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# Indira Management Review

Bi -annual Research and Academic Journal

## Research/Academic Papers

- ❖ Impact Of Working Capital Management On Firms
- ❖ Green Marketing
- ❖ Changing Consumer Attitudes Among Women
- ❖ IPO GRADING

\*Seth Consultants

## Case Study

Unlocking Entrepreneurial Capabilities By Universities

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## Indira Management Review



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### ●INDIRA GROUP OF INSTITUTES, PUNE●

Shree Chanakya Education Society (SCES), Pune, was established in 1994, with the explicit vision to provide sustainable impetus to the corporate and entrepreneurial abilities in the youth.

The realization that a robust framework of education is indispensable for the growth of global leaders, the visionary, Ms. Tarita Wakalkar Mehendale, Chairperson, Indira Group, integrated her pursuit of excellence and articulated educational institutions, known as Indira Group of Institutes (IGI), which imbibe human excellence and demonstrate strong social values, with a single minded pursuit of developing the youth to become business leaders.

Unrelenting initiatives by the management team at Indira led to adding of multi-disciplines such as Management, Information Technology, Pharmacy, Commerce, Science, Engineering and Mass Communication to the group. And growth has been as deep as it has been wide. With 12 institutions, IGI now offers education right from Kindergarten to Doctorate level studies .

IGI believes in the economic independence of individuals. In this endeavor we aim to inspire our post graduate students to create a niche for themselves in the Indian Economic order first, and then compete globally. We owe our gratitude to the Indian Industry for consistently collaborating with us in this endeavor. Renowned industrialists have visited us and tremendously enhanced the morale of our students by sharing their vast knowledge and experience about entrepreneurial opportunities and foster a spirit of entrepreneurship amongst students.

Having traversed the journey of thirteen years we have ourselves made certain significant achievements which we are aware, are but the building blocks for achieving further heights.

- Indira is ranked amongst the top 2 B-schools in Pune, by the prestigious AIMA - IMJ.\
- The same journal gave us a top 30, all India ranking on the parameters of Industry interface.
- Our students have shown good academic results at the level of university ranking.
- The achievements of our students have enabled them to attract some of the best corporate recruiters.
- Indira Group of Institutes and our goodwill has enabled us to establish campus agreement with Microsoft for using different software.
- Our goodwill with Microsoft was further accentuated with Microsoft conducting workshops at Indira, for train the trainer modules.
- Business India has also ranked us amongst the top 3 in Pune for last 2 yrs.
- Our Institutes have received accreditation from various certifying bodies.
- Indira Institute of Management was the first management institute in Maharashtra to receive the accreditation from the NBA, New Delhi.
- We also have our audiovisual centers supported by Harvard Business School, Stanford, Pyramid Media and Tom Peters Company and we have a vast collection of titles.



### Editorial

P. G. Vijairaghavan

With this issue, Indira Management Review enters the seventh year of publication. It has been a particularly satisfying time to see the journal grow in popularity – both in terms of readership and contributions from authors whose credibility we value. Many thanks to every reader and author for their encouragement that has made it possible. We are sure we will continue to have your support and understanding to see us achieve greater milestones in the coming years.

Green is a colour that is gaining prominence in the corporate world with environment protection coming to the foreground of national discourse in recent times. How important is it for companies to project themselves as being eco-friendly and pro-environment? There is a greater degree of awareness among the consumers today of the need for companies to adopt environmentally-friendly practices in their operations – be it production or marketing of their produce. With this realization has come the need for corporates to project an image that promotes this belief at best, or at worst, ensures that a negative message does not go out to the consumer regarding their commitment to conservation of nature. How do the corporates propose to do so, while keeping costs to the minimum is examined by the lead authors of this issue, Akash Agarwal and Manoj Das.

Also included is an empirical study by Zohra Zabeen on the effect that working capital can have on the bottom line of companies. While the study restricts itself to the steel industry, it is obviously relevant to most manufacturing industries and one hopes to draw appropriate conclusions from the study to streamline the flow of funds to the corporate to maximize profits. Does the investor base his investment decision on IPO grading for new issues in the share market? Jigna Trivedi tries to find out.

Other articles include a report on changing attitudes among urban women to products of the new age. Also an interesting paper on the role of universities in promoting entrepreneurship among their students and another on the way robotics is shaping industry and services across the world. The case study section features the dilemmas of the workforce as the organization tries to resist the corporate buffering during a rather tempestuous voyage. Authored by Arvind Sudarsan and his teammates, the study, among other things, highlights the need for effective communication with the employees, especially when the organization is up against tough times.



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**IMPACT OF WORKING CAPITAL MANAGEMENT  
ON FIRM'S PERFORMANCE: 2007-2011  
EVIDENCE FROM STEEL INDUSTRY IN INDIA**

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**ABSTRACT**

Working capital management (WCM) is of particular importance when it comes to financial management of any firm. In this research paper, I have focused to find out the relationship between working capital management and firm's profitability (through Return on Total Assets) for the steel industry in India. The aim of this paper is to establish a relationship that is statistically significant between profitability measured through Return on Total Assets (ROTA) which is the dependent variable and the independent variables like Cash Conversion Cycle (CCC) and its various components that is No. of days of Account Receivable (A/R), No. of days of Accounts Payable (A/P), No. of days of Inventory (Inv\_Days) together with some other exogenous variables like gearing ratio and sales. A sample of 100 steel companies listed on Bombay Stock Exchange (BSE) has been taken for a period of 5 years (2007-2011) that is a total of 500 firm-year observations.

**Key words:** Working Capital Management, Profitability, Cash Conversion Cycle, A/R days, A/P days, Inventory days, BSE

**1. INTRODUCTION**

Working capital management is of prime importance for every firm. WCM has direct

linkage with firm's profitability and liquidity. It is most important for every firm to meet its working capital requirements at all points of time to maintain liquidity and at the same time to keep optimum level of current assets and current liabilities in place so as not to impact profitability.

Gitman (1974) argued that the cash conversion cycle was a key factor in working capital management. Actually, decisions about how much to invest in the customer and inventory accounts, and how much credit to accept from suppliers, are reflected in the firm's cash conversion cycle, which represents the average number of days between the date when the firm must start paying its suppliers and the date when it begins to collect payments from its customers. Previous studies have used measures based on the cash conversion cycle to analyze whether shortening this cycle has positive or negative effects on the firm's profitability. Empirical evidence relating working capital management and profitability in general supports the fact that aggressive working capital policies enhance profitability (Jose et al., 1996; Shin and Soenen, 1998; for US companies; Deloof, 2003; for Belgian firms; Wang (2002) for Japanese and Taiwanese firms). The lesser requirements of working capital leads to less

need for financing and less cost of capital, which in turn, increases the availability of cash for shareholders (Ganesan, 2007). This suggests that reducing working capital investment is likely to lead to higher profits. In this study, I will try to find out the impact of working capital management on profitability (measured through ROTA) for the Indian Steel Industry for the period from 2007-2011 to understand this relationship.

## 2. THEORETICAL BACKGROUND

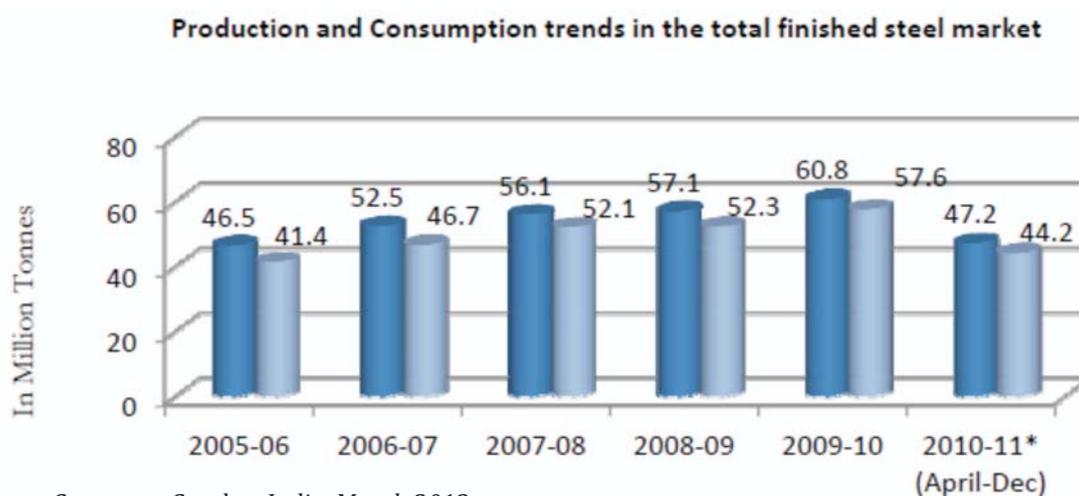
The study and the related literature on working capital management and steel industry would help in building understanding about the working capital management in steel industry in India and also the studies that have been done previously to understand the relationship between profitability and working capital management. This will help to understand how similar or different the present study is as compared to them.

### a) Steel Industry in India

India is among the top producers of all forms of steel in the world. Easy availability of low cost manpower and presence of abundant reserves make India competitive in the global setup. According to a March 2012 report on Iron and steel Industry in India by Corporate Catalyst India, India's consumption of stainless steel is much higher at 14 percent, compared to global consumption of 6 percent in the last 15 years.

The following graph shows the production and consumption pattern in India from 2005-06 to 2010-2011. It is estimated that the world steel consumption will double in next 25 years. Quality improvement of Indian steel combined with its low cost advantages will definitely help in substantial gain in export market.

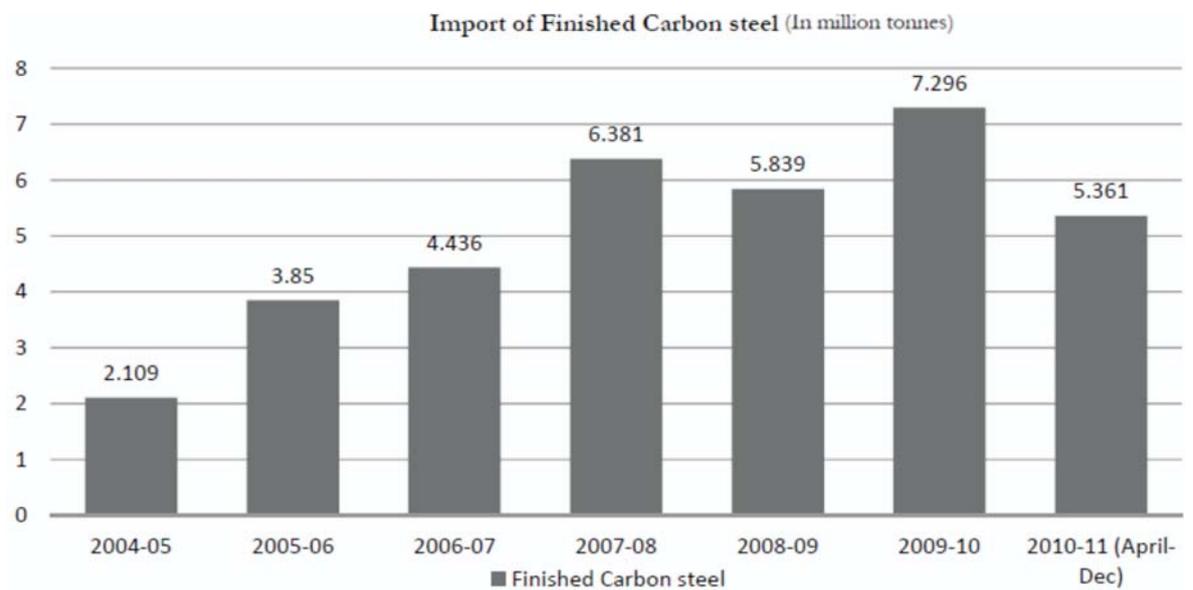
In the past, India has been importing around 1.5 million tonnes annually. Advance Licensing Scheme allows duty free import of raw materials for exports.



Source: Corporate Catalyst India, March 2012



Source: Corporate Catalyst India, March 2012



Source: Corporate Catalyst India, March 2012

### **b) Working Capital Management and Profitability**

Soenen (1993) used approximately 2,000 firms from 20 different industries for a period of 1970-1989 and found a negative relationship between company's net trade cycle and its profitability as measured by the return on total assets. Soenen explains that cash conversion cycle provides a valid alternative for measuring corporate liquidity and that the length of the cash conversion cycle is important in determining the degree to which a firm must rely on external financing.

Shin and Soenen (1998) found out that corporate's WCM is dependent on the Net Trade Cycle and found a strong negative relation between the length of the firm's net-trade cycle and its profitability.

Anand & Gupta (2001) studied three financial parameters for this purpose - CCE, DOC and DWC by using data of 427 companies over the period 1998-99 to 2000-01 for each company and found that the presence of these three in the overall working capital performance criterion not only helps in performance evaluation but also will capture the dynamics of risk-return tradeoff.

Deloof (2003) in *Does Working Capital Management (WCM) Affect Profitability of Belgian Firms* investigated the impact of WCM on corporate profitability by taking 2000 most important Belgian firms for the period 1991-1996 and found that Gross operating income negatively and significantly impacted by number of days accounts payable, number of days inventories, number of days accounts receivable but positively and significantly

impacted by firm size (measured by the natural logarithm of sales), sales growth and fixed financial assets, and decreases with financial debt.

Mukhopadhyay (2004) in *Working capital management in heavy engineering firms* studied the effectiveness of working capital management of a firm with particular reference to its short term liquidity and solvency and impact on commercial operations of the organization and found that Gross working capital is significantly positively related with Inventory, Debtors and Receivables, Loans and Advances, Other current Assets and Net working capital and significantly and negatively related with current Liabilities and provision. The study also found significantly negative relation with current liabilities and provisions.

On the contrary, Filbeck (2005) in *An Analysis of Working Capital Management Results Across Industries* found that Significant differences exist between industries across time with respect to measures of working capital measures and that working capital measures for a given firm are not static, and significant differences in these measures exist across time.

Moussawi et al (2006) in *Corporate working capital management: Determinants and Consequences* mainly focused on determining the relevance of the core factors to the efficiency of a firm's Working capital management. According to their findings, Working Capital efficiency positively and significantly impacts firm size, executive compensation, future firm sales growth, the proportion of outside directors on a Board, industry practices and it negatively and significantly impacts CEO share ownership.

They also found that Working Capital efficiency unrelated with industry concentration.

Padachi (2006) in Trends in Working Capital Management and its Impact on Firms' Performance: An Analysis of Mauritian Small Manufacturing Firms examined the impact of accounts receivables days, inventories days, accounts payable days and CCC on Return on Total Assets (ROTA) for a sample of 58 small manufacturing companies for the period of 1997-98 to 2002-03 and found that ROTA is significantly positively and significantly affected by Operating Profit Margin and capital-turnover ratio, but negatively and significantly impacted by the measures of WCM.

Another important findings by Lazardidis and Tryfonidis (2006) in Relationship between working capital management and profitability of listed companies in the Athens stock exchange on the relationship between working capital management and profitability of listed companies in the Athens stock exchange for a sample of 131 companies listed on Athens stock exchange for a period of 2001-04 also found that CCC is significantly negatively related with profitability.

The above findings were also supported by Raheman and Nasr (2007) in Working Capital Management And Profitability - Case Of Pakistani Firms and they also found that Net Operating profitability is significantly negatively impacted by measures of elements of WCM i.e. Average Payment Period, Inventory turnover in days, Average Payment Period and Cash Conversion cycle.

Bhunia (2012) examined the relationship

between the working capital management and profitability of Indian private sector small-medium steel companies over the period from 2003 to 2010 and found that a small relationship between WCM including working capital cycle and profitability.

### **3. NEED/IMPORTANCE OF THE STUDY**

WCM has got a lot of emphasis in financial management of the firms. A greater extent of profitability of a firm is determined by the components of working capital management like Accounts Receivable, Accounts Payable and Inventory and Cash Conversion Cycle. Thus, it is very important to understand the relationship between working capital management and its impact on profitability of the firm. The given study will measure the impact of WCM on profitability of steel firms to understand the dynamics of liquidity management on profitability.

### **4. STATEMENT OF THE PROBLEM**

- 1.To study the impact of the various components of working capital like account receivable, account payable, inventories days & cash conversion cycle, and log sales, gearing ratio on return on total assets (ROTA).
- 2.To understand the trends in working capital needs of the steel firms.

### **5.OBJECTIVE**

- 1.To examine the impact of various components of working capital like account receivable, account payable, inventories days and cash conversion cycle on return on total assets (ROTA)
- 2.To examine the impact of firm size measured by natural log of sales on return on total assets (ROTA)
- 3.To examine the impact of leverage measured by Debt/Equity ratio on return on total assets (ROTA)

4. To analyze the trend in working capital needs of the firms in steel sector

#### 6. HYPOTHESIS

1. H0: Cash Conversion Cycle does not significantly impacts the ROTA of steel firms listed on Bombay Stock Exchange
2. H0: Accounts Receivable days does not significantly impacts the ROTA of steel firms listed on Bombay Stock Exchange
3. H0: Accounts Payable Days does not significantly impacts the ROTA of steel firms listed on Bombay Stock Exchange
4. H0: Days Inventory does not significantly impacts the ROTA of steel firms listed on Bombay Stock Exchange
5. H0: Firm Size does not significantly impacts ROTA of steel firms listed on Bombay Stock Exchange
6. H0: Higher leverage does not significantly impacts the ROTA of steel firms listed on Bombay Stock Exchange

#### 7. RESEARCH METHODOLOGY

The primary objective of this paper is to investigate the impact of Working Capital Management (WCM) on profitability of Indian Steel Industry. This is achieved by using the similar empirical framework as used by Shin and Soenen (1998), Deloof (2003) and later by Padachi (2006).

The study is descriptive in nature and uses secondary data to analyze and interpret the results. The empirical study is based on the sample of 100 firms in steel industry that are listed on Bombay Stock Exchange (BSE) and have their annual reports filed with BSE for the period of 5 years from 2007-2011 in the study. This gives the set of 500 firm-year observations for a sample of 100 firms. The data has been collected from CMIE (Prowess) database and company annual reports.

#### 8. DATA COLLECTION

The study is based on secondary data and uses a sample of 100 steel companies listed on Bombay Stock Exchange. The data has been collected for a period of 5 years from 2007 to 2011. The data set has been filtered for the non-availability of information on key parameters. Hence out of the total approximately 118 firms listed on BSE, we have got a sample of 100 firms. The total firm-year observation thus stands at 500. The yearly data on the parameters mentioned above have been taken from Financial Statements obtained from CMIE database (prowess).

#### 9. DATA ANALYSIS, FINDINGS & INTERPRETATION

This section presents the descriptive statistics and the results of regression analysis and correlation analysis to understand the relationship between working capital management on profitability. The interpretation and explanations of the empirical findings are also reported in this section. The model used for the regressions analysis is adopted from Trends in Working Capital Management and its Impact on Firms' Performance: An Analysis of Mauritian Small Manufacturing Firms by Kesseven Padachi.

The relationship of WCM with profitability will be measured through two models:

1. The first one takes into account individual elements of WCM (ivn\_days, ARdays and APdays) and control variables like ln\_sales (Natural log of sales), Debt-Equity ratio, Current Asset/Total Assets (CA/TA), Current Liabilities/Total Assets (CL/TA), Current Asset Turnover Ratio (CA\_Turn).
2. The second equation replaces individual elements with Cash Conversion Cycle.

ROTA = f(ln sales, gear, cata, clta, turnca, invdays, ardays, apdays)

ROTA 1 =  $\beta_0 + \beta_1 \ln \text{sales} + \beta_2 \text{gear} + \beta_3 \text{cata} + \beta_4 \text{clta} + \beta_5 \text{turnca} + \beta_6 \text{invdays} + \beta_7 \text{ardays} + \beta_8 \text{apdays} + \beta_9$

ROTA 2 =  $\beta_0 + \beta_1 \ln \text{sales} + \beta_2 \text{gear} + \beta_3 \text{cata} + \beta_4 \text{clta} + \beta_5 \text{turnca} + \beta_6 \text{CCC} + \beta_7$

## 9.1 Descriptive Statistics

**Table 9.1: Five year Means and Standard Deviations for the Variables**

	Mean	Std. Deviation	N
Return on Total Assets	.0575	.39491	500
Natural Log of Sales	7.8635	6.3489	500
Debt equity ratio	6.0730	19.39355	500
Current Liabilities/ Total Assets	.3051	.19975	500
Current Assets/ Total Assets	10.8116	28.49633	500
Current Assets Turnover Ratio	3.2204	1.77002	500
Inventory days	1.0607E2	114.32840	500
Average Receivable days	77.3405	89.98817	500
Average Payable Days	93.6541	157.66039	500
Cash Conversion Cycle (days)	89.7517	98.38347	500

## 9.2 CORRELATION ANALYSIS

Table 9.2: Pearson Correlation Coefficients

		ROTA	Ln_Sales	D/E	CL/TA	CA/TA	CA_TURN	INV_DAYS	AR_DAYS	AP_DAYS	CCC
ROTA	Pearson Correlation	1.000	.006**	-.018	.159**	.024	.125**	-.031	-.058	-.060	.007
	Sig. (2-tailed)		.041	.353	.001	.309	.005	.260	.115	.106	.440
	N		500	500	500	500	500	500	500	500	500
Ln_Sales	Pearson Correlation		1.000	.160**	-.104**	-.042	-.059	.127**	-.114**	.038	-.018
	Sig. (2-tailed)			.000	.016	.194	.111	.004	.009	.217	.356
	N			500	500	500	500	500	500	500	500
D/E	Pearson Correlation			1.000	-.171**	-.057	-.122**	.102**	-.026	.026	.054
	Sig. (2-tailed)				.000	.118	.006	.017	.293	.298	.135
	N				500	500	500	500	500	500	500
CL/TA	Pearson Correlation				1.000	.024	-.013	.022	.062	.257**	-.329
	Sig. (2-tailed)					.310	.398	.323	.099	.000	.310
	N					500	500	500	500	500	500
CA/TA	Pearson Correlation					1.000	.155**	-.159**	-.025	-.052	-.124**
	Sig. (2-tailed)						.001	.000	.305	.144	.000
	N						500	500	500	500	500
CA_TURN	Pearson Correlation						1.000	-.407**	-.404**	-.296**	-.369**
	Sig. (2-tailed)							.000	.000	.000	.005
	N							500	500	500	500
INV_DAYS	Pearson Correlation							1.000	.407**	.665**	.469**
	Sig. (2-tailed)								.000	.000	.000
	N								500	500	500
AR_DAYS	Pearson Correlation								1.000	.731**	.216**
	Sig. (2-tailed)									.000	.000
	N									500	500
AP_DAYS	Pearson Correlation									1.000	-.161**
	Sig. (2-tailed)										.000
	N										500
CCC	Pearson Correlation										1.000

(\*\* significant at 0.05 confidence level)

Source: Results of panel data from SPSS

Above Table presents Pearson correlation coefficients for the variables and they are used to assess the direction and extent to which one variable is linearly associated to another variable. Here we measure the impact of independent variables of working capital management on profitability, as measured by return on total assets (dependent variable).

ROTA is significantly positively correlated with Ln\_sales, CA turnover ratio, CL/TA but with the rest of the parameters like debt equity ratio, accounts receivable days, accounts payable days, inventory days and CCC, the correlation with ROTA does not come out to be as significant. This positive relation for ROTA with CA turnover is consistent with the view that operational efficiency is directly related to profitability. The better the utilization of current assets in generating sales better are the prospects of profitability.

The positive correlation of sales with ROTA is obvious from the fact that higher the sales, higher the profits.

CL/TA also has positive correlation with ROTA which points to the fact that greater is the short term borrowing in the working capital of the firm, higher is the profit. This may be due to the fact that the steel companies are highly dependent on short term borrowings to meet their working capital needs. As the steel industry provides the primary basis for all the major type of manufacturing industries in India as steel is the basic ingredient in production for most of the industry. Hence, the creditors have to give loans to steel firms for larger period of time, so as to keep the production run smoothly.

### 9.3 REGRESSION ANALYSIS

Regression equation 1:

$$\text{ROTA} = -0.272 + 2.508x_1 - 0.031x_2 - 0.229x_3 + 0.009x_4 + 0.171x_5 + 0.151x_6 + 0.142x_7 - 0.275x_8$$

Regression equation 2:

$$\text{ROTA} = -0.272 + 2.508x_1 - 0.028x_2 - 0.218x_3 - 0.012x_4 + 0.187x_5 + 0.149x_6$$

Table 9.4: Regression of Profitability on Working Capital Variables

Dependent Variable: Return on Total Assets  
Regression Model: 1 2

Ln Sales	2.508** (0.000)	2.508** (0.000)
Gearing ratio	0.031 (0.533)	0.028 (0.561)
CL/TA	0.229** (0.000)	0.218** (0.000)
CA/TA	0.009 (0.851)	0.012 (0.808)
CA_TURN	0.171** (0.003)	0.187** (0.000)
INV_DAYS	0.151** (0.036)	
AR_DAYS	0.142** (0.047)	
AP_DAYS	-0.275** (0.005)	
CCC		0.149** (0.007)
Adjusted R <sup>2</sup>	0.043	0.046

(\*\* significant at 0.05 confidence level)  
Source: Results of panel data from SPSS

The second model of regression explains the variability slightly better than the first Model as the value of adjusted R<sup>2</sup> is 0.046 as against 0.043 in first model where all the three individual elements of cash conversion cycle have been used. In case of second model, the three elements of Working Capital have been replaced by cash Conversion Cycle.

The Durbin-Watson statistic is also close to 2 (at 2.034) in both the models which imply that the successive values of estimated residuals are not dependent on each other and that there is no autocorrelation problem in the estimated model.

The F- Ratio is significant in both the models at 3.408 in model 1 and 4.403 in model 2 which shows that both the models are good significant in explaining the impact of Working capital elements on profitability. The Ln\_sales is significant and positively related to ROTA which shows that as the firms' sales increases; profitability of the firm also increases.

The positive and significant correlation of CL/TA with ROTA also points towards the fact that the steel companies are highly dependent on short term borrowings to meet their working capital needs. The steel industry is debt ridden and therefore the profitability is heavily impacted by both short and long term debt.

The positively and significantly related CA turnover ratio also indicates that the Current Assets are fast moving and not stagnant and higher the current asset movement with respect to sales more is the efficiency of production and higher is the profitability.

The Inv\_days, AR days, AP days and

ultimately CCC in the two regression models respectively shows that these variables have significant impact on WCM profitability. All the four elements of WCM except AP days show significant positive correlation. On the basis of P-value of 0.000, we reject the null hypothesis that the elements of working capital management (CCC, AR days, AP days, Inv\_days) have no statistical significant effect on the profitability. The positive correlation observed for AR days, Inventory days and hence the CCC with ROTA for steel industry is different from the results obtained from multiple regression analysis for other industries like cement, automobile etc. This can be attributed to the higher stocking of inventory of raw iron and steel, other raw material used in production. One reason could be inflationary pressures on raw materials leading the costlier production. So, the steel firms prefer to stock huge quantity to lower prices to avoid undue impact of rising prices on its profit margins.

The positive and significant correlation of AR days may be attributed to the fact that the steel industry provides the primary basis for all the major type of manufacturing industries in India as steel is the basic ingredient in production for most of the industry. Hence, the major customers to steel firms are also major industries like automobile, aviation, infrastructure having high gestation period. Therefore, steel firms need to have a larger collection time period so that the production cycle of main industries can run smoothly and efficiently leading to higher profitability.

The negative and significant correlation of AP days with ROTA points towards the fact that the steel companies are highly dependent on short term borrowings to meet their working capital needs. So, the creditors have to give

loans to steel firms for larger period of time, so as to keep the production run smoothly.

All the above reasons culminate into the fact that CCC has a positive and significant correlation with ROTA as explained by the model which rejects the null hypothesis that CCC has no impact on profitability. The results of the study are different from those observed in the previous studies where CCC was negatively and sig related to profitability.

The models also reject the null hypothesis that firm size has no statistically significant effect on the profitability and the positive sign of the coefficient points to the fact that as the firms' size increases, its profitability also increases.

The model does not reject the null hypothesis that gearing ratio (Debt-Equity ratio) does not have a significant effect on the profitability. The use of long term funds in WCM of the firms as shown by gearing ratio does not come out as significant for steel industry. This might be due to the fact that the steel firms heavily use the long term funds to finance the working capital needs. One of the major reasons for the higher gearing ratio observed for the steel industry may be due to increasing overheads in steel production because of the rising prices commodity and higher prices of fuel and power used in its production.

## 9.5 TRENDS IN WORKING CAPITAL VARIABLES IN STEEL INDUSTRY

**Table 9.5: Trends in Working Capital Variables in Steel Industry for the period (2007-2011)**

Ratios	2007	2008	2009	2010	2011	5-year Average
ROTA	13%	15%	-10%	4%	11%	7%
Debt/ Equity	4.44	4.53	5.57	5.40	6.14	5.22
Current Ratio	3.52	3.55	3.33	5.27	4.89	4.11
Quick Ratio	2.40	2.44	2.20	3.40	3.42	2.77
Current Assets Turnover Ratio	3.00	3.05	2.96	2.78	3.59	3.08

The above table shows the trends in the various components affecting working capital needs of the steel industry. As can be noted in the above table, there has been a continuous rise in debt equity ratio from 4.44 in 2007 to 6.14 in 2011. The debt equity ratio is higher in the steel industry against the standard ratio of 2:1. This may be because of the huge demand of debt funds in this industry owing to larger Cash conversion cycle due to which short term financing is met from long term funds. Also, there is a continuous rise seen in current and quick ratio as well except for 2009 which can be attributed to rising level of inventory, accounts receivable and accounts payable. The current ratio is also higher as against the standards of 1:1 for Current ratio. The trends in ROTA level indicate an initial high in 2007 and 2008 after which there is a dip in 2009 and after that is showing rising trend in 2010 & 2011. 2009 may be a year of slack demand with rising inventory and Accounts receivable as is evident from higher levels of Current and Quick ratio and lower demand due to recessionary effects. The current asset turnover ratio is seen at an average of 3.08 during the five year period which shows that efficiency in production has been consistent without any major breakthrough in technology or production.

These trends authenticate the findings obtained from the regression analysis which shows a positive correlation and regression coefficients between various components of working capital like Inventory days, AR days, CCC and ROTA.

## 10. CONCLUSIONS & LIMITATIONS:

1. Working Capital elements (AP days, AR days, inventory days) significantly impacts the profitability of the automobile firms.
2. The higher the cash conversion cycle, higher is the profitability as measured by the ROTA and vice versa. This is an interesting finding as against the previous studies that showed negative relation between working capital elements and CCC.
3. As the size of automobile firm increases, the profitability also increases.
4. Gearing Ratio is not significantly related with ROTA.
5. The industry shows conservative policy in terms of managing working capital during the time period (2007-2011) as is evident from the high Current and quick ratios.
6. The industry is highly leveraged at least during the time period (2007-2011) in consideration with an average of 5.22 during the five years under consideration. This might be due to the fact that the steel firms heavily use the long term funds to finance the working capital needs. One of the major reasons for the higher gearing ratio observed for the steel industry may be due to increasing overheads in steel production because of the rising prices commodity and higher prices of fuel and power used in its production.
7. The returns generated by the industry are generally consistent during the period except for 2009 when there is a dip due to recessionary effect.

The limitations would include:

1. The data might not be available for certain parameters involved in the study.
2. Some specific sectors/ industries may be left out to be studied under this research.
3. The results and findings might not be true for smaller firms with less of capital and funds at hand.

4. Inflation could not be taken into contemplation in the present study. It was not possible to convert the relevant financial data into their present values because of non-availability of sufficient information required for the purpose.

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## **GREEN MARKETING: SUSTAINABLE MARKETING STRATEGY**

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### **Abstract:**

Green marketing is a phenomenon which is rapidly gaining importance in the modern market. It has redefined the way of marketing as well as packaging products; also there is an increasing trend among companies to adopt this concept for portraying an environment friendly as well as a socially responsible organization. Even consumers are becoming increasingly concerned about the effect of environment by the products being used by them, leading to an integration of environmental issues in their purchase decisions. Hence corporates are facing the double dilemma of balancing the consumer needs, using environmentally friendly material & keeping the costs low.

**Purpose** - The study seeks to explore the factors which influence the consumer attitude and behavior towards green practices in India and also to explore the consumers' intentions to pay for these practices. It also seeks to uncover different areas of concern like the awareness level among consumers regarding the concept of green marketing, their views regarding different factors governing it like availability of eco friendly substitutes in place of plastic. This paper also examines whether consumers would be willing to pay extra for eco friendly materials as well role of different parties like government, corporate etc in

implementing these practices.

**Design/methodology/approach** - A quantitative and qualitative research methodology using a questionnaire along with secondary research has been proposed. A structured questionnaire has been used using convenience-sampling technique from Nagpur Region in India.

**Key words:** Eco friendly, Environment Friendly, Green marketing.

### **Introduction**

In recent times, the environment has emerged as a hot issue for societies, governments, in addition to business organizations. Its significance originates from escalating environmental degradation such as solid wastes, ozone depletion, global warming, and air pollution. These days, a large number of respondents all over the world state that they are concerned or very concerned with environmental problems (Diekmann&Franzen, 1999; Dunlap & Mertig, 1995). Because customers have understood the significance of protecting the environment, environmentalism has become an essential subject in the marketplace (Kalafatis et al., 1999). According to Makower (1993), the 1960s was the age of "green awakening", the 1970s was the years of "taking action" the 1980s was an

"accountable" time and the 1990s was "power in the marketplace" time. Over those years, people started demanding environmentally friendly products and services, and the organizations felt political and public pressure to go green. The necessity to increase consumers' awareness of corporate efforts to meet sustainable standards, the need to identify consumers' preferences for green products, the possibility of charging a premium price gave rise to a new trend in the marketing field, the so-called Green marketing (Peattie and Crane, 2005).

"Green Marketing" refers to holistic marketing concept wherein the production, marketing consumption and disposal of products and services happen in a manner that is less detrimental to the environment with growing awareness about the implications of global warming, non-biodegradable solid waste, harmful impact of pollutants etc., both marketers and consumers are becoming increasingly sensitive to the need for switch in to green products and services. While the shift to "green" may appear to be expensive in the short term, it will definitely prove to be indispensable and advantageous, cost-wise too, in the long run Green marketing was given prominence in the late 1980s and 1990s after the proceedings of the first workshop on Ecological marketing held in Austin, Texas (US), in 1975. Many organizations want to turn green, as an increasing number of consumers' want to associate themselves with environmental-friendly products.

According to Jacquelyn Ottman, (author of "The New Rules of Green Marketing:

Strategies, Tools, and Inspiration for Sustainable Branding" (Greenleaf Publishing and Berrett-Koehler Publishers, February 2011) from an organizational standpoint, environmental considerations should be integrated into all aspects of marketing - new product development and communications and all points in between. The holistic nature of green also suggests that besides suppliers and retailers new stakeholders be enlisted, including educators, members of the community, regulators, and NGOs. Environmental issues should be balanced with primary customer needs. The past decade has shown that harnessing consumer power to effect positive environmental change is far easier said than done. The so-called "green consumer" movements in the U.S. and other countries have struggled to reach critical mass and to remain in the forefront of shoppers' minds. While public opinion polls taken since the late 1980s have shown consistently that a significant percentage of consumers in the U.S. and elsewhere profess a strong willingness to favor environmentally conscious products and companies, consumers' efforts to do so in real life have remained sketchy at best. One of green marketing's challenges is the lack of standards or public consensus about what constitutes "green," according to Joel Makower, a writer on green marketing. In essence, there is no definition of "how good is good enough" when it comes to a product or company making green marketing claims. This lack of consensus-by consumers, marketers, activists, regulators, and influential people-has slowed the growth of green products, says Makower, because companies are often reluctant to promote their green attributes, and consumers are often skeptical about claims

Despite these challenges, green marketing has continued to gain adherents, particularly in light of growing global concern about climate change. This concern has led more companies to advertise their commitment to reduce their climate impacts, and the effect this is having on their products and services.

### **3 R's Of Environmentalism are:**

Reduce.  
Re-use.  
Recycle.

The popularity of such marketing approach and its effectiveness is hotly debated. Supporters claim that environmental appeals are actually growing in number-the Energy Star label, for example, now appears on 11,000 different companies' models in 38 product categories, from washing machines and light bulbs to skyscrapers and homes. However, despite the growth in the number of green products, green marketing is on the decline as the primary sales pitch for products. On the other hand, Roper's Green Gauge shows that a high percentage of consumers (42%) feel that environmental products don't work as well as conventional ones. This is an unfortunate legacy from the 1970s when shower heads sputtered and natural detergents left clothes dingy. Given the choice, all but the greenest of customers will reach for synthetic detergents over the premium-priced, proverbial "Happy Planet" any day, including Earth Day. New reports however show a growing trend towards green products.

One challenge green marketers -- old and new -- are likely to face as green products and a message becomes more common is confusion in the marketplace. "Consumers do not really understand a lot about these

issues, and there's a lot of confusion out there," says Jacquelyn Ottman (founder of J. Ottman Consulting and author of "Green Marketing: Opportunity for Innovation.") Marketers sometimes take advantage of this confusion, and purposely make false or exaggerated "green" claims. Critics refer to this practice as "green washing".

### **Literature Review**

Polonsky and Alma (2008), in their edited book titled Environmental Marketing - Strategies, Practice, Theory and Research, discuss the role of marketing in improving our environment. The book states that role of Marketing in the development process is well recognized (Kinsley 1982; Riley et al. 1983; Dholakia 1984; Carter 1986; Kotler 1986). Much of the economic activity is triggered by the marketing process that offers and stimulates consumption opportunities to satisfy human needs and wants. However, critical role of marketing in development will be appreciated only through sustainable marketing; it meets the needs of the present without compromising the ability of future generations to meet their own needs. This means that it might have to shed its present profligacy that encourages an unsustainable development path. A marketing approach that aims at serving the material wants of consumers through an ever increasing volume of goods without any attempt to maximize life quality (Kotler 1988), draws too heavily, and too quickly, on already overdrawn environmental resources and is likely to mortgage the future. Life quality represents not only the quantity and quality of consumption goods and services but also the quality of the environment. Clearly, marketing has to assume a more responsible role for sustainable development. It further states that the concept of a socio-ecological product?

has to extend our understanding that environmental consequences (the products aggregate impact on everyone affected by its use) are more important determinants of its acceptability than either user satisfaction or corporate profitability (Cracco and Rostenne 1971).

Recently, Athens Laboratory of Research in Marketing in collaboration with the Center of Sustainability has done a research about the green marketing which revealed that about ninety two percent of customers have a favorable attitude concerning the businesses that are susceptible on ecological issues (Papadopoulos et al., 2009). Beside, environmentally concerned people who believe that pollution is a problem and also have a favorable attitude toward greening environment are more inclined to purchase green products. Hence, as people become aware of environmental problems, their attitudes and purchase intentions may in turn change. In marketing literature purchase intention has been an important concept. To forecast the adaptation of new products as well as repeat purchases of existing ones, most companies used consumers purchase intention. Prior studies have exposed that consumer with intentions to buy product exhibit higher actual buying rates than those customers who demonstrate that they have no intention of buying (Brown, 2003).

D'Souza et al., (2006) reported that generally perception of green products is negatively associated with customer's intention to purchase them if they are of higher prices and low quality in comparison to traditional products. Consequently, it may be argued that there is an expectation on the part of customers that all products offered should be

environmentally safe without a need to sacrifice quality. Hence, as far as the product quality is concerned, green consumers will not compromise on it, so businesses must enhance green product quality as well as focus on environmental benefits of a product, and share these aspects with customers in order to achieve the recognition in the market (D'Souza., Taghian & Lamb, 2006). Schlegelmilch., Bohlen and Diamantopoulos (1996) recommended that those organizations aiming to enhance market penetration of the existing green products offerings must launch an advertising campaign directed at increasing concern about environmental quality in the consumer base.

Second, organizations make it possible that their products perform competitively in other dimensions. If these two things are achieved, then environmental considerations will no longer take back seat in purchasing decision. Furthermore, perceived risk is lower in most popular brands than for those less well-known. So customers generally trust on these brand and are not ready to compromise on quality. Therefore like non-green alternative, green product must function effectively (Pickett-Baker & Ozaki, 2008). According to Tang et al., (2004), a wealth of literature shows that there is a troublesome gap between what consumers says, they will do and how they actually behave. Most of the consumers say that they choose a product because of its environmentally friendly nature, but they do not make actual allocations of dollars in purchases.

Therefore, environmental concerns are not the only reason for the customers to purchase environmentally friendly products, and also they do not agree to trade-off other product

attributes for a better environment. This reveals that traditional product characteristics such as brand name, its price and quality are still the most important ones that consumers considered when making purchasing decision (Gan, Wee. Ozanne& Kao, 2008).

Another study revealed that many consumers are unwilling to forgo essential product benefits during their purchase decision. So, green products must also perform competitively not only according to environmental aspects, but also on the basis of other important product characteristics for instance convenience or durability (Diamantopoulos, A., Schlegelmilch, B. B., Sinkovics, R. R. and Bohlen, G. M, 2003). Moreover, now Firms recognized that the future prospects for green goods remain bleak, until/ unless they can balance environmental compatibility with customers' primary desire for high quality products that perform well. Because, it is not comprehensible for customers to pay more for a product that does not offer basic benefits, whatever the environmental benefits (Wong, V., Turner, W. & Stoneman, P, 1996).

### **Top 10 green Indian companies**

#### **1) Suzlon Energy**

The world's fourth largest wind-turbine maker is among the greenest and best Indian companies in India. Tulsi Tanti, the visionary behind Suzlon, convinced the world that wind is the energy of the future and built his factory in Pondicherry to run entirely on wind power. Suzlon's corporate building is the most energy-efficient building ever built in India.

#### **2) ITC Limited**

ITC strengthened their commitment to green technologies by introducing 'ozone-treated elemental chlorine free' bleaching technology for the first time in India. The result is an entire new range of top green products and solutions: the environmentally friendly multi-purpose paper that is less polluting than its traditional counterpart.

#### **3) Tata Metaliks Limited (TML)**

Every day is Environment Day at TML, one of the top green firms in India. A practical example that made everyone sit up and take notice is the company's policy to discourage working on Saturdays at the corporate office. Lights are also switched off during the day with the entire office depending on sunlight.

#### **4) Tamil Nadu Newsprint and Papers Limited (TNPL)**

Adjudged the best performer in the 2009-2010 Green Business Survey, TNPL was awarded the Green Business Leadership Award in the Pulp and Paper Sector. The initiatives undertaken by this top green firm in India includes two Clean Development Mechanism projects and a wind farm project that helped generate 2,30,323 Carbon Emission Reductions earning Rs. 17.40 Crore.

#### **5) Wipro Technologies**

The list of top 10 green Indian companies is never complete without Wipro which climbed to the top five brand league in Green peace's 'Guide to Greener Electronics' ranking. Despite the global financial crisis, Wipro held fast to its commitment towards energy efficiency and was lauded for launching energy star compliant products in the market.

### **6) HCL Technologies**

This IT major may be considered as the icon of Indian green initiatives, thanks to the "go green" steps taken in solving the problem of toxics and e-waste in the electronics industry. HCL is committed to phasing out the hazardous vinyl plastic and Brominated Flame Retardants from its products and has called for a Restriction on Hazardous Substances (RoHS) legislation in India.

### **7) Oil and Natural Gas Company (ONGC)**

India's largest oil producer, ONGC, is all set to lead the list of top 10 green Indian companies with energy-efficient, green crematoriums that will soon replace the traditional wooden pyre across the country. ONGC's Mokshada Green Cremation initiative will save 60 to 70% of wood and a fourth of the burning time per cremation.

### **8) Indus Ind Bank**

Green banking has been catching up as among the top Indian green initiatives ever since Indus Ind opened the country's first solar-powered ATM and pioneered an eco-savvy change in the Indian banking sector. The bank is planning for more such initiatives in addressing the challenges of climate change.

### **9) IDEA Cellular**

One of the best Indian companies, IDEA, paints India green with its national 'Use Mobile, Save Paper' campaign. The company had organized Green Pledge campaigns at Indian cities where thousands came forward and pledged to save paper and trees. IDEA has also set up bus shelters with potted plants and tendril climbers to convey the green message.

### **10) Hero Honda Motors**

Hero Honda is one of the largest two-wheeler manufacturers in India and an equally responsible top green firm in India. The company's philosophy of continuous innovation in green products and solutions has played a key role in striking the right balance between business, mankind and nature.

#### **Objectives of the study:**

- 1) The study seeks to explore the factors which influence the consumer attitude and behavior towards green practices in India.
- 2) It also seeks to uncover different areas of concern like the awareness level among consumers regarding the concept of green marketing, their views regarding different factors governing it like availability of eco friendly substitutes in place of plastic.

Hypothesis Development on the basis of Literature review:

#### **H0-**

Consumers are not aware regarding the concept of green marketing.

Consumers are not willing to switch to eco-friendly materials.

Consumers are not willing to pay extra for eco friendly material.

#### **H1 -**

Consumers are aware regarding the concept of green marketing.

Consumers are willing to switch to eco-friendly materials.

Consumers are willing to pay extra for eco friendly material.

**Data Analysis:**

From graph1 it is seen that

Source of information regarding the concept of green marketing	% Response	Cumulative %age
Media	36	36
Friends& Family	13	49
Shopkeepers	18	67
Neighbors	13	80
Other	20	100

It was found that 36% of people came to know about green marketing through Media, 13% from family, 18% from shopkeepers, 13% from neighbors & 20 % from other sources.

From graph 2 it is seen that

Rank your opinion about plastic as a major source of pollution on following scale.	% Response	Cumulative %age
Strongly agree	34	34
Agree	26	60
Neutral	18	78
Strongly disagree	12	90
Disagree	10	100

It was found that 34% of people strongly agree for plastic as a source of pollution, 26% are agree, 18% are neutral, 12% are strongly disagree, and 10% are disagree.

From graph 3 it is seen that

Which of the following according to you is the most preferred alternative to Plastic bags in your opinion	% Response	Cumulative %age
Paper	19	36
Jute	11	49
Leaf packaging	18	67
Glass	9	80
Biodegradable Polymers	40	100

It was found that 19% people prefer paper as a alternative source for plastic, 11% for jute, 18% for leaf packaging, 9% for glass, and 40 % to biodegradable polymer as alternative for plastic.

From graph 4 it is seen that

How much more would you be willing to pay for Green Packaging	% Response	Cumulative %age
Up to 5%	29	29
5-10%	31	60
Above 10%	8	68
No	32	100

It was found that people ready to pay more for green marketing in range of up to 5% are 29% people, between 5 to 10 % are 31%, Above 10% are 8%, and customer those who are not ready to pay extra money for green marketing are 32%.

From graph 5 it is seen that

In your opinion, who should be more proactive in reducing plastic usage	% Response	Cumulative %age
Government	32	32
Retailers	38	70
FMCG Manufacturers	15	85
Consumers	15	100

It was found that 32% people think that government should be more proactive in reducing plastic usage, 38% people think retailers, 15% think FMCG Manufacturer, and 15% people think consumer.

From graph 6 it is seen that

In your opinion which of the following is the biggest advantage of using eco-friendly materials.	% Response	Cumulative %age
Reduction of cost	12	12
Reduced resource consumption	10	22
Reduced pollution	42	64
Increased customer satisfaction	5	69
Reduced use of Hazardous /Non degradable material	31	100

It was found that different advantages of using eco-friendly materials are from Reduction of cost 12%, reduced resource consumption 10%, Reduced pollution 42%, Increased customer satisfaction 5%, Reduced use of Hazardous /Non degradable material 31%.

From graph 7 it is seen that

Do you Support the Policy of green package design	% Response	Cumulative %age
Yes	59	59
No	22	81
Not Necessarily	19	100

It was found that 59% people say good to following policy of green package design, 22% say No, and 19% say not necessary.

From graph 8 it is seen that

Do you think "Green Culture" will be the most important trend in 21 <sup>st</sup> century marketing initiatives	% Response	Cumulative %age
Strongly Disagree	9	9
Disagree	6	15
Neutral	5	20
Agree	25	45
Strongly Agree	55	100

It was found that 9% people are strongly disagree, 6% are disagree, 5% are neutral, 25% are agree, 55% are strongly disagree for "Green Culture" will be the most important trend in 21<sup>st</sup> century marketing initiatives

From graph 9 it is seen that

Do you think green packaging will increase products market value	% Response	Cumulative %age
Strongly Disagree	9	9
Disagree	19	28
Neutral	5	33
Agree	14	47
Strongly Agree	53	100

It was found that 9% people are strongly disagree, 6% are disagree, 5% are neutral, 25% are agree, 55% are strongly disagree for green packaging will increase products market value.

From graph 10 it is seen that

Do you think extravagant packaging will increase products market value	% Response	Cumulative %age
Yes	73	73
No	17	90
Not Necessarily	10	100

It was found that 73% people say yes, 17% people say No, and 10% people say not necessary to Extravagant packaging will increase products market value.

From graph 11 it is seen that

What factors according to you are governing growing awareness regarding green packaging	% Response	Cumulative %age
Regulatory requirement	37	37
Increased Media Attention	47	84
Consumer requirements	13	97
Competitive Pressures	3	100

It was found that 37% say Regulatory requirement, 47% say Increased Media Attention, 13% say Consumer requirements, and 3% say Competitive Pressures are governing growing awareness regarding green packaging.

From graph 12 it is seen that

What according to you are the challenges in implementing the concept of green marketing	% Response	Cumulative %age
Cost	47	47
Comparable quality	8	55
Lack of Alternatives	21	76
Raw material Prices	8	84
Compatibility with existing systems	5	89
Lack of Standards/ Metrics	11	100

It was found that, 47% people find Cost as a challenge for green marketing, 8% to Comparable quality, 21% to Lack of Alternatives, 8% to Raw material Prices, 5% to Compatibility with existing systems and 11% to Lack of Standards/ Metrics.

### Conclusion

From the above we can conclude that Green marketing is not going to be an easy concept. The firms as well as government will have to plan and then carry out research to find out how feasible it is going to be, since this concept is still at its infancy stage. Adoption of Green marketing may not be easy in the short run, but in the long run it will definitely have a positive impact on the firm. Government and Social organizations may compel all the organization to practice Green Marketing for sustainable development. Customers too will be ready to pay premium price for green products. Marketers also have the responsibility to make the stakeholders aware about the need and the advantages of green products. The green marketers will have full support of the Government, and the consumers also will not mind paying more for a cleaner and greener environment as environmentalism is on the rise.

## Green Packaging- Sustainable marketing strategy Questionnaire on Awareness of Green Marketing & its acceptance (Consumer Perspective)

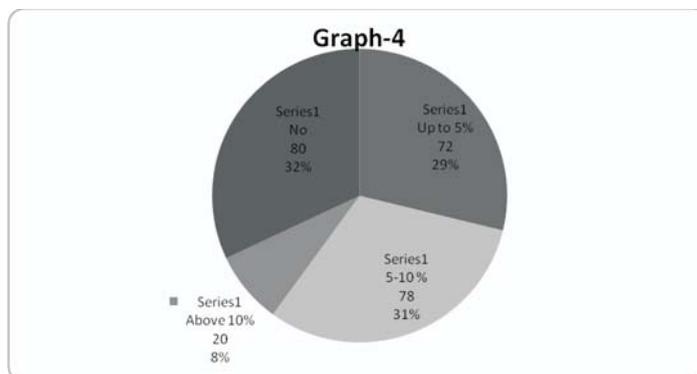
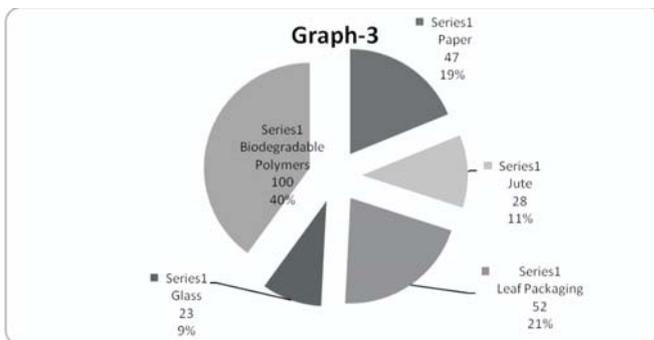
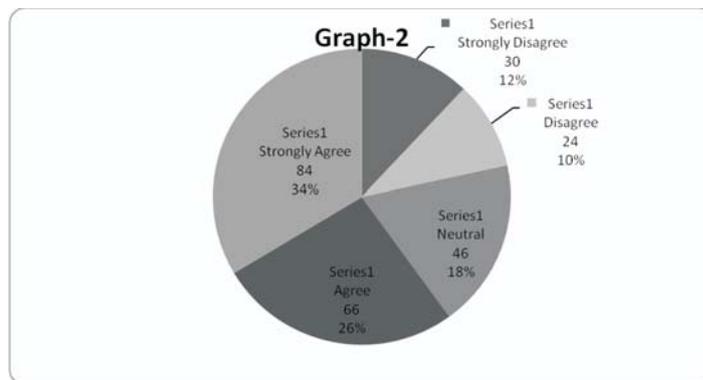
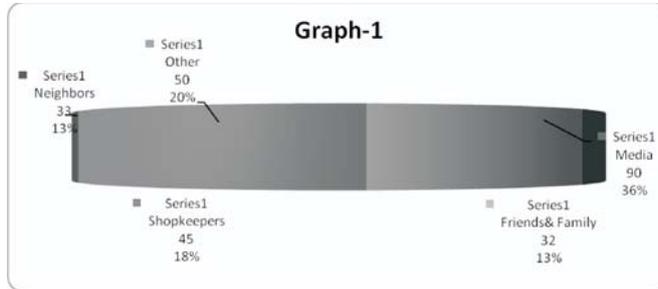
Personal Details	
Name:	
Address:	Gender:
	Occupation:

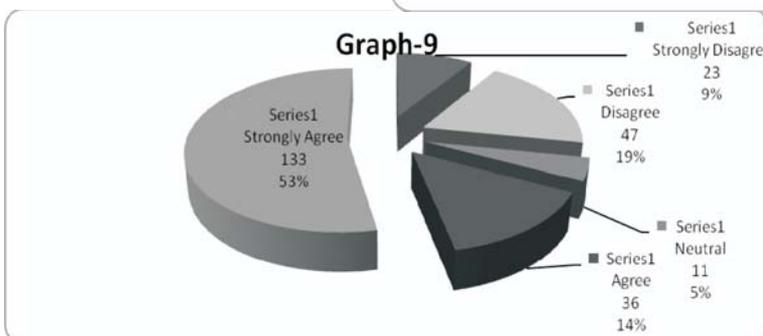
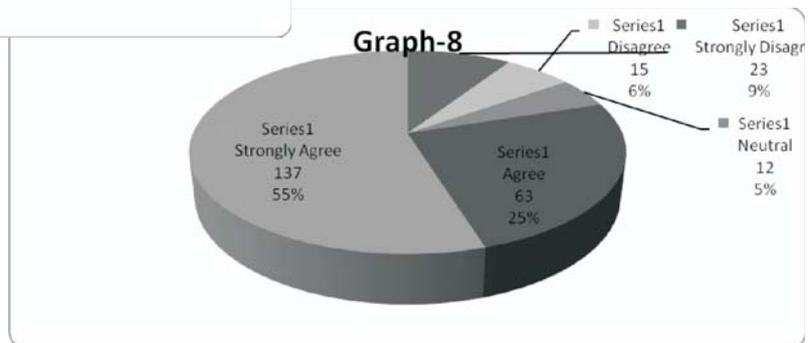
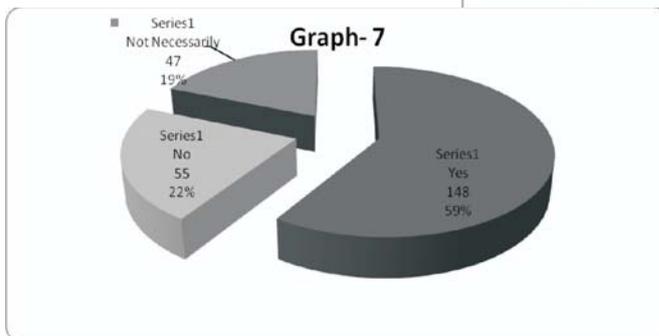
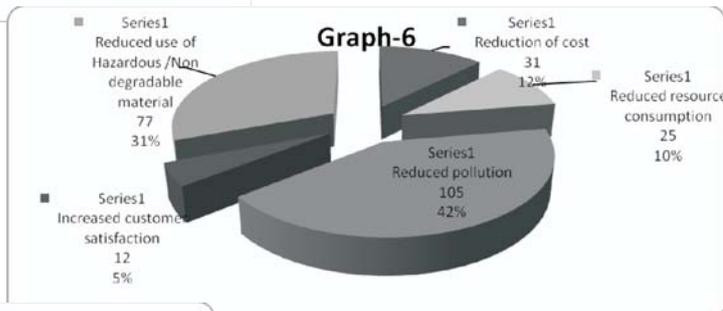
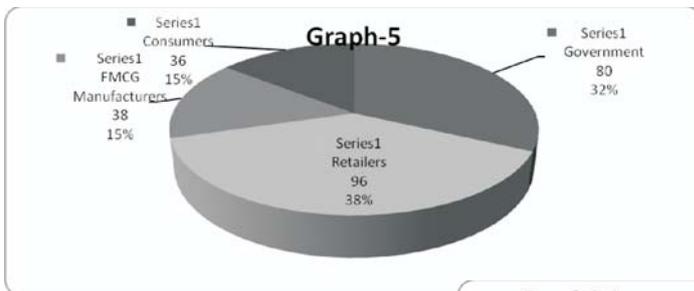
### (Please Tick whichever is applicable)

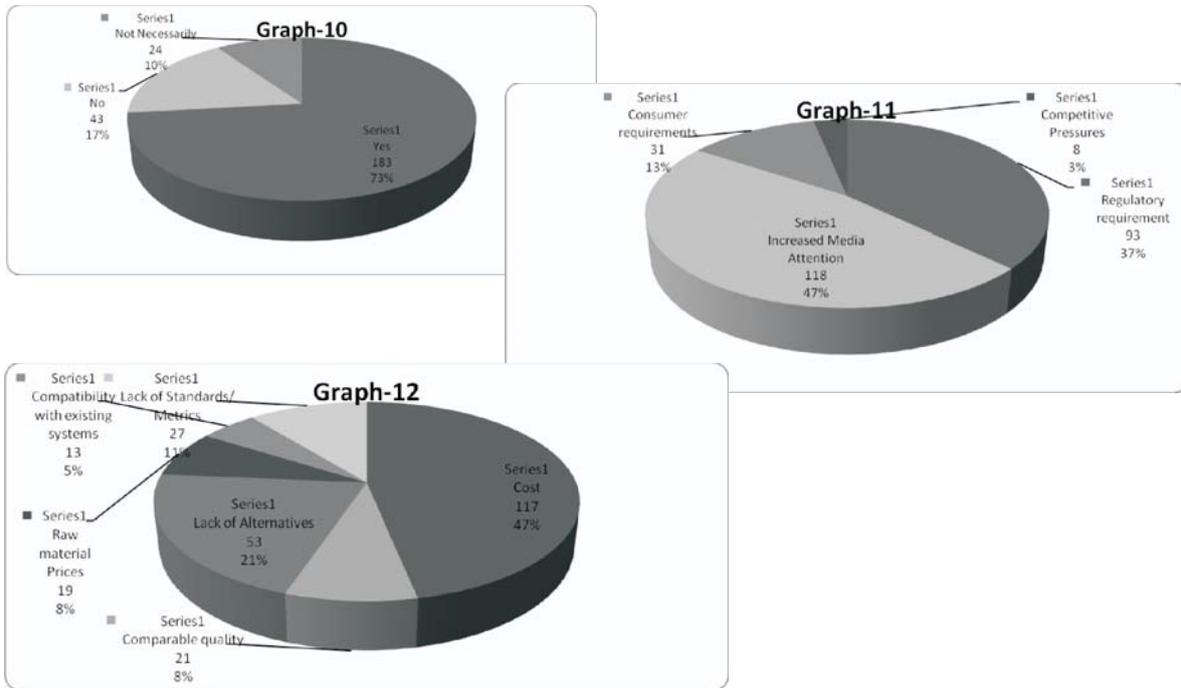
1. Do you Use Plastic Bags? Yes  No
2. Are you aware of plastic being a source of pollution? Yes  No
3. Are you aware regarding the concept of green marketing?
4. If yes, from which source did you came to know about it?  
Media  Friends& Family  Shopkeepers  Neighbors   
Other (specify) \_\_\_\_\_
5. Rank your opinion about plastic as a major source of pollution on following scale  
Strongly Disagree  Disagree  Neutral  Agree  Strongly Agree
6. Which of the following according to you is the most preferred alternative to Plastic bags in your opinion?  
Paper  Jute  Leaf Packaging  Glass  Biodegradable Polymers
7. How much more would you be willing to pay for Green Packaging?  
Up to 5%  5-10 %  Above 10%  No
8. In your opinion, who should be more proactive in reducing plastic usage?  
Government  Retailers  FMCG  Manufacturers  Consumers
9. In your opinion which of the following is the biggest advantage of using eco-friendly materials?  
Reduction of cost  Reduced resource consumption  Reduced pollution   
Increased customer satisfaction  Reduced use of Hazardous /Non degradable material
10. Do you Support the Policy of green package design?  
Yes  No  Not Necessarily
11. Do you think "Green Culture" will be the most important trend in 21st century marketing initiatives?  
Strongly Disagree  Disagree  Neutral  Agree  Strongly Agree
12. Do you think green packaging will increase products market value?  
Strongly Disagree  Disagree  Neutral  Agree  Strongly Agree
13. Do you think extravagant packaging will increase products market value?  
Yes  No  Not Necessarily
14. What factors according to you are governing growing awareness regarding green packaging?  
Regulatory requirement  Increased Media Attention  Consumer requirements   
Competitive Pressures
15. What according to you are the challenges in implementing the concept of green marketing?  
Cost  Comparable quality  Lack of Alternatives  Raw material Prices   
Compatibility with existing systems  Lack of Standards/ Metrics

Thanks for sparing your time !!!!!

Graphs of Questionnaire







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## CHANGING ATTITUDE OF CONSUMERS: A STUDY AMONG URBAN WORKING WOMEN

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### Abstract

Consumer attitude is a learnt predisposition to respond to an object or act consistently in a favorable or unfavorable manner and is shaped by one's values and beliefs which are learnt. However Values are personally or socially preferable modes of conduct or states of existence that are enduring. In contrast , beliefs are consumer's subjective perception of how well a product or brand performs on different attributes. The various approaches to change the consumer attitude are like Changing beliefs about the extent to which a brand has certain attributes; Changing the perceived importance of attributes; and adding new attributes to the product etc.. Only by changing the consumer's attitude can they be influenced to enact a merchandise transaction in the modern marketing mileau. Hence the importance of attitude change is of paramount importance to marketers who are consumer centric in the modern age often customizing the products/services to match the tastes of the consumer by proper positioning and targeting strategies. In this study the consumer attitude towards two different class of products like the FMCG and White goods are contrasted among the working women in an urban habitat ,the Kochi metro in Kerala which is the commercial hub and leading test marketing site in India .Over the past decade, Kochi has evidenced substantial growth in sales/consumption of both FMCG and

Durables with a noticeable change in consumer attitude on spending /consumption of goods for family use(affinity for modernity with higher buying power), which is explored herein. The various facets of the working/Career women as Consumer are brought out , with substantial contribution towards their current consumer behavior to enable facilitate appropriate PUSH-PULL marketing strategies on the FMCG - Durables, which are bundles of attributes.

**Keywords:** Consumer attitude, TPB, Katz functional theory,attitude change, attitude function, TAM, FMCG, White goods, Consumption motive,Salient Attributes, Benefits.

### Introduction

Attitude as a behavioral construct is a learnt predisposition to respond consistently towards an object(product or service) in a favorable or unfavorable manner.Direct personal experience with a product/service is an important factor in the formation of attitudes. Consequent attitudes developed tend to be strong, more enduring & resistant to change while those attitude formed as a result of indirect experience like exposure to Ads/brands. Apart from direct personal experience ,reference groups like family, friends, close relatives, media persons/celebrities influence a consumer's attitude formation. In high involvement

scenario, the detailed information search & evaluation/processing fetches salient beliefs resulting in formation of attitude. Consumer behavior is altered by changing the attitudes or reinforcing the existing attitudes about the brand/product or services through persuasion messages via Ads in mass media. Attitude is formed from direct experience, family and SRG influence, direct marketing, mass media persuasion and personality though attitude change through change in belief-evaluation, resolving conflicting attitudes, altering attitude function, adding attributes, altering brand rating, change beliefs on other brands, persuasion as per ELM and association of product with SRG. Motives lead to beliefs (cognitive) and feelings (affect) driving attitude and in turn behavior (conation) is well known. In the purchase of durables, the higher involvement of the consumer causes attitude to drive behavior while for FMCG, behavior drives attitudes.

#### **Addressing the Attitude functions to alter attitude/motive of Consumer**

Attitudes differ as per the function they serve for the consumers (Katz 1960, Maio & Olson, 2000). As per Katz (1960), attitudes exist to fulfill one or more goals of the consumer like reward maximization, express values of the self, defend against threat ideas & satisfy the thirst for knowledge. Although several attitude functions have been addressed vide earlier research of the 1950's, the recent research have focused on unanimous distinction between instrumental and symbolic functions of attitude (Ennis and Zanna 2000, Abelson and Prentice 1989, Berger and Heath 2007, Johar and Sirgy 1991, Prentice 1987; Shavitt, Lowrey and Han 1992). While some

products give rise to predominantly utilitarian attitude, other products support dominantly symbolic attitudes (Shavitt, Lowrey and Han 1992). Attitude function matching appeals are used to change the attitudes; a symbolic attitude is best changed by symbolic value related arguments (Katz 1960). The advantages of function matching (versus mismatching) appeals are well documented (Bazzini and Shaffer 1995; Clary et al. 1994, Lavine and Snyder 1996; Murray, Haddock and Zanna 1996; Petty and Wegener 1998). Thus the product centered approach to attitude functions has been a boon to marketing (Shavitt, Lowrey and Han 1992). Attitudes can serve multiple functions towards some products with strong utilitarian and symbolic aspects-mixed function products (Shavitt, Lowrey and Hans 1992). Persuasive appeals are more successful when they match the function of the targeted attitude. Attitude function changes with the branding and may not match at the product's category level attitude function. In the light of the intense retail environment, identifying the attitude function of the consumer is very cardinal. The idea that attitudes can serve different functions is not new (Katz 1960; Smith, Bruner and White 1956). Katz (1960) described consumers as motivated to attain a variety of goals like maximizing concrete rewards, expressing values and the self, defending the self against threats. In Katz's framework, attitudes exist for a reason or to fulfill one or more of those goals. The functional/instrumental function has been contrasted with the symbolic function vide the studies of Prentice (1987), Ennis and Zanna (2000), Abelson and Prentice (1989), Johar and Sirgy (1991), Shavitt, Lowrey and Han (1992), Berger and

Heath(2007).Attitude differ by the way they serve in terms of the functions. Consumers who differ on certain traits will exhibit corresponding differences in attitude functions(Bazzini and Shaffer 1995,Debono 1987,Lavine and Snyder 1996,Petty and Wegener 1998).Some of the products serve specific attitude functions, viz., attitude towards Toothpaste, Cough syrup etc., based on utilitarian function (Shavitt1990, Shavitt,Lowrey and Han 1992) and other products like Flags,Rings serving symbolic function(Shavitt,Lowrey and Han 1992);however attitudes can serve more than one function for products like sunglasses, motor cars etc(Shavitt, Lowrey and Han 1992).The understanding of the attitude functions serve the knowledge to change the attitudes, to tune the appeals/arguments to match the attitude functions. This function matching is well researched in the past(Clary et al.1994;Bazzini and Shaffer 1995;Murray,Haddock and Zanna 1996;Lavine and Snyder 1996;and Petty and Wegener 1998).Both utilitarian and symbolