

RVIM JOURNAL OF MANAGEMENT RESEARCH

Vol. 7

Issue 2

July - December 2015

ISSN 0974 - 6722

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From the Desk of Chief Editor ...✍

We are placing Volume 7 Issue 2 of the RVIM Journal of Management Research in the hands of academic experts and subscribers. The current issue of Journal contains original research papers on corporate governance and insurance companies, venture capital investment, case studies on functional effectiveness and emotional intelligence. A two fold blind referral process is involved in selecting the papers for this journal. The research papers in the journal will enhance the knowledge and thoughts of the readers. This Journal would serve as a channel for knowledge sharing among academicians and practicing managers about contemporary management issue and problems. The journal intends to fulfill the information required by researchers across the countries. We hope that the readers will thoroughly benefit from the papers being compiled in journal and give their valuable feedback to enhance the quality in our publications.

Dr. T V Raju
Chief Editor

RVIM Journal of Management Research is a bi-annual publication from the portals of R. V. Institute of Management, Bangalore. Its objective is to disseminate knowledge in functional areas of management with inter-disciplinary approach.

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R. V. Institute of Management,
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ISSN 0974 - 6722

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Published & Edited by :

Dr. T.V. Raju, Director
R. V. Institute of Management,
on behalf of R. V. Institute of
Management, Bangalore

Printed by :

Narayan M.
Kruthika Print-Ad
No. 58, 1st Cross, J.K. Puram,
Vinayakanagar, Adugodi Post,
Bangalore - 560 030. Ph : 080-2211 3419

Subscription

RVIM Journal of Management Research is published half yearly and is available against subscription only. Subscription rates for Individual / Institutions is Rs. 500/- per year.

For Subscription

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A CASE STUDY ON IMPACT OF ERP IMPLEMENTATION ON SMB FIRM PERFORMANCE

Janipella Shanti*

Sunil Kumar**

Abstract :

The deployment of business automation and processes integration systems like enterprise resources planning (ERP) has brought in remarkable successes in helping companies to stream line their businesses. ERPs integrate material, monetary and information flows through a set of integrated application modules (Scapens and Jazayeri, 2003; Nicolaou, 2004a). They are implemented to help manage the organization in an integrated manner (Nicolaou, 2004a). Wagner, Scott and Galliers (2011) find that ERP adoption leads to improvements in transaction processing capabilities, in coordinating record keeping and reducing the cost of duplicating data.

Selecting the right ERP solution and technology platform are the key factors in ensuring the success of a business automation and integration system. However, the small and medium businesses (SMBs) are yet to unlock their potential and see successes in the same areas because of the lack of knowledge, process compatibility and easy to deploy integrated software systems.

The methodology adopted is 'Case Study' method. The paper examines the extent to which the implementation of ERP impacts both business strategy and organizational performance. It helps to understand how ERP can help various ways to streamline businesses, improve productivity and efficiencies of SMBs.

Keywords: ERP Implementation, Organizational Performance, Performance Management, Management Strategy, Change Management, Business Processes Re-engineering, Business Automation.

Introduction

The implementation of Enterprise Resource Planning (ERP) has brought in remarkable success in favour of companies to stream line business, reduction of costs, improvement in productivity, augmenting service quality,

amplifying processes effectiveness and operations excellence. This progress has been seen in the same way by companies transversely in their business units, internal departments and across their divisions.

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ERP is short for *enterprise resource planning*. Enterprise resource planning (ERP) is a business process management software that allows an organization to use a system of integrated applications to manage the business and automate many of the back office functions that are related with different areas of technology, services and human resources. ERP software integrates all the facets of an operation, including product planning, development, manufacturing, sales and marketing. ERP software is considered an enterprise application as it is designed to be used by larger businesses and often requires dedicated teams to customize and analyze the data and to handle upgrades and deployment. In contrast, small business ERP applications are lightweight business management software solutions can be customized for the business industry.

Selecting the right ERP Solution and technology platform are the key factors in ensuring the success of a business automation and integration system. The research paper helps to understand how the 'OnCloud ERP' can help various ways to streamline businesses, improve productivity and value add to SMBs. The aim of this paper is to review the current research surrounding the benefits of implementing ERP systems and to explore this relationship using success and failure of implementation in SMB.

Research Objectives

1. To investigate the relationship between ERP adoption and business performance.
2. To determine the issues and challenges faced in ERP implementation

Methodology

The Research design is exploratory in nature

and the methodology of Case Study is adopted. A total of ten companies have been chosen for analysis of which five Indian companies and five companies from USA were chosen as in (Table 4). The data collected is primary data about the companies from the vendor of ERP implementation. The software employees involved in implementation were surveyed in areas of pre and post implementation stages such as type of industry, functional and domain knowledge specific to the industry, number of user licences, implementation duration and implementation costs. The owner of the vendor company was interviewed to come up with the perception of issues and challenges faced in ERP implementation with specific reference to the SMB market and companies being researched. The type of data thus collected was qualitative data. This paper provides analysis of the ERP initiatives reported by select companies in their annual reports and company websites. The websites, post implementation inputs, feedback reports were premeditated to come up with similarities and differences regarding company performance.

Literature Review

MSME in India United Nations Industrial Development Organisation, UNIDO (2003) in the WSIS Report indicates that the only way to reduce poverty in a sustainable way is to promote economic growth, through wealth and employment creation. In developing countries, SMEs are the major source of income, a breeding ground for entrepreneurs and a provider of employment. They are a vehicle for mushrooming entrepreneurship in the Private sector. MSME contribute to the employment and GDP of India. (Table 3)

Micro, Small and Medium Enterprises

(MSMEs) play a significant role in the development of the industrial economy of the country. The sector contributes approximately eight percent to the national GDP and employs over eight crore people in nearly four crore enterprises. The sector accounts for 45 percent of manufactured output and 40 percent of exports from India. This MSME data is on the basis of results of Third and Fourth All India Census of Small Scale Industries/Micro, Small & Medium Enterprises.

According to the Ministry Of Micro, Small and Medium Enterprises, the number of MSME units in India has grown at a CAGR of 4.5 per cent during the financial years 2007 to 2011. MSMEs has shown constant growth rate of more than 10% every year till 2010-11 whereas in the year 2012-13 growth rate was 13.89%. The cumulative investments in the MSME units rose at a CAGR of 11.5 per cent during the same period and stood at 31.2 million at the end of financial year 2011. A complex and unfriendly business ecosystem pushes small entrepreneurs towards the informal and unregistered segment, which is growing faster than the Organised segment.

ICT and SMB ICT can enhance MSMEs in order to keep them competitive and sustainable. Ritchie and Brindley (2005) define Information and Communication Technology (ICT) as “the array of primarily digital technologies designed to collect, organise, store, process and communicate information within and external to an organisation and, in our case, SMEs”. ICT covers technologies like the simple telephone, point-of-sale systems, stand-alone PCs, networked environments, Internet and credit card facilities. The SME can utilize the potential of ICT by aligning the unit operations with use of basic or complex ICT technologies.

A study carried out by FICCI indicates that that in the last 15 years, Internet has turned out to be one of the most promising tools which SMEs can leverage for their growth. Electronic Commerce is giving MSMEs access to markets producers could not reach or afford to reach hitherto. New generation IT models including Software as a Service (Saas) and Infrastructure as a Service (IaaS) are helping SMEs overcoming the technological divide.

ERP and SMB Performance Despite its size, the SMB segment is plagued with many problems like a highly unorganised and fragmented segment with problems of scalability and funding issues. There are operational problems due to supply chain inefficiencies. Further SMBs have been facing stiff competition both in the domestic and global markets. This segment has therefore, a compelling need to streamline their operations, standardise the processes, and improve their productivity. These business needs are thus driving increased investments in IT solutions that can enable meet business objectives and improve the business performance. The gap in business improvements can be filled by adopting a company specific ERP solution. The challenges are providing opportunity to the Information and Communications technology (ICT) players to comprehensively evaluate and devise an SMB-specific growth strategy. The need of the hour is thus for cost-effective technological solutions backed by scalable business models that can easily help SMBs understand the impact of solutions on day to day business operations and can help SMBs to grow.

The eagerness for adopting ERP systems for SME include pressure from clients, gaps in efficiency and productivity, the need to gain

competitive advantage and respond quickly to the dynamic market scenario. Firms that have been successful in implementing and using ERP systems can get superior financial performance by raising revenues or decreasing costs (Nicolaou & Bajor, 2011). A noticeable reduction in raw materials and finished goods inventories should also be an expected outcome for most ERP adopting firms. The increased efficiency in business processes that results from internal integration, higher quality information, and external integration with trading partners, should produce savings in product cost as a proportion of sales.

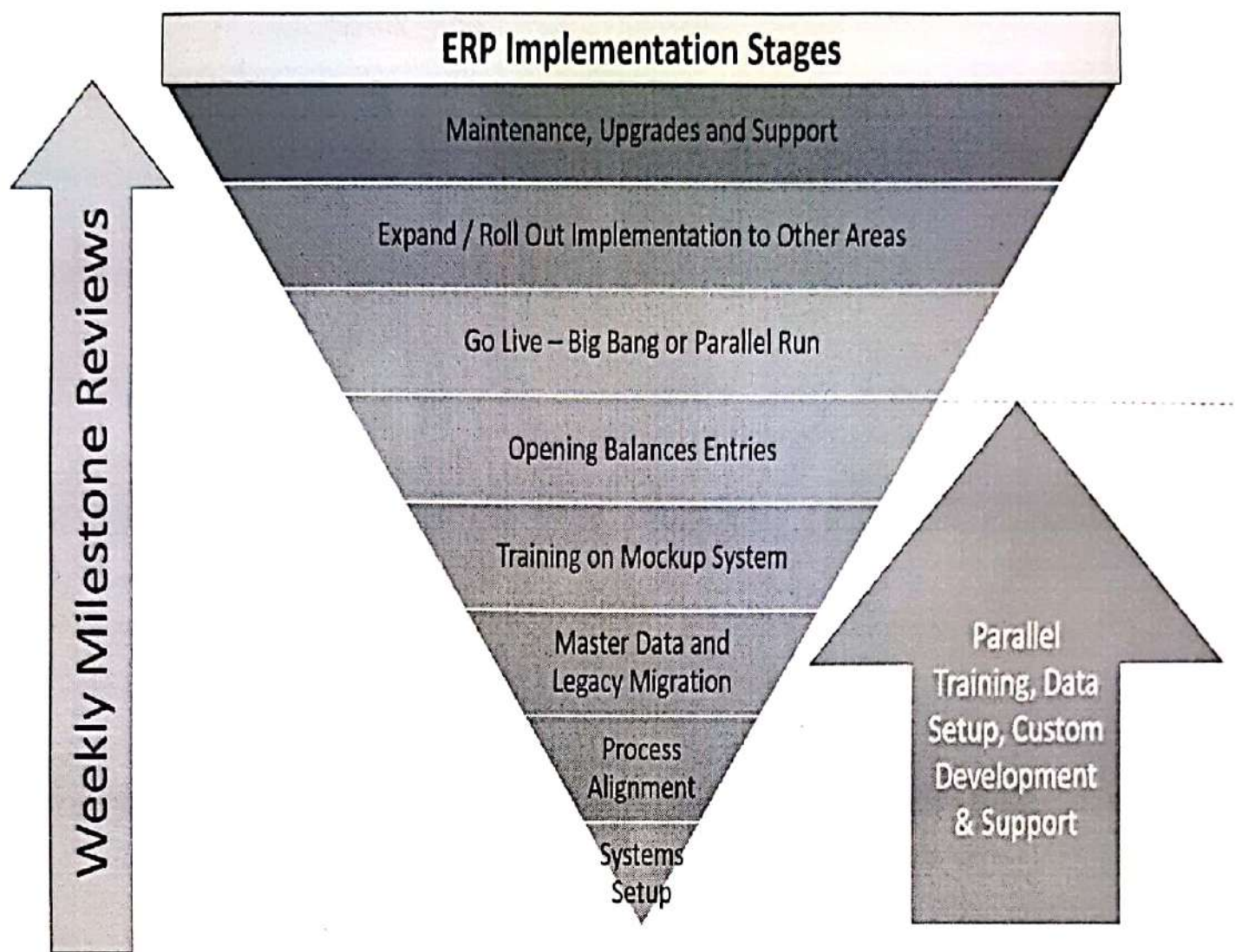
Garg (2006) mentions the key benefits of ERP implementation being lower manufacturing cycle time, reduced inventory, systematic ordering, reduced manpower, rapid response to changing market situations. The benefits also translate into better utilization of resources, increased customer satisfaction and a global presence.

The reasons for implementing ERP are either for technical gains or for business reasons. In a long-term examination of differences between ERP adopters and non-adopters, Nicolaou (2004a) reported that a lag of at least 2 years was necessary before adopters would begin to demonstrate positive differential financial performance in comparison to their non-adopting peers. One of the technical reasons for adopting ERP is replacement of disparate systems into a single integrated system (Hitt et al., 2002). They also mention the business reasons being automation and reengineering of business processes for ERP implementation.

In addition, benefits expected from implementation of ERP systems include tangible benefits like reducing costs, reducing operations time, and a lean organization, while intangible benefits like information integration, better information quality, and increase in customer satisfaction also exist (Loh et al., 2006; Nicolaou, 2004). Shang and Seddon (2000) created an ERP benefit list from a review of 233 ERP-vendor success stories published on the worldwide web to confirm the content of their analysis. The ERP benefits found were classified into five benefit categories namely operational, managerial, strategic, IT infrastructure and organisational.

Cloud adoption will continue to transform ecosystem Cloud model is one of the key requirements for SMB penetration. This technology platform is enabling SMBs to adopt business applications without large investments and attain technology benefits without being concerned about the management and technical expertise required. As a result, SaaS adoption by SMBs in India is growing at a CAGR of more than 25 per cent and is expected to reach 20 billion (~USD 370 million) by FY2018.

ERP Implementation ERP system implementation can follow two kind of approaches. One approach is the plain vanilla version of the ERP when the business process re-engineering is carried out to fit the standard ERP system functionality. The second approach is where the ERP system is customized to fit the business processes of the organization.



Typical ERP Selection and Roll Out Stages as per the ERP vendor

1. ERP vendor Shortlisting
2. BPR (Business process reengineering)
3. Master Data Import and Legacy Data Migration
4. Training on Mockup DataBase
5. External Reports Review and Customization/Thirdparty Integrations
6. Opening Balances and Opening Stock Entries
7. Go Live and Live Transaction Entry

8. Support Handover, Review Implemented System and Feedback

Company details This paper is about the ERP implementation vendor that has been involved with both US companies and Indian companies. The details of the Industry, Business impact and post implementation status for the companies under study are mentioned. Table 1 and 2 are showing the number and types of business organizations in this case study.

Companies from US Region: Table 1

#	Company Reference	Industry and Business Type	Implementation Status	Business Impact
U1	Gift Basket and Chocolate Supplier and Distributor	B2B and B2C : Retail and WholeSale	Implemented 4 Years ago	Successful and Revenue Growth of 150%
U2	Aviation Products Distributor	B2B : WholeSales Distribution	1 Year Ago	Streamlined Distribution Business
U3	Home Furnishing Products	B2C : Retailer	Live for last 2.5 Years	Process Streamlined, Ecommerce Sales Channel and 25% Increase in top line.
U4	HVAC Equipment, Parts and Supplies	B2B WholeSales and Distribution	Live for last 3 Years	End to end process improvement and costs reduced by 15%
U5	Sporting Goods Supplier	B2C Retailer	Live 2 years	Partially Successful. Still learning. Revenues went up by 20%

Companies from India Region: Table 2

#	Company Reference	Industry and Business Type	Implementation Status	Business Impact
I1	HVAC Dealer and Servicing	B2B, Services	1 Year, Implemented, dropped and reviving again	Inventory Parts Visibility, Streamlined Communication. Single DataStore
I2	Display and Writing Boards Supplier	B2B and B2C Manufacturer, Retailer and Distributor	1 Year : Failed	Implemented and dropped. User Resistance for IT and tech savvy is low
I3	Electrical Fabricator and Part Supplier / Services	B2B : Electrical Installation Supplier and Service Provider.	1 Year. Did not go live	2 Years tried various options to go live, but not successful. Owner is keen. Users Profile Mismatch.
I4	Network Solution Provider	B2B IT Network Supplies	Agreed to implement. Did not pickup. ERP Cost Decision impact.	Scope changed from Inventory Mgmt to Project Management.
I5	Mobiles Retailer and Dealer	B2C and B2B Retail and Wholesales	Implemented and Revisted after 2 years: Failed	Business gone bankrupt.

Implementation Issues and challenges

Several factors continue to challenge IT adoption among SMBs like high cost of ownership, poor governance, limited top management support, fear and lack of vendor support and adherence to Service level agreements (SLAs), unorganised segments, non scalable sizes, limited technology skillsets adversely impact the usage of ERP during and post implementation of the ERP.

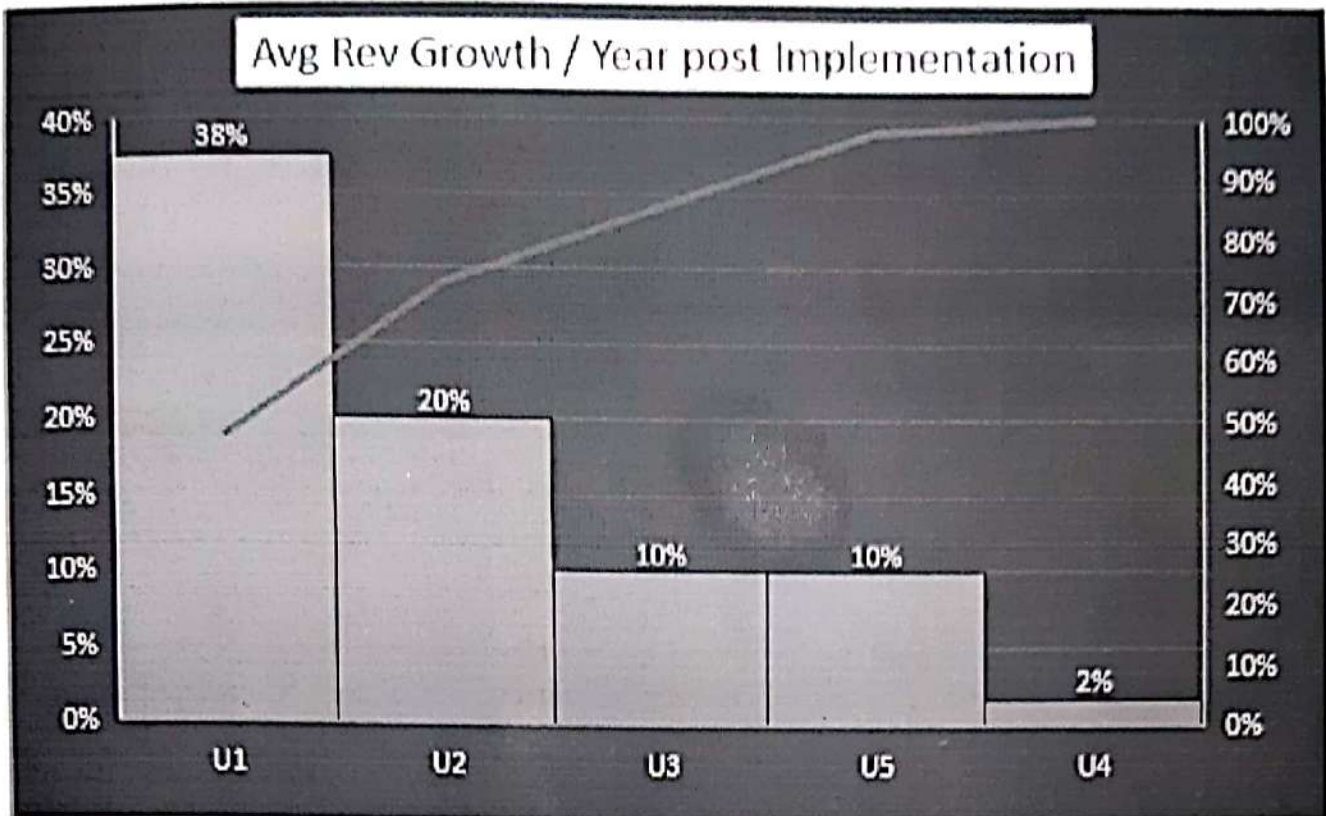
1. Mismatch of product and features expectations: Requirements are gathered, validated, and tested based upon a limited scope. There is a conflict of requirements and misaligned expectations between the ERP vendors and customers. This issue can be overcome if ERP vendors can evolve their ERP software to provide additional flexibility in configurations to allow variances based upon industry, line of business, country and even user preferences. Also the requirements data should be collected in a Logical progression and across all business stakeholders. In addressing the business need the vendor can go for Automation or create the Business processes to address the need.
2. Process re-engineering and change management: Business Process Reengineering (BPR) is the redesign of business processes and the systems, policies, and organizational structures that support them to optimize the work flows and productivity in an organization. Process Change Management and Adherence. Alignment of business processes to ERP software, rather than modifying the software, has proven to be a success factor for implementation. Customization is

compounded by an unwillingness to change business processes.

