

SOUTH ASIAN JOURNAL OF MANAGEMENT RESEARCH (SAJMR)

Volume 4 Number 1

January 2012

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**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

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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

Problems at the Seth Group

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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 inkling 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 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.
