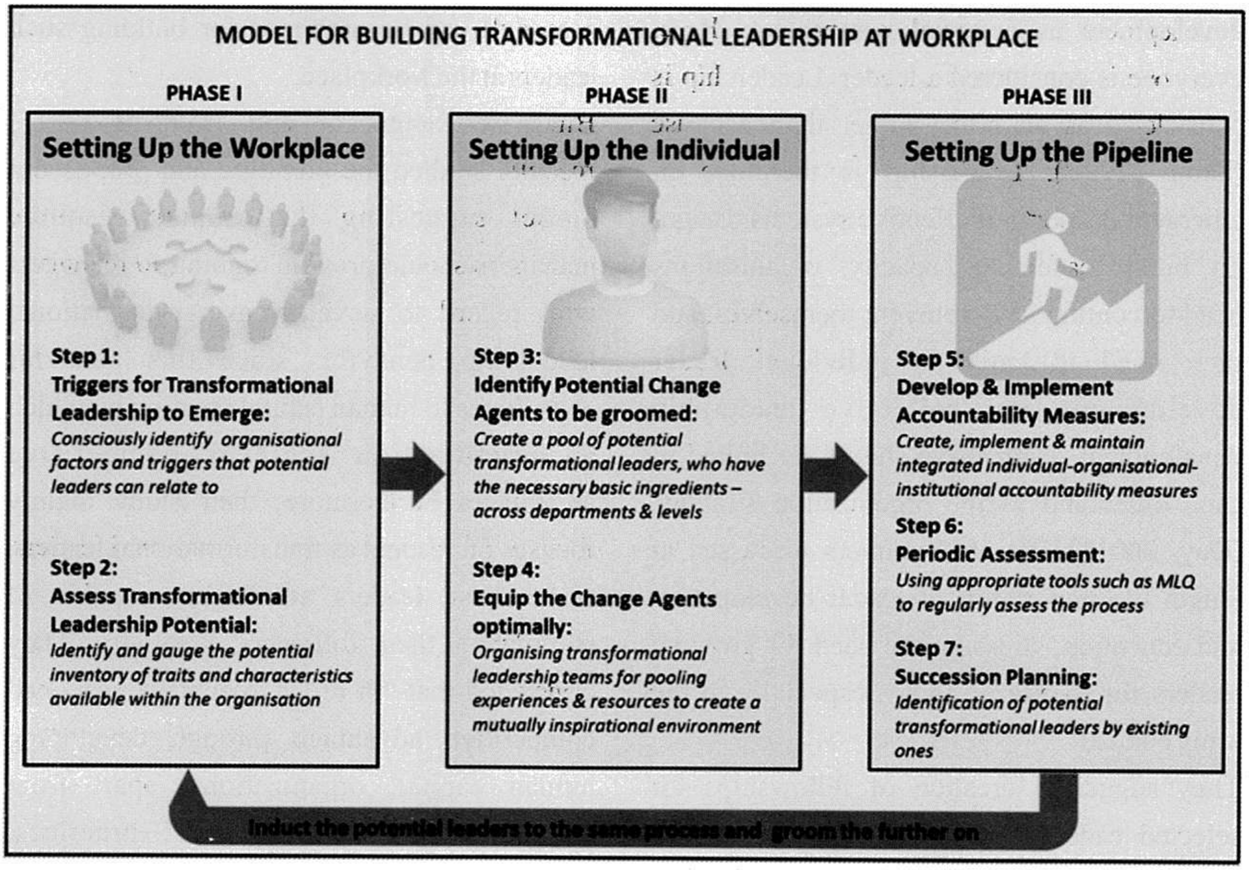
Avolio& Hannah (2008) proposed a model showing the developmental readiness of the individual, the organization and triggering events have an impact on positive accelerated leader development. While the benefits of transformational leadership are widely acknowledged, it makes better sense to study the process in more detail, and if any, steps (and a model) can be proposed for building such leaders at the workplace.

Birasnav, Rangnekar and Dalapati (2011) recently studied the literature and proposed a model suggesting that human resource managers should provide training to managers with regard to developing transformational leadership behavior, since this behavior contributes to human capital creation by which an organization achieves competitive advantage. Furthermore, their study mainly focuses on leaders as transformational leaders, since these leaders are highly capable of stimulating their followers' creativity. They concluded that "in order to achieve sustained competitive advantage through developing human capital, organizations, apart from human resource management practices, concentrate on developing transformational leaders and implementing knowledge management"

In line with Birasnav et al, we propose that transformational leaders can be developed by identifying potential leaders with core values, and groomed through training and development. The proposed model is given in the diagram.

A conscious effort by the top management in the human resources department is very crucial, to take it up as a major project to build transformational leaders at work. Given the organizational commitment to building transformational leaders, we propose the following steps:

1. Triggers for transformational leadership to emerge: Incidents that bring out the best of



the leadership potential to emerge in individuals. Research says that impending financial bankruptcy had triggered many organizational leaders to emerge as transformational leaders; they introduced drastic organization wide changes and turned around the organization within a short time. In regular day to day affairs, people may get lost in transactional leadership and may not give time / make effort to create a common vision and direct people towards achieving the same. An organization keen on developing transformational leaders at work may need to consciously identify triggers that potential leaders can relate to, find a bonding among themselves and go all out to develop as transformational leaders. These triggers could be small (for example – to get the best department award) but to which many people can strongly relate to.

2. **Assess transformational leadership potential:** The basic ingredients of transformational leadership. Bass &Avolio, in their Full range leadership model suggest general characteristicsof leaders (beingempathetic, valuing of individual needs, encouraging continuous improvement) are essential to become transformational leaders. He needs to have a genuine interest in the welfare of people and takes initiative to develop them.
3. **Identify potential change agents to be groomed:** Create a pool of potential transformational leaders, who have the necessary basic ingredients – across different departments, across different levels.

4. **Equip Change Agents Optimally:** To motivate them to motivate others, to share their passion and positive energy, attend workshops on transformational leadership. Those needed in organizations that are changing and developing--as well as the kinds of skills, competencies, and perspectives that are needed for transforming those organizations. Development can and should involve organizational change. Teams of transformational leaders may be formed who share experiences and resources among themselves. This in itself might serve as a motivator to the select individuals, as they may feel special and put in that extra effort to transform themselves and those around them.
5. **Develop Integrated Accountability Measures:**Develop and implement integrated individual, organizational, and institutional accountability mechanismsto link professional and personal education with development. This is a very important step which can determine the success or otherwise of the whole process. These include top management support, organizational systems and the like which should provide trust to the employees that this exercise is not another route to exploitation of people working in the organization, but in the best interests of all stake holders.
6. **Periodic assessment of transformational leadership skills** (using appropriate assessment tools like Multifactor leadership questionnaire) by the leaders and their followers gives further inputs that can be shared with the leaders themselves who can assess their journey towards transformational leadership.
7. **Succession Planning:**Ask the trained transformational leaders to identify others in the team who can be further groomed as transformational leaders, and the process continued.

6.0 Conclusion

The conceptual model presented in this paper gives the basic idea that transformational leaders can be groomed by identifying potential leaders and by following a scientific or methodical process. The basic assumption underlying the model is that the top management / a dedicated team of people believe in the benefits of transformational leadership and they make conscious and unrelenting efforts which aim at promoting the same among rank and file. A positive attitude towards learning, and a working environment based on mutual trust and individual development is taken for granted. This model provides a basic process that guides leaders in developing their bottom-line to grow into transformational leaders. It also provides basic insights into the different tools and techniques that may be used in the process.

It will be interesting for researchers to study an organization which takes up building transformational leaders across different levels as an organizational development initiative, and study the potential mediating and moderating factors. Also it will be interesting to study the

Judge, T.A. & Piccolo, R.F. (2004). Transformational and transactional leadership: a meta-analytic test of their relative validity. Journal of Applied Psychology,89/5, pp. 755-768.

Leithwood, K. &Jantzi, D. (2000). The effects of transformational leadership on organizational conditions and student engagement with school. Journal of Educational Administration, 38(2), p. 112.

O'shea, Foti, et al (2009) 'Are the best leaders both transformational and transactional–a pattern oriented analysis'; Leadership, vol 5 (237); Sage Publications, pp. 237-255

Sanders, J.E.(3rd), Hopkins, W.E. &Geroy, G.D. (2003). From transactional to transcendental: toward an integrated theory of leadership. Journal of Leadership and Organizational Studies, 9(4), pp. 21-31.

Tichy, N.M. &Devanna, M.A. (1986). The Transformational Leader. New York, NY: John Wiley.

Yukl, G.A. (1989). Leadership in Organizations (2nd ed.). Englewood Cliffs, NJ: Prentice Hall.

****

Regional Disparities in Human Development of Andhra Pradesh: A Statistical Verification

Dr. D. Srinivasa Rao

Associate Professor, K. L. University Business School, Vaddeswaram.

Abstract : In this paper the author assesses the regional disparities in human development in Andhra Pradesh and the possibility of convergence of regions in terms of human development during the early 1990's and early years of this decade. To accomplish this task the dummy variable regression model was applied. Estimation results shows that during the early 90 are the regional disparities in terms of human development are not prominent where as during the current decade there is a clear tendency towards widening regional disparities. The convergence of regions in terms of human development is not visible. It was also revealed that the economic reforms period witnessed the widening of regional disparities in terms of human development in the Sate.

Key Words : Human Development, Dummy Variable, Regional Disparities

1.0 Introduction

The traditional notion of economic development as indicated by increase in per capita was severely criticized for its inadequacy as a sole measure of a society's progress. Some economists argued that the concept of development should be more comprehensive and go beyond the mere material dimension of increase in per capita income, complemented by the non-material dimension (like levels of education, status of health and access to basic amenities). Thus it is felt that development, apart from income should relate to general well-being and economic capabilities of the people. It was contended that, human development is more important than growth in per capita GNP. This is the human development approach to economic development. Human development is about putting people at the centre of development. It is about people realizing their potential, increasing their choices and enjoying the freedom to lead lives they value.

2.0 The Research Problem

The Human Development Index (HDI) has been used since 1990 by the United Nations Development Program to rank countries by level of "human development". The HDI attempts to assess levels of human development in a country by using three major indicators: life expectancy, educational attainment, and per capita GDP. The Planning Commission of India prepared and published the first HDR of India in 2001 in which all the Indian states are ranked in the order of their achievement in terms of HDI that reflect their human development. Thereafter the Planning Commission has also been encouraging state governments to produce their own Human Development Reports. The Andhra Pradesh Human Development Report, 2007 is one of these state level human development reports. This report has constructed district level human development indices for the early 1990s and the early years of this decade in the state. Against this background, the present paper aims at assessing the inter regional disparities in human development of Andhra Pradesh as captured by the human development index values of various districts in the four geographical regions of the state and also to observe whether there is any convergence across regions of the state in human development.

3.0 Review of Literature:

There are a number of studies on regional disparities in development both at national and state level. Rao,C.H.H(2006) discussed at length the causes and consequences of growing disparities in India in the post economic reforms period. The paper by Subrmanyam(2003) analyses the causes and remedies for regional disparities in Andhra Pradesh during the period 1980-2000. The Paper by Prathap Bharthal, Harvinder Singh and Shiv Kumar (2009) investigates the process of convergence and catching-up among major Indian states during 1980/81–2004/05. N.J. Kurien (2001) makes a comparative analysis of the emerging trends in fifteen major States in respect of a few key parameters which have an intrinsic bearing on social and economic development. The paper of Bhattacharya and Shakthivel (2008) analysed the growth and disparity among the major states of the country in the post and pre economic reforms period. Using of ANOVA model for verifying statistics of regional variations in human development is not done in earlier studies, therefore an attempt is made by the author in this direction in the present study

4.0 Research Methodology

To analyse the regional variations in human development levels of A.P, the state was divided into four geographical regions, namely, North Coastal Andhra, South Coastal Andhra, Rayalaseema and Telengana and then the Dummy Variable Regression Model or ANOVA was employed to find out whether there is a statistically significant difference in the average human development levels among the four geographical regions of the state. The levels of human development are proxied by the human development Index. To distinguish the four geographical regions only three dummy variables D_1, D_2 and D_3 were used so that dummy variable trap is avoided. As it is well known, the region for which no dummy variable is assigned will be the reference or benchmark which in the present case is the South Coastal region. The intercept of the dummy variable regression model represents the average level of human development in the benchmark region and all variations in average human development levels across regions are assessed in relation to this. The dummy variable regression model can thus be written as:

$$\mathbf{Y_i = \alpha + \beta_1 D_{1i} + \beta_2 D_{2i} + \beta_3 D_{3i} + \epsilon_i} \quad \text{———(1)}$$

Where Y_i = Human development Index of district i

D_{1i} = 1 if the district is in the Rayalaseema region

= 0 otherwise.

D_{2i} = 1, if the district is in Telengana region

= 0, otherwise.

D_{3i} = 1, if the district is in North Coastal Andhra

= 0, otherwise, ϵ_i = error term

The dummy variable regression model (1) is estimated for Period I (early 1990's) and Period II (early 2000's) separately so as to ascertain whether there is any significant difference in the improvement of human development across regions over time and the possibility of convergence among regions in terms of human development. The OLS procedure with robust standard errors was applied to take care of the hetroschedasticity problem The processing of data is done with the help of econometrics software package, **GRETL**.

5.0 Data Sources

The data on Human Development Indices for the various districts of Andhra Pradesh for both the periods under consideration was obtained form the Human Development Report 2007, Andhra Pradesh, prepared for Government of AP by Centre for Economic and Social Studies(CESS), Hyderabad.

6.0 Estimation Results:

Period I (early 1990s)

$$Y_i = 0.45333 - 0.061333\, D_{1i} - 0.053533\, D_{2i} - 0.157333\, D_{3i}$$

se =	(0.0167)	(0.0366)	(0.0337)	(0.0433)
t =	(27.06)	(- 1.67)	(- 1.58)	(- 3.62)
P-value =	(0.000)***	(0.111)	(0.129)	(0.001)***

$R^2 = 0.422$

Period II (early 2000s)

$$Y_i = 0.58533 - 0.07908\, D_{1i} - 0.04603\, D_{2i} - 0.116\, D_{3i}$$

se =	(0.0133)	(0.0266)	(0.0313)	(0.042)
t =	(43.70)	(- 2.97)	(- 1.468)	(- 2.76)
P-value =	(0.000)***	(0.007)***	(0.158)	(0.014)***

$R^2 = 0.458$

*** indicates significant at 1 percent level.

7.0 Analysis of Results

The regression results for period I shows that the average human development index for the South Coastal region is about 0.4533, for Rayalaseema region it was (0.45333 – 0.061333) = 0.392, for Telengana region it was (0.453333 – 0.053533) = 0.399 and for North Coastal region it was (0.453333 – 0.157333) = 0.296. Whether there is any statistically significant difference between the average human development levels of the other three regions from the mean human development level of the reference category (South Coastal region) can be inferred form the statistically significance of each of the slope coefficients. It is clear from the table that the estimated slope coefficients for Rayalaseema and Telangana regions are not statistically significant as their p values are 0.11 and 0.12 respectively. However the estimated slope coefficient of the North coastal Andhra region is statistically significant with a p value of only 0.001. The overall conclusion from these results is that statistically there is no significant difference in the average human development levels in the South Coastal, Telengana and Rayalseema regions of A.P. However the average level of human development in the North Coastal region of A.P is statistically significantly lower by about 0.15. Thus it seems that during the early 90's except for North coastal region the inter-regional variations in terms of human development among the various regions of A.P are no that pronounced. The North Coastal Andhra has achieved the lowest levels of human development among all the regions of the state during this period.

During the Period II, the mean human development index for the reference region, that is, South Coastal Andhra has shown substantial improvement as it moved up from 0.4533 in period I to 0.5853. However mean human development levels of Rayalaseema and North Coastal region during this period are lower at 0.506 and 0.467 respectively as their estimated coefficients are statistically significant. But the estimated slope coefficient for the Telengana region is not statistically significant indicating that there is no significant difference in its average level of human development from the reference region during the period under consideration. The overall conclusion is that during period II the regional variations in terms of human development across the various regions of A.P have increased compared to period I. Thus, the convergence in terms human development levels between regions across the state is not visible even though the Human Development Report of A.P (page 15) claims that there is such convergence across the districts. What is significant is that the period I and period II under consideration broadly corresponds to pre and post economic reforms period and the above results may be interpreted in this context. In that case the economic reforms seem to have accentuated regional differences in terms of human development also as it was the case with the per capita income index

8.0 Conclusion:

In this paper an attempt is made to assess the regional disparities in human development in Andhra Pradesh and the possibility of convergence of regions in terms of human development during the early 1990's and early years of this decade. The regions considered were North Coastal region, South Coastal region, Rayalaseema and Telengana. To accomplish this task the dummy variable regression model was applied. Estimation results shows that during the early 90 are the regional disparities in terms of human development are not prominent where as during the current decade there is a clear tendency towards widening regional disparities. The North Coastal region is the most backward in terms human development in both the periods under consideration. The convergence of regions in terms of human development is not visible. It was also revealed that the economic reforms period witnessed the widening of regional disparities in terms of human development in the Sate.

References

Bhattacharya B.B and Shakthivel S.S (2008): Regional growth and Disparity in India, IEG, New Delhi

Gujarathi, Damodar (2007): Basic Econometrics, Tata McGraw-Hill, New Delhi

Kurien, N.J (2001) "Widening regional disparities in India", Planning Commission, India (Report)

Rao, C.H.H, (2005) "Growing Regional Disparities in Development in India Post-Reform Experience and Challenges Ahead", The Indian Economic Journal, Vol. 54, No. I, April-June.

Subrahmanyam, S. 2003, 'Regional Disparities: Causes and Remedies', in "Andhra Pradesh Development-Economic Reforms and Challenges Ahead (Ed).

---------------- (2007) Andhra Pradesh Human Development Report.

Appendix

Human Development Indices of Various Districts of Andhra Pradesh

(Period I: Early 1990s and Period II: Early years of this decade)

Sno	Districts	Period I HDI	Period II HDI	D_1	D_2	D_3
1	Srikakulam	0.269	0.453	0	0	1
2	Vizayanagarm	0.236	0.402	0	0	1
3	Vishakahapatnam	0.383	0.553	0	0	1
4	East Godavari	0.411	0.586	0	0	0
5	West Godavari	0.448	0.607	0	0	0
6	Krishna	0.51	0.623	0	0	0
7	Guntur	0.49	0.599	0	0	0
8	Prakasam	0.409	0.532	0	0	0
9	Nellore	0.452	0.565	0	0	0
10	Chithoor	0.451	0.558	1	0	0
11	Kadapa	0.447	0.536	1	0	0
12	Ananthapoor	0.343	0.458	1	0	0
13	Kurnool	0.327	0.473	1	0	0
14	Mahaboobnagar	0.249	0.397	0	1	0
15	Ranga Reddy	0.452	0.61	0	1	0
16	Hyderabad	0.591	0.717	0	1	0
17	Medak	0.385	0.55	0	1	0
18	Nizamabad	0.383	0.504	0	1	0
19	Adilabad	0.361	0.488	0	1	0
20	Karimnagar	0.448	0.573	0	1	0
21	Warnagal	0.349	0.514	0	1	0
22	Khammam	0.42	0.559	0	1	0
23	Nalgonda	0.36	0.481	0	1	0

***Source**: Andhra Pradesh Human Development Report, 2007.*

Export Canvas Of Textile Industry

Preeti Sodhi
Senior Instructor, Govt. Home Science College, Chandigarh

"The textile industry players still admit that they have internal problem that is why banks consider it a high-risk sector"-Sigit Pramono

Abstract : One of the most primitive industries to come into survival in the country, the sector accounts for 14% of the total Industrial production, conduces to about 30% of the total exports and is the second largest employment creator after agriculture. The Indian Textiles Industry is an export intensive industry and about one third of its total production is exported in some form or the other, through export friendly government policies and positive effort by the exporting community. The 50 percent exports of the entire textile are the readymade garments, most of which is cotton, readymade garments and accessories. This is followed by handicrafts, Silk Products, Woolen Textile, Jute and Coir. The exports of textiles and clothing till 2004-05 have grown at a moderate pace. However there was registered sharp growth in 2005-06. Till 31st December 2004, export were regulated by a Quota an agreement a foreign country would give a quota saying that they would by a particular amount of textile from India On 1st January, 2005 (Post Multi Fiber Agreement) provision of free trade was made. Now all doors are open, opportunities are numerous and the product should be sent to any country that is willing to trade. There was further loss of 15% to 20% due to recession that struck the world in the year 2008. After recession period, textile export increased from in US$ 153018.22 million in 2008-09 to US$ 178751.43 million 2009-10.Endeavours has been made to explore textile industry to paint export canvas of globe. It also highlights export panorama of India and pin points the virus era i.e. recession's brunt on export. The author analyses the future horizons of textile exports with the help of predictions and assumptions made by trade pundits.

Key Words: Global Scene, Indian Scene, Recession Impact, Future Perspective

1.0 Introduction

Textile industry takes up an exceptional and important place in India. It caters to one of the most basic necessities of people and holds importance; maintaining the protracted growth for better quality of life. The biggest industry of modern India is the textile industry. It grabs industrial production over 20 percent and is strongly connected with the agricultural and rural economy. India's textiles and clothing industry is one of the mainstays of the national economy. It is also one of the largest contributing sectors of India's exports worldwide. If employments in allied sectors like ginning, agriculture, pressing, cotton trade, jute, etc. are added then the total employment is estimated at 93 million. The net foreign exchange earnings in this sector are one of the highest and, together with carpet and handicrafts, account for over 37 percent of total export earnings at over US $ 10 billion. The Vision Statement for the Textiles industry for the 11th Five Year Plan (2007-12), inter-alia, envisages India securing a 7% share in the global textiles trade by 2012. At current prices the Indian textiles industry is bolted at US$ 55 billion, 64% of which services domestic demand. The textiles industry accounts for 14% of industrial production, which is 4% of GDP; employs 38 million people and accounts for nearly 12% share of the country's total exports basket.

1.1 Milestones

Export basket of Indian Textile industry went through roller coaster ride with prominent and appreciable small pebbles which ended into a comprehensive bundle known as milestones which are as follows:

- Exports of textiles and clothing products from India have increased steadily over the last few years, particularly after 2004 when textiles exports quota were discontinued.

- India's Textiles & Clothing (T&C) export registered robust growth of 25% in 2005-06, recording a growth of US$ 3.5 billion over 2004-05 in value terms thereby reaching a level of US$ 17.52 billion and the growth continued in 2006-07 with T&C exports of US$19.15 billion recording a increase of 9.28% over previous year and reached USD22.15 billion in 2007-08 denoting an increase of 15.7% but declined by over 5% in 2008-09 with exports of USD 20.94 billion. During 2009-10, the exports of T&C increased by over 5.60% and reached the level of USD 22.42 billion. Thus exports of T&C have denoted an increase of 60.14% in the last five years (2004-05 to 2009- 10). Indian T&C exports is facing various constraints of infrastructure, high power and transaction cost, incidence of state level and duties, lack of state-of-the-art technology etc.

- Readymade Garments account for almost 45% of the total textiles exports. Apparel and cotton textiles products together contribute nearly 70% of the total textiles exports.

- The exports basket consists of a wide range of items comprising readymade garments, cotton textiles, handloom textiles, man-made fibre textiles, wool and woolen goods, silk, jute and handicrafts including carpets.

- India's textiles products, including handlooms and handicrafts, are exported to more than a hundred countries. However, the USA and the EU, account for about two-third of India's textiles exports. The other major export destinations are Canada, U.A.E., Japan, Saudi Arabia, Republic of Korea, Bangladesh, Turkey, etc.

- The export of textiles and clothing aggregated to US$ 22.42 billion in 2009-10. The Government fixed the target for 2010-11 at US$ 25.48 billion. So far during the period April- September'10, exports of T&C have been achieved at USD 11.26 billion.

2.0 Materials And Method

For the purpose of in depth study the contents have been taken from relevant books and articles from Journals. The approach followed in this paper is purely based on secondary data. The materials used have at times been drawn from the website and analytical descriptive approach was used.

3.0 Results And Discussion

3.1 World Scene-The author collected few pictures of global export scenario in the following manner:

(I) Top Textile Exporters

Table 1: Top Textile Exporters

Data	1995	1998	2001	2004	CAGR
World	152.00	151.00	147.00	194	2.8%
China	13.92	12.82	16.83	33.43	10.2%
Italy	12.79	13.03	12.30	15.80	2.4%
Germany	14.38	13.67	12.20	15.60	0,9%
Hongkong	13.82	13.04	12.21	14.30	0.4%
United States	7.37	9.22	10.49	11.99	5.6%
Korea	12.30	11.28	10.94	10.84	-1.4%
Taiwan	11.88	11.16	9.92	10.04	-1.9%
France	7.46	7.57	6.50	7.70	0.4%
Belgium	7.88	7.50	NA	7.40	-0.7%
Japan	7.17	5.97	6.19	7.14	-0.1%
India	4.35	4.56	5.90	6.85	5.2%
Turkey	2.52	3.55	3.91	6.43	11.0%
Pakistan	4.25	4.30	4.53	6.12	4.1%
United Kingdom	5.16	5.43	4.70	5.90	1.5%
Indonesia	2.71	2.36	3.20	3.15	1.7%
Thailand	1.93	1.76	1.89	2.63	3.5%
Canada	1.38	1.92	2.16	2.43	6.5%
Mexico	1.28	2.03	2.09	2.24	6.4%
Switzerland	2.26	1.81	1.44	1.60	-3.7%%
Romania	0.18	0.20	0.20	0.60	14.5%

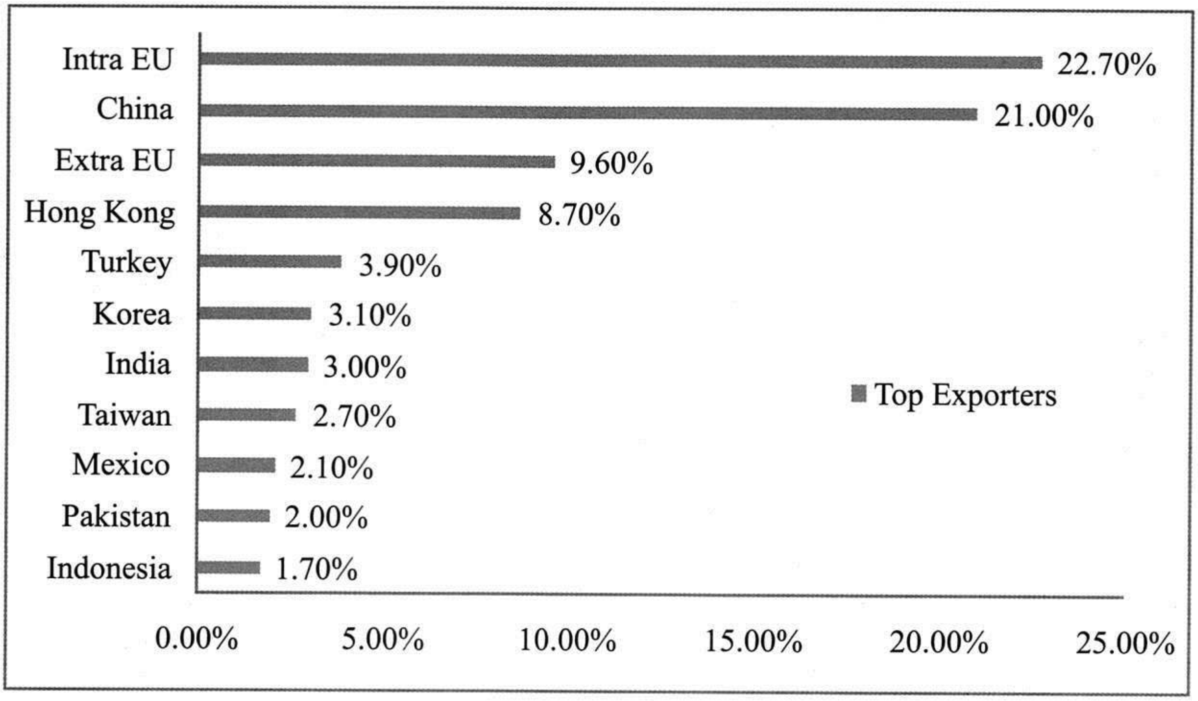
Source: WTO Trade Statistics & Technopak Analysis

Table 1 depicts the textile trade shift occurred mainly towards the Asian countries during the ATC regime. There is rise of Asian countries. If we compare the growth road of the globe of 4 yrs. China continued its growth story growing at 10.2% annually. Conversely, Hong Kong showed tiny growth primarily because a chief portion of Hong Kong exports constituted re-exports from China, with most of domestic Hong Kong manufacturers shifting to China. The other two East Asian biggies, Korea and Taiwan, continued the downhill drift of exports with relocation of its manufacturers to lower cost countries mainly to leverage quota advantages and lower factor costs. During this era the countries that emerged were the South

Asian countries i.e. India and Pakistan with 5.2% and 4.1% CAGR respectively. US, Canada and Mexico traverse on the NAFTA bandwagon with major intra trade helping high CAGR of around 6%. The EU countries like Germany, Italy, France, UK and Belgium sustained their exports with majority exports through Intra EU trade.

(II) Overall Textile and Apparel Exporters' Position

Figure 1: Top Exporters in T&A–Market Share (2004)



Source: WTO Trade Statistics & Technopak Analysis

Figure 1 gives the following output:

High Share Holders-China & US-Overall EU accounted for maximum share of world exports with significant intra-EU exports. Amongst individual countries China was the top exporter of T&A in the world. The competition matrix explained below identifies the major T&A exporters that emerged during the ATC period.

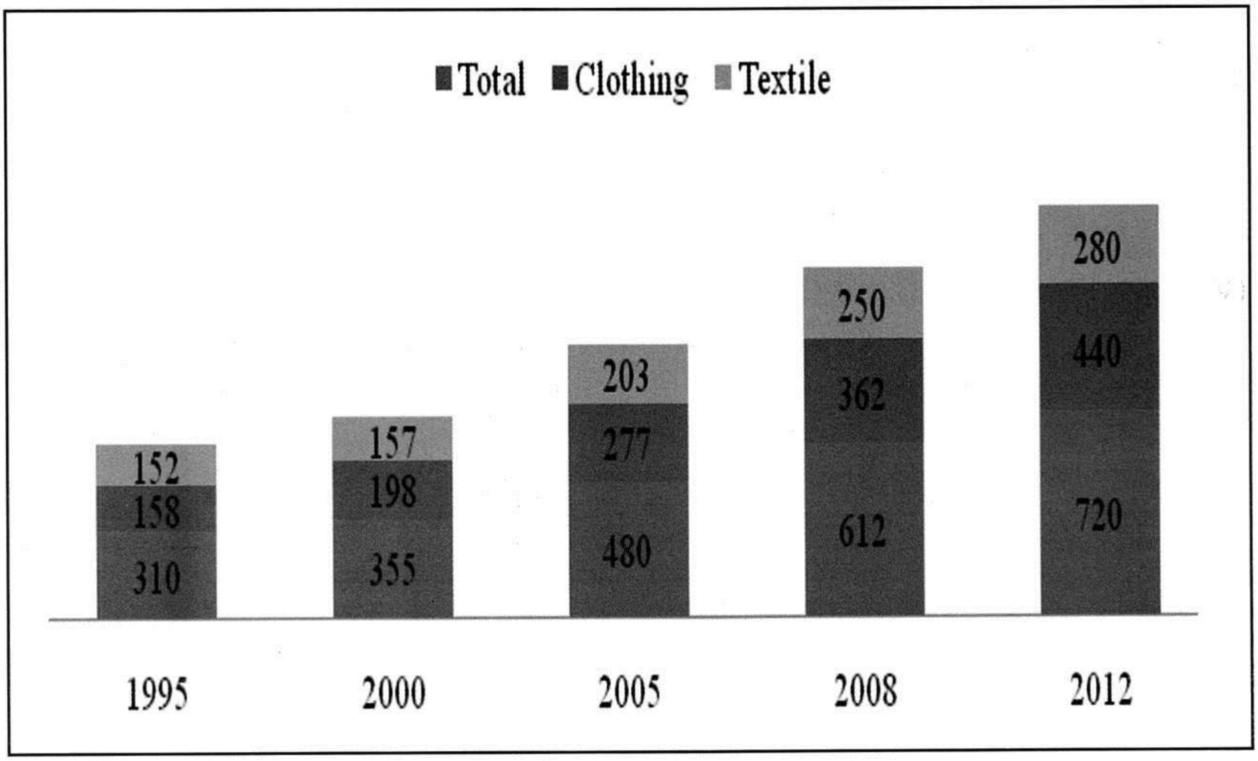
Low Share Holders-Turkey, Mexico, India, Pakistan, Tunisia, Canada & Thailand-China emerged as the single biggest exporter of textiles and apparel. US showed decent growth in textile exports mainly due to numerous FTA's with its neighboring countries, although apparel exports of US declined. EU & Hong Kong sustained their market share albeit with low growth.

Sustainers-EU, Hong Kong, Taiwan & Korea -In textile exports Turkey, Mexico, Tunisia, Thailand and Canada are the countries which showed high annual growth during the ATC regime, while in apparel exports Morocco, Bangladesh, Switzerland, Sri Lanka and Vietnam grew significantly. India and Pakistan showed substantial growth both in textile and apparel exports.

Decliners-Indonesia, Japan, Bangladesh & Switzerland Korea and Taiwan declined significantly both in textiles and apparel exports, While US declined in apparel exports. Also, Switzerland and Bangladesh declined in textile exports while Thailand and Philippines reduced their apparel exports during the ATC period.

(III) Leading to Increase In Global Textile & Apparel Trade

Figure 2 : World Trade in Textiles and Clothing (USD bn)



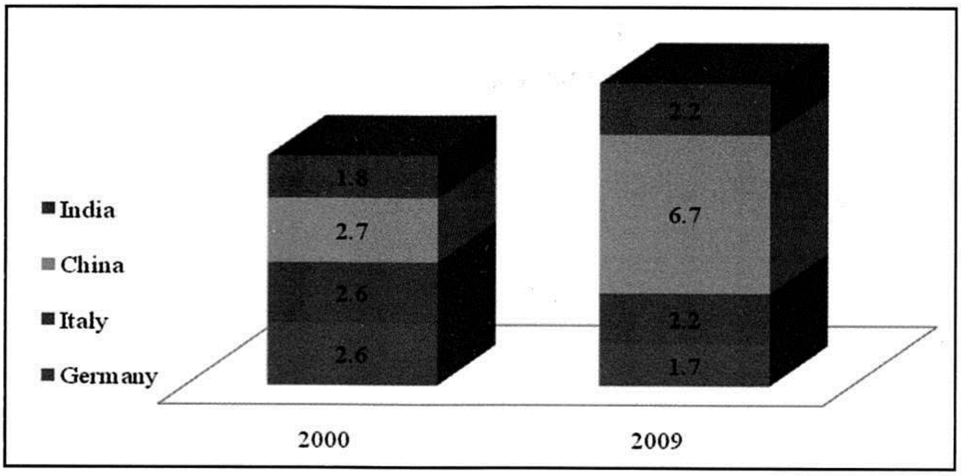
Source: WTO Trade Statistics & Technopak Analysis

Figure 2 shows growing world trade in textile and clothing offers significant opportunities for Indian T&C exports. If we look minutely, clear-cut growth of Textile & Clothing exports from 480 (2005) to 612 (2008) can be seen. The pundits of trade are anticipating its swift will be more progressive and reaching to 720 in the 2012 year.

Figure 3 stated that yarn export of countries like China, Italy, Germany and India, a comparison in two years 2000 & 2009.china has been the clear winner in both years i.e. 2.7(2000) & 6.7(2009).2.6 was the digit for Italy and Germany in the year 2000 which went down side in 2009 for both the countries -2.2 & 1.7 respectively. Coming to desi picture i.e. India, in 2000 the figure was 1.8 which went upward to 2.2 (2009).

(IV) Yarn Export

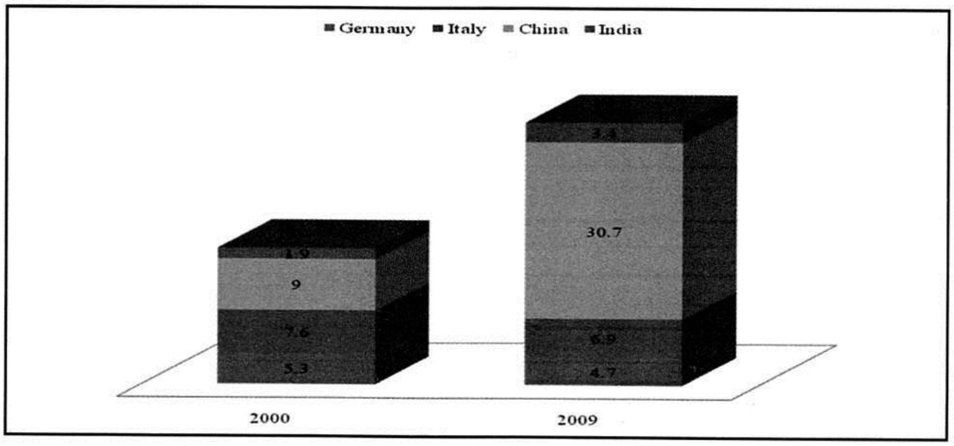
Figure 3: Yarn Exports of Major Countries *(US$ Bn)*



Source: www.ibef.in

(V) Fabric Export

Figure 4: Fabric Export Countries of Major Countries (US$ Bn)



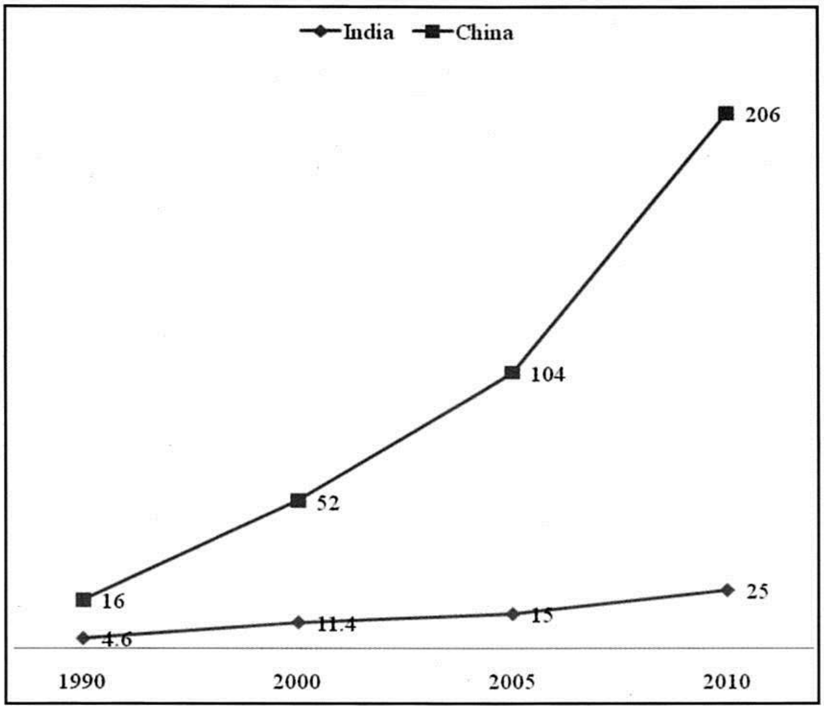
Source: www.ibef.in

Fabric export scene can be observed through figure 4. It explains the domination of China in both the years like 9 (2000) & 30.7 (2009).Figure also depicts that there is an opportunity for developing countries to rise their market. India in 2000 was at 1.9 which shoots up to 3.4 in 2009 which shows an opulent path for developing nations to progress in the coming years.

(VI) Comparison of China and India

China's Export of Textiles & Apparel is 8 times that of India's. Gap has grown wider in last 5 years after phase out of Quotas (Figure 5).It illustrates the journey of China (from 16 to 206) and its domination in comparison to India (from 4.6 to 25).

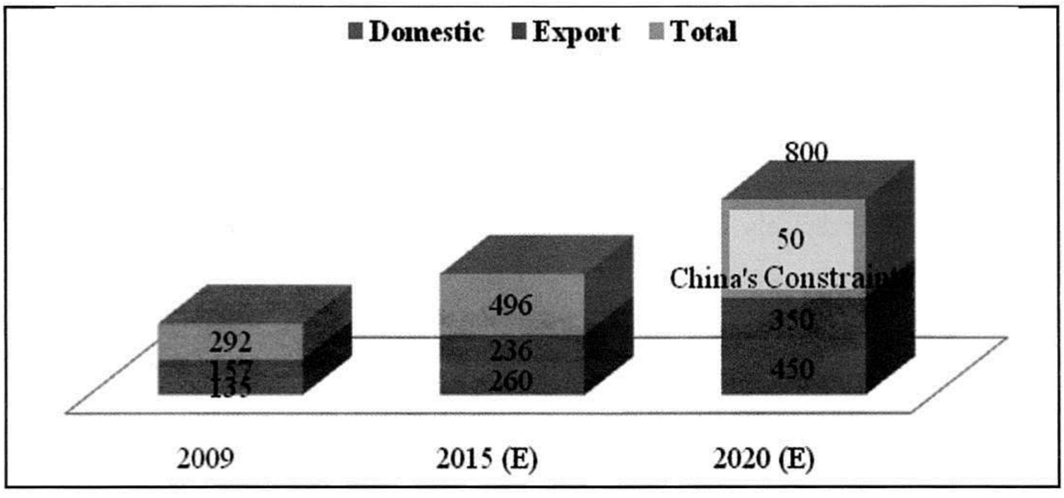
Figure 5: China's domination and comparison with India



Source: UN Comtrade, Technopak Analysis

(VII) Empire of China

Figure 6: China estimated exports



Source: www.ibef.com

Figure 6 depicts China will remain the biggest exporter but with rising costs and rising domestic demand, it may cede some export opportunity. An additional market opportunity of US$ 500 Billion is likely to be created by 2020 for/by China.

3.2 Indian Scene

Indian textile industry is one of the leading in the world. Currently it is estimated to be around US$ 52 billion and is also projected to be around US# 115 billion by the year 2012. The current domestic market of textile in India is expected to be increased to US$ 60 billion by 2012 from the current US$ 34.6 billion. The textile export of the country was around US$ 19.14 billion in 2006-07, which saw a stiff rise to reach US4 22.13 in 2007-08.the share of exports are also expected to increase from 4% to 7% within 2012.Author made an effort to jot down the Indian textile industry's export segment in collage form in the following manner.

(A) Export Scene

Table 2: Export Scenario

Export item	Export value (2008–09) US$ billion(INR billion)	Share in total textiles exports (%)
Cotton textiles	4.54(218.08)	22.64
Manmade textiles	3.14 (150.88)	15.67
Silk textiles	0.64 (31.06)	3.23
Wool and woollen textiles	0.45(21.99)	2.28
RMG	9.81 (471.1)	48.92
Handicrafts(including carpets)	1.02(49.39)	5.13
Jute	0.28(13.75)	1.43
Coir and coir products	0.14(6.80)	0.71

Source: Ministry of Textiles

From the table 2 it's precisely clear that three areas i.e. Readymade garments (RMG, 48.92%); cotton textiles (22.64%) & manmade textiles (15.67%) were the major share holders in export cabin.

(B) India's Export of major textile items

The above stated table 3 depicts the values of different commodities in 2009-2010 and 2010-2011 from April-July. Coming to grand total of both the years 327411.62 (2009-2010) & 342738.60 (2010-2011) with 4.68 % variation. Having a closer look to the picture, it shows the minus aspects faced by Readymade garments (RMG-13.26) and Handicrafts (-11.58).

(C) Textile Exports Statistics

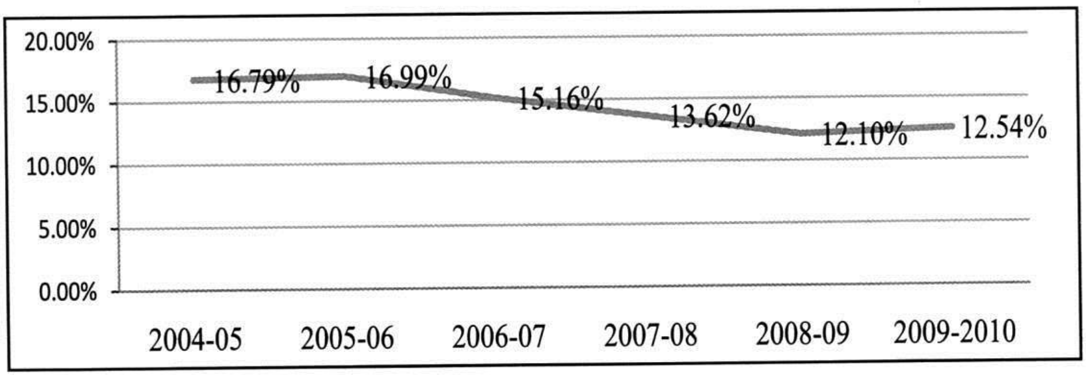
Textile exports statistics can be figured out from the figure 7 which illustrates that the curve going down wards from 16.79% (2004-05) to 12.54% (2009-2010).the lowest digits were in the year of recession i.e. 13.62% & 12.10% in 2007-08 & 2008-09 respectively.

Table 3: India's export of major textile items

COMMODITIES	(APRIL-JULY) VALUE(in MNS)		
	2009-2010	2010-2011	% VA RIATION
Fibre	15576.86	18753.09	20.39
Yarn/Fabric/Made ups	109771.58	139706.82	27.27
RMG	183509.17	159168.32	-13.26
Carpet	9801.18	12926.40	31.89
Jute	3368.16	7070.58	109.92
Coir & Coir manufacturers	2333.27	2415.33	3.52
Handicrafts (Excl. handmade crafts)	3051.40	2698.06	-11.58
Grand Total	327411.62	342738.60	4.68

Source: Foreign Trade Statistics of India (Principal Commodities & Countries), DGCIS, Kolkata

Figure 7: Percentage of textile exports



Source: Department of Commerce NIC & DGCI & S, Kolkata.

(D) Increase in global export share

Table 4 explains the export voyage of Indian Textile Industry from 1990 with 2.1% shares in its kitty with a uniform and smooth growth. Even in the recession it went up with struggling hands from 3.4% (2008) to 4.5% (2009). Assumptions are that with the growing world trade from 1990 to 2020, there is potential and opportunity for India to Reach US$ 80 Billion Exports by 2020.

(E) Good Opportunity for India to Increase Exports

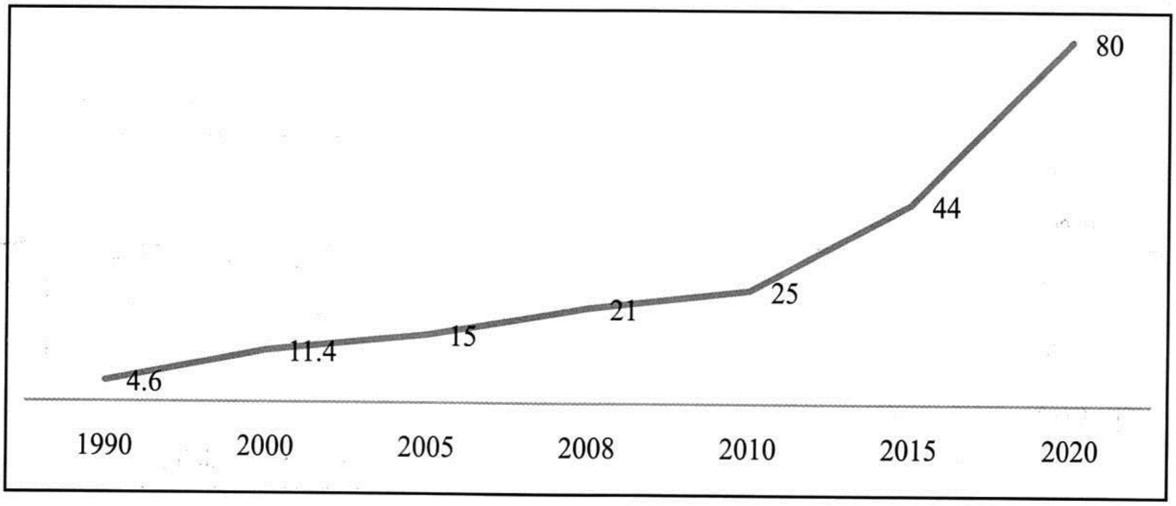
Figure 8 portraying that in spite of few hurdles that are being faced by Indian textile industry, still there is a good scope as well as opportunity for the trade to expand more. As predicted by trade experts India will reach to 44 (2015) & 80 (2020) from 25 in 2010.

Table 4: Increase in global export share

US$ billion	1990	2000	2005	2008	2009	2015	2020
World GDP	23,000	32,000	45,400	61,000	57,000	82,000	111,027
World Trade	4,338	7,902	12,752	19,344	15,341	24,600	33,308
World T&A Trade	213	353	486	612	510	800	1,000
China T&A Exports	16	52	104	175	157	236	350
India T&A Exports	4.6	11.4	15	21	23	45	80
India's Share In Global T&A Trade	2.1%	3.2%	3.1%	3.4%	4.5%	5.6%	8.0%

Source: www.ibef.in

Figure 8 : Good opportunity for India to increase export



Source: Ministry of Textiles, Technopak Analysis

(E) Increase in Indian economy

Table 5 gives a picture of Indian economy outlook is expected to touch 3.1 trillion in the next 10 years. In the last 10 years India has added $ 930 billion to its economy and will add almost double of that (about $ 1700 Billion) in the next 10 years. The Indian economy in 2020 is poised to become bigger than the current size of countries like France UK or Italy.

(E) Indian Cotton Scenario

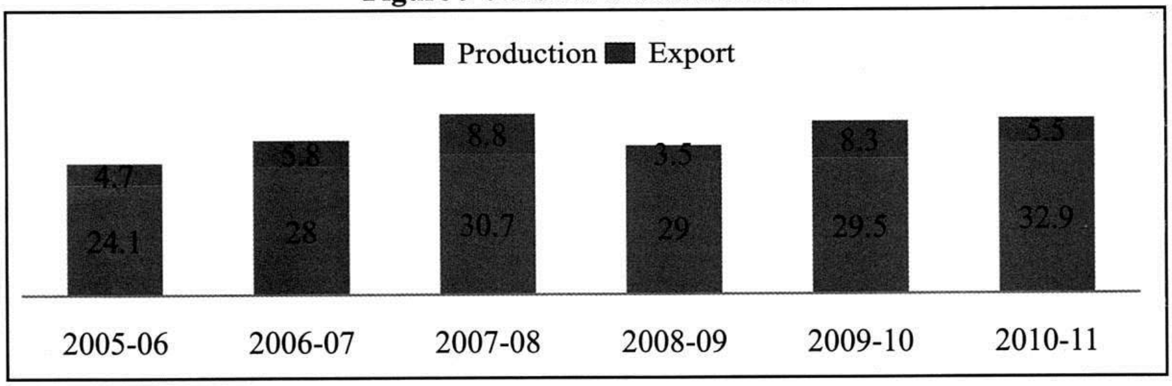
The figure 9 which demonstrates the Indian cotton scenario with microscope .The production in 2005-06 went from 24.1 to 32.9 in 2010-11. Looking at export segment it also shows roller coaster ride from 4.7 (2005-06) to 3.5 (2008-09) and 8.3(2009-10) to 5.5 (2010-11).Yield is volatile and increasing consumption of cotton in domestic mills has to be supported by either increase in cotton imports or calibrated cotton exports.

Table 5: Increase in Indian economy due to textile industry

GDP $ Trillion	2000	2010	2020
USA	10.8	15.7	18.0
China	1.3	5.6	13.2
Japan	5.2	5.5	6.4
Germany	2.1	3.6	4.3
France	1.5	2.9	3.3
UK	1.6	2.4	2.8
Italy	1.2	2.3	2.5
Brazil	0.7	1.9	3.1
India	**0.5**	**1.4**	**3.1**
Russia	0.3	1.7	2.7

Source: www.ibef.in

Figure 9 : Indian cotton scenario



Source: CAB, INDIA

3.3 Recession Time

Recession was the bug which gulps down various deals. It also affected the textile's business in terms of job loss, imports, exports etc. Following are few of the shells outspread to give a picture of the consequences faced by the export department of Indian Textile Industry.

1. Hit on Employment

84% units register fall in export orders and employment as per the survey done by Okhla cluster. The survey did during the month of November 2008 within the 50 units. The findings are as follows-

A. 9084 workers employed

B. 1258 job loss

C. 13.84% extent of layoff

D. 4593582 pcs. Order booked in Nov'07 to Jan'08

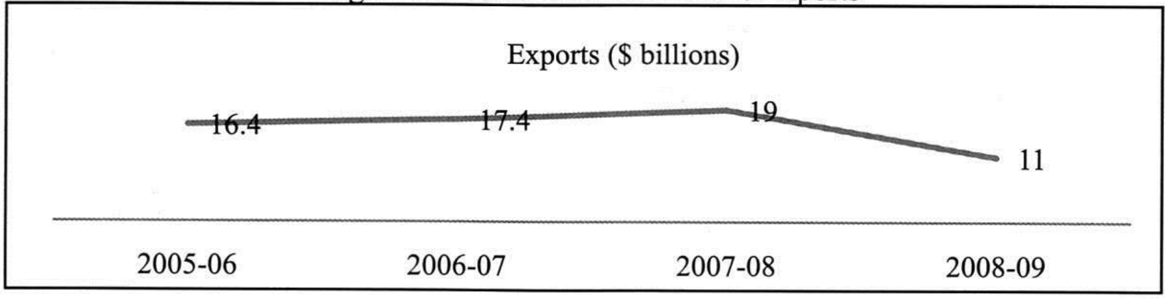
E. 3464812 pcs. Order booked in Nov'08 to Jan'08

F. 25% reduction in order booked during the same period

Some export companies had reduce their working hours, implementing 5 days a week instead of 6 days which resulted in reduced income levels of workers.

2. Value of India's Textile Exports

Figure 10: Value of India's Textile Exports

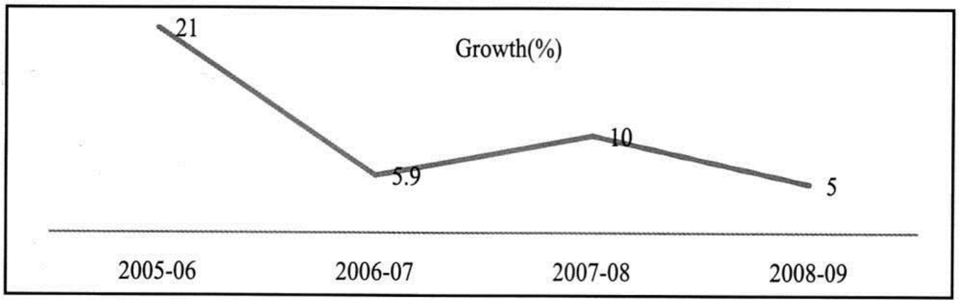


Source: CMIE

A detectable down turn in the figure 10 for the export value at the time of recession i.e. 2008-09.16.4 and 17.4 were the scores made by export unit in the years 2005-06 and 2006-07 respectively which proves the smooth and efficient sailing . Textile exports jumped to 19 in the year 2007-08 and faced an enormous downward fall to 11 in 2008-09.

3. Growth Rate of Indian Textile Exports

Figure 11: Growth Rate of Indian Textile Exports



Source: CMIE

The growth rate of Indian textile exports can be observed through Figure 11 which screens the smooth and simple pouring by export slice of India in textiles. It manifestly exemplifies the recession's hammer which nailed the frequency from 21 to 10 and then finally to its half i.e. 5.

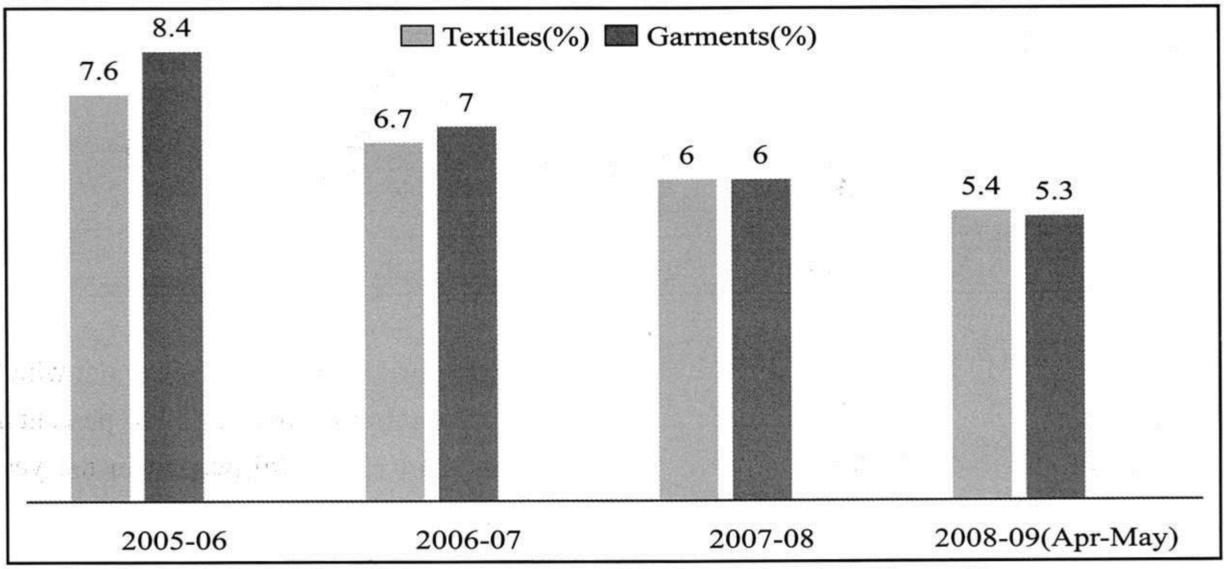
4. Share of Textile Sector in Total Exports in India

From the stated data it is apparent (Figure 12) that there is a snubbed path shown to exports shares in textile sector in the year 2008-09 in the months of April-May.

4.0 Analysis and Future Perspective

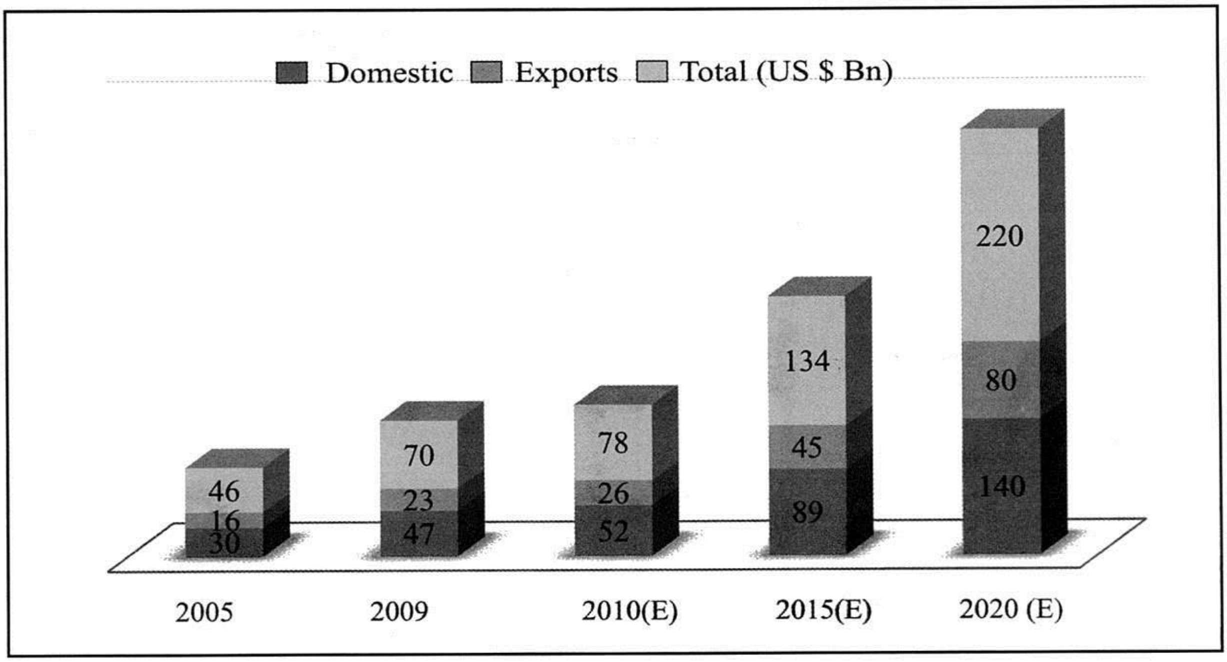
After having roller coaster voyage of export station of textile industry with special attention to India. The author jotted down following analysis by compiling the assumptions, expectations and predictions of trade pundits for futuristic perspective of textile industry.

Figure 12: Share of Textile Sector in Total Exports in India



Source: CMIE

Figure 13: Expected growth of Indian textile and apparel industry

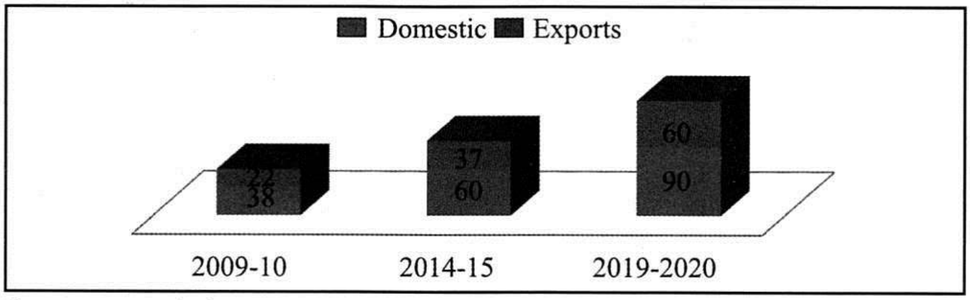


Source: (Vardhman Group (2010))

Figure 13 explain the Textile and Apparel Industry will grow substantially. The 46 digit in the year 2005 of total trade climbed to almost its double in the year 2010.Assumption and estimation given by textile industry gurus conclude- India's US$ 70 Billion Textile and Apparel industry has the potential to grow @ 11% US$ 220 Bn 2020.

- **Projected size of Indian textile industry**

Figure 14: Projected size of Indian Textile Industry (USD Bn)



Source: www.ibef. in

Looking at figure 14 it can be seen that the two shells of fibre consumption in domestic and export areas. Expectations are that domestic shell will hop equivalently. If we go little back in the year 2009-10 it was 38 digits and which tacit to have a leap and reaching at 60 percent in the year 2014-15 and 90 percent in the year 2019-2020.

- **Increase in global export share**

Table 6: Increase in global export share

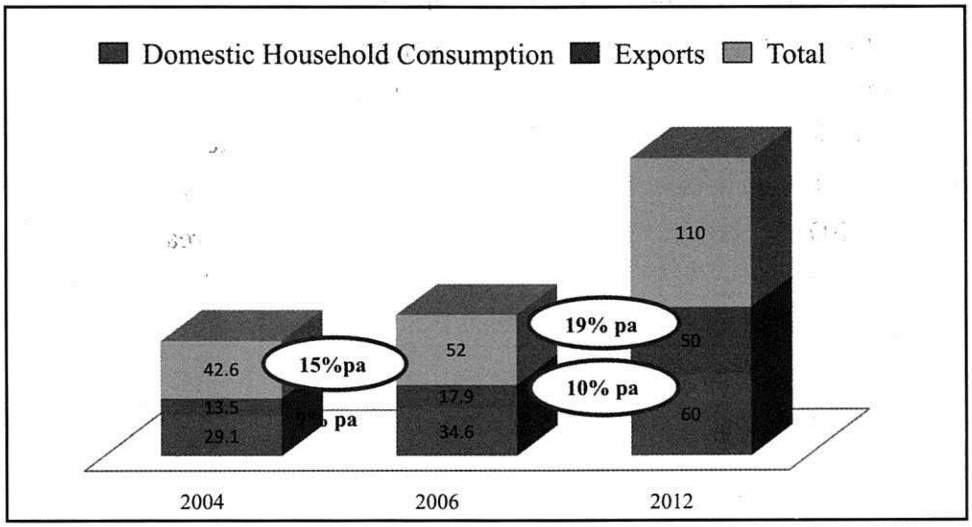
US$ billion	1990	2000	2005	2008	2009	2015	2020
World GDP	23,000	32,000	45,400	61,000	57,000	82,000	111,027
World Trade	4,338	7,902	12,752	19,344	15,341	24,600	33,308
World T&A Trade	213	353	486	612	510	800	1,000
China T&A Exports	16	52	104	175	157	236	350
India T&A Exports	4.6	11.4	15	21	23	45	80
India's Share In Global T&A Trade	2.1%	3.2%	3.1%	3.4%	4.5%	5.6%	8.0%

Source: www.ibef.in

Table 6 enlightens the export passage of Indian Textile Industry from 1990 with 2.1% shares in its fund with an even and smooths growth. Even in the recession it went up with struggling hands from 3.4% (2008) to 4.5% (2009). Assumptions are that with the growing world trade from 1990 to 2020, there is potential and opportunity for India to Reach US$ 80 Billion Exports by 2020.

- **Market size potential for the industry is USD 110 bn by 2012**

Figure 15: Future market size of Indian Textile Industry



Source: CRISIL Estimates and Industry workshops

Figure 15 demonstrates the status of textile industry in three different capsules i.e. domestic household consumption, exports and total. In 2004 total of textile industry was 42.6 with 13.5 goes to export department which climbed to 17.9 and expected to reach at 50 by 2012 year.

- **Key Assumptions for in Indian Textile Industry in the coming future**

Table 7: Key Assumptions

Segments	Low Growth Scenario	Base Case Scenario	High Growth Scenario
Household consumption & export market size	USD 90 bn	US 110 bn	USD 120 bn
VOP of apparel & non -apparel industry	USD 61 bn	USD 76 bn	USD 83 bn
Yarn	7.6 bn kg	9.4 bn kg	10.2 bn kg
Fabric	78.8 bn sq mtrs	97.3 bn sq. mtrs	105 bn sq. mtrs
Garment	17.3 bn pieces	22 bn pieces	25 bn pieces
Total Investment Required	Rs. 1,22,000 cr.	Rs. 1,94,000 cr.	Rs. 2,27,000 cr.
Employment Generation potential	9 million	14 million	18 million

Source: CRISIL Estimates and Industry workshops

- **Low Growth Scenario**

  Export market size of USD 40 bn (6% share of world trade) & household consumption market (retail level) of USD50 bn.

  Growth in domestic apparel market (retail level) at 9% p.a. from USD 14 bn in 2005 to USD 25.2 bn by 2012.

- **Base Case Scenario**

  Export market size of USD 50 bn (7% share of world trade) & household consumption market (retail level) of USD 60 bn.

  Growth in domestic apparel market (retail level) of over 13% p.a. from USD 14 bn in 2005 to USD 33.4 bn by 2012.

- **High Growth Scenario**

  Export market size of USD 55 bn (8% share of world trade) & household consumption market (retail level) of USD 65 bn.

  Growth in domestic apparel market (retail level) of over 16% p.a. from USD 14 bn in 2005 to USD 40 bn by 2012.

5.0 Conclusion

India textile industry is one of the leading in the world and currently it is estimated to be around US$ 52 billion and is also projected to be around US$ 115 billion by the year 2012. India, the world's second largest producer and processor of raw fiber, is a wildcard in the current cotton market. Over the past decade, increased production has allowed India to emerge as the 2nd largest exporter of cotton. However, since April, India's use of various restrictions on cotton exports has greatly added to the volatility and uncertainty in the world cotton market. The share of exports is also expected to increase from 4% to 7% within 2012. By tripling the export of textiles and apparels, we can add more than 5 million direct jobs and 7 million indirect jobs in the allied sector, primarily in the cultivation of cotton. India has 24 percent of the world's share of spindles and is a big exporter of yarn, accounting for 25 percent of the cotton yarn trade globally. With more emphasis on growth in GDP, textile exports and employment opportunities, the Indian government has invested huge amounts in aiding the industry's growth by developing better infrastructure and networking. Impulsive and impeccable efforts are needed in cotton research, technology generation, transfer of technology, modernization and upgrading of ginning and pressing factories and an aggressive marketing strategy.

References

Jain,Sachit (2010),Indian Textile Industry: A Growth Perspective, Vardhman Group Singapore

Seshadri Ramkumar (2009), Growth Road for the Indian Textile Industry, www.fibre2fashion.com

---------------------------(2009), The Impact of World Recession on the Textile and Garment Industries of Asia, UNIDO, Research and Statistics Branch working paper

-----------------(2009) A report on Indian Textiles Industry, Corporate Catalyst India

Global Textile and Apparel Industry-Vision 2015, www.technopak.com

Measures to boost the textile industry and textile exports, Press Information Bureau

Vardhman Group (2010), India's role in global textiles

http://www.cmie.com/

http://www.indiantextilejournal.com/articles/FAdetails.asp?id=2680

www.brainyquotes.com

****

Consumer Attitude Towards Unfair Trade Practices And Its Impact On Consumer Buying Practices

Neeraja. Telaprolu
Professor, Department of Resource Management and Consumer Sciences, College of Home Science, Acharya N.G Ranga Agricultural University, Saifabad, Hyderabad
Swarochish Chekuri
Business Analyst, WNS Global Services, Bangalore

Abstract : In competitive markets, the traders in their efforts to hold their existing consumers and attract new consumers may resort to unfair trade practices. It is the duty of responsible consumers to safe guard their interest and exercise their rights. The present investigation aims at exploring the relationship between consumers' attitude towards unfair trade practices and consumer knowledge on consumer protection measures as well as consumer buying practices. Consumers' attitude towards unfair trade practices was judged based on their action in the situations of unfair trade practices. A knowledge scale was used to measure respondents' knowledge on consumer protection measures. Consumer buying practices were evaluated in terms of desirable and undesirable buying practices. The mean age of the group of consumers who were taking the major responsibility of shopping in the family was 39.6 years. Three fourth of the sample exhibited inconsistent behavior towards unfair trade practices. They neither try to control the situation nor kept them away from the situation always. Their behavior was unpredictable. Out of 541 consumers, only 77 were having adequate knowledge on consumer protection measures available for the welfare of consumers. Negligible proportion of the sample exhibited highly desirable buying practices. Consumers level of knowledge on consumer protection measures and attitude towards unfair trade practices were independent of each other. Consumers who questioned against unfair trade practices were found to be adopting better buying practices.

Keywords: Unfair trade practices, Consumer attitude, Consumer knowledge, Consumer buying practices.

1.0 Introduction

Consumer is a person who generally engages in the activities of search, select, use and dispose of products, services, experiences or ideas. A wise consumer makes rational decisions after chief evaluation of the purpose, alternatives available, cost and benefits. Responsible consumers are characterized as being more involved in products and shopping than others. A consumer who is highly involved in marketing would be interested in knowing a lot about goods and services before making a purchase and puts efforts to gather information. This group of consumers read broachers, compare brands and models available at different outlets, asks questions and look for recommendations and act as responsible consumers in the market place.A responsible consumer develops a positive attitude. Consumer's attitudes are a composite of consumer's (1) beliefs about (2) feelings about and (3) behavioral intentions towards some objects within the context of marketing. Attitudes are learned predispositions to behave in a consistently favorable manner with respect to a given object.

Today, consumer markets are experiencing rapid changes and are flooded with new opportunities and new challenges. The significant changes in the consumer buying behavior, urbanized lifestyle and growth of service sector are the main reasons behind the changed scenario in the consumer market. Different types of consumer markets exist today. These include markets for fast moving consumer durables, consumer durables, consumer electronic goods, domestic electrical appliances, cosmetics, jewelry, furniture, food and apparels. Customers of consumer product markets lack in loyalty and tend to shift from one brand to another very quickly, hence the traders take up aggressive marketing to attract new consumers and hold the existing consumers. The consumer product market is characterized by high level of competition among the sellers. The companies are continuously engaged in modification of business models and business activities to match up with the changing consumer needs. Moreover, the norms of WTO (World Trade Organization) are resulting in various mergers, alliances and tie-ups among the companies. The companies are being compelled to go for these alliances to remain competitive and to exist in the market because, losing the competitive edge will ensure complete market exist.

This situation in the market can give rise to unfair business practices that encompass fraud, misrepresentation and oppressive acts or practices by businessmen against consumers. Sub-standard quality, duplicate articles, adulteration and impurity, lack of safety devices, artificial scarcity, false or incomplete information, unsatisfactory after-sale services, rough behavior and undue conditions are some of the practices which are prohibited by law in the country are adopted by traders often against consumers. These practices are likely to cause substantial injury to consumers.

In these circumstances, it is the duty of a responsible consumer to exercise his/her rights. Consumer protection laws are designed to ensure fair trade competition and the free flow of truthful information in the market place. These laws aim at preventing business that engage fraud or specified unfair practices from gaining an advantage over competitors and may provide additional protection for the weak and those unable to take care of themselves. The legislations improve consumer protection by giving enforcers strengthened power to obtain court orders against business that do not comply with their legal obligations to consumers.

In spite of legal measures, greedy and irresponsible traders were rarely brought to court because consumers fail to complain. Majority of the consumers were not aware of consumer rights and those consumers who are aware of consumer protection measures are not responsible consumers to exercise their rights for the welfare of the society. It has been observed that people for whom various schemes have been taken up do not get benefited because of lack of awareness. Government has taken up many programmes and schemes for protecting consumer rights. Both Government and Non-Government organizations have taken up educational programmes to increase the awareness of consumers. The consumer protection act 1986 was enacted with an aim to protect and empower consumers. Almost after three decades what is the level of consumer awareness regarding the legal protection available to consumers? To what extent both Government and non-Government organizations are able to bring awareness among consumers? What is the attitude of consumers against unfair trade practices? Whether consumers' attitude towards unfair trade practices has any impact on consumer knowledge and consumer buying practices in the market? A research review was undertaken to answer these questions.

While describing about shopping orientation, Sinha (2003) reported that Indian shoppers seek emotional value more than the functional value of shopping. The orientation is based more on the entertainment value than on the functional value. The orientation is found to be affected primarily by the type of store, the frequency of buying and to some extent by the socio-economic classification.

A study by Malhotra (2003) suggests that the purchase preference is primarily determined by price than quality during pre-purchase evaluation. Given explicit quality information, price had no effect on pre-purchase or post- consumption quality perceptions. Instead, post consumption quality evaluation had a favorable impact on price evaluations.

A study conducted by Chernev and Alex (1997) to understand the purchase pattern of cosmetics among consumers, revealed that both male and female consumers prefer to purchase cosmetics individually and quality was the major factor influencing their purchase.

In fact, researchers have not focused enough to understand the consumers' attitude towards unfair trade practices, which is a key factor in the market place. Consumers who can raise their voice and initiate action against illegal practices of traders can only bring change and contribute for consumer protection.

There exists a research gap to answer the above research questions, hence to answer these questions the present investigation was carried out with the following objectives.

2.0 Objectives

1. To study the consumer's attitude against unfair trade practices
2. To study the consumer's knowledge on consumer protection measures
3. To study the buying practices of consumers in the market
4. To find out the relationship between consumer's attitude against unfair trade practices and

   (i) Consumer's knowledge on consumer protection measures

   (ii) Consumer buying practices.

3.0 Methodology

The sample for the study was drawn from major cities of Andhra Pradesh. The consumers who share the major responsibility (at least 50 per cent) of marketing in the family were identified as the respondents for the investigation. The consumers were met at the shopping places and structured questionnaire was given to them and explained the purpose of the study and importance of their participation. Five hundred and forty one consumers who returned the filled in questionnaire in all respects formed the sample for the investigation.

4.0 Review of Concepts

1. Consumer attitude towards unfair trade practices: Attitude affects behavior and they occur within a situation. Consumers may react in different ways when they come across unfair trade practices. They may develop perceptual or behavioral attitude to avoid or to take action to control unfair trade practices. Consumer's attitude towards unfair trade practices was measured using a tool developed for the purpose. It was hypothesized that when consumer come across the unfair trade practices he/she may either raise his/her voice against and try to control or he/she may avoid and ignore it. Fifteen hypothetical situations of unfair trade practices were created. Under each of the situation two different ways of dealing with the situation were given. One option reflects consumer's attitude of ignoring and the other option reflects consumer's attitude of raising the voice against the unfair trade practice for controlling such practices.

The respondents were asked to indicate the particular course of action, they would follow and how often they would do the same if they come across the same situation. Effort to control the situation was considered as more desirable (positive) attitude and ignoring the situation was considered as less desirable (negative) attitude. The respondents were asked to indicate the frequency of their response. Scores five to one were assigned to the responses "Always ", "Frequently", "Some times", "Rarely" and "Never" respectively in the case of option that reflected control attitude. The scores were reversed in case of option that reflected consumers attitude of ignoring the situation The scores were interpreted such that the higher the score the greater the tendency to exhibit positive attitude. The range of scores was from 15 to 75.

2. Level of knowledge on consumer protection measures: Respondents knowledge regarding the consumer protection measures that safeguard the interest of consumers was studied. A knowledge scale was constructed. The scale consisted of 28 questions to test the consumers' knowledge on various aspects of consumer protection measures. The possible score range was from 1 to 28.Higher the score higher the level of knowledge on consumer protection measures.

3. Buying practices: Consumers buying practices can be explained as the analysis of how, when, what and why people buy. Consumer buying practices can be understood as "The decision process and physical activity individuals engage in when evaluating, acquiring, using or disposing of goods and services"(Loudon and Della Bitta,1980).This phenomenon can also be illustrated as "activities people undertaken when obtaining, consuming and disposing of products and services (Blakwell,et.al,2001).

A wise consumer always try to get maximum satisfaction in the market by adopting various measures like information search, bargaining, collecting information from others, assessing merits and demerits of the product, reading information labels, comparing the cost and so on. A consumer who goes to market with some pre preparation is assumed to adopt better buying practices than unprepared consumer who does the marketing without any pre preparation. Most desirable buying practices through which a consumer can maximize his/her satisfaction were identified. The respondents were asked to state the frequency of following such buying practices to gain satisfaction in the market. Negative marking was done for undesirable practice that can lead to dissatisfaction.

A consumer who follows desirable buying practice earns a score and the consumer who adopts undesirable practices looses a score. A positive high score of the respondent is an indication of better buying practice.

5.0 Results And Discussion

1. General Characteristics of the sample

The age of the respondents ranged from 21 to 58 years. The mean age was found to be 39.6 years. The largest distribution of the sample was in the age group of 37 to 44 years. The sample consisted of 54 per cent male and 46 per cent female respondents. The entire sample was literates. Nearly half of the sample was postgraduates. A little less than one-fifth each was either graduates or professional degree holders. Nearly three fourth of the sample (73 per cent) were married. Majority of the respondents belonged to nuclear family. Only one third of the sample belonged to joint family system. Families with 3, 4 and 5 members together formed 83 per cent of the sample. The mean family size was found to be 4.3.

2. Extent of Involvement in marketing

The extent of involvement of various members of the family in marketing activities was ascertained. Initially the investigator met consumers at shopping places and asked whether they were responsible for major marketing in the family either individually or jointly with other member of the family. The family member who was responsible for major part of marketing was identified as the respondent for the study. Information regarding the extent of involvement of all family members in the marketing activities was also ascertained. The mean extent of involvement of respondents of the study was found to be 74.3 per cent.

3. Attitude towards unfair trade practices

A five point continuum was used to measure the attitude of consumers against unfair trade practices. The possible range of scores was from 15 to 75.The respondents who scored 37.5 or less on the scale were identified as those consumers who does not take any action against the situations of unfair trade practices. These consumers are considered as not responsible consumers. The respondents who scored 52.5 and above were the class of consumers who raised their voice against unfair trade practices, and this category were identified as responsible consumers. The respondents whose scores ranged from 37.5 to 52.5 were identified as those who would be inconsistent in their action against unfair trade practices i.e. they may raise voice against or ignore the situation.

The findings of the study revealed that three fourth of the sample would neither try to control situations of unfair trade practices or keep them away from the situation predominantly but would be adopting either of these in an inconsistent manner. The proportion of respondents who would fight against the unfair trade practices was relatively more than those who would stay away from the situation. Only 15 per cent exhibited desired attitude. Large chunk of the sample cannot be considered as

Table 1. Unfair trade practices

Attitude towards Unfair trade practices	N	%
Undesirable attitude (score below37.5)	62	11.5
Inconsistent attitude (score between 37.5to 52.5)	398	73.6
Desirable attitude (score above 52.5)	81	15.0
Total	541	100
Mean SD	45.9 7.19	

responsible consumers. They were not contributing for the welfare consumers. Consumers who can take action against the unfair practices of traders are essential for a healthy society.

4. Knowledge on consumer protection measures

An effort was made to understand the level of knowledge possessed by consumers on consumer protection measures available to protect the consumers from unfair trade practices. The scale intended to measure the knowledge level of consumers consisted of 28 questions. The respondents who scored less than 14 on the scale were considered as consumers with poor knowledge and respondents who scored more than 21 were considered as consumers with good knowledge regarding consumer protection measures. The respondents who scored between 14 and 20 were considered as consumers with adequate knowledge on consumer protection measures.

The mean score on knowledge scale was 19.4 with a standard deviation of 5.44. The categorization of the respondents was carried out on the basis of Mean and Standard Deviation. Nearly three fourth of the respondents had moderate level of knowledge with their scores lying between 13.96 and 28.84 while 11.8 per cent and 14.2 per cent of the sample had low and high level of knowledge respectively regarding the consumer protection measures available for protecting the consumer interest. On an average the respondents of the study earned 69 per cent of marks. Out of 541 consumers only 77possessed adequate knowledge

Table 2. Knowledge on consumer protection measures

Knowledge level	N	%
Low	64	11.8
Moderate	400	73.9
High	77	14.2
Total	541	100
Mean SD	19.4 5.44	

5. Consumer buying practices in the marketing

The consumer can either earn a positive score or negative score based on his/her buying practices adopted while making a purchase. A consumer with a positive high score is regarded as a consumer with desirable buying practices.

The mean score of the respondents was found to be 5.3 with a S.D of 3.48. Only 3.1 per cent exhibited highly desirable buying practices in marketing, while 1.7 per cent exhibited less desirable buying practices. Majority of the consumers (95.2 %) neither adopted desirable or nor undesirable buying practices. Their buying practices were inconsistent w3ith out any pre preparation.

Table3. Desirable buying practicesin the market

Consumer buying practices	N	%
Less desirable	9	1.7
Inconsistent buying behaviour	515	95.2
Highighly desirable	17	3.1
Total	541	100
Mean SD	5.3 3.48	

6. Relationship between attitude towards unfair trade practices and level of knowledge on consumer protection measures

Product moment correlation and Analyses of variance were computed to test the relationship between consumers' attitude towards unfair trade practices and level of knowledge on consumer protection measures.

The computed 'r' and 'F' values were not found to be significant. Hence, it was concluded that consumers level of knowledge on consumer protection measures and attitude towards unfair trade practices were independent of each other.

7. Relation between attitude towards unfair trade practices and consumer buying practices

Significant positive correlation(r=+0.1371**) at .01 level was observed between attitude towards unfair trade practices and consumer buying practices

A comparison of the differences of mean scores on consumer buying practices by attitude towards unfair trade practices showed that consumers who scored low on attitude towards unfair trade practices differed significantly at .01 level from those who scored high on attitude towards unfair trade practices on their buying practices. Similarly consumers who scored moderate on attitude towards unfair trade practices differed significantly at .05 level from those who scored high on attitude towards unfair trade practices on their buying practices.

Table 4. Mean scores of unfair trade practices

Group	Attitude towards unfair trade practices	N	Mean
1	Undesirable attitude	62	4.81
2	Inconsistent attitude	398	5.14
3	Desirable attitude	81	5.72
Mean Contrast	**Mean Difference**	**t Value**	**Level of Significance**
1.2	0.33	1.49	n.s
1.3	0.90	3.00	.01
2.3	0.58	2.43	.05

6.0 Conclusion

Consumers who can exercise their rights in the market place are considered as responsible consumers. For the welfare of the community of consumers these classes of consumers are most essential. It is the duty of both Government and Non-Government organizations to educate, train and motivate consumers to develop right and responsible attitude in the market place. There exist research gaps to understand the current scenario for initiating correct measure. Hence the present investigation was planned with an aim to understand consumers' attitude towards unfair trade practices and factors that influence their attitude. The results of the investigation can serve as a guide to policy makers for initiating action for the welfare of the largest community of consumers.

According to the study, it was found that a very small portion of large consumer group made efforts to control unfair trade practices. The behavior of almost three fourth of the sample (73.6%) was inconsistent, they were found exercising their rights at times and totally ignoring the situations. This attitude of consumers is not desirable. This group of consumers instead of contributing to the welfare of consumers harms the integrity. The fact that only 11.8 per cent of the consumers were aware of available consumer protection measures is alarming. After three decades of enacting consumer protection act 1986, the situation of consumers' knowledge is a worried fact.

Consumers with better buying practices are watch dogs, their existence is essential to safe guard the interest of consumers, but the facts of the investigation revealed that only 1.7 per cent exhibited best buying practices. Major portion (95.2%) of the consumers had exhibited inconsistency in their buying practices. This may be due to lack of motivation.

Consumers who were responsible and raised their voice against unfair trade practices were found to be with better buying practices. Hence, it is the need of the hour that government, consumer organizations, educational institutions should work towards enhancing consumer knowledge, inculcating the positive attitude to raise up to the occasions and motivating consumer for collective action.

References

Blackwell. R.D., Miniard.P.W, & Engel. J.F. (2001).Consumer Behavior. Ninth Edition. HGartcourt College Publishers, Fort Worth.

Chernev & Alex. (1997). The effect of common features on brand choice: Moderating role of attribute importance. Journal of Consumer Research , 23: 304-311.

Loudon.D., & Della Bitta. (1980). A Consumer Behavior Concepts and Applications. McGraw-Hill, New York.

Malhotra Pervin. (2003).The Beauty of Being a Beautician. Chandigarh. The Tribune Monteiro, Noella. Report Dated 4.4.2003

Sinha ,P.K. (2003). Shopping Orientation in the Evolving Indian Market.Vikalpa, Volum, 28,(2): 13-22.

****

Problems at the Seth Group

Arvind Sudarsan
Assistant Professor, BITS, Pilani, Department of Management, Rajasthan

Abstract : Management activities are often discussed and analyzed in oversimplified terms thereby failing to accurately communicate the difficulties of operating in an environment where decisions have to address several factors simultaneously and have unexpected consequences. This case is based on the problems faced by an industrial group in balancing the competing requirements of different stakeholders. The focus is on real world complex organizational and business systems wherein various aspects of management are interrelated and dependent on each other; and with particular reference to Indian work conditions.

Key Words: Case, Ethics, Society, Business Environment, Stakeholder Management

Part I: Narrated from the view point of Tarang Seth, Group CEO of the Seth Group of companies.

Tarang sighed at the headlines. Ever since he had taken over as Group CEO from his cousin,(Lala Seth), a series of problems had kept cropping up. First there was the problem of the dethroning of the satraps. Lala had followed a very strict policy of leaving operations to the Managing Directors (MDs) (the satraps as they were privately referred to) and other directors and top managers of the individual companies. At most Lala had involved himself in major policy decisions. This allowed the group to garner the benefits of professional managers and attract talented employees while, retaining the Group CEO position for a family member to ensure that there was coordination and cooperation between the group companies and that the culture and values of the group were not eroded. Unfortunately, several of the MDs had engaged in actions that he (Tarang) had thought inadvisable but had not been able to overrule. However, once he had taken over his first actions had been to strengthen oversight of all those activities that might impact on the reputation and good will of the group and in the process, many of the veteran satraps had found themselves on the wrong side of the argument. Some had left quietly. Others made their unhappiness public known, with a few even publishing open letters in prominent newspapers. It was then that he had got the first inklings about the intense dislike of their group in some quarters. Somehow, the outgoing CEOs and MDs got far more favourable press coverage than he thought they deserved. What was more troubling was the poor support that the group had got, which was much less than he thought they deserved, considering their long and illustrious history, public focus on ethics, values and fair play, and professional management.

The various outsiders brought in to provide fresh perspectives, once the old satraps had been dealt with, had been disappointments and damp squibs. Khan – the ex-MD of ACL, had spun a sob story about his back stabbing junior who replaced him when the merger with APL took place. But first in LaZaCo* and then in SCL* (*both Seth Group companies) when he was appointed as MD, he continued to complain about intransigence of the other managers (Possibly there was some small element of truth in this since at least one person in each organization might have expected to be promoted to the post. But surely not enough to justify mass non-cooperation?) Not to mention that near disaster which might have completely ruined not only the company but also the reputation of the entire group when falsified documents had been submitted to the court. True, as Khan rightly protested, he could not be expected to know about or verify every document, but to claim that it was merely a goof up? When their own lawyers had been aghast at the chicanery, it was doubtful that the court would have considered erasing part of an official document, available with other parties, as an innocent mistake. Sumant who was supposed to revive the automobiles operations had instead turned out to be one large cost centre all by himself, even without accounting for the high priced designers he had appointed and with precious little to show by way of results. Shah and Modi had grown arrogant after their promotions and finally had been sent off to prevent further harm.

The need to grow had also led to some decisions that in hindsight looked less rosy than they had at the time they when they were made. Due to events not in their control, they had got in a bidding war for several of their acquisitions and had finally paid a higher price than expected/advisable. Unluckily, to compound the effect, some of those acquired companies had become available near the peak of their earnings cycle, which meant that shortly after the purchases, profits had fallen, providing fodder to every two-bit stock analyst. When their bids had been won they had been reported as great coups for Bizarreland, **(1)** but now, just a year later, the papers and the stock market analysts were all talking about mis-valuation, overpaying and the winner's curse. Not that he had much regard for most of these analysts who were perfect theoreticians and couldn't run a tea stall profitably. None of them had had the pain of running their own business. They just couldn't understand that just as with setting up a new venture, sometimes it took a long time, even a decade or more, before a business really took off. All that they did was to make unflattering comparisons with other business groups. It was especially galling the way they idolized these Johnnie-come-lately types – brash first generation entrepreneurs without pedigree, who did anything to get ahead and who therefore had grown much faster and more profitably. However, to the public or retail investor, analyst views were an important consideration in their investment decisions and therefore the analysts had to be managed carefully. Fortunately Aridai had confided in him that small gestures (like the gift of a bottle of scotch) on major festivals and other occasions were sufficient. It never ceased to amaze him how such obscenely over-paid people could be so easily influenced.

The next problem had unexpectedly arisen out of a genuine desire to improve shareholder returns. In a major policy break from the conservative practices of the past, some innovative suggestions had been mooted to clean up the balance sheet, by setting off accumulated losses of the previous years against the share premium account. (**2**) Even if it was not exactly as per the accepted practice, it was in the best interests of all the shareholders to get rid of those amounts from the accounts and make a fresh start. The decision was greeted with a spate of public criticism. From all the questions raised one would have thought he had committed a fraud. Luckily the group's good image, and the fact that all shareholders actually had benefited, had come to his rescue.

Then came the problem of terrorism in Palarashtra. Some time ago, when militancy was on the rise in Palarashtra, businesses operating there were targeted by the People's Army Marxist Leninist (PAML), ostensibly a liberation movement but in fact an extortionist terrorist group, banned by the government. Almost all businesses and companies had to pay a "tax" to the PAML. LaZaCo was also one of the companies affected, but it had refused to pay any money to the militants. Instead, an inventive solution had been found, with the company promising to carry out various development activities in the region. Accordingly the company had come out with some special schemes for the local people. One of these was a medical assistance programme for timely treatment of various serious illnesses. Other companies who were reluctant to pay were not so fortunate and on several occasions managers were kidnapped for ransom or even simply killed. Some of them shut down operations. At one point of time it was even suggested that all the Zaka (**3**) companies boycott the local auctions. However, taking a contrary stand Tarang and the MD of LaZaCo had decided not to participate in this action, in direct opposition to all the other Zaka companies. The decision was justified on the basis that the auctions would fail and that would lead to a disaster. It had been a great strategic and public relations coup – simultaneously achieving the goals of: (i) declaring their solidarity with the people of Palarashtra and thereby differentiating themselves from other for profit only companies; (ii) getting in the good books of the Palarashtra government; and iii) strengthening their position with the PAML. But the unintended consequence was that the Seth group management staff complained bitterly that they had become pariahs in the eyes of all the managers of all the other businesses. (It had later been brought to his notice that the situation became so bad for a while that some of the managers apparently started avoiding going to any industry gatherings or other get-togethers including clubs because of the abuse they had to face.) However, Tarang and the MD were both clear on this point. In order to protect the lives of their employees, this was necessary and if there was some unpleasantness, it was unavoidable.

What happened next was completely out of the blue. The initial news did not give any inking of what was to follow. All that was reported on the first day was that a woman leaving a leading hospital had been arrested by a special team of

Palarashtra police on charges of subversive activities. The later bulletins carried the additional information that she was the Publicity Secretary of the PAML. The next bulletin broke the news that the police had discovered that LaZaCo had paid her bills and an open (hunting) season was declared on the Seth group with police interrogations, arrests for anti national activities and continual leaks to the press on the whole affair. Caught on the back foot, LaZaCo had issued a clarification that the woman had been given assistance under one of the welfare schemes of the company and that that no one associated with the company knew who the woman was. Initially, the public and the press were quite sympathetic since everyone knew about the situation in Palarashtra. But when it came out that the woman had not been suffering from any disease, but had gone all the way across Bizarreland to Pashimpur to an extremely expensive five–star hospital merely for delivery of her baby and the entire expense had been borne by LaZaCo, including not only her transport, stay and medical expenses but also those of two hard core PAML members sent as her body guards, and that all of them had also accompanied by a manager of the company, all hell had broken loose. Tarang himself had been forced to get involved in the fire fighting, liasoning with the federal government and putting pressure on the Palarashtra authorities to show restraint and not aggravate the situation by arresting more of their executives. The strain had been intense and their every move had been reported and viciously dissected in the press, even supposedly confidential conversations. Ultimately once again their relatively good image combined with the extremely poor reputation of the Palarashtra administration and the well known law and order problems in that state had come to their aid. The pressure exerted by their connections on the papers aided by the efflux of time had finally managed to drive the news out of the pages.

Unfortunately it was only a short pause till the next problem replaced it. Their international business was partly carried out through an overseas subsidiary. The losses run up by their subsidiary had been funded by the then MD of SCL in a way that while not quite exactly illegal was at least questionable under the RBI rules. The other ED had sold his shares before the results had come out and got himself into trouble for trading on confidential information(**4**). On top of it that stupid consultant Maekyl had almost blown it by putting in writing things which should never have been mentioned in a document of that type. Luckily he had managed to prevail upon Maekyl's other partners to have the report withdrawn and Maekyl himself had been appropriately dealt with by being reported for malpractice. The court case had made headlines for days with accusations and counter accusations flying back and forth. With the Serious Frauds Directorate, the Central Bank, the Bizarreland Institute of Certified Public Accountants and the Registrar of Companies all involved, the stink had taken a long time to blow over. The taint even affected the non-executive directors (NEDs) who were not involved in day-to-day operations. Every ignorant person walking on the road had a view on whether NEDs could be expected to know what the management was doing all the time,

Operationally too some of their most ambitious projects had revealed serious problems. Their much-publicized path breaking innovation of really low cost computers had backfired spectacularly when a number of them had suffered sudden breakdowns, with the batteries catching fire and in some cases destroying the computer completely. Luckily so far the fires had been contained without loss of life and most of the owners had quickly been compensated. Only one case had been reported in the press, because the fire had spread throughout the room and the destruction of other property had made it too public to keep under wraps. No solution had been found so far since it had proven surprisingly difficult to understand and isolate the cause of the problem. A mass recall would have solved the problem but it would also almost certainly have bankrupted that unit. Some problem had also been there about the wrong production dates being stamped on the goods. **(5)**

The mud slinging at the time of the Maekyl incident had started to border on character assassination. When Markhand (then MD of LaZaCo) had complained after the PAML incident, that there had been negligible support from their fellow industrialists, he had thought that at least the public opinion had largely supported them. But after the Maekyl report was leaked to the press it really felt malicious. As an immediate consequence the need to appoint a proper public relations agency had led him to Aridai Anir who had been recommended as the one person who could help them improve their political lobbying. And so far he had delivered. Of course there too from time to time there had been some rumours but at any rate he was better than their previous corporate relations manager who had turned out to be a glorified pimp cum blackmailer. Fortunately he had gone before any serious damage had been done to their reputation. (Side note to himself: He really needed to have a word with the CEOs about the undesirables brought in as a result of their favours.) Aridai's tactic of threatening and withdrawing advertising from news media controlled by vested interests, bent upon painting their group in a poor light, had borne some fruit. Till now. Yesterday's headlines said it all "Seth Lobbyist in Police Net: accused of being a Wheeler Dealer, Dirty Tricks Specialist and Fixer engaging in immoral activities, bribery and blackmail".

In view of the latest development an emergency open house meeting of all the management staff had been called to issue clarifications and boost morale and motivation. Representing the top management was a three member panel chaired by Tarang himself. The idea was that employees could express any doubts or put forth their raise queries which the panel could then respond. It had started off well enough but had quickly turned into a grievance session. The group policy of offering Seth Management Centre (SMC) trainees appointments in a higher grade and with the significantly higher minimum pay level as specified by the SMC administration had caused considerable resentment especially among other qualified employees such as CPAs (Certified Public Accountants). Uncomfortable questions had been raised and Markhand, one of the other panellists, had responded that better performers commanded a premium. The prompt riposte had been that the group should introduce pay for performance and pay higher performers more, so if the SMC officers were really better they would benefit, but then so would anyone else who performed. Just as the hubbub had started to die down an anonymous question, (which had apparently already been circulated in the room), had been placed before the panel. Markhand had read it out, "We have at least three or four major competitors in each of our businesses, none of whom has any claim to being very ethical in their business practices not to mention those who have even worse reputations. At least one competitor in each business is an MNC, and at least one other is an old-fashioned *bania* company. Apart from them we have these (much detested by the management), first generation entrepreneurs who almost inevitably perform better than us despite their lack of experience or family background. Why is it then that only we get a bad name for what we are told were relatively minor lapses in judgement rather than any systematic wrongdoing? On the other hand despite our much-vaunted claims of high ethical standards, we do not have any incidents or episodes which we can refer to where we have taken hard decisions (unlike for e.g. Wipro etc). So, is it just schadenfreude or is there any other reason why every one is so smug whenever our faults are publicized?" The unexpected attack, that too from within, (disjointed thoughts of betrayal and treachery still drifted through his stunned mind) had caused him to fly into a rage and he had shouted that he refused to answer anonymous questions by cowards too scared to reveal their own identity. He still remembered his words, "You should be proud to work here, you should be proud of working for an ethical value based reputed organization like ours. If anyone wants to leave let them leave, we can do without them…" On that sour note the meeting had abruptly ended. It did nothing to stem the exodus as younger managers kept leaving.

Part II: Some months later: The TV Show Discussion

In order to undo the damage to the group's reputation and clear the air he had agreed to appear on a live TV programme where the audience would be permitted to ask him questions. At first the interview had proceeded on a relatively good note. Then atmosphere started to change with the audience questions. A partial transcript follows:

Audience member 1: "Why do you think that the Seth Group is being targeted? What motive could anyone have?"

Tarang: "Envy. We are value focussed, ethical, professionally managed …". (Rest of the statement drowned out by cries of protest.)

Audience member 2 (shouting to be heard over the uproar): "I have something to say. A few years ago, Ajit, our CEO who was on tour was murdered in cold blood by the PAML. Perhaps you did not care about him but he was a fair person and a competent manager. As a mark of unity and protest it was decided that all the Zaka companies would boycott the local auctions. However, you decided not to join us on the pretext that the auctions would fail and that would lead to a disaster. Lies! The auctions would simply have shifted to the nearest alternative auction centre which was Poorvanagar in Poorva Pradesh. You let all of us down just to gain some advantage with the PAML and the Palarashtra government. And what government was that? The PGP government which reputedly won the elections because of the unofficial support of the Palarashtra Students Union (PSU). And who was the PSU? The rumour was that the PSU by day was the PAML by night. You say that other businessmen do not support you. But when Ajit was brutally murdered you did not support us. And ultimately your great coup, your treachery did not work. It did not stop the PAML from making demands on you. Then when you were implicated in the PAML case, naturally all of us who were betrayed by you were delighted that you were getting your just dues."

More interruptions and shouting.

Audience Member 3: "You claim that your group is professionally managed, so what does that mean? That all other companies are 'unprofessionally managed'? Your group head is always a Seth – so you are just like any other family run business. Alright. Does this 'professional management' make your performance significantly better? NO! Not at all. Look at the numbers. In fact your group performance is bad. It is much worse than the company I work for and also many others. We may be 'unprofessional' but we are profitable!"

More hullabaloo.

Compere: "Ladies and gentlemen please settle down."

Audience Member 4: "How does that so called focus on values explain the long list of scams that plagues your group?"

Shouts of "Good question" and cheering.

Audience Member 5: "Yes! Yes! One of your companies is in the news for wrongly marking the packing date! Explain also why you have been ranked last in the Ethical Environmental and Social Scorecard and your morally bankrupt competitors have been ranked higher!"

Audience member 6: "I would like to clarify that none of us 'non-professionally managed' firms, whether domestic or MNC like the rules any better, or have any love in sharing our hard earned profits with greedy officials or grasping politicians. We do what we have to simply to survive and as necessary sacrifices sometimes required to do business. There are rare exceptions like that company which corrupted the entire system from top to bottom and boasts that it owns the government. Yes? You all know who I am talking about? And why I cannot name them? But you, Mr Tarang, you mock at us. You claim to be more ethical than us but you do the same things that we do, though you try to disguise it or hide it in some other form like the PAML case. You are a hypocrite, sir! Your ethical stance is only meant for public display."

...

Utter pandemonium leading to the disruption of the show.

Notes: (Numbered in parentheses in text)

1. Many writers refer to the division/divergence of India and Bharat. In some parallel universe, the Indian sub-continent (of our universe) was instead divided into Bizarreland and Bazaarland. This case is set in those two lands.

2. Generally not permitted. A bit of a grey area in the accounting standards.

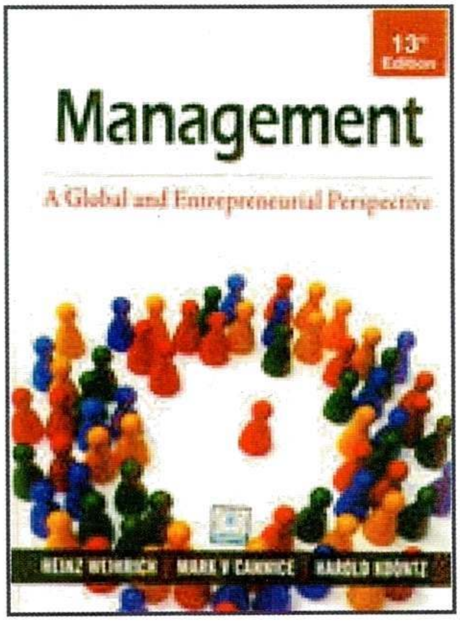
3. A type of beverage cash crop (fictitious).

4. This is called Insider trading and is illegal in many countries including India.

5. This is also illegal in India because essentially it misleads consumers about the freshness/newness of the goods and also leads to the expiry date becoming extended beyond what may be permitted.

****

BOOK REVIEW



**MANAGEMENT :
A GLOBAL AND
ENTREPRENEURIAL
PERSPECTIVE**

Heinz Weihrich, Mark Cannice, Harold Koontz,
ISBN: 13:978-0-07-070072-7,
Tata McGraw Hill company, New Delhi

The book "Management: A Global and Entrepreneurial Perspective" by the three authors takes an international view of managing. The conviction of the authors that it is an entrepreneurial spirit drives much organizational and personal success. The book describes these issues in the international perspective. It becomes necessary as national barriers are crumbling and new alliances among companies and people are emerging. Moreover with their experience of working with entrepreneurial eco-system of Silicon Valley, the authors include an innovative perspective to the practice of management not found in other management texts. Beyond the discussion of managerial issues in the America, attention is given to topics in the European Union and Asia, regions that are sometimes neglected in other management books.

All persons who work in organizations and entrepreneurs will benefit from learning about contemporary managing. It is meant for aspiring managers, managers who want to be effective, other professionals who want to understand the organization in which they work and entrepreneurs who need to learn how to plan new business and communicate this competitive edge to investors. It will also be useful for people in all lands of organizations, such as government, health care providers, educational institutions, and other not for profit enterprises.

The book is classified according to the functions of planning, organizing, staffing, leading and controlling. A systems model used throughout the book, integrates these functions into a system, it also links the enterprise with it environment. The suggested open systems view is even more important now than in the past, as the external environment has become more challenging though internationalization and more open to communication owes the Internet.

Part 1 covers the basis of global management theory and practice; it also introduces the systems model that serves as the frame work of the book. To provide the perspective of the book, Part 1 includes chapters on management and its relations to the external environment, social responsibility, and others. To emphases the international orientation, it also includes a chapter on global, comparative, and quality management. Part 2 through 6 discussions the managerial function of planning, organizing, staffing, leading, and controlling. The relevant principles, or guides, for each function are summarized in Appendix given at the end of the book.

The entrepreneurial and international perspectives of managing are emphases upon in each of the parts closing section. The closing for parts 1 to 6 have an international and entrepreneurial focus section that gives special attention to important issues such as China as a new economic power and the entrepreneurial environment of Silicon Valley. To exemplify the global competitiveness of automobile companies, a global car industry case is presented in each part closing, and to asset new entrepreneurs, the authors include a business plan outline in the format expected by business professionals.

The emphasis on the book is on managerial practice based on sound theory. New interviews with leading entrepreneurs, venture capitalists, executives and attorneys have been included to bring current and deep insight to the principle of Management entrepreneurially. Significant additional focus on managerial environment in India and China are included through cases and perspectives in the entire text. New theoretical content on the blue ocean strategy, balanced scorecard, and decision making heuristics has been introduced as they apply to the management function.

Part 1 (Chapters 1 to 3) includes discussion on management during the global financial crises and the present of energy independence as well as cases on China and the E.U. Part 2 (Chapters 4 to 6) presents new cases on management in India as well as numerous interviews and insight from Silicon Valley. The various issues of organizing are considered in Part 3 (Chapters 7 to 10) focusing on topics such as the "boundary less". Organization as practiced by General Electric along with new insight into the management of intellectual property for comparative advantage.

Staffing issues are examined in Part 4 (Chapters 11 to 13) with the identification of "the best companies to work for" as well as "most admired companies". The managerial function of leading is discussed in Part 5 (Chapters 14 to 17) Focus on Tata and Cisco are included with a perspective on the impact of proper corporate communication. In chapter 15 dealing with leadership the authors present entrepreneurial case regarding great visionaries such as Bill Gates and Steve Jobs. i.e. Microsoft and Apple. Merging of HP with Compaq is also included as a case. Part 6 (Chapters 18 to 20) deals with the managerial function of controlling, operational efficiency and effectiveness.

The appendices at the end summarize the principles, or guides, for the managerial functions of planning, organizing, staffing, leading and controlling. The principles allow the students and managers to check whether organizational problems can be traced to the violation of managerial principles. The second appendix identifies specific areas critical for the success of managers and organization. The Management Excellence Survey can be used for managerial and organizational development. These point given at the end facilitate the integration of theory with practice.

Overall the book gives a very clear insight into the basic of management. The diagrammatic and the tabular presentation of the important concepts are very handy for the readers understanding. The book therefore is a must read for students and young entrepreneurs who interest is to understand management and shape new organizations on the new management principles.

Dr. R. V. Kulkarni,
Professor and Head, Dept. of
Statistics and Quantitative Techniques,
SIBER, Kolhapur

South Asian Journal of Management Research (SAJMR)

(Published in January and July Every year)

Membership Form

Yearly Subscription : Individual ₹ 400
Institutional ₹ 500 (India)
US $ 25 (Outside India)

Please start my subscription to South Asian Journal of Management Research (SAJMR)

Name: ____________________

Address: ____________________

____

City: ____________________ PIN Code: ____________

State: ____________________

Country: ____________________

Contact No: ____________________

E-mail: ____________________

Send your payments by demand draft in favour of **Editor, South Asian Journal of Management Research (SAJMR)**, payable at Kolhapur, India.

The Editor,
South Asian Journal of Management Research (SAJMR)
Chh. Shahu Institute of Business Education and Research,
University Road,
Kolhapur 416004,
Maharashtra , INDIA

Instructions to Authors

South Asian Journal of Management Research (SAJMR) is planned to be an archival journal of research pertaining to managerial aspects in various areas of human activities. This journal is a publication of Chhatrapathi Shahu Institute of Business Education and Research (SIBER) Kolhapur, India. SIBER is a unique institute of its kind in the entire Indian subcontinent imparting postgraduate professional education in the fields of business management, social work administration, environmental studies and computer applications. Management thoughts and managerial research are the common factors that link these otherwise diverse fields. Having completed three decades, the institute now desires to cater to the international community by creating a platform for sharing the outputs of managerial research in these as well as other areas of human activities. We believe that the socio-economic and political environments in South Asian countries are more or less similar that we will be able to share the same media for this purpose. SAJMR is the realization of this vision.

Scope of the Journal

The Journal publishes original research papers pertaining to the managerial aspects of (but not limited to) Business, Industry, Information Technology, Environmental Studies, Public Administration and Social Work Administration. The journal will also consider publishing full-fledged review papers in some of these areas.

Content blend

The journal prefers to publish rigorous papers with sound methodology leading to advanced body of knowledge. Conceptual and empirical research papers, review papers, theoretical studies, case studies, simulation studies and model building will be considered for publication.

Frequency

Biannual (January and July)

Editorial Policy

SAJMR is a refereed research journal. Only original articles will be accepted for publication. The nature of the article should confine to the specification given in content blend. The manuscript submitted for publication would be screened by the editorial board for its relevance. Appropriate manuscripts would be put through blindfold reviews by two experts. On the basis of reviewers reports the editor will take a decision. Published manuscripts will be the exclusive copyright of SAJMR. The copyright includes electronic distribution as well. Accepted or otherwise the review reports will be made available to the authors of all reviewed articles.

Instructions to Authors

1. We expect the papers to have word length between 3000 and 7000.
2. First page of the manuscript should contain only the title of the paper, name(s) of author(s), name(s) and full address (es) of organisation(s) (along with phone, fax and e-mail) where the work has been carried out. The corresponding author should be marked with an asterik (*).
3. An abstract of 150 words should be included at the beginning of the paper.
4. Abstract should be followed by relevant key words.
5. The paper must be typed on MS Word with Times New Roman font, 1.5-line spacing, A4 size paper, 1.5" margin on left side and 1" margin on all other sides. The main heading should be of 16-font size and it should appear in bold characters. The rest of the paper including the sub headings and sub-sub headings should be of 12-font size.
6. Tables, Sketches and graphs can be included.
7. Section headings should be numbered serially as 1, 2, . . and it should be in bold characters. Sub sections headings should be numbered as 1.1,1.2,.. and it should appear in italics. If sub-sub sections are there they should be numbered as 1.1.1,1.1.2,......and it should appear in italics.
8. All headings should appear in title cases.
9. A short biography (one paragraph per author) of the author(s) should appear at the end of the paper.
10. References must be written in the following model.

Journal reference

Starbuck, W.H. & Mezias, J.M. (1996) Opening Pandora's box: Studying the accuracy of managers' perceptions. *Journal of Organisational Behaviour,* 17:99-117.

Book reference

Cummins, Thomas G. & Huse, Edger E. (1998) Organisational Development and Change. West Publishing Company, St. Paul, New York.

Submission of Papers

1. The manuscript should be submitted through email as an attachment file in MS Word to the Editor Dr. T.V.G. Sarma (E-mail: sajmr@siberindia.co.in, sibersajmr@gmail.com).
2. The author(s) of the research paper should give an undertaking while submitting the paper that the manuscript submitted to the journal has not been published or submitted simultaneously elsewhere and the manuscript is their original work. The duly signed undertaking should be sent to the editor by post.
3. If asked to revise, the authors have to resubmit the articles within a period of 30 days.
4. Each author will get a soft copy of the paper and a free journal copy in which their paper is published.

SOUTH ASIAN JOURNAL OF MANAGEMENT RESEARCH (SAJMR)

(An International Peer Reviewed Research Journal) ISSN 0974-763X

List of Research Papers Published in the Year 2010 - 2011

Contents of Vol.3 No. 1 January 2011

Contents of Vol.3 No. 2 July 2011

The Editor

South Asian Journal of Management Research (SAJMR)

Chh. Shahu Institute of Business Education & Research (SIBER)

University Road, Kolhapur - 416 004, Maharashtra State, INDIA

Contact: 91-231-2535706 / 07 Fax: 91-231-2535708

Website: www.siberindia.co.in, Email: sajmr@siberindia.co.in, sibersajmr@gmail.com