3. The amount and quality of Data availability is a challenge. Even when data is composed there is no standardization and Synchronization of various departmental data.
4. End Users Roles and Understanding Levels This can be resolved by User Training for system acceptance and Usability, Domain and Functional Knowledge Transfers.
5. One major factor for failure is considering ERP implementation to be a mere automation project instead of a project involving change management. It is a business solution rather than an IT solution, as is perceived by most organizations. Yet another reason for failure is over customization of the ERP system. Therefore, organizations need to very carefully go about their ERP implementations, if they are to be successful.

Results

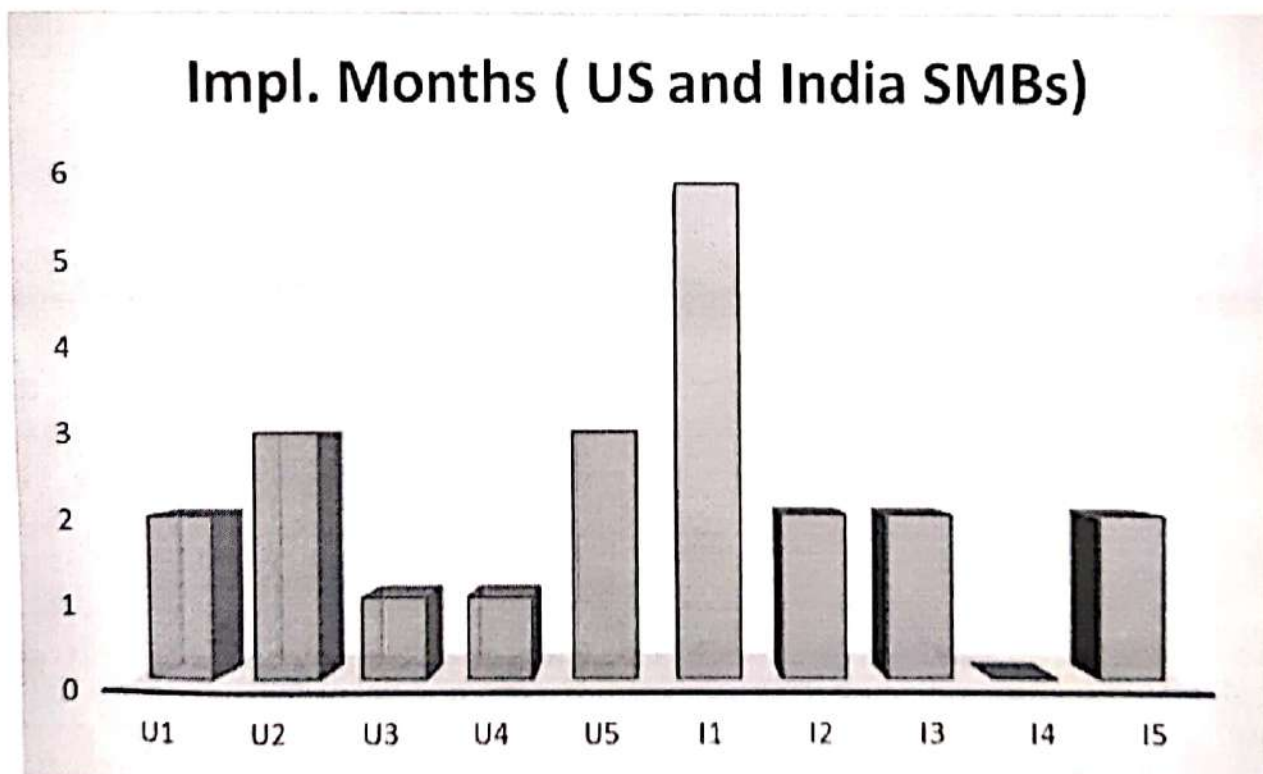
1. The US company Gift Basket and Chocolate Supplier and Distributor from Table 1 has shown a Revenue Growth of 150%, Home Furnishing Products showed a 25% increase in top line. The HVAC Equipment, Parts and Supplies company experienced costs reduction by 15%. The chart indicates the average revenue growth which were averaged out for the number of the years post implementation.



1. Chart indicating average revenue growth of US companies

2. Although the implementation duration as given in Table 4 is similar for US based companies and the Indian companies but the

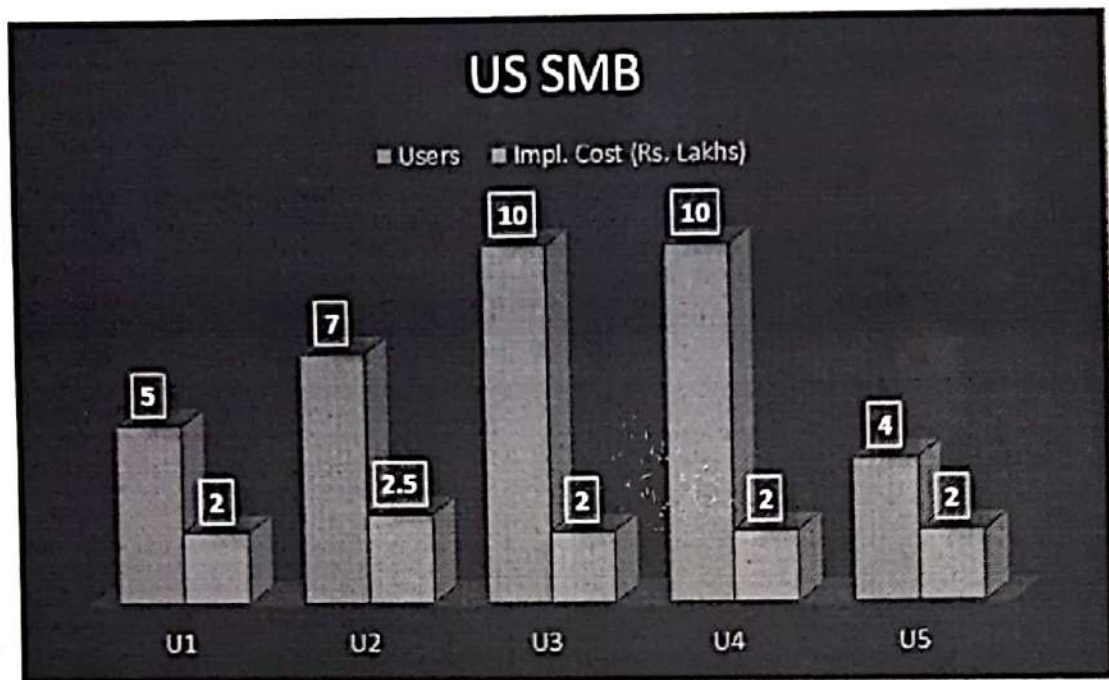
effective hours spent on implementation in US companies is lesser as compared to the Indian companies.



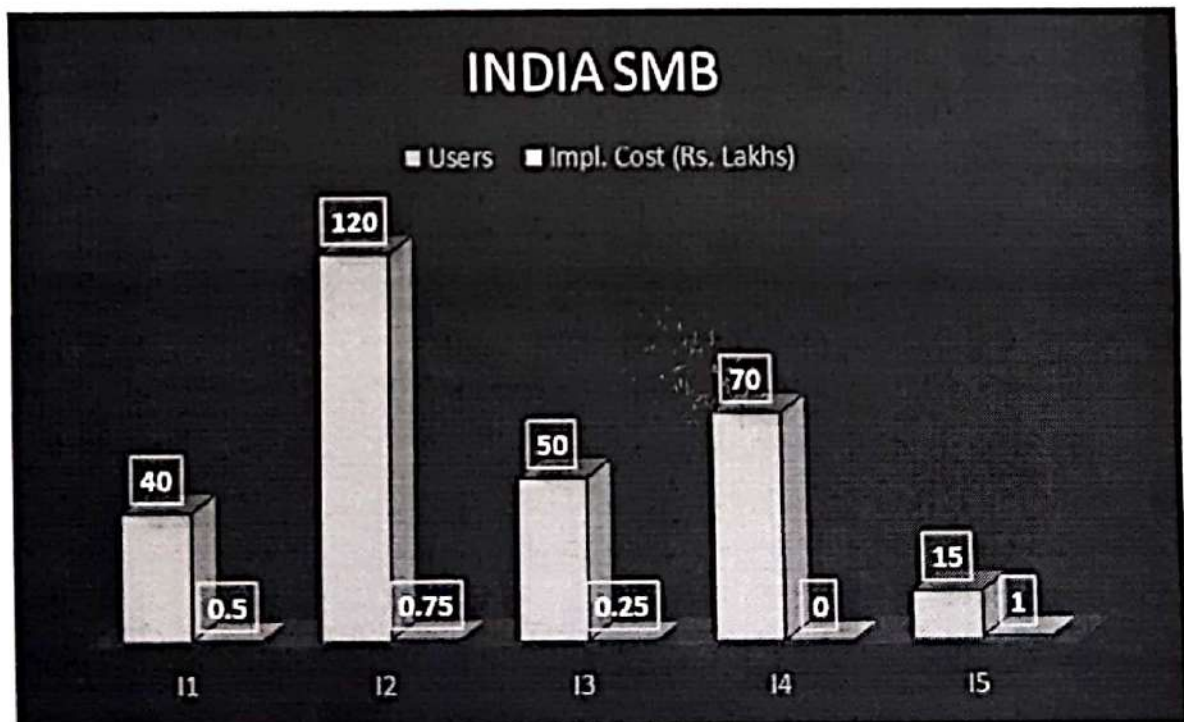
2. Chart indicating ERP implementation of US and Indian companies

3. The number of users in the US SMBs are less but the associated implementation costs are high, whereas number of users in the Indian SMBs are more and the associated

implementation costs are low indicating that inclination of Indian spending on ERP products and services is low.



3. Chart indicating number of users and implementation cost of US companies



4. Chart indicating number of users and implementation cost of US companies

4. The issue of User Resistance and Technical Profile was found in Indian companies indicating that employees are good with functional knowledge but they have resistance while using the ERP product.
5. There was a change in Scope of project during implementation in the Indian companies.

Managerial Implications

The resource scarcity, the lack of strategic planning of information systems, the limited expertise in Information technology and the opportunity to adopt a process-oriented view of the business are among the factors that strongly influence, either positively or negatively, ERP adoption by SMBs (Levy et al., 2000).

There are certain measures that can help ERP adoption the first being **Developing a long term vision** and **Top management** involvement to enhance the SMB performance. The Strategy and the **value proposition** should be prepared to meet the market needs. Also the company needs to clearly **Define measurable business metrics** like Return on Investment and other financial and operational measures. There should be enough planning on the **Post-implementation stages** access and support.

Cloud model is one of the key requirements for SMB penetration. Cloud adoption will continue to transform ecosystem. This technology platform is enabling SMBs to adopt business applications without large investments and attain technology benefits without being concerned about the management and technical expertise required. As a result, SaaS adoption by SMBs in India is growing at a CAGR of more than 25 per cent and is expected to reach

20 billion (\$USD 370 million) by FY2018. Corporate security concerns, initial infrastructure costs and recurring maintenance expenses are also leading to demand for Infrastructure-as-a-Service (IaaS) among SMBs, especially the managed infrastructure models.

Conclusion

With the advent of a challenging business environment, SMBs are now implementing ERP packages to enable the company to be more competitive, efficient and customer-friendly. However the SME market poses some unique problems to ERP vendors and implementers. Companies can see success in ERP implementation by alignment of business processes to ERP software rather than modifying the software. The findings of this paper hold significance for any organization in the small and medium scale sector which wishes to leverage the benefits of integration of business processes by implementing an ERP system in their organization.

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Annexures and Tables

Table 3: Definition and classification of MSME

For the Manufacturing Sector	
Enterprises	Investment in plant & machinery
Micro Enterprises	Does not exceed Rs. 25 lakh
Small Enterprises	More than Rs. 25 lakh but does not exceed Rs. 5 crore
Medium Enterprises	More than Rs. 5 crore but does not exceed Rs. 10 crore
For the Service Sector	
Enterprises	Investment in equipments
Micro Enterprises	Does not exceed Rs. 10 lakh
Small Enterprises	More than Rs. 10 lakh but does not exceed Rs. 2 crore
Medium Enterprises	More than Rs. 2 crore but does not exceed Rs. 5 crore

Source: Small & Medium Business Development Chamber of India, Aranca Research

Table 4 : Company Users and Implementation Duration

#	Company	Region	Number of Users	Implementation Duration (In Months)
1	Gift Basket and Chocolate Supplier and Distributor	USA	5	2
2	Aviation Products Distributor	USA	7	3
3	Home Furnishing Products	USA	10	1
4	HVAC Equipment, Parts and Supplies	USA	10	1
5	Sporting Goods Supplier	USA	4	3
6	HVAC Dealer and Servicing	India	40	6
7	Display and Writing Boards Supplier	India	120	2
8	Electrical Fabricator and Part Supplier / Services	India	50	2
9	Network Solution Provider	India	70	0
10	Mobiles Retailer and Dealer	India	15	2

FINANCE DISCIPLINE AND CORPORATE GOVERNANCE IN INDIAN INSURANCE COMPANIES - A STUDY ON THE ROLE IRDA

Chandrakantha K*
Dr. M. RamachandraGowda**

Abstract:

The economic reforms initiated in India in the early 90s paved the way for the growth and opening up of the financial sector. Insurance and banking are the main components of finance sector. The reforms in insurance sector started in the year 2000 with the implementation of recommendations made by the Malhotra committee. The Indian insurance industry was opened up for private players in the year 2000 with the enactment of IRDA Act and they allowed having Foreign Direct Investment up to a limit of 26%. However to meet the capital requirement of private insurance companies the Government approved to enhance the FDI cap from 26% to 49%. In the last fourteen years of period the insurance industry has moved forward on multiple fronts. At the same time the industry is faced with many challenges. Insurance and Regulatory and Development Authority (IRDA) an authorised body to regulate the insurance companies has taken many initiatives to monitor and regulate the public and private insurance companies operating in India. Of course liberalisation in insurance sector has brought some positive changes in the industry but at the same time it demands to strengthen CSR and Governance principles for sustainable growth in the industry. Corporate Governance is understood as a system of financial and other managerial controls in a corporate entity. In case financial sector, where the entities accept public liabilities for fulfilment of certain contracts, the relationship is fiduciary with enhanced responsibility to protect the interests of the stakeholders. As regards the insurance sector there is a regulatory responsibility to protect the interest of the policyholders and other stakeholders. To meet the regulatory demands, insurance companies are required to have good governance practices for maintenance of solvency, sound long term investment policy and assumption of underwriting risks on a prudential basis. On this backdrop the paper attempts to study the role of IRDA in regulating financial discipline and corporate governance among insurance companies in India.

Key words: Liberalisation, FDI, Corporate Governance, IRDA

Introduction

As a financial service, Insurance is an integral part of national economy and a strong pillar of financial market. Ample of studies suggests that

Insurance contributes materially to economic growth by improving the investment climate and promoting a more efficient mix of activities that would be undertaken in the absence of risk

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management instruments (Tapen Sinha 2004). Insurance serves a number of valuable economic functions that are largely distinct from the functions served by other types of financial intermediaries. United Nations Conference on Trade and Development (UNCTAD) pronounced that a sound insurance and re-insurance market is an essential characteristic of economic growth.

In the era of globalisation and massive cross border flow of capital, accounting and financial reporting plays a major role to attain corporate governance. The quality of accounting and financial reporting is constantly evolving in response to informational needs, expectations and demands of financial users. Fairness in accounting is an indication of good corporate governance. In India a set of principles called Generally Accepted Accounting Principles (GAAP) guide the accounting professionals in preparing accounting and financial reports. However to meet the changing requirements, India has set a road map for convergence with International Financial Reporting Standard (IFRS) commencing from 1st April, 2011. The Indian insurance companies are required to comply with the requirements of the IRDA regulations in preparing and presenting their financial reports.

Corporate Governance is a system in which companies are directed and controlled. It encompasses the means by which the board and senior management are held accountable and responsible for their actions and includes corporate discipline, transparency, Independence, accountability, responsibility, fairness and social responsibility. The presence of an effective corporate governance system helps to provide a degree of confidence that is for the proper functioning of a market and

economic growth. Good Corporate Governance in the insurance sector requires a set of comprehensive internal control procedures and policies established by board of directors and implemented by skilled personnel led by effective management. As insurance is a long term contract it has to create continuous trust and confidence in policy holders or customers. The Insurance Regulatory (IRDA) has the responsibility to protect the interest of the policyholder and so it demands that insurers to have good Governance practices for maintenance of Solvency Margin, Sound long term investment policy and assumption of underwriting risks on a prudential basis.

Objectives of the study

- To understand the system of Corporate Governance in Insurance Companies
- To study the role of IRDA in Regulating and Governing Insurance Companies operating in India.

Research Methodology

The study is done based on primary data and secondary data. The Required information has been collected from the annual reports published by IRDA and the journals like 'The journal' published by Insurance institute of India, and articles related to insurance. The primary data has been collected through Questionnaire from policy holders, insurance executives and agents. The total sample size is 240 out of that 120 are policy holders, 60 are insurance executives from public and private Life Insurance companies and the remaining 60 are agents and brokers working in Karnataka. The respondents are white colour people who are aware of insurance and recent reforms in insurance. The questionnaire was prepared on 'Likert scale'

basis to get information about the functions and responsibilities of IRDA. The data collected are tabulated and analysed by using percentages and graphs.

Insurance Industry in India- An overview

The Indian insurance industry is more than 150 years old. It has witnessed many phases of the working from the days when there were many private sector companies initially and then moved to nationalisation and again to the private sector. There is a remarkable improvement in the Indian insurance business soon after the liberalisation of insurance sector. The Indian insurance industry was opened for private insurers in the year 1999, with the enforcement and establishment of industrial regulatory and development authority Act (IRDA).

Milestones in Insurance reforms in India:

- 1956 - Nationalization of insurance industry and establishment of LIC.
- 1957 - Framing of a code of conduct by the general insurance council to ensure fair conduct and ethical business practice.
- 1972- Nationalization of general insurance. Establishment of GIC with four subsidiaries.
- 1991 - Beginning of economic liberalization.
- 1993 - Malhotra committee set up to complement the reforms initiated in the financial sector.
- 1999 - Insurance Regulatory and Development Authority (IRDA) bill passed in parliament
- 2000 -IRDA incorporated as the statutory body to regulate and register private sector Insurance companies.

Insurance regulatory and Development Authority (IRDA):

Insurance Regulatory and Development Authority (IRDA) is a statutory body set up for protecting the interests of the policyholders and regulating, promoting and ensuring orderly growth of the insurance industry in India. Following the recommendations of the Malhotra Committee report, in 1999, the Insurance Regulatory and Development Authority was constituted as an autonomous body to regulate and develop the insurance industry. The IRDA opened up the market in August 2000 for private players with the invitation for registrations. Foreign companies were allowed ownership of up to 26%(now it is 49%). In December 2000, the subsidiaries of the General Insurance Corporation of India were restructured as independent companies and at the same time GIC was converted into a national reinsurer. Parliament passed a bill de-linking the four subsidiaries from GIC in July, 2012. The entry of private players with FDI has led to tremendous changes in Indian life insurance industry. Since opening up, the number of participants in the industry has gone up from seven insurers in the year 2000 to 52 insurers in 2015, operating in the life, non-life and re-insurance segments. As at the end of September 2015, there are 24 life insurance companies operating in India, of which one is LIC the state owned Life Insurance Corporation and the remaining 23 are in private sector. The increase in the Number of insurance companies has brought many changes and challenges in the industry.

The Insurance laws (Amendment) Act 2015 and hike in FDI cap from 26% to 49% is a second stage reforms in insurance sector. The

Act is aimed to allow insurance companies to generate capital and to generate resources for business. The life insurance industry is capital intensive, and insurers are required to infuse capital at regular intervals to meet the expenses like, training costs for development of the distribution channels, creating niche market, expansion of branches and other developmental activities. The experience of the insurance markets globally indicates that companies in the life sector take seven to ten years to break-even. Against this backdrop there was a huge demand from private insurers to hike FDI cap from 26% to 49%, and it was approved by the Government by the enactment of Insurance laws (amendment) Act 2015. The Act will also enable empowering IRDA to regulate key aspects like solvency, Investment structure, operational expenses and commissions of insurance companies.

Financial Reporting and Corporate Governance –Guidelines:

The Companies Act 1956 provides the basic requirements relating to financial reporting of all companies incorporated in India. The companies Act requires the preparation, presentation, publication and disclosure of financial statements and an audit of all companies by a member in practice certified by the Institute of Chartered Accountants of India (ICAI). Schedule VI to the Act prescribes the form, content and minimum disclosure requirement of financial statements. The Insurance Regulatory and Development Authority (IRDA) regulates' the financial reporting practices of insurance companies under the IRDA Act. All insurance companies are required to appoint two firms of auditors for a period of four years. The firms are selected from the list of approved auditors maintained

by IRDA. Section 11 (1) of the insurance Act, 1938 states that every insurer shall at the end of each financial year prepare the given statements.

- A balance sheet in the forms set forth in part 11 of the first schedule and in accordance with the regulations contained in part 1 of that schedule.
- In respect of each class of subclass of business, insurer is required to keep separate accounts of receipts and payments, a revenue account in accordance with the regulations contained in part 1 and in the forms set forth in part 11 of the third schedule applicable to that class or sub class of business.
- In case of life insurance, Revenue account has to be prepared in the form D specified by the Act. The difference in the revenue account that is profit to be named as Life Assurance Fund.

Like any other industry, insurance is also prone to the risk of fraud. Insurance frauds are very diverse and they occur in all areas and stages of insurance. With the privatization and increased competition, underwriting has taken a backstage. Increase in non-medical scheme limits and waiving of financials, the relaxation of processes have opened the gates to fraudulent claims.

To protect the interest of policyholders and the stakeholders the Insurance Regulatory body (IRDA) has taken many initiatives through corporate governance guidelines. Financial Reporting and Actuarial Standards are strengthened by the additional measures which were taken by the Authority to improve transparency and disclosures in reporting the

financial statement. Effective from the financial year 2008-2009 onwards, all insurers have been advised to file details of penal actions taken by various Government authorities. The said information is required to be duly certified by the Statutory Auditor of the insurer. Again insurers are also advised to file a return on an annual basis giving details of Chartered Accountant firms engaged in various capacities, like Statutory Auditor, Internal Auditors, Concurrent Auditor, Tax Auditors and other Auditors.

Corporate Governance guidelines have been put in place for insurance companies and are required to comply with the new guidelines issued with effect from 1st April, 2010. The guidelines provide for the structure responsibilities and functions of the Board of

Directors and the Senior Management of the company. The guidelines cover the major structural elements of an insurance company, including Governance structure, Board of Directors Control Functions, Senior Management- CEO and other Senior functionaries, Role appointed actuaries, External audit, Appointment of statutory Auditors, Disclosures, Outsourcing, Relations with stakeholders, interaction with the supervisors and the Whistle Blowing Policy.

Data Analysis and Findings

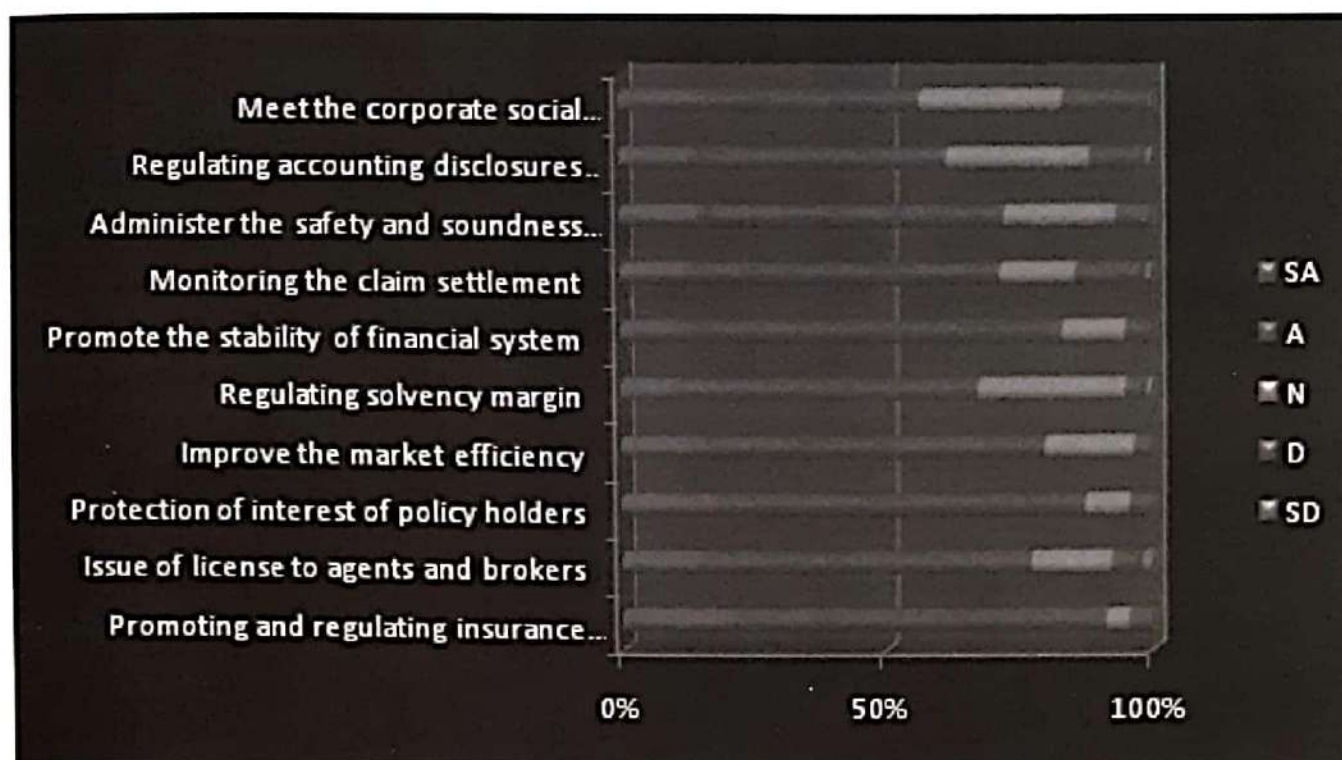
The primary data collected from the policyholders, insurance executives and agents are tabulated and interpreted by calculating percentages and graphs.

Table: 1

Opinion of policy holders about the role of IRDA in regulating insurance business

Sl. No.	Statement	N = 120				
		SA	A	N	D	SD
a.	Promoting and regulating insurance business	25 20.8%	85 70.8%	5 4.2%	5 4.2%	0 0.0%
b.	Issue of license to agents and brokers	18 15.0%	75 62.5%	18 15.0%	6 5.0%	3 2.5%
c.	Protection of interest of policy holders	22 18.3%	83 69.2%	10 8.3%	5 4.2%	0 0.0%
d.	Improve the market efficiency	19 15.8%	77 64.2%	20 16.7%	4 3.3%	0 0.0%
e.	Regulating solvency margin	13 10.8%	68 56.7%	33 27.5%	4 3.3%	2 1.7%
f.	Promote the stability of financial system	14 11.7%	86 71.7%	14 11.7%	6 5.0%	0 0.0%
g.	Monitoring the claim settlement	15 12.5%	71 59.2%	17 14.2%	15 12.5%	2 1.7%
h.	Administer the safety and soundness of insurers	18 15.0%	69 57.5%	25 20.8%	8 6.7%	0 0.0%
i.	Regulating accounting disclosures (Transparency and governance in insurance business)	17 14.2%	57 47.5%	32 26.7%	12 10.0%	2 1.7%
j.	Meet the corporate social responsibility by rural coverage	20 16.7%	48 40.0%	32 26.7%	19 15.8%	1 0.8%

Chart:1 Opinion of policy holders about the role of IRDA in regulating insurance business



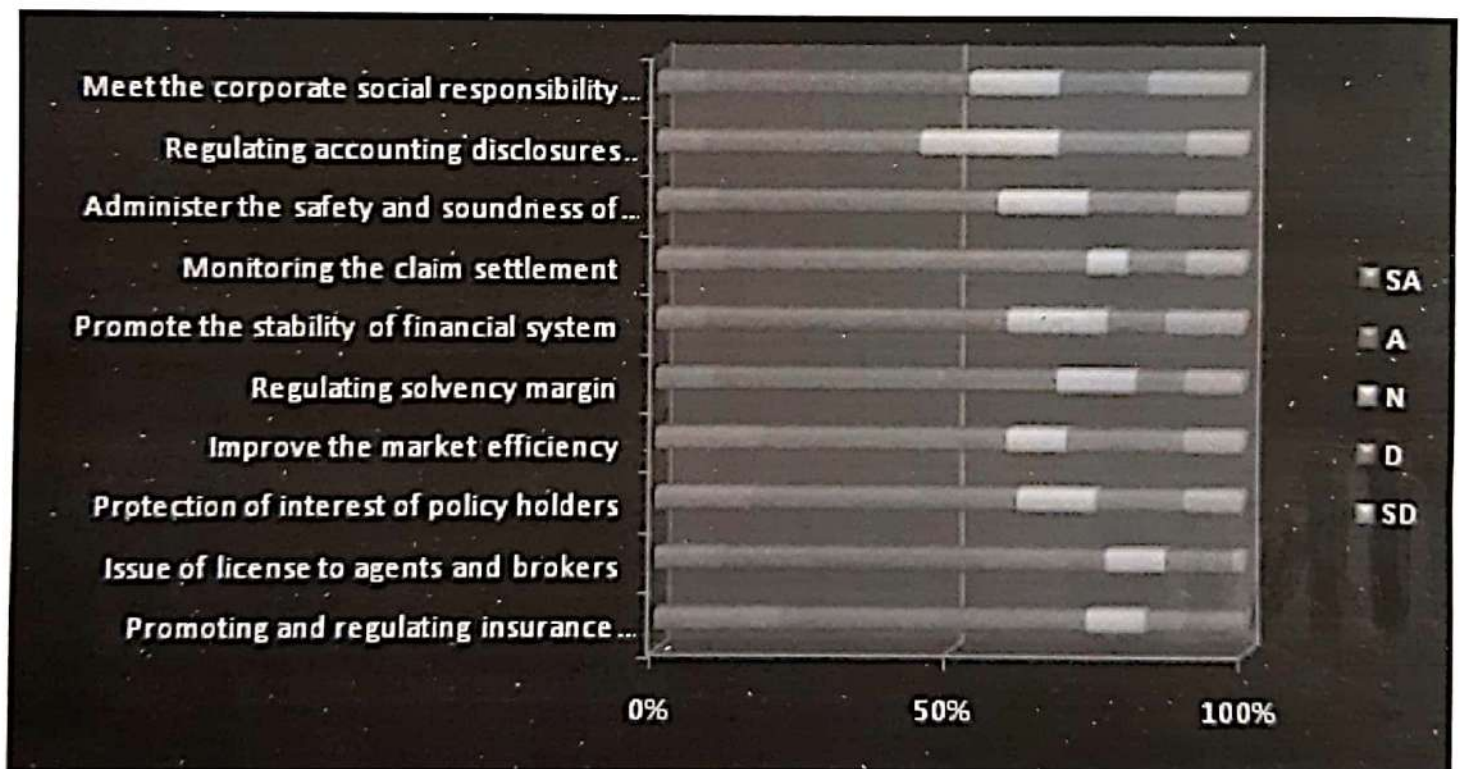
The above table and chart shows that policy holders are much satisfied with regulatory role of IRDA and the opined that IRDA is playing significant role in administering the financial soundness of insurers by regulating solvency margin and monitoring claim settlement process and thereby protecting the interest of policyholders. However they opine that IRDA needs to strengthen its regulations towards Accounting disclosures, Corporate Governance and Corporate Social Responsibility.

Table:2 Opinion of insurance executives and agents about the role IRDA in regulating Insurance business

Sl. No.	Statement	N = 120				
		SA	A	N	D	SD
a.	Promoting and regulating insurance business	26 21.7%	62 51.7%	12 10.0%	20 16.7%	0 0.0%
b.	Issue of license to agents and brokers	14 11.7%	78 65.0%	12 10.0%	14 11.7%	2 1.7%
c.	Protection of interest of policy holders	20 16.7%	54 45.0%	16 13.3%	18 15.0%	12 10.0%
d.	Improve the market efficiency	22 18.3%	50 41.7%	12 10.0%	24 20.0%	12 10.0%
e.	Regulating solvency margin	12 10.0%	70 58.3%	16 13.3%	10 8.3%	12 10.0%

f.	Promote the stability of financial system	10 8.3%	62 51.7%	20 16.7%	12 10.0%	16 13.3%
g.	Monitoring the claim settlement	14 11.7%	74 61.7%	8 6.7%	12 10.0%	12 10.0%
h.	Administer the safety and soundness of insurers	12 10.0%	58 48.3%	18 15.0%	18 15.0%	14 11.7%
i.	Regulating accounting disclosures (Transparency and governance in insurance business)	10 8.3%	44 36.7%	28 23.3%	26 21.7%	12 10.0%
j.	Meet the corporate social responsibility by rural coverage	10 8.3%	54 45.0%	18 15.0%	18 15.0%	20 16.7%

Chart:2 Opinion of insurance executives and agents about the role IRDA in regulating Insurance business



The study reveals that insurance executives and agents are in favour with regulatory measures of IRDA towards maintenance of solvency margin and claim settlement process, but they opine that IRDA should protect the interest of the policyholders by strengthening its Corporate Governance policies. According to executives'

opinion, IRDA is playing a very significant role in regulating financial reporting and maintenance of solvency margin. As far as Transference is concerned, Agents and policyholders are expecting still more measures to strengthen the investment pattern and financial soundness of insurance companies.

Conclusion:

High quality financial reporting depends not only on having appropriate accounting and auditing standards, but also on a proper monitoring and enforcement mechanism. Top management need to make necessary arrangements for ensuring that financial statements are prepared in compliance with the applicable accounting and financial reporting requirements. Again, Auditors need to be independent and competent for ensuring that auditing is conducted in compliance with the applicable auditing standards. As the policyholders are investing their savings in long term plans of insurance companies, the regulator, IRDA has greater responsibility to ensure the smooth functioning and consistent growth of insurance sector through the formulation of suitable regulations and policies.

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ANALYSIS OF RISK IN VENTURE CAPITAL PORTFOLIO INVESTMENTS IN SOUTH INDIA

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Sridhar V***

Abstract

Investing in new ventures involves a high level of uncertainty as well as a high risk of failure. Venture capital investing is characterized by high variability in the outcomes of new ventures and in the performance of venture capital portfolios. The question of risk in venture capital investing has been addressed on an ad hoc basis in several empirical studies; there has been little effort to develop a theoretical framework of risk perceptions and risk-reduction strategies. Despite differences in investor experience, investment preferences, and tolerance of risk, venture capital managers share many common perceptions of the risks involved in investing in new ventures and distribution of those risks over the venture capital-funded phase of development. Venture capital managers also utilize many common behaviors' and strategies for controlling risk can, in theory, be used to construct a behavioral framework that can predict how venture capital managers will behave in choosing between various investment opportunities in order to minimize potential returns. Hence, the study has been undertaken to analyze risk involved in venture capital portfolio investments in South India. The paper is in analytical in nature.

Key words: Venture Capital, Portfolio Investments, Risk, Return.

Introduction

The venture capital market has drawn a great attention from the business world. It creates a lot of financing opportunities for those young but talented small firms and the specialized venture capitalist would give their assistance and help them to grow bigger and become more competitive in the future. So the success of a venture capital backed firms to some extent is pretty much affected by the capability of the venture capitalists. The better support they can

provide, the more promising their portfolio companies are able to be strong. Venture capitalists and Private Equity funds are often considered experts at investing in high-risk projects and firms. To be successful investors, venture capitalists and private equity funds must therefore manage the many aspects of risk associated with investing in unlisted small and medium sized enterprises. Jaun (1986) his research revealed the differences between successful and unsuccessful firms, both successful and unsuccessful ventures targeted

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high growth markets, anticipated high gross margins had founders with over five years of relevant experience, had experienced venture capitalists on their boards, and were characterized by a wide range of founder equity shares. This study examines how Indian venture capital and private equity firms manage several dimensions of risk. We analyze risk management preferences in Indian venture capital and Private equity firms. The results are discussed in detail.

Review of Literature

Harry and Anil (1994) in their article "*Impact of Agency Risks and Task Uncertainty on Venture Capitalist-CEO Interaction*" this study examined the impact of agency risks and task uncertainty on venture capitalist-Chief executive officer interaction. Results from 51 VC-CEO indicate that the frequency of interaction depends on the extent of VC-CEO goal congruence, the degree of the CEO's new venture experience, the ventures stage of development, and the degree of technical innovation it is pursuing. However, contrary to conventional expectations, the degree of management ownership has no impact on the frequency of interaction.

Can and Jan (2000) in their article "*Risk Management in Private Equity Fund: A Comparative Study of Indian and Franco-German Fund*" studies VC and buy-out funds are often considered experts at investing in high-risk projects and companies. This study examines how Indian private equity funds manage several dimensions of risk in comparison to not-Anglo-saxon funds. They analyze risk management preferences in Indian and Franco-German funds in pre and post investment stage.

Sophie, Koen et al (2002) in their article titled "*Determinants of required return in Venture Capital Investments: A Five Country Study*" using two complementary theoretical perspectives, they develop hypotheses regarding the determinants of the return required by venture capitalists and test them on a sample of over 200 VC companies located in five countries. Consistent with resource-based theory, they find that early-stage specialists require a significantly higher return than other VC companies when investing in later stage ventures. Consistent with financial theory, they find that acquisition/buyout specialists require a significantly lower return than other VC companies when investing in expansion companies. Furthermore, in comparison to specialists, highly stage-diversified VC companies require a significantly higher return for early stage investments. Independent VC companies require a higher rate of return than captive or public VC companies.

SN Kaplan and Per Stromberg (2004) in their article titled "*Characteristics, Contracts, and Actions: Evidence from Venture Capitalist Analyses*" studies the investment analyses of 67 portfolio investments by 11 venture capital firms. Venture capitalists consider the attractiveness and risks of the business, management, and deal terms as well as expected post-investment monitoring. They also consider the relation of the analyses to the contractual terms. Greater internal and external risks are associated with more VC cash flow rights, VC control rights, and greater internal risk, also with more contingencies for the entrepreneurs, and greater complexity, with less contingent compensation.

M Ewens (2009) in his article "*A New Model of Venture Capital Risk and Return*" he formulate a model and estimator of VC returns

motivated by the entrepreneurial firms life cycle and the extreme return outcomes of typical venture capital investment. The model incorporates tail events and the estimator corrects for sample selection bias and endogenous investment holding periods. He found that an asymmetric three-state mixture distribution is a better characterization of returns than the standard single-state model.

Objective

1. To analyze risk involved in venture capital portfolio investments in South India.

Scope of the Study

This study is conducted by using a survey method through questionnaire. The study is limited to South India. There are two respondents' venture capitalists and portfolio managers.

Research Methodology

Type of Study - Analytical

Type of Data - Primary

Sources and Tools Used for data Collection- structured questionnaire used for data collection in South India.

Descriptive Statistics

Table 1: Risk Evaluation using Mean and Standard deviation

Types of Risk	Mean	N	Std. Deviation
Uncertain Market Size and Growth	3.21	39	1.301
Uncertainty about Product and Technology	3.21	39	1.399
Risks in Business Strategy Model	3.28	39	1.234
Uncertain Customer Adoption	3.67	39	1.177
Risky competitive position	3.69	39	1.398
Quality of Management	2.97	39	1.478
Previous Performance	3.03	39	1.305
High Valuation	3.26	39	1.332
Contractual Structure	3.36	39	1.530
Negative Influence	3.08	39	1.384
Monitor Investment	2.62	39	1.184
Financial Market Conditions	3.10	39	1.392
Monitor the portfolio companies	2.85	39	1.228
More risky in getting	2.97	39	1.576

Risk evaluation of the investment by ventures capitals are varied as the respondents have estimated that uncertainty is a major challenge in ascertaining. The mean value of Uncertain Market Size and Growth is 3.21, Average standard deviation is 1.301. The mean value of Uncertainty about Product and or Technology is 3.21, Average standard deviation is 1.399. The mean value of Risks in Business Strategy Model is 3.28, Average standard deviation is 1.234. The mean value of Uncertain Customer Adoption is 3.67, Average standard deviation is 1.177. The mean value of Risky competitive position is 3.69, Average standard deviation is 1.398. The mean value of Quality of Management is 2.97, Average standard

deviation is 1.478. The mean value of Previous Performance is 3.03, Average standard deviation is 1.305. The mean value of High Valuation is 3.26, Average standard deviation is 1.332. The mean value of Contractual Structure is 3.36, Average standard deviation is 1.530. The mean value of Negative Influence is 3.08, Average standard deviation is 1.384. The mean value of Monitor Investment is 2.62, Average standard deviation is 1.184. The mean value of Financial Market Conditions is 3.10, Average standard deviation is 1.392. The monitor the portfolio companies is 2.85, Average standard deviation is 1.228. The more risky in getting is 2.97, Average standard deviation is 1.576.

Uncertain Market Size and Growth	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Total
Frequency	6	4	12	10	7	39

The respondents have agreed that uncertainty of market and size is an important factor in evaluating the risk with 17 of them agreeing.

Uncertainty about Product and or Technology	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Total
Frequency	7	6	5	14	7	39

The respondents have agreed that uncertainty of Product or Technology is an important factor in evaluating the risk with 21 of them agreeing.

Risks in Business Strategy Model	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Total
Frequency	5	4	11	13	6	39

The respondents have agreed that uncertainty of Risk Business is an important factor in evaluating the risk with 19 of them agreeing.

Uncertain Customer Adoption	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Total
Frequency	3	3	8	15	10	39

The respondents have agreed that uncertainty of Customer Adopt is an important factor in evaluating the risk with 25 of them agreeing.

Risky competitive position	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Total
Frequency	4	5	6	8	16	39

The respondents have agreed that uncertainty of Competitive is an important factor in evaluating the risk with 24 of them agreeing.

Conclusion

Investing in new ventures involves a high level of uncertainty as well as a high risk of failure. Venture capital investing is characterized by high variability in the outcomes of new ventures and in the performance of venture capital portfolios. Risk evaluation of the investment by ventures capitals are varied as the respondents have estimated that uncertainty is a major challenge in ascertaining. The respondents agree that risky competitive position and uncertainty of product and technology are the major two variables lead for risk in venture capitalists.

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A STUDY ON ENHANCING THE PARTICIPATION OF FARMERS IN REGIONAL COMMODITY EXCHANGES IN INDIA

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Munilakshmi R**

Abstract:

The participation of farmers in Regional Commodity Exchanges is extremely limited. According to market estimates, not even 2000 farmers in India are directly participating in the futures markets (Kavaljit Singh, July 2014). Lack of education, awareness and trust are among the most prominent reasons. As well some of the hurdles that the farmers face even though they aware are high membership fees, high margin deposits and so on are preventing the farmers to participate in the market. Therefore it becomes necessary for the Regional Commodity exchanges to take certain steps to improve the awareness level among farmers and providing necessary infrastructure facilities to trade in Regional commodity exchanges in India. It is in this context the present study is undertaken to study the variables supporting to enhance farmers participation to trade in Regional Commodity exchanges and suggest suitable measures to the exchanges to enhance the participation of farmers. For the purpose of study, survey questionnaire has been used to collect the data from farmers to study their difficulties in participating in Regional Commodity exchanges. The collected data was analyzed with the help of Chi square test. The findings of the study suggested that Infrastructure, Trading system, Grading system and Storage and warehousing system has a significant relationship in improving farmer's participation to trade in Regional Commodity Exchanges.

Key words: Regional commodity exchange, Farmers participation, Infrastructure, Trading system, Grading system, Storage and warehousing system.

1. Introduction

Agricultural sector need efficient functioning of its markets to stimulate economic growth and incomes of the large rural population dependent on agriculture. But Agriculture in India is a High risk activity where the farmer prominently faces Yield Risk and Price risk. Yield risk is due to environmental factors like excess/deficient rainfall, temperature fluctuation and crop

disease and the latter is due to market factors i.e. demand and supply. Crop insurance, weather insurance, proper irrigational facilities, pest management are available to overcome yield risk. Price risk however is important to be met by the farmer as the variations in prices decide the profits and losses of the farmers. If not the farmer, someone else has to bear the cost of this risk. Minimum support price and procurement programs are prevalent means by

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which the government bears this cost to protect the farmers' interest. However, such interventions are often economically inefficient and lead to distorted resource allocation (Siddharth Surana, CFA). In order to ensure efficient system of trading agricultural markets in almost all the States APMC's were established and regulated under the Agriculture Produce Marketing Development & Regulation Act. Although the APMCs were set up to protect farmers from exploitation of intermediaries and traders and to ensure better prices and timely payment for their produce, but these markets have become inefficient over a period of time. Therefore, it made necessary for the existence of commodity exchanges which can lead to development of structured mechanism of agricultural produce through which non-transparency in price setting can be overcome and could help in making available up-to-date market information through various means including internet at the exchange.

A commodity exchange is essentially a market in which multiple buyers and sellers trade commodity-linked contracts (goods) on the basis of rules and procedures laid down by the exchange. They are centers of information, quality and market discovery and broadcast local and world prices, supply and demand data, weather, and relevant government actions. The price and product discovery function of the commodity exchange also help farmers in developing countries have better product information and a better sense of market capacity when making production decisions. They also play an important role in connecting rural areas to the urban centers as well as linking small farmers to major buyers. Over time they also serve to create jobs for rural non-skilled and labour. A Regional Commodity Exchange

can also add liquidity to the market by virtue of the larger number of sellers and buyers of commodities which it pulls together. In other words, a regional commodity market can help solve the problem of thin markets by creating much needed mass and concentrating supply and demand in a specific location. Such an exchange could help address issues of price manipulation which is often a problem in developing countries as well as help in the development of other innovative financing tools for agriculture in particular and infrastructure in general.

In India, the participation of farmers in commodity futures markets is extremely limited. According to market estimates, not even 2000 farmers in India are directly participating in the futures markets (Kavaljit Singh, July 2014). Farmers can benefit directly from futures market by entering into futures contracts to sell their produce at a pre-decided price at a future date or indirectly by growing crops based on the expected future price disseminated through the exchange. However, both these benefits have not been passed on to Indian farmers till date. Lack of education, awareness and trust are among the most prominent reasons. As well some of the hurdles that the farmers face even though they aware are high membership fees, high margin deposits and so on are preventing the farmers to participate in the market. Therefore it becomes necessary for the Regional Commodity exchanges to take certain steps to improve the awareness level and take certain steps in encouraging participation among farmers to trade in Regional commodity exchanges in India. It is in this context the present study is undertaken to study the variables supporting to enhance farmers participation to trade in Regional Commodity

exchanges and suggest suitable measures to the exchanges to enhance the participation of farmers.

2. Review of Literature:

K.N.Ninan in his paper tells that the participation of farmers is very limited in India. According to market estimates, not even 2000 farmers are directly participating in commodity futures in India (**Kavaljit Singh, July 2014**). **Tsega Tadesse (Aug 2010)**, "Ethiopian Commodity Exchange (ECX)-Connecting farmers to the market" describe the Ethiopian Commodity Exchange (ECX) particularly the effectiveness of the system in connecting the farmers to the market. The study indicated that compared to the pre-system situation ECX provides complete, accurate, relevant, and timely information that increase the decision making capability and bargaining power of the farmers. The finding also illustrates that radio played a key role in disseminating market information nationwide to get remunerative prices which encourages them to participate in the commodity futures. The reason that farmers do not use other dissemination tools involves financial problems, unavailability of electric power, language, illiteracy and cost of modern ICT tools. Whereas **Siddharth Surana** highlights some of the prominent constraints limiting farmers participation like procedural requirements, standardized specifications relating to grading and warehousing facilities. It is in this context the present study is undertaken to study the variables supporting to enhance farmers participation to trade in Regional Commodity exchanges and suggest suitable measures to the exchanges to enhance the participation of farmers.

3. Objectives:

1. To study the variables supporting to enhance farmers participation, to trade in Regional Commodity exchanges.
2. To suggest suitable measures to the exchanges in order to improve the participation of farmers to trade in Regional Commodity exchanges.

4. Methodology:

The primary as well as secondary data was collected from books, journals, and websites. Primary data was collected from 50 farmers. The respondents are the farmers who trade in Regional Commodity Exchanges namely India Pepper and Spice Trade association and First Commodities exchange limited, Kochi. Chi-square test is used to test the hypotheses. The variables chosen for the study to know the awareness level of farmers towards commodity market are Infrastructure, Trading System, Grading system and Storage & Warehousing. Data collected has been analyzed with the help of chi-square test.

5. Hypotheses:

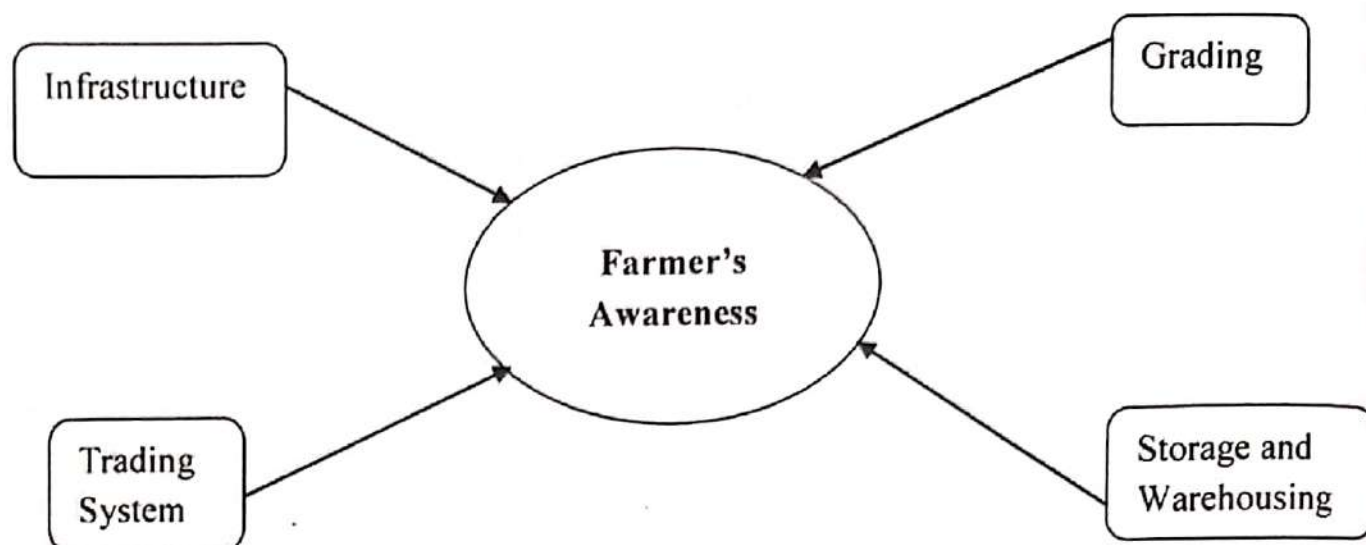
H_1 : Infrastructure has a significant relationship in improving the farmers' participation to trade in Regional Commodity exchanges.

H_2 : Trading system has a significant relationship in improving the farmers' participation level to trade in Regional Commodity exchanges.

H_3 : Grading system has a significant relationship in improving the farmers' participation to trade in Regional Commodity exchanges.

H₄: Storage & Warehousing system has a significant relationship in improving the farmers' participation to trade in Regional Commodity exchanges.

6. Hypothetical Model showing the Significance of Variables in Improving the Participation among farmers to trade in Regional Commodity Exchanges:



7. Results and Discussions:

The Analysis of Socio-economic variables is shown below

Table 1: Classification of Respondents by Age, Gender, Educational Qualification

Characteristics	Category	Respondents	
		N	%
Age (Years)	26 – 35	13	26
	36 – 45	21	42
	46 – 65	16	32
Gender	Male	37	74
	Female	13	26
Educational Qualification	Degree	09	18
	School	23	46
	Nil	18	36
Total	50	50	100

The data in Table 1 highlights the profile of respondents based on age group, Gender and the Educational Qualification. The table reveals that the highest percentage of respondents (42%) is between the age group of 36-45,

followed by the age group of 46-65 which is (32%). The lowest percentage (26%) of respondents is between the age group (26-35). Hence it is understood that the youngsters have moved to urban areas and the farmers are

between age group 36-45 years. The male respondents are higher (74%) than female respondents. The table reveals that 46% of

respondents are school educated followed by 18% of respondents who are degree holders and 36% have no education background.

Table 2: Aspect wise Mean Scores of Farmers on their Perception towards Regional Commodity Exchange:

Variables	Mean scores	Chi square value
Infrastructure	2.46	30.4*
Trading system	2.60	8.6*
Grading system	1.70	63.4*
Storage and Warehousing system	2.80	15.6*

*** Significant at 5% Level**

From the above table it is clear that, Storage and Warehousing system scores a high of 2.80 followed by trading system with 2.60. The mean score of grading system (1.70) is comparatively less. This shows that Farmers participation in Regional commodity exchange can be improved through proper Storage and warehousing system and trading system to a greater extent followed by Infrastructure and Grading system.

Testing of Hypotheses

The impact of Infrastructure, Trading System, Grading system and Storage and Warehousing system is tested and proved with chi square test. The test result shows that all the variables have high significant impact on farmers' perception to trade in Regional commodity exchange. Therefore the Research Hypothesis is accepted.

H₁: Infrastructure has a significant relationship in improving the farmers'

participation to trade in Regional Commodity exchanges.

The Chi-square value shows a considerable significance at 30.4* indicating that Infrastructure plays a very important role in improving farmers participation towards regional commodity exchange. Infrastructure can contribute towards the improvement of trading in regional commodity exchange platforms.

H₂: Trading system has a significant relationship in improving the farmers' participation to trade in Regional Commodity exchanges.

The Chi-square value shows a considerable significance at 8.6* indicating that Trading system plays a very important role in improving farmers participation towards regional commodity exchange. As Electronic trading would improve the quality and dissemination of information (Joseph M. Burns, 2014)

H₃: Grading system has a significant relationship in improving the farmers' participation to trade in Regional Commodity exchanges.

The Chi-square value shows a considerable significance at 63.4* indicating that Grading system plays a highly significant role in improving farmers participation towards regional commodity exchange. As grading ensures the farmers in remunerative prices for their commodities so that farmers participation level can be improved.

H₄: Storage & Warehousing system has a significant relationship in improving the farmers' participation to trade in Regional Commodity exchanges.

The Chi-square value shows a considerable significance at 15.6* indicating that Storage and warehousing system has a major role in improving farmers participation to trade in regional commodity exchange. As Warehousing facility allows farmers to store their commodities for extended periods and to benefit from off-season price fluctuations.

Table 3: Summary of Results of Hypotheses (H₁-H₄)

Hypotheses	Significance
H ₁ - Infrastructure has a significant relationship in improving the farmers' participation to trade in Regional Commodity exchanges.	Significant
H ₂ - Trading system has a significant relationship in improving the farmers' participation to trade in Regional Commodity exchanges.	Significant
H ₃ - Grading system has a significant relationship in improving the farmers' participation to trade in Regional Commodity exchanges.	Significant
H ₄ - Storage & Warehousing system has a significant relationship in improving the farmers' participation to trade in Regional Commodity exchanges.	Significant

8. Conclusion:

The impact of Infrastructure, Trading System, Grading system and Storage and Warehousing system is tested and proved with chi square test. The test result shows that all the variables have high significant impact on farmers' perception to trade in Regional commodity exchange. Forward market commission (Regulator of Commodity futures market) has to take certain steps to enhance the

participation of farmers like it should launch micro and mini contracts (with small trading lots and tick size) across all agricultural commodities to encourage the direct participation of farmers and small traders, government should allow farmer cooperatives and agricultural marketing federations (such as IFFCO and NAFED) to act as aggregators and hedge positions in futures exchanges on the behalf of their farmers.

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REACHING THE STRATEGIC EDGE THROUGH FUNCTIONAL EFFECTIVENESS - A CASE STUDY OF MOTHER DAIRY AND ITS STRATEGIC INSIGHTS

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Paramesha C**

Abstract

From chronic shortages of milk, India has emerged today as the largest producer of milk in the world nearing 190 million tonnes. It offers opportunities galore to entrepreneurs worldwide, who wish to capitalize on one of the world's largest and fastest growing markets for milk and milk products. The effective milk market is largely confined to urban areas, inhabited by over 35 per cent of the country's population. An estimated 50 per cent of the total milk produced is consumed here. By the end of 2015, the urban population is expected to reach 1.32 billion. The expected rise in urban population would be a boon to Indian dairy industry. Presently, the organized sector both cooperative, private and the traditional sector cater to this market.

In this booming period Mother Dairy is looking to take advantage of the opportunities which are in galore available for all milk manufacturers. Mother Dairy was set up in 1974 under the Operation Flood Programme. It is now a subsidiary company of National Dairy Development Board (NDDB). Mother Dairy sources its entire requirement of liquid milk from dairy cooperatives. Similarly, Mother Dairy sources fruits and vegetables from farmers/growers associations. Mother Dairy also contributes to the cause of oilseeds grower cooperatives that manufacture/ pack the Dhara range of edible oils by undertaking to nationally market all Dhara products. Of the three A's of marketing -availability, acceptability and affordability, Mother Dairy is already endowed with the first two. Hence no efforts are needed to make it acceptable.

Its availability is not a limitation either, because of the ample scope for increasing milk production, given the prevailing low yields from dairy cattle. It leaves the third vital marketing factor affordability. How to make milk affordable for the large majority with limited purchasing power? That is the essence of the challenge.

Current theories of strategy and organization suggest that Mother Dairy benefits from related diversification and tight coordination of the multidivisional structure. This case study aims to probe into this issue by using the theoretical framework of "strategy, structure and performance". Three issues will be addressed in the paper:

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a) *What strategies and structure does Mother Dairy adopt in a constantly changing and turbulent developing economy?*

b) *Do the influences of Mother Dairy have interaction effects with environmental conditions?*

c) *How does Mother Dairy make milk affordable for the large majority with limited purchasing power?*

Keywords: *Urban population, strategy, Structure and performance, affordable.*

Introduction

From chronic shortages of milk, India has emerged today as the largest producer of milk in the world crossing 127.9 million tonnes. It is 'The Oyster' of the global dairy industry. It offers opportunities galore to entrepreneurs worldwide, who wish to capitalize on one of the world's largest and fastest growing markets for milk and milk products. A bagful of 'pearls' awaits the international dairy processor in India. The Indian dairy industry is rapidly growing, trying to keep pace with the galloping progress around the world.

The effective milk market is largely confined to urban areas, inhabited by over 25 per cent of the country's population. An estimated 50 per cent of the total milk produced is consumed here. By the end of 2015, the urban population is expected to reach 1.32 billion. The expected rise in urban population would be a boon to Indian dairying.

Presently, the organized sector both cooperative and private and the traditional sector cater to this market.

Indian Dairy Industry -A Profile

India's dairy sector is expected to triple its production in the next 10 years in view of expanding potential for export to Europe and

the West. Moreover with WTO regulations expected to come into force in coming years all the developed countries which are among big exporters today would have to withdraw the support and subsidy to their domestic milk products sector. Also India today is the lowest cost producer of per litre of milk in the world, at 35 cents, compared with the U.S' 65 cent. Also to take advantage of this low cost of milk production and increasing production in the country multinational companies are planning to expand their activities here. Some of these milk producers have already obtained quality standard certificates from the authorities. This will help them in marketing their products in foreign countries in processed form.

The urban market for milk products is expected to grow at an accelerated pace of around 33% per annum to around Rs.1, 23,500 crores by year 2015. This growth is going to come from the greater emphasis on the processed foods sector and also by increase in the conversion of milk into milk products. By 2015, the value of Indian dairy produce is expected to be Rs 5 Lakh Crore. Presently the market is valued at around Rs 2.5 Lakh crore.

Background of Dairy Industry

India with 280 million cows and 224 million buffaloes and has the largest population of cattle

in the world. Total cattle population in the country as on October' 12 stood at 504 million. More than fifty percent of the buffaloes and twenty percent of the cattle in the world are found in India and most of these are milch cows and milch buffaloes.

Indian dairy sector contributes a large share in the agricultural gross domestic products. Presently there are around 85,000 village dairy cooperatives across the country. The co-operative societies are federated into 170 district milk producers unions, which in turn has 22 state cooperative dairy federations. Milk production gives employment to more than 94 million dairy farmers. In terms of total production, India is the leading producer of milk in the world followed by USA. The milk production in 2011-12 was 127.9mn MT as compared to 121.8mn MT in the previous year.

This production is expected to increase to 133 mn MT by 2012-13. While world milk production declined by 2 per cent in the last three years, according to FAO estimates,

India's 4.11 percent annual growth of milk production between 2004-05 and 2011-12 surpasses the 2.9 per cent growth in population; the net increase in availability is around 2 per cent per year. The milk production in India accounts for more than 18% of the total world output and 57% of total Asia's production. The top five milk producing nations in the world are India, USA, Russia, Germany and France.

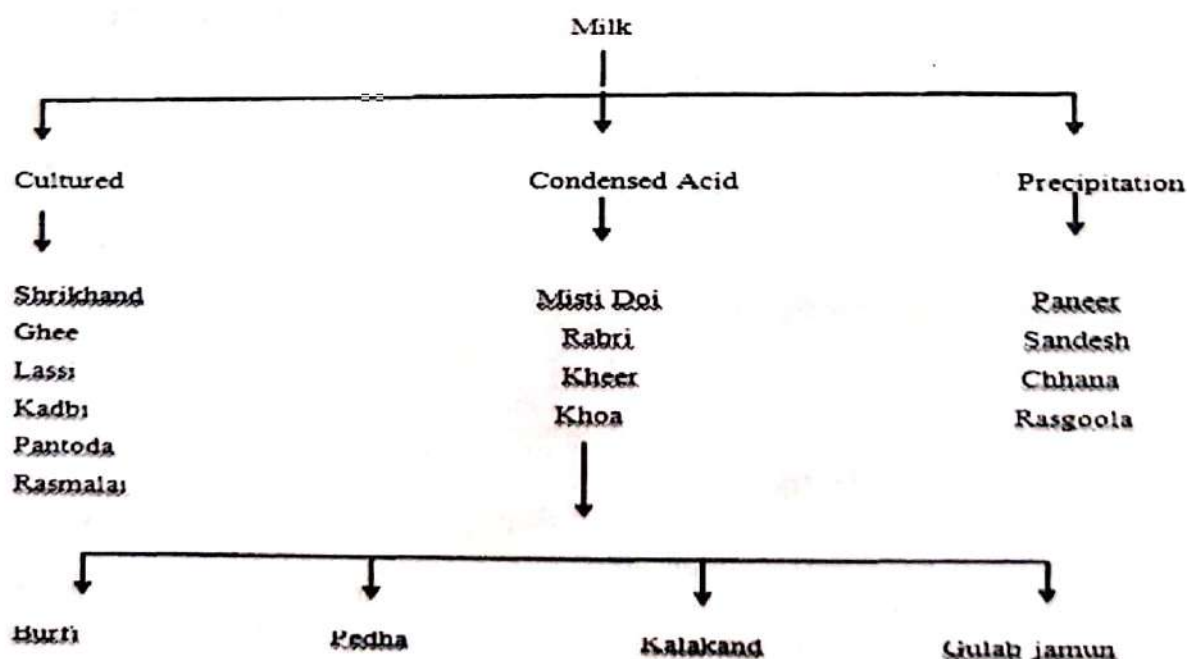
Although milk production has grown at a fast pace during the last three decades (courtesy: Operation Flood), milk yield per animal is very low. The main reasons for the low yield are:

- Lack of use of scientific practices in milching.
- Inadequate availability of fodder in all seasons.
- Unavailability of veterinary health services.

Indian Dairy Products

The term Indian Dairy Products refers to those milk products, which originated in undivided India.

FLOW CHART OF CONVERSION OF MILK INTO TRADITIONAL INDIAN DAIRY PRODUCTS



Major Players

There are virtually 15 major Dairy Cooperative Federations in India, namely:

- Andhra Pradesh Dairy Development Cooperative Federation Ltd (APDDCF)
- Bihar State Cooperative Milk Producers' Federation Ltd (COMPFED)
- Gujarat Cooperative Milk Marketing Federation Ltd (GCMMF)
- Haryana Dairy Development Cooperative Federation Ltd. (HDDCF)
- Himachal Pradesh State Cooperative Milk Producers' Federation Ltd (HPSCMPF)
- Karnataka Cooperative Milk Producers' Federation Ltd (KMF)
- Kerala State Cooperative Milk Marketing Federation Ltd (KCMMF)
- Madhya Pradesh State Cooperative Dairy Federation Ltd (MPCDF)
- Maharashtra Rajya Sahakari Maryadit Dugdh Mahasangh (Mahasangh)
- Orissa State Cooperative Milk Producers' Federation Ltd (OMFED)
- Pradeshik Cooperative Dairy Federation Ltd (UP) (PCDF)
- Punjab State Cooperative Milk Producers' Federation Ltd (MILKFED)
- Rajasthan Cooperative Dairy Federation Ltd (RCDF)
- Tamilnadu Cooperative Milk Producers' Federation Ltd (TCMPF)
- West Bengal Cooperative Milk Producers' Federation Ltd. (WBCMPF)

National Dairy Development Board (NDDB) is the central cooperative board of the country and was created to promote, finance and support producer-owned and controlled organizations mentioned above.

Two main players – Amul of GCMMF and Mother Dairy of NDDB – are the leading brand in India. Our main focus is to analyze the strategic move of NDDB for mother Dairy from top to bottom. Thus we are going to concentrate on the progress of Mother Dairy and NDDB for their future strategies.

Historical background of NDDB

The National Dairy and Development Board was founded in 1965, with the mission of

organizing poor milk producers, thereby transforming dairying into an instrument for the economic development of India's rural people. The formation of the NDDB stemmed from the vision of the then Prime Minister of India, the late Lal Bahadur Shastri, to extend the success of the Kaira Cooperative Milk Producer's Union (in the state of Amul) to other parts of India.

NDDB began its operations with the mission of making dairying a vehicle to a better future for millions of grassroots milk producers. The mission achieved thrust and direction with the launching of "Operation Flood" in 1970, a programme extending over 26 years and which used World Bank loan to finance India's

emergence as the world's largest milk producing nation.

During this period, dairy commodity surpluses were building up in Europe. Imports from Europe had already adversely affected the dairy industry in India. Imports by individual players in India would have resulted in a market glut and a fall in the prices throughout the country.

With the backing of government policy, and with the assistance of the World Food Program, NDDDB imported food aid in the form of milk powder and butter oil, and marketed it under its own brand name. The surplus from these sales was invested in the expansion of the cooperative movement in the dairy industry. Operation Flood's third phase was completed in 1996 and has to its credit a number of significant achievements.

As on March 2012, India's 3,15,570 village dairy cooperatives federated into 170 milk unions and 15 federations procured on an average 29.2 million litres of milk every day. 14.6 million farmers are presently members of village dairy cooperatives.

Since its inception, the Dairy Board has planned and spearheaded India's dairy programmes by placing dairy development in the hands of milk producers and the professionals they employ to manage their cooperatives. In addition, NDDDB also promotes other commodity-based cooperatives, allied industries and veterinary biological on an intensive and nation-wide basis. NDDDB's subsidiaries include Mother Dairy.

Historical Background of Mother Dairy

"Mother Dairy" is the single largest brand of milk in India as well as in Asia, marketing about

2.2 million litres of milk per day. Mother Dairy commands 40% market share in the organized sector in and around Delhi, primarily because of consistent quality and service – whatever be the crisis - floods, transport strike, curfew etc. Mother Dairy markets approximately 3.2 million litres of milk daily in the markets of Delhi, Mumbai, Bangalore, Saurashtra and Hyderabad. Mother Dairy milk has a market share of 66% in the branded sector in Delhi where it sells 2.5 million litres of milk daily.

Mother Dairy is an IS/ISO -9001:2000 and Hazard Analysis Critical Control Points (HACCP) and IS-14001:1996 Environment Management System (EMS) Certified organisation.

Mother Dairy was the first Dairy in the country to implement ISO-14031 (Environment Performance Evaluation) project. The ecomany's Quality Assurance Laboratory is ISO/IEC17025:1999 certified by NABL (National Accreditation Board for Testing and Calibration Laboratory), Department of Science & Technology, India. This provides assurance to the consumer in respect of Quality and Safety of products manufactured and marketed by Mother Dairy.

The National Dairy Development Board (NDDDB) commissioned Mother Dairy in the first phase of Operation Flood in 1974. Considering the success of Dairy industry NDDDB established Fruit & Vegetable Project in Delhi in 1988 with "SAFAL" as its umbrella brand.

With a view to separating the commercial activities from developmental activities, the NDDDB merged Mother Dairy and the Fruit & Vegetable project into a wholly owned

company named Mother Dairy Fruit & Vegetable Ltd (MDFVL) in April 2000. This becomes the holding company of Mother Dairy India Ltd (MDIL) – a marketing company and Mother Dairy Foods Processing Ltd (MDFPL) – a processing company. MDFPL is a multi unit company, with units at various locations in India.

The company is a highly trusted house hold name for its wide range of milk products like Milk, Flavoured Milk, Ice-Cream, Dahi, Lassi, Table Butter, Dairy Whitner, Ghee etc. Mother dairy has taken up the concept of Total Productive Maintenance (TPM) wholeheartedly.

The number of employees involved in KAIZENS and the no. of KAIZENS per employee are very encouraging. Mother Dairy is a member of CII-TPM Club and the KAIZENS done by Mother Dairy employees have been selected and presented in 2nd, 3rd, 4th and 5th National Kaizen Conferences held from time to time during the last three years. Our TPM efforts have resulted in increase in MTBF and decrease in MTTR, quality improvement, Cost reduction and reduction in accidents.

Mother Dairy has received

- 3rd Best Employer of India - World HRD Congress (Apr-2010)
- SAP Ace Award 2010 - Best Run Award in Consumer Products. SAP ACE

Awards have recognized the efforts of the company and their business excellence achieved through the implementation of SAP, for its customers across India. Adding to this, Mother Dairy was also the first company in

large-scale SAP software implementation in the Indian dairy and fresh foods sector.

- Dhara - Winner of National Quality Excellence Award.
- Best Maintained Plant Award :2007
- National Energy Conservation Award - 2004, Oil and Gas Conservation Award – 2004, Indian Innovation Award -2004 and Safety Initiative Award -2005.

Over the years, Mother Dairy has not only served the daily need of milk of the consumers of Delhi, it has also extended its milk to other States like Haryana, Uttar Pradesh, Karnataka, Maharashtra, Andhra Pradesh & Gujarat and is expanding its wings rapidly to serve the masses in Tier II States such as Faridabad, Jabalpur, Nagpur Raipur and so on.

Strategically located Mother Dairy booths across the country make it convenient for you to pick up your daily requirement of Milk, Flavored milk, Butter, Dahi, Lassi, Cheese, Chaas, mouthwatering Ice Creams.

The focus is on key markets for each of the categories. They hold a 60 per cent market share in Delhi, but it has an average market share of around 25 to 30 percent in other markets.

Objectives and Business Philosophy of Mother Dairy

The main stakeholder of Mother Dairy was the farmer member for whose welfare it existed.

Unlike other organizations, their objective is not to maximize the profit. They are more interested in giving the best price for the farmers for their milk than in making a large profit. Thus they

look at the price given to their suppliers as not a cost but as an objective.

Mother Dairy had, as its main objective, "carrying out activities for the economic development of agriculturists by efficiently organizing marketing of milk and dairy produce, agricultural produce in raw and/or processed form and other allied produce". This was to be done through:

- Common branding
- Centralized marketing
- Centralized quality control
- Centralized purchases and
- Pooling of milk efficiently

Mother Dairy had declared, as its business philosophy, the following:

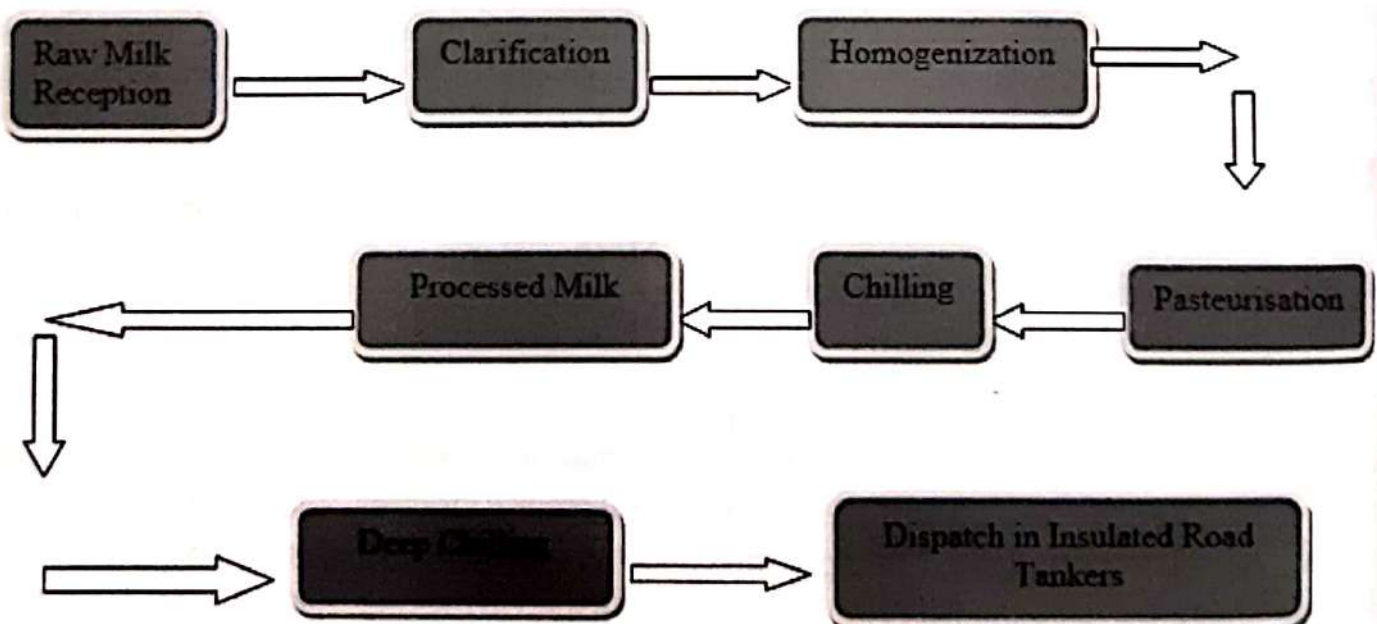
- *Ensure that milk producers and farmers regularly and continually receive market prices by offering quality milk, milk*

products and other food products to consumers at competitive prices and;

- *Uphold institutional structures that empower milk producers and farmers through processes that are equitable.*

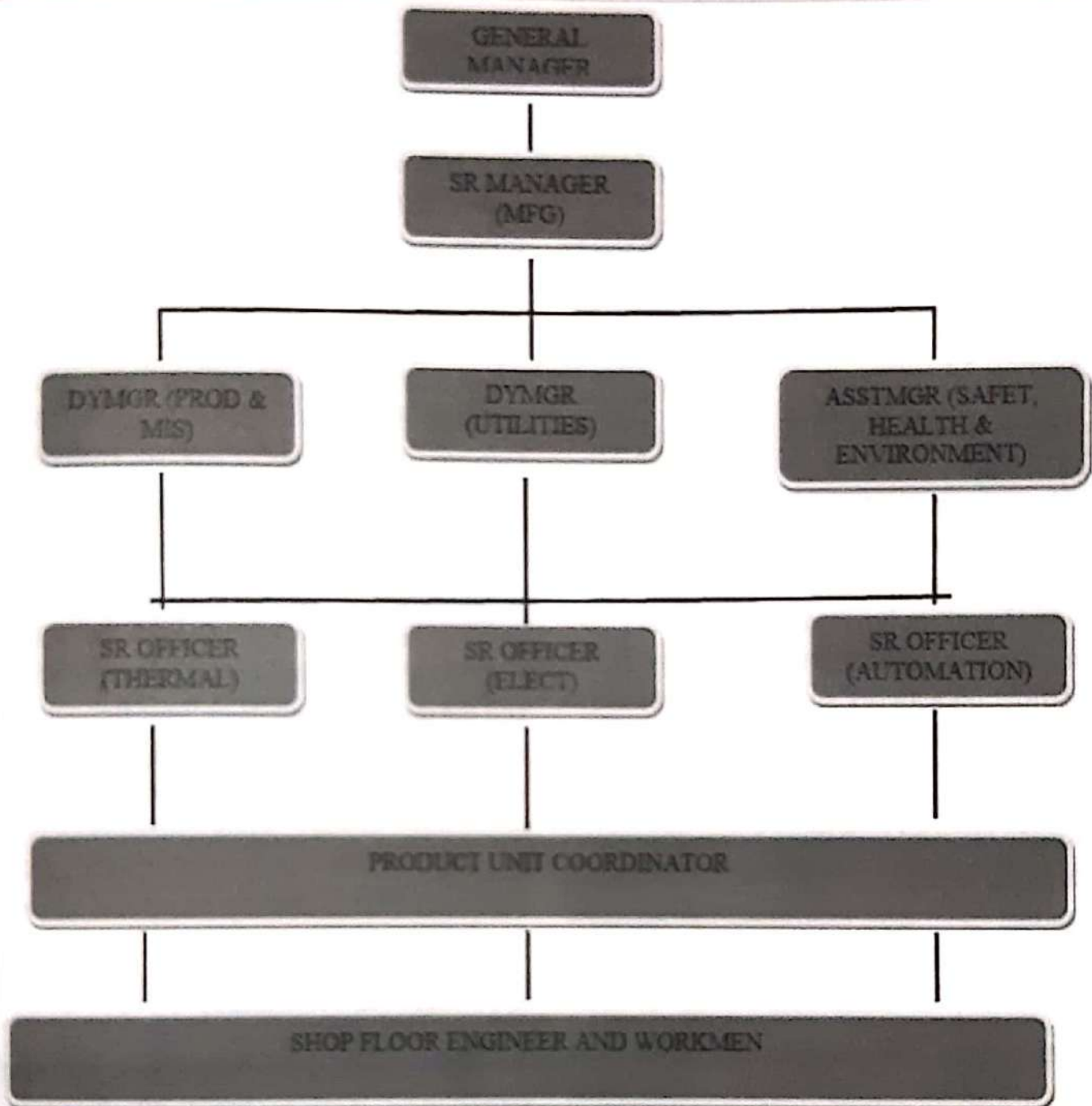
The biggest strength of Mother Dairy was the trust it had created in the minds of its consumers regarding the quality of its products. NDDB, and its brand Mother Dairy, stood for guaranteed purity of whatever products it had produced. Adulteration was simply not done in any of its products. In India, where such trust was hard to come by, this could provide a central anchor for Mother Dairy's future business plans. For more than 40 years' Mother Dairy has helped to create a national network which has been adapted and extended to other commodities and areas. Their constant effort to learn and to enrich experience is central to their approach and capacities. In times to come, Mother Dairy shall strive to become a leading player in the food industry in India.

The Process Flow of the Mother Dairy



Organizational Structure in Mother Dairy Manufacturing Plant

ECON CELL STRUCTURE



Strategies Implemented

1. Focused Approach

Mother Dairy wants to get into bigger markets and have bigger shares in those markets. The cooperative is also expanding its product

portfolio further to match rival offerings - particularly those of Amul. For the first 22 years of its existence, liquid milk was the only dairy product that Mother Dairy offered.

It was in 1996 that it came up with ice-creams. But the real spurt came in 2006, when it

introduced curd, flavoured milk, lassi and mishti doi. It introduced butter in 2006; ghee and UTH milk in 2007; and cheese in 2008. And under its frozen foods and vegetables brand Safal, besides the introduction of corn and mixed vegetables, it has plans to come out with frozen potato-based snacks in a few months. So while the product portfolio has been growing, Mother Dairy has plans for reach out to newer markets but the strategy here is more product-specific. In liquid milk, it will initially concentrate only on these markets - Delhi, its home ground; the Junagarh region and Ahmedabad in Gujarat; Mumbai, which in 2007; and Hyderabad, where it moved in 2008; And Bangalore in 2008. They have no plans to go everywhere with liquid milk. What's the need to get into those markets that already have strong co-operative brands? Their objective of getting into newer locations is not to make Mother Dairy larger, but to ensure that there is a large viable distribution network and consumer brand to take care of surplus milk.

In Mumbai, where the liquid milk market is close to 60 to 62 lakh litres a day, only about 35-38 lakh litres a day is in the organised market -and that too is highly fragmented with a number of smaller players with shares of about 10,000-20,000 litres a day.

Mother Dairy claims a share of 170,000 litres a day, with the biggest player, Mahananda, selling about 800,000 litres a day and Aarey and Amul about 250,000-300,000 litres a day each.

In Hyderabad, Mother Dairy claims it has a 15 per cent market share of the approximate 10-11 lakh litres a day of the organised market. These are still early days in the two markets,

but we are looking at 18-20 per cent growth in the overall fresh milk segment.

2. Wider Spread

However, as far as other dairy products are concerned, Mother Dairy plans to expand across the board. Other than milk, for most state federations, dairy products are still a small part of their operations. So they are taking their products to regions across India, where they see enough market potential.

In ice creams, it was in 2006 that Mother Dairy entered its first market outside Delhi UP and Punjab. Today, it's extended its operation to Haryana, Jaipur, Mumbai, Kolkata, Hyderabad and Bangalore as well. Soon, it plans to go to Tier II cities.

In the case of butter and cheese, it's present across north India, Mumbai and Kolkata, and Bangalore. In UTH milk, it has entered Mumbai and the milk-short areas of West Bengal and north-east. For ghee, although the current focus is the northern region, it has plans for a nationwide presence. As far as Mother Dairy's non-dairy products are concerned, it's edible-oil brand Dhara already has a nationwide presence.

3. Product Differentiation

While Mother Dairy still may not have a product portfolio as large as Amul, which is also expanding across the country in a big way and is a much bigger player, it's doing its bit. Mother Dairy says the idea is not just to enter new markets, but to do well in those markets -which mean bigger market shares in the different product categories in whichever market it is present.

The drivers will be value created through quality of the offerings as well as innovations in products. This will, of course, be backed by relevant marketing and promotion campaigns. Mother Dairy is bringing in mass Indian flavours which are building up in terms of absolute percentage of contribution. Their attempt is to make the taste experience in ice creams as familiar as possible so as to increase consumption.

Take the case of curd. It started off very slow but today, Mother Dairy claims it's growing at close to 60 per cent year-on-year in Delhi. Here again, the Indian flavor formula seems to have worked.

While curd from an MNC player is probably based on international formulation, they formulated it to taste as close to home-made curd as possible. If the offering fits well with the Indian consumer, the resistance is lower and acceptance more.

4. Smart Marketing

On the marketing front, Mother Dairy says it's trying to take its product campaigns and communications to a higher platform. For instance, in the case of milk, the campaigns do not talk about the obvious benefits -milk is good for health, it has calcium and so on -but rather it targets children and are created around ideas such as "The country needs you, grow faster".

As far as products such as butter, cheese and ice creams go, the campaigns have been created around "taste". For butter again, the focus is on children. Here, Mother Dairy has dared to go different. Since 60 per cent butter is consumed by kids, the company wants them to sit up and take notice of its butter. Makkhan Singh, a sturdy jovial cow (a cartoon character)

has been made its brand ambassador. While Mother Dairy has been carrying out school programmes -games and activities -involving Makkhan Singh in Delhi, it has plans to take such activities to Mumbai and Kolkata as well. It also runs a gaming website on the character to attract children.

It's cheese for children again. A couple of months ago, Mother Dairy carried out a retail activity: "Cheese khao superhero ban jao", where kids buying cheese at a retail outlet were invited for a photo op -dressed as superheroes -through Polaroid cameras; and the framed photograph was presented to them. The activity was carried out in about 150 outlets the country, with about 20,000-25,000 snaps being taken.

Cheese was also something that helped the company bond better with its retailers.

In another strategy retailer in Delhi displayed banners proclaiming, "Cheese ke saath bees ki cheez," a proposal that said if a consumer buys Mother Dairy cheese, the retailer can offer him anything worth Rs 20 from the shop -which worked better than offering something free with the product, which the consumer didn't even needs.

The exercise resulted in better ties with retailers. Clearly, Mother Dairy has aggressive plans. But, strong regional brands and other co-operatives will continue to give it tough competition.

Prospective Strategies applied by Mother Dairy

Mother Dairy maps the future of dairying in India, setting realistic goals for

- Strengthening Cooperative Business,
- Production Enhancement,

- Assuring Quality and
- Creating an Information and Development Research.

The plan was realized with the successful completion of the Operation Flood Programme and has been developed by the State Milk Marketing Federations and the Milk Producers' Cooperative Unions in consultation with the Dairy Board.

The goals and strategies to meet them have been drawn by its actual implementers - Federation and Unions and supported by NDDB.

1. Strategy for Strengthening Cooperative Business:

- Recruit, train and motivate increasing numbers of women to work for Mother Dairy to achieve significant improvements in dairy husbandry, as they primarily shoulder animal husbandry related responsibilities in rural India
- Consolidation and growth in milk and milk product marketing, promoting better equity for regional cooperative brands and developing qualified and skilled manpower
- Education of producer members, opinion leaders and trained professionals to be expanded and strengthened
- Empower local leaders, strengthen societies and equip their staff and members with the skills and information they need.
- Persuade the State and Central Governments to remove the shackles on cooperative laws so dairy can compete on equal terms with other forms of enterprise.

2. Strategy for Production Enhancement:

- Improve the production potential of indigenous breeds of cattle such as Sahiwal, Gir, Rathi and Kankrej and breeds of buffalo such as Murrah, Mehsana and Jaffarbadi through appropriate selection programme
- Cross non-descript cattle with Holstein Friesian in areas with adequate feed and fodder and with Jersey in resource-poor areas
- Increase the production and use of high quality feed appropriate to local conditions
- Increase production and availability of green and ensiled fodder
- Encourage unions, NGOs and cooperatives to put common property area under improved pasture and fodder tree
- Expand first-aid coverage through village level societies
- Increase vaccination of animals against HS, BQ and FMD
- Develop Mastitis and Brucellosis control strategies

3. Strategy for Assuring Quality:

- Identify and address quality related problems at every stage from the producer at the village cooperative, to the dairy plant and the process of final delivery to the consumer
- Facilitate improvement of hygiene, sanitation, food safety and operating efficiency in the dairy plants and sensitize dairy personnel to product quality aspects as per international standards

4. Strategy for Creating an Information and Development Research

- Link large cooperatives, Unions, Federations and NDDDB in a national network that collects, adds value and disseminates information
- Ensure availability of analytical information for Policy Planning and Decision Support.

Product and Process Technology

As a part of its effort to add value to the business, Mother Dairy identifies, develops, tests and transfers product and process technologies.

Regional preferences are an important basis, for developing products and their manufacturing processes. In addition equipment has been designed and commercialised for manufacturing indigenous milk products like shrikhand, paneer, khoa, lassi, gulab jamun, mishti doi and curd as well as popular western products like ice-creams and cheeses.

In developing process, product and equipment technology, emphasis is placed on maintaining high quality standards. To check milk quality, test kits have been developed. NDDDB also provides services for analysis of dairy product samples.

Diversification Moves by Mother Dairy

After becoming a pan-India player recently, dairy chain Mother Dairy, a subsidiary of the National Dairy Development Board, is now eyeing a turnover of 1.8 billion dollars in the next two years.

Following expansion of their business in other cities and with the launch of new products, they

are expecting to reach Rs 10,000 Crore turnover by the end of FY 2015. The dairy chain's topline has been growing at a rate of 29-35 per cent per annum and is expecting a turnover of Rs 7,000 crore this fiscal. Mother Dairy will be the second dairy chain in the country after Amul to cross the one and a half billion turnover milestone, if it achieves the target.

For over three decades, Mother Dairy restricted its presence mainly in the National Capital Region in the fresh milk and other milk products segment.

In the past few years it went for a market expansion across the country. They have a plan to capture all the top six markets in the milk and milk products segment in the country.

Mother Dairy markets dairy products such as fresh liquid milk, ice-creams, and other milk products. It also markets Dhara range of edible oils and the Safal range of fresh fruits and vegetables and fruit juices.

Mother Dairy is present by and large in most of the big categories; now it is more about foraying into niches and value-added versions in the same categories. For instance, they have been in the curd and 'lassi' categories for around five-six years, but they have now forayed into probiotic curd and 'lassi'.

Competition in Different Products

The nature of competition varied among the different products. In the case of liquid milk, competition was from private dairies and contractors. There was also competition from newly emerging private dairies that had started supplying milk to the consumers as well as sweet makers. There was intense competition

for the supply of milk, which was sought after, especially in the festival seasons, by the sweet makers who derived large profits from the sale of their sweets. Consumers were generally not very particular about the brand of liquid milk, so that the sales depended to a large extent on dealer push. However, there was scope to establish differentiation through appraising the customers of the quality not only of the initial milk itself, but also the quality of the supply chain, which ensured the stability of milk.

For butter and cheese, new entrants were making their mark. Britannia, a firm engaged in manufacture and sale of biscuits, had entered into foods business, and more particularly in milk and milk related products such as butter. Britannia had introduced new forms of cheese such as cheddar cheese slices, and supported its products with extensive advertising campaigns. It was believed that advertisements played a powerful role in the demand for particular brands of butter and cheese.

The sweet market was highly fragmented, with numerous small time local operators producing their own brands and unbranded forms of sweets. The sales of sweets soared in the festival seasons, drawing milk supply by offering higher prices.

Other food companies such as Hindustan Lever Ltd. (HLL), a subsidiary of Unilevers, and Nestlé had also entered into the business of readymade or near ready sweets (such as gulab jamun, which just needed to be deep fried to get it ready). Branded ready or near ready sweets were advertised and heavily promoted through campaigns such as through mail orders to housewives.

The ice creams market was an emerging market

in India, witnessing the entry of numerous players. The national scene was dominated by Hindustan Lever with its Kwaliti and Walls brands, accounting for about 45 percent of the market. GCMMF was the other national player, with about 30 percent of the market.

There were, in addition, very powerful regional players such as Vadilal Ice Creams in the Western India who commanded substantial (in excess of 30 percent) of the regional market shares. Ice creams were largely promoted through local promotions, hoardings (billboards) and advertisements. It could be expected that these companies would also expand their operations in the coming years.

Mother Dairy and its Programme for Management of Change

Mother Dairy looked at all its operations, strengths and weaknesses as well as opportunities available, and came to the conclusion that it had to become more customer centred (rather than merely being farmer or supplier centred). This required paying close attention to the customer needs and quality. Mother Dairy realized that it was not enough that Mother Dairy itself was wedded to these ideas; the entire supply chain had to conform. Hence it launched a "Total Quality Management" or TQM to ensure the high quality of the products from the starting point (the village farmer who supplied milk) right through the value chain until it reached the consumer. This meant the need for the involvement of farmers, transporters, factory personnel, wholesalers and retailers, each of whom had a role to play.

What began as a TQM movement gradually became a movement for management of change in the entire value chain.

Mother Dairy's Management of Change (MOC) initiative was launched in six areas: cleanliness of the dairy co-operative societies, planning and budgeting of the dairy cooperative society, artificial insemination service, and quality testing and milk measurement by the dairy co-operatives, animal feeding and management practices and self leadership development.

Mother Dairy and its Innovative Venture

Mother Dairy is expanding its edible oil portfolio by venturing into olive and rice bran oil segment. The dairy major is already selling vegetable and mustard oils under Dhara brand. In line with the changing needs of consumers, they are venturing into the olive oil segment with a new brand -Daroliva.

The company aims to achieve 20-25 per cent market share in the olive oil segment within a year of the launch. The total market of olive oil in the country is around 4,800 tonnes per annum.

Daroliva -extra virgin olive oil-is imported from Spain and the packaging of the product is done at Dhara Vegetable Oil & Foods Company facility in Gujarat. The company has priced the oil at Rs 205 for the 200 ml pack and it would be available in four different sizes. Initially, they would be selling olive oil in top 25 markets of the country and gradually, they will move to smaller towns and remote markets.

About marketing strategy, the launch of Daroliva would be supported by print campaign in addition to attractive point-of-purchase material and the company also plans to hold sampling sessions at various retail outlets and malls.

The firm is also venturing into the rice bran oil

with its new brand 'Dhara Rice Bran Oil' in Tamil Nadu and Andhra Pradesh market. With opportunities galore Mother Dairy is looking to capture those opportunities through their innovative strategies and plans.

In times to come the great challenge for Mother Dairy will be to be the best and capture a maximum portion of the Indian market.

Mother Dairy – Road Ahead and Future Strategies

Mother Dairy has different plans for its dairy business, which includes flavored milk, lassi, curd, butter and cheese besides its toned milks. Each of these products has a regional stronghold, with a shelf life of 10 days.

However, the company is looking at alternatives that would increase the shelf life and allow the products to be distributed in other parts of the country as well. In the ice cream segment, the company has been able to capture 32 per cent of the market, and hopes to increase it to 36 per cent by 2015.

On MDIL's marketing strategies while the company does a lot of innovative advertising and on field activities, it spends 3-4 per cent of the turnover on marketing.

All categories were experiencing a growth of 30-40 per cent per annum, and that the turnover was growing at 15-17 per cent every year. Mother Dairy has clocked a turnover of nearly Rs 7000 Crore in 2011-12 and is looking at clocking close to Rs 10,000 Crore in 2014-15.

Future Strategies

- Looking Beyond Delhi – Expand network to top 20 cities by 2015 and increase non-

NCR Revenues from 25% to 35%

- Selling at Kiranas – Increase presence in Kiranas and modern retail stores in addition to exclusive outlets.
- Focusing on Health Foods – Promote snacks like frozen hariyali kebabs, ready-to-eat corn and flavoured yoghurt.
- Hiring Fresh Talent – Build a younger leadership team and conduct training programmes at various levels
- Becoming Hi-Tech – SAP enabled operations and a new four week forecasting tool to improve stocking in outlets.
- Seeking Expert Help – Consultants to help trim operational costs and boost energy efficiency by 8% -10% by year end.

Companies that have risen to global leadership over the recent decades invariably began with ambitions that were totally out of all proportion to their resources and capabilities. To reach such heights every company needs to bring in some policies that would help them strategically manage their activities.

Mother Dairy is one such company which has reached the strategic edge with its Strategic insights and precise strategic implementation.

Books

- Empowerment Case Studies: National Dairy Development Board
- Opportunities and Challenges in the Indian Dairy Industry – Dr. K. G. Karmakar and Dr. G. D. Banerjee

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EFFECT ON ORGANISATIONAL PERFORMANCE – A CASE STUDY ON ROLE OF FUNCTIONAL SYNERGIES IN HIMATSINGKA SEIDE LIMITED

Abstract

Kiran Kumar H *
Dr. T.V. Raju **

This paper is aimed at determining the effectiveness of functional synergies within an organisation and its role in the organisation's performance. The objective of the paper is to examine approaches that support functional interdependency through a case study of Himatsingka Seide Ltd., one of the largest Home Textile Major with a global footprint. This case study also focusses on organisation's capability of resource optimization in searching, selecting and configuring resources to achieve organisation performance. On examining relevant issues of the company's core business process, the findings emphasized the ability to co-ordinate different functions according to the needs, is challenging but necessary in order to achieve high organisation performance. It also showed the significant role of IT in achieving functional synergies.

Keywords: Organizational Performance, Functional Strategies, Information Technology, Business Integration.

1. Introduction

Organisational capacity refers to the ability of an organisation to harness its internal and external resources to achieve its goals (Misener & Doherty, 2009). In this respect, internal resources relate to "all assets, capabilities, organisational processes, firm attributes, information, knowledge, etc. controlled by a firm that enables the firm to conceive and implement strategies that improve its efficiency and effectiveness" (Barney, 1991, p. 101).

It is found that resource optimization in a firm is contingent on the organisational interdependencies such that different interdependence types demand different

coordination methods at the very least. It also shows the significant role of IT in business integration. With these capabilities, firms can experience growth and improve the quality of conformance to customer needs. (Felix Ter et al, 2014).

This also calls for tight coordination among discrete business activities which ultimately enables the firm to respond to pressing competitive forces (Markus, 2000). Interdependencies between front-end and back-end offices to achieve business integration and thereby enhance organisation's performance is an important capability needed for firms.

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Business integration is an important determinant of the business value and firm performance which enables a firm to respond to pressing competitive forces (Felix Ter et al, 2014). It is still a persistent research topic. Due to its complex nature, the methods to achieve organisational performance are not clearly defined and hence the following study is an attempt to examine relevant components of business processes and its interdependence in the case study of Himatsingka Seide.

The method chosen is qualitative in nature and is a case research. We have identified the focal processes of Himatsingka Seide and discussed strategies with each process heads. The lessons learned are highlighted and inferred to draw conclusions

2. Case Description

The Himatsingka Group is a vertically integrated Home Textile major with a global footprint. The Group focuses on the manufacturing, retailing and distribution of Home Textile products. On the manufacturing front, the Group operates amongst the largest capacities in the world for producing upholstery fabrics, drapery fabrics and bed linen products. Spread across Asia, Europe and North America, its retail and wholesale distribution divisions carry some of the most prestigious brands in the Home Textile space and cater to Private Label programs of major retailers across these geographies. Founded in 1985, the Himatsingka Group focuses on design and product development, best-in-class manufacturing processes and efficient supply chain capabilities to ensure the highest level of customer service in the industry. With a team of over 5000 people, the Group continues to expand its reach and build

capacities in the Home Textile space. As one of the largest composite silk mill and rated as the largest silk exporter in India, Himatsingka Seide has faced myriad of challenges during the early stages of growth especially in meeting the delivery timelines without compromising on quality and also being innovative in their design offerings.

Himatsingka Seide were exclusively weaving silks fabrics for American and European markets, and were getting premium prices for their products primarily because of their wide range of designs and textures. Himatsingka had stocking capability of around 2.5 lakhs metres of silk fabric at any given point. During the American recession of the year 2008, demand price for silk had dropped from Rs. 1500 per meter to Rs. 1000. The buyers wanted the same feel of silk but at 25% lower price. Subsequently this had cascading effect on production to manage the feel of the texture by weaving alternate warp of synthetic with weft of silk thus rendering the same look and feel as that of pure silk. Production got difficult and challenges loomed large. Although Himatsingka turned around from Rs. 40 crores to Rs. 120 crores in a span of one decade, the revenues remained at around 20cr.

3. Business Process in Himatsingka

The case identifies core functional divisions such as Production, Finance and Human Resource Management. Marketing functions which represents front end of business is exclusively run by the Managing Director of the company. This section highlights how strategies related to business integration influence organisational performance.

3.1 Production

According to the head of the plant, the production processes involves many stages. It starts from receipt of customer order which is in the form of a unique product code that gets fed into the planning system. Planning department enables production to establish a procuring system by estimating the yarn requirements, colour dyes and chemicals based on the design chosen by the customer. The design also determines kind and number of looms that are required. Customer timelines are scheduled and man power and man time are planned accordingly. Production takes over from the planning department through various stages like preparatory which involves winding, doubling, steaming and twisting, followed by dyeing, weighing and degumming. The AGM who is responsible for the overall supervision of the plant . sorts out issues in each process concerning man power, shifts, machinery and raw materials. The human resource departments plays role a critical role here to back up the labour force as and when required.

It is observed that company has been using information technology ever since its inception. Formerly ,the company was using business software package called Texpro to manage labour force, inventory and machineries. Texpro was used in forecasting stock requirements based on the past 10 years of procurement. Although it lacked accuracy , it served their basic purpose of inventory management. However after the implementation of SAP in August 2012, inventory management has been optimized with accuracy and effective monitoring in every stage of production. The outcome was a drastic reduction of inventory from three months stocking period to one

month. It quickly led to JIT concept which could not have been possible without functional backup from Finance department in providing analysis of stock movement and stock position. The company is certified under ISO 9001 and ISO 14000 environment act.

Another strategy devised by one of the senior management was the "Theory of Constraints". Earlier when the company was using Texpro software package also they were having problem of not meeting the customer delivery schedules .Such cases were traced back to locate the problem ,stage by stage, using color codes . However to achieve business integration , with the help of SAP , a strategy called Theory of Constraints was devised. This theory talks about understanding the problems and tracing back to the root cause of the problem using color coding for based on the intensity of the problem . For example, red (problematic but can be addressed by specific date), green (solved ready to go) and black (bad problem). A mandate was given to all the departments that they can be managed with any color but not have black at any point of time. If any department had black ,then the plant head will involve to address the issue.. Once again this strategy fetched results only because of the strong functional synergy backed by SAP.

3.2 Finance

Finance is an another important function which was earlier focussing on only accounting, wages, payroll, ESI on behalf of the HR in addition to some statutes. Finance department was also involved in account payables to the respective vendors. With the implementation of complete SAP FICO, the Finance function got completely integrated in every stage of the business process . Thus reports of the

production processes were available to the Finance department enabling them in analysing the gains and losses in each stage and being able to discuss with operational, tactical and strategic managers. . On every transaction in production, finance is now responsible in keeping track of inventories. Evaluating or categorising inventories based on the customer purchase order received, aging of stock, location, stock recovery issues, inputs on the opening stock and closing stocks. This input is considered by the managerial and strategic level of each functional organisation for reducing the loss and maximum profits. Finance also regularly interacts with the human resource management for resource optimization so that every human resource works efficiently and contribute effectively for the organizational performance.

3.3 Human Resource Management

The strategy developed by Human Resource Management department is "Talent Pipeline Management" which has enabled the organization to dissolve the threat of an Union. It also leads in building and developing the required talent pool as ongoing process. This strategy is directed to employee only women between the age group of 18 to 25 years and also supplements production during the times of the crisis.

Other programs that were implemented are "Vocational Training Programme" and "Voluntary Separation Scheme". The former enables employment of rural boys to be appropriately trained for required skills. The latter scheme helps in the mutual benefit of the employee and employer in moving out of the organisation when being under performed. The

Human Resource function through these programmes have been able to compliment the organisational performance in terms of resource optimization.

3.4 Role of Managing Director in Functional Synergy:

Front end operations constitutes of Design and Marketing. Managing director himself holds this valuable responsibility of interacting with international customers for their growing business requirements. Design being their unique selling point, marketing is supported by their own Design Studio which creates innovative designs on a sample strip called blanket. This blankets constitutes strips of Motifs which are designed through the CAD.

4. Lesson Learnt

Our case study with the Himatsingka shows that organisational performance is largely dependent on functional synergies and resource optimization. In this section the following are discussed. Firstly it found that resource optimization in a firm is contingent on the organisational interdependencies that arrives from collaborative approach. The case study also shows that all the three functional departments co-ordinate with same mechanism to satisfy the interdependent relationships though they are different. Secondly this case highlights the role of Information Technology in achieving the business integration. Production Crisis, Delivery mandates are well handled with this combination of Information Technology backed interdependence functions. Introduction of SAP has reduced the distances between functions and maintained a smooth processing transactions

5. Conclusion

1. Tight coordination among the discrete business activities and efficient functional synergies among the Human Resource, Production and Finance has enabled the firm to respond to the growing competition and still retain the market leadership.
2. Organisational performance has seen steady growth on an average of 15% to 20% due to successful business integration.
3. SAP business software package helped them to have strong business integration so that company could achieve quality, delivery timelines and also could help them to devise business strategy – Theory of Constraints
4. SAP business integration also helped finance department to work on the building and analysis of cost centres in every process.

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MARKETING OF "RETIREMENT HOMES" TO DRIVE ECONOMIC GROWTH IN THE REAL ESTATE SECTOR IN BANGALORE

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Abstract

Human beings crave for three basic things that are popularly known to everybody – Roti, Kapada & Makaan (food, clothing & shelter). To satisfy the first two things, people earn enough money from their jobs, but when it comes to shelter – housing, few may be able to make it through home loans and paying it through EMIs. People may have other familial commitments such as sisters' marriage, aged & sick parents to care, etc. Such of them may be able to think of housing for themselves out of their retirement benefits and few other little savings, after they may have completed all their familial commitments. As more and more Indians join the ranks of Retirees, the demand for housing projects catering exclusively to this category is on the rise. Taking advantage of this opportunity, today there are as many as 30 such projects and an equal number is on the drawing board. Today, retirement homes are vibrant complexes that take care of food, housekeeping, health care and security, allowing Senior Citizens to enjoy their sunset years. This is precisely why Max India is promoting its retirement homes business with the catch line "Fun & Laughter, 60 and after".

"Retirement Homes are certainly a hot and happening segment in cities like Bangalore and sales for such properties are more or less on par with those of mid-income and premium homes in the city".

In this research paper, adopting an explorative approach, the researcher has exercised efforts to unearth the potential for marketing retirement homes for senior citizens in Bangalore, using a survey method. One hundred senior citizens, chosen at random, were contacted for determining their home needs, through a structured questionnaire that was pre-tested for validity and reliability using Cronbach's Alpha test (with a value of 0.860).

The findings prove that, there is a tremendous scope for marketing retirement homes for senior citizens in Bangalore.

Key words: Senior Citizens' Homes, Retirement Homes, Market Potential, Retirees.

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Introduction

As more and more Indians join the ranks of retirees, the demand for housing projects catering exclusively to this category is on the rise. Taking advantage of this opportunity, today there are as many as 30 such projects and an equal number is on the drawing board.

Most of the projects are located in the suburbs of metros and a few of them are also being developed in well-known retirement destinations such as Coimbatore, Goa and Dehradun. These projects are not run-down old-age homes, where the aged are abandoned and live in a pitiable state. There are other factors too which are drawing the demand for retirement housing in India.

India's so called demographic dividend will soon turn grey. Right now, nearly 98 million Indians (or roughly 8% of the population) are above 60 years of age. This figure is expected to reach 240 million by 2050. The country's population is growing at a rate of 1.8% annually, but the ranks of senior citizens are swelling at a much faster clip @ 3.8% every year. By 2050, there would be 324 million citizens above the age of 60 years in India, while 48 million will be above the age of 80 years.

Literature Review

While the Government focuses on supporting the youth, expecting them to contribute to the economy, there is very little support for those who already have (HelpAge India's Report on the State of the Elderly in India 2014).

Mathew Cherian, CEO of HelpAge, pointed out that 8% of India's population needs support & social security. This is the fastest growing demographic segment. Mr. Cherian also said, as per HelpAge's Estimate, the population of

80+ years is growing the fastest at 700%. The breaking up of the joint family system has removed the one safety net that the elderly had. Also, the respect for the elderly that it had fostered, is also declining leading to increasing cases of abuse.

India's IT Capital – Bengaluru, houses 1.37 lakh retirement homes which translates to 76% of the city's under construction housing inventory (as per TOI report). The estimated demand for retirement homes in India is approximately 3 lakh units. Bangalore bags close to 50% on that count -a pointer as to why retirement homes or housing for Senior Citizens is the hottest selling product for city based real estate developers.

"Retirement Homes are certainly a hot and happening segment in cities like Bangalore and sales of such properties are more or less on par with those of mid-income and premium homes in the city". ("Juggy Marwaha, M.D. – South, Jones Lang LaSalle India", an international property consultancy firm).

A dipstick survey of 1000 plus people aged above 55 years conducted by Bangalore based Real estate Consultancy Firm Asipac showed that 82% of the Respondents perceived the need for specialized housing for senior / retired people in Cities. Nearly 70% were interested in purchasing or moving into specialized housing. About 59% of the Respondents said it was for "a better environment", while another 19% said that it was "to live a quality life" (Amit Bagaria, Founder and Chairman of Asipac Group).

Bangalore, as per data available shared by JLL India, has the largest share (23%) of the 30 odd retirement homes / senior citizens' living projects under construction, in India.

Marwaha believes that the IT – fueled buying power allows the younger generation to make retirement living solutions available to their parents. Typically, retirement units are sold to customers above the age of 50 years with the entire housing complex being professionally operated & maintained.

In our country, for every child born, two persons turn over 60 years and hence, 'care of the aged will average as the single largest cause of worry over the next decade', says Mr.P.C. Sen, Vice Chairman of the Board of Trustees of Age Ventures India (AVI)".

Identification, definition and statement of the problem:

Senior citizens want a home. Often, they do not know where to find one. Housing companies want to offer such homes. But they do not know where are such senior citizens and what do they look for in a house when they want to own one for themselves. Need has created demand and the demand has led to opportunity for marketing. Thus, there is a set of customers and there is another set of marketers to cater to the demand.

This has created an opportunity to establish a link between the two. Hence, the **problem** chosen for the study is **stated** as: **"Prospects of Marketing Retirement Homes to Senior citizens in India"**. This research work is a sincere effort to determine the potentialities of the market.

Scope of the study

1. A considerable portion of the demand for posh retirement homes is coming from Non-Resident Indians (NRIs). Senior NRIs accustomed to top-end facilities in developed countries and returning to their

home country, or those whose children have turned NRIs, are the significant potential customers. This study is focused on such of them.

2. A recent report from Jones Lang LaSalle India (JLLI) puts the current demand for retirement housing in India at approximately 3 lakh units.
3. There is an option to suit every pocket, with unit sizes varying from 300 sq. ft. to 2,500 sq. ft.
4. This study is carried out in Bangalore. 100 senior citizens who walk into or call up for enquiry at Vakil's Housing Development Corporation Pvt. Ltd., Bangalore and those who are available at some local associations constitute the respondents for this study.

Objectives of the study

- I) To understand the housing needs of senior citizens.
- II) To ascertain the potential for retirement homes in Bangalore
- III) To determine their limitations in respect of how much can they afford to spend for a house of their own.
- IV) To identify the various services to be provided in a retirement home that such senior citizens expect.
- V) To ascertain if there is an element of truth in the hypotheses framed for the purpose of this study.
- VI) To come out with suitable suggestions & recommendations based on the findings of the study.

All the aforesaid objectives are successfully achieved at the end of the study.

Hypotheses framed

For the purpose of this research work, they are framed as under:

Null Hypothesis: H_0 : *There is a tremendous potential for marketing retirement homes in Bangalore*

Alternative Hypothesis: H_1 : *There is no potential for marketing retirement homes in Bangalore*

From the survey data obtained through a structured questionnaire that was subjected to Cronbach Alpha test for validity & consistency of data, it is glaringly evident that **there is a tremendous potential for marketing retirement homes in Bangalore**. This finding is supported by data collected for question numbers 1, 2, 3, 10, 11, 14, 15, 16 & 17 in the questionnaire.

Hence, the **null hypothesis** framed for this study is **found to be true**, and hence, it is **accepted**. It is also proved statistically.

Correspondingly, the **alternate hypothesis** is **found to be untrue** and hence, it is **rejected**.

Research Methodology

In this Project work, an **explorative & descriptive research method** is followed, using **survey** approach. 100 senior citizens, chosen at random constitute the respondents to this study.

Primary data was collected through a structured questionnaire that was developed exclusively to achieve the objectives of this study. The so structured questionnaire was subjected to Cronbach Alpha test for establishing its validity & reliability. Wherever possible, item analysis, multiple response analysis, cross tabulation, etc. were done in order to validate the data. At a Cronbach Alpha value of 0.860, the questionnaire proved to be highly valid & reliable.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No of Items
762	860	16

Summary of Findings and Conclusions

1. 92% of the respondents appear to opine that it is to go in for a senior citizen home, while the remaining 08% of he appear to opine otherwise.
2. Among the reasons for opting for shifting to a SCH, the respondents opine three major reasons favoring SCH, viz., better quality

life, Security, Community Living, Sharing experiences & expenses with others and unwilling to stay alone.

3. A vast majority (96%) of Senior Citizens appear to have their children and the remaining 4% appear to be otherwise.
4. 11% of the respondents claim to have no sons while another 59% of them claim to

have one son each. Other 23% of them appear to claim to have two sons each while another 5% of them appear to claim to have three sons each. The remaining 5% of them may have no children at all.

5. 63% of the respondents appear to claim that they are living with their children while another 35% of them appear to claim otherwise. The remaining 2% of the respondents may have no children at all to live with.
6. Among those living with their children, as many as 73% of the respondents appear to claim to be living with their son/s, while the remaining 27% of them appear to claim to be living with their daughters.
7. 58% of the respondents appear to claim that they are aware of the availability of SCH in Bangalore, while the remaining 42% of them appear to claim otherwise.
8. 29% of the respondents appear to opine that the SCH are not priced adequately & reasonably. Another 32% of them appear to be ignorant about the adequacy & reasonability of the pricing of SCH. However, the remaining 39% of the respondents appear to opine that these homes are adequately & reasonably priced.
9. 37% of the respondents appear to claim that their children do influence their decision in selecting a Senior Citizens Home, while another 33% of them appear to be unable to opine anything in this regard. However, the remaining 30% of the respondents appear to claim that their children don't interfere in their decision in selecting a SCH.
10. 56% of the respondents appear to claim to attach top priority to 'staying with their spouse', while another 26% of them appear to claim to attach second priority to 'staying with their spouse'. However, the other 3% of them appear to claim to attach third priority to it and the remaining 15% of them appear to claim to attach the last (IV) priority to 'staying with their spouse'.
11. Only 3% of the respondents appear to claim to attach top priority to 'having food at centralized kitchens', while another meagre 17% appear to claim to attach second priority to 'having food at centralized kitchens'. However, another 34% & 46% appear to claim to attach III & IV priority respectively to 'having food at centralized kitchens'.
12. 40% of the respondents appear to be willing to pay anywhere between Rs.12 lakhs to Rs.15 lakhs for buying a SCH in Bangalore, while another 30 % of them appear to be willing to pay anywhere between Rs.15 lakhs to Rs.25 lakhs for the same. However, the remaining 30% of the respondents appear to be willing to pay anywhere between Rs.25 lakhs to 30 lakhs for buying a SCH at Bangalore.
13. 77% of the respondents claim to be healthy, while another 19% of the respondents claim to be not healthy, but claim to be capable to manage themselves. However, the remaining 4% of the respondents claim to be sick and need regular medical attention.
14. This is a multi-response question and therefore, each of the respondents have ticked more than one response. 27% of the respondents appear to claim that they

would read the fine print in any agreement when they invest in a retirement home. 29% of the respondents appear to claim that they would do their mathematics/calculations at home before buying a house in a project. 36% of the respondents claim that they would check the service provider's level of specification in geriatric care. 63% of the respondents claim that they would visit the company's older projects and enquire from the residents as to how satisfied they are. 41% of the respondents claim that they would conduct some background checks before deciding to buy.

15. Among the options to buy a SCH, 33% of the respondents claim to buy a SCH through outright purchase. Another 34% of them claim to purchase through a Deposit model/payback schemes. However, the remaining 34% of the respondents claim to purchase on a life-time lease basis.
16. Resorting to aggressive marketing, providing good amenities, offering a comfortable carpet area & free space, facilitating free doctor's consultation, pre-empting the thought of 'Last Resort to Move to SCH', location of SCH to be near to market, offering SCH not for profit, building reputation for the builders, etc. are some of the suggestions offered by the respondents.

Limitations of the Study

1. Housing Development companies may have their housing projects coming up in different cities. However, this study is

restricted to housing projects in Bangalore only.

2. There are many housing projects catering to various categories of citizens in Bangalore. However, this study is focused on retirement homes for senior citizens only.
3. There are many housing development companies in Bangalore. However, senior citizens who walk into Vakil Housing DCPL only, for enquiry and those who are members of some associations in & around such housing projects are covered in this study.

Scope for Further Research

1. Since housing development companies have various projects coming up in different cities, the same study can be taken up in other cities also. Senior citizens would be there in all the cities that are tier 2, tier 3 etc.
2. Since this study focused only on senior citizen's homes in Bangalore, a similar study can be taken up with equal zeal for the other aspiring junior citizens also. The survey would reveal more specific requirements of such people.
3. This study focused on the senior citizens who walked into Vakil Housing Development Corporation in Bangalore and also collected data from few others who are the members of Senior Citizens' Association in South of Bangalore. Hence, the same study can be extended to senior citizens in the other parts of Bangalore also, where senior citizens abound.

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Annexures



Mar 29, 2015 : The Times of India (Bangalore)

Are we useless, elders ask on helpline

Bengaluru: TIMES NEWS NETWORK

Policemen Come Together To Treat Abused Seniors With Sensitivity

They have heartbreaking stories to tell, but no one wants to hear them. Some mock at them, others offer advice. An awareness camp for elders, hosted by city police and the Nightingales Medical Trust - which runs the Elders' Helpline - turned into a stage where seniors came out with shocking experiences of their lives.



LENDING AN EAR: A policeman listens to a senior citizen during an awareness camp for elders, organized by police and Nightingales Medical Trust on Saturday

Oct 24, 2014 : The Times of India (Bangalore), Aparajita Ray, Bangalore

LONG STORY - It's houseful in old-age homes

As Families And Support Systems Shrink, Such Centres Offer Hope But No Room

Twenty years ago, Violet and her husband Alfred Jackson moved into the Home for the Aged, run by the Little Sisters of the Poor on Hosur Road. They came here as they didn't want to burden their married daughter, who lives in Kochi.

Today Violet is 80, Alfred is dead but she doesn't feel alone or unsafe here. As families shrink, support systems vanish and children get busy in careers in faraway lands, seniors are flocking to old-age homes. But there's a hitch: there isn't room for all.

TWILIGHT YEARS, NEW DWELLING



TREADING THE LONELY ROAD: Many seniors, whose kids are abroad and busy with careers, find old-age homes a safe bet

TIMES VIEW

Undoubtedly the elderly are best happy when they live with their families in their twilight years and are taken care of in their homes. Sadly, the change in lifestyles and social mores have led to situations where they are either not welcome in their homes or due to practical constraints, are forced to reside in retirement homes. The mushrooming old-age homes and changing face of such facilities show the extent of demand. The government and public charities must ensure that the waiting list for admission into such homes is reduced. Alternately, support systems must be set up in residential buildings so that the aged don't feel neglected.



IT'S A PRACTICAL MOVE

“There was a time when going to an old-age home was looked down upon. But for me it's a logical option. I'm a widower and my children live abroad. I need constant medical attention and care. It's just like moving to another house with better facilities.”

Francis Manjali, 73 | BANGALORE

“I decided to stay in an old-age home as my daughter-in-law is not well and I did not want to burden them. I am happy living here for the past six years. Meditation, reading and walking keeps me busy and cheerful the whole day. Staying in an old-age home or keeping someone there is not a social stigma.”

R Y Dixit, 86 | DHARWAD

NOT MUCH ROOM

100 plus: Number of old-age homes in Bangalore, outskirts

10-20% senior citizens in the city waiting up for a room

Rs 10,000-Rs 15,000 per month: Cost of ordinary rooms in some homes

Rs 30,000 onwards: Cost of special individual rooms with round-the-clock medical facilities and nursing care

30: Average number of rooms in private old-age homes

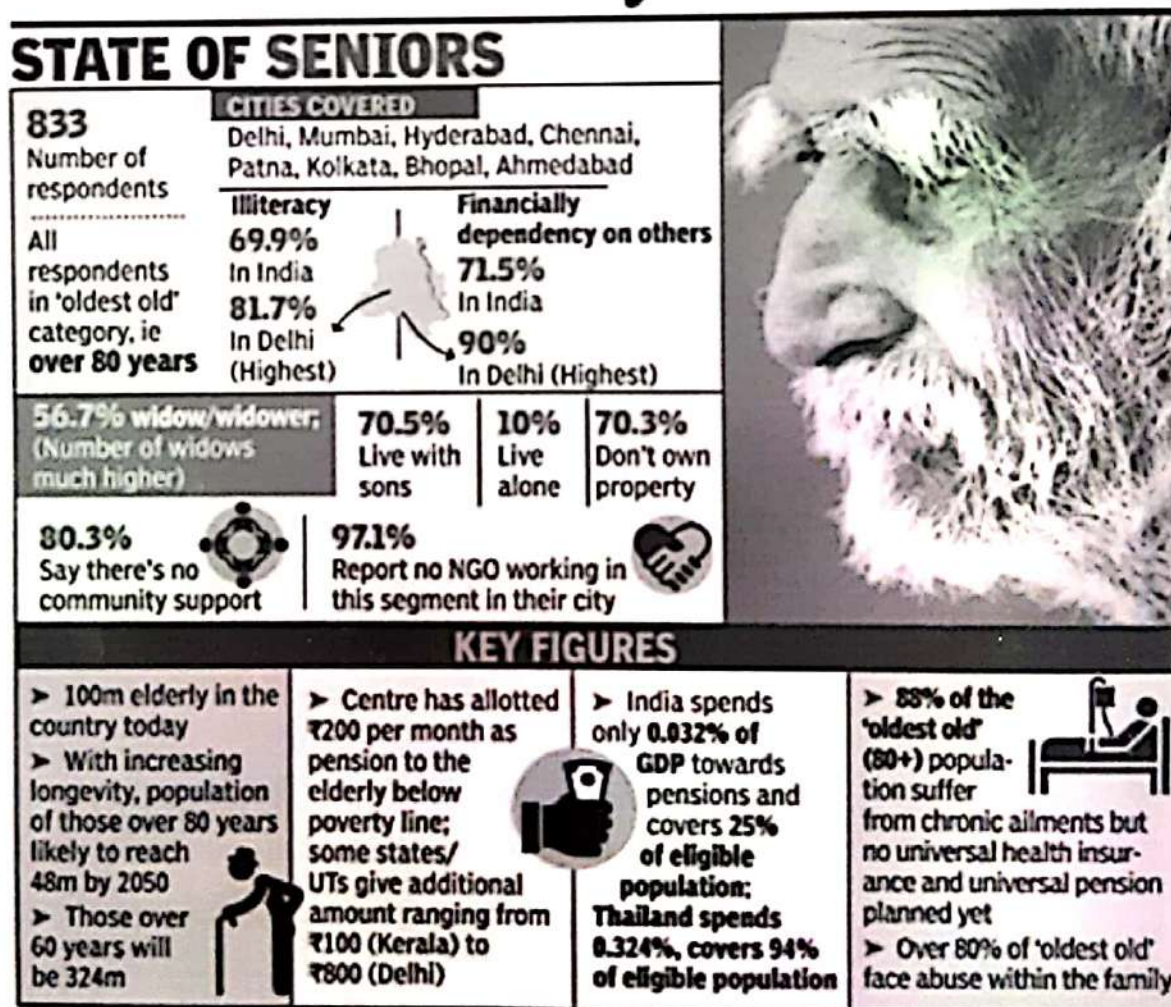
Jerry Rao will build homes for senior citizens

Jerry Rao promoted Value Budget Housing Corporation (VBHC), which services the affordable and mid-market home buyer categories, is partnering with Vedaanta Senior Living to roll out specialized homes for senior citizens. VBHC's first such senior living development will come up at its Vaibhava integrated residential project in Anekal, near Electronics City, comprising of 92 units costing between Rs 29 lakh to Rs 40 lakh.

Feb 21, 2015: The Times of India (Bangalore)

HelpAge survey seeks govt. focus on the elderly in India

By 2050, there will be 324 million citizens over the age of 60 in India, while 48 million of them will be over 80. While the government focuses on supporting the youth, expecting them to contribute to the economy, there is very little support for those who already have. HelpAge India's report on the State of Elderly in India 2014, released on Friday, is meant to convince the government that this group needs attention and, therefore, budgetary allocation.



May 22, 2015: The Times of India (Bangalore)

Govt. plans healthcare scheme for Sr. citizens

The Modi government is set to launch a healthcare scheme for senior citizens as part of its social security initiative. Sources said the scheme would be funded through unclaimed deposits available with the government for which FOCUS SO the law has already been amended as part of the Budget exercise.

The amendment will enable the government to tap a "couple of thousand crores" for the healthcare scheme. "We will work out a threshold and people beyond that would be covered by the healthcare scheme," a source said. In the absence of access to government medical facilities, healthcare is seen as a crucial missing link for senior citizens.

May 10, 2015: The Times of India (Bangalore)

A haven for the retired

People staying abroad tend to be in a moral dilemma. Should they leave their job and come back home to take care of their parents, or should they stay back and concentrate on their career? Fully-serviced, professionally-run modern retirement communities may help people in this regard.

These retirement communities are exclusive apartments, designed and built bearing seniors in mind. When you buy one of these apartments, you get a promised life-long service that includes security, medical care and safety, food and dining as well as a likeminded community. Moreover, these retire-apartments act as a great investment opportunity. People can buy these apartments for their parents, which help both in taking care of their parents and their own tax planning. These apartments can be sold at an appreciated value.

Ashwin Kumar Iyer, CEO of Vedaanta Senior Living, which is building its retirement community near Electronic City, says, "Our extensive medical care services start with digital medical records management and a comprehensive geriatric health assessment. Through this, we get to know who is susceptible to what ailments and emergencies. We plan our care accordingly. Besides all these medical and emergency care, we are a big hit among ladies for two reasons. First, they don't need to cook anymore; they get their real-time retirement from kitchen work.

Secondly, house-keeping is taken care of by us. Hence, we give the 'real' retirement to ladies, which otherwise they would never get."



Oct 26 2014: The Times of India (Bangalore)

Living at an 'intimate distance'

Surgeon and writer Atul Gawande recently advocated living near but not too near ageing parents. This allows both the young and the old to live their life, but be there for each other. Meet some families that have managed the few degrees of separation with good results...



NEIGHBOURS AND PARENTS: The Sanyals would rather live next door to their daughter than share her home and feel cramped

Between them, this family has lived in Bangalore, Delhi, Dubai, Kolkata, Assam, Benaras, Nigeria, Mangalore and Malaysia. But finally, it has dropped anchor in Bangalore.

MohuaBhattacharjee, a freelance writer, husband Sandip, an aeronautical engineer, and their daughter Sneha first moved to Bangalore in 2005, and then later to Dubai. Sandip's parents lived in Delhi at the time, while Mohua's

were in Kolkata. During the Bhattacharjee's stint in Dubai, Sandip's parents fell seriously ill. His mother passed away after a short battle with cancer, and his father's heart ailment took a serious turn.

Sandip travelled 18 times between Dubai and Delhi when his parents were unwell. There were times when he would land in Dubai, and would have to take the next flight back to Dubai.

LITERATURE REVIEW ON INFLUENCE OF EMOTIONAL INTELLIGENCE ON EMPLOYEE PERFORMANCE AT WORKPLACE

Dr. Katyayani Jasti*
Mounica Vallabhaneni**

Abstract

Employee performance plays a very important role in the workplace. The performance of the employee is one of the vital determinants for promotions and hike in the salaries or demotions and layoffs. In the current scenario, the level of employee performance is determined by various components via, work pressure, relationship with colleagues, initiative, stress levels, anxiety, agitation, monotony in work. All these emotions have an impact on everything an employee does. All these emotional symptoms fall under the category of dimensions of Emotional Intelligence. In the light of employee performance and Emotional Intelligence there is a need to study the impact of emotional intelligence on the employee performance at workplace. This conceptual paper attempts to review the literature on influence of Emotional Intelligence on Employee Performance at workplace.

Keywords: *Emotional Intelligence, Employee Performance, Workplace.*

Introduction

With the advent of globalization, employees in the workplace are expected to be spontaneous, open and flexible to changing organizational environment. It is believed that a spontaneous employee works efficiently and increases the overall productivity to the organization. Emotional Intelligence plays a very important role in helping the employees to cope with dynamic change in organizational and business environment. Hence Organizations need to develop employee's emotional intelligence skills to work effectively in the workplace. (Bob Wall (2008). Dalip Singh, (2001) opinions that application of emotional intelligence supports the managers and employees to recognize and

understand emotions and using emotional intelligence to manage oneself and his/her relationship with others.

It is expected in the current competitive world that a person should be emotionally intelligent as it is believed that Emotional Intelligence plays important role in a person's life than intelligent quotient, which was a traditional concept. The concept of Emotional Intelligence gained lot of attention because of its benefits. The key idea of high emotional intelligence in a person results in success in work place, adjustment and quick adaptation to new environment, improved leadership, motivating and decision making abilities, maintaining good personal relationships and ability to manage stress levels that creates

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economic and societal value. There were many empirical tests conducted to prove the benefits Emotional Intelligence in the work-life balance of individuals.

The current paper provides literature review of the claimed role of Emotional intelligence in the workplace. The paper provides an overview of the conceptualization and measurement of Emotional Intelligence. The paper concludes by presenting theoretical framework of influence of Emotional Intelligence on employee performance which increases overall organizational effectiveness.

Emotional Intelligence

Although Thorndike (1921), Guilford (1956), and later, Gardner's (1983) research into social intelligence suggests at the importance of emotions to intellectual functioning, the term EI was not brought into mainstream psychology until the 1990s (Salovey & Mayer, 1990). The origin of Emotional Intelligence goes back to O. Hobart Mowrer, in 1960, who maintained, "The emotions are of quite extraordinary importance in the total economy of living organisms and do not deserve being put into opposition with 'intelligence.' The emotions are, it seems, themselves a high order of intelligence" (p. 308).

Similarly, Robert C. Solomon, in 1976, wrote, "...emotions are rational They are, as I have been arguing, judgments, and they are intentional and intelligent" (p. 239). Solomon's objective was to eliminate unnecessary conflicts between reason and passions, and instead, to encourage appreciation of the passions without requiring the rejection of "reason" (Mayer, Salovey & Caruso, 2004; Salovey, Mayer & Caruso, 2002).

It appears Payne (1985) first formally introduced and defined the concept of EI in an unpublished doctoral dissertation in philosophy entitled, *A Study of Emotion: Developing Emotional Intelligence; Self- Integration; Relating to Fear, Pain and Desire*. Payne opinions Emotional Intelligence is related to fear, pain, and desire. He suggest that individuals could learn the necessary skills through educational programming in schools. Payne believed that mass emotional suppression throughout history has stifled humans' emotional growth, and he viewed many of the problems of modern society as being caused by emotional ignorance, culminating in wars, depression, illness, addiction, religious conflict, and violence (Mayer, Salovey & Caruso, 2004; Salovey, Mayer & Caruso, 2002).

In the past two decades, a great deal has been written about emotional intelligence and its role in the workplace. The experts in the field of emotional intelligence have offered definitions and models to understand the concept of emotional intelligence and its impact on employee and manager's life and work. Like most of the concepts of the social sciences emotional intelligence has also been defined by many researchers in different words. Emotional Intelligence is conceptualized by Salovey & Mayer (1990) "the ability to monitor one's own and others feelings and emotions to discriminate among them and to use information to guide one's thinking and action". Further, Goleman (1995, 1998) who had popularized Emotional Intelligence defines it as "the composite set of capabilities that enable a person to manage him/her and others". Reuven Bar-On (2000) defined emotional intelligence as being concerned with effectively understanding oneself and others, relating well to people and

adapting to and coping with the immediate surroundings to be more successful in dealing with environmental demands. These definitions indicate that for a manager and an employee to be successful, emotional intelligence abilities are required.

Emotional Intelligence and Employee Performance

People with high levels of emotional intelligence (EI) seem to possess emotional skills that allow them to cope effectively with the challenges they face and promote well-being. Considering the role of EI in coping research may yield significant benefits for individuals because EI has consistently been linked with positive outcome measures, including life and work satisfaction, interpersonal functioning, healthy relationships, job performance, psychological well-being, physical health, and psycho-physiological measures of adaptive coping (Martins, Ramalho, & Morin, 2010).

Before exploring existing research on the relationships between EI and employee performance, it is important to consider why examining EI with respect to performance is at all important. One of the most important reasons to consider EI in coping research is because EI has consistently been related to and predictive of positive outcome measures, such as life satisfaction, work performance, healthy relationships, physical health, and psychological well-being (e.g., Ciarrochi, Forgas, Mayer, 2001; Salovey et al., 1999; Zomer, 2000). People high in EI seem to possess skills that allow them to cope effectively with the challenges they face which in the long-run contribute to such positive outcomes, with reversals among these relationships suggested for those low in EI. To gain further appreciation

of the applicability of EI to the employee performance, a thorough review of the literature is required.

In an exploratory study by Dulewicz and Higgs (2000) of career progress of 58 managers in UK and Ireland assessed three domains of self-reported ability: EQ, IQ, and managerial competency. The study states that EI was found to contribute to the prediction of the job advancement criterion above and beyond managerial EI and self-reported intellectual performance.

The study conducted by Bachman, Stein, Campbell, and Sitarenios (2000) unveils that emotionally competent account officers are more likely to be successful in collection of debt from emotionally low competent officers. Two studies were reported which compare more and less successful debt collectors in terms of their emotional intelligence, measured using the BarOn Emotional Quotient Inventory. Based on a small sample of 36 account officers, a "best practices" group was found to possess a level of EI significantly higher than that of the North American population at large. These individuals also performed better than a less successful group—particularly in the area of problem solving skills. The "best practices" group scored higher on the EQ-i scales of Optimism and Happiness. In a second study, based on 34 account officers, the high cash collectors group performed better than did the low cash collectors group on all EQ-i sub-scales, with the exception of Empathy and Impulse Control. The findings supported the hypothesis that higher levels of emotional intelligence lead to enhanced job performance.

A study by Lam and Kirby (2002) investigated that emotional intelligence would account

for increases in individual cognitive-based performance over and above the level attributable to traditional general intelligence. The authors measured emotional intelligence with the Multifactor Emotional Intelligence Scale. As measured by the MEIS, overall emotional intelligence is a composite of the 3 distinct emotional reasoning abilities: perceiving, understanding, and regulating emotions. Although further psychometric analysis of the MEIS is warranted, the authors found that overall emotional intelligence, emotional perception, and emotional regulation uniquely explained individual cognitive-based performance over and beyond the level attributable to general intelligence.

In another study, Nel H (2004) indicated statistically significant and positive correlation between emotional intelligence and job performance in the call centre environment. The sample comprised 135 call centre agents who worked in client services, sales and administrative environments in a life insurance company. It was further established that the combination of the emotional competencies emotional self-awareness, trustworthiness, self-confidence and influence explains the greatest degree of variance in job performance in the call centre environment as a whole. The study concluded that there is a tendency for a high level of job performance in the respective call centres to be associated with a high level of emotional intelligence.

The study by Leban and Zulauf (2004) addressed 24 project managers and their associated projects in six organizations from varied industries. The results of the study found that a project manager's transformational leadership style has a positive impact on actual project performance, that emotional intelligence

ability contributes to a project manager's transformational leadership style and subsequent actual project performance.

In a study conducted by Khokhar (2009) explains the performance of executives on different levels of emotional intelligence and provides a link between emotional intelligence and effective work performance. The research involved 20 male executives within the age range of 40 to 55 years working in BHEL, THDC and Uttarakhand state (India) were selected. The findings of the study revealed that executives having higher emotional intelligence show better quality of work performance as compared to their counterparts. The study observed that a highly emotionally intelligent executive has emotional competency which consists of high levels of self-awareness, self-regulation, motivation, empathy and social skills, which in turn strongly predicts work performance.

A study undertaken by Kulkarni et al (2009) at an automobile industry with a sample of 125 managers and supervisors reveals that the employees were not performing to the expectations of the organization and also low in emotional intelligence scores. The study suggests that employee should be provided with emotional intelligence training and technical and soft skills training in order to improve their performance at workplace.

In the empirical study by Jorfi, Jorfi, Moghadam (2010) hypothesised emotional intelligence plays important role in improving employee performance. The study was confined to 155 managers and employees in a study organization located in educational administrations of Iran. The findings reveal that managers and employees show lower level of performance in

the educational administrations and lower level of emotional intelligence in the job. The study hints that the educational administration has to arrange for a training program on how to develop emotional intelligence and apply it on the job for higher managerial skills.

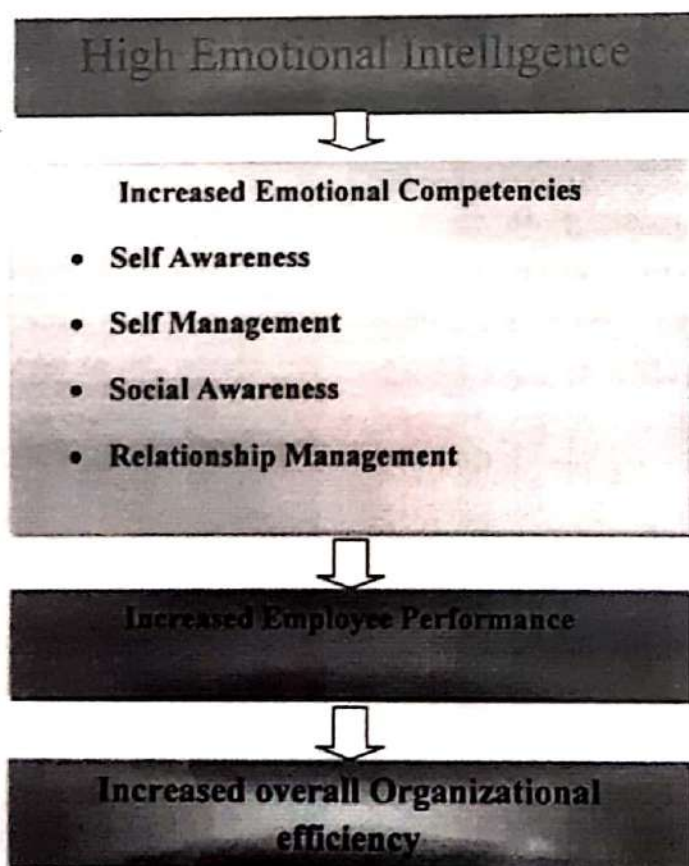
Research Gap

From the review of literature, it is clear that if an employee is Emotionally intelligent, then the employee's commitment and contribution to the organization improves through better performance. The research done in this area of Emotional Intelligence and employee performance focuses on whether an employee is able to improve the performance if one is emotionally strong. This research gap could be filled by focusing on how much an employee performance improves if one is emotionally intelligent and whether the performance would be improved if employees are provided with training in Emotional Intelligence. Such research

could prove valuable for the design and effective implementation of performance management systems.

Theoretical Framework

Emotional intelligence is an increasingly popular consulting tool. According to mentioned research and opinions of various researchers in this paper, emotional intelligence increases performance and productivity. The organization at the time of employee selection, must adapt administering emotional intelligence test for selecting right person for the right job and this would enhance the performance of the employee on the job and the organization. The figure explains that higher Emotional Intelligence leads to higher emotional competencies which results in high performance of employees in workplace hence leading to overall organizational efficiency.



Conclusion

The performance of employee is vital to the success of any organization and needs to be managed effectively. From the literature review, it is proved that the more motivated and emotionally strong an employee is, the work performance and contributions to the organization would be increased. Organizations in the current scenario need to understand the importance of role played by Emotional Intelligence in employee performance and should provide accurate performance reviews, focus on employee strengths and train the employees to be emotionally intelligent which leads to increased work performance. This paper draws attention to the need for further research to identify the emotional intelligence of employees to achieve high levels of employee performance.

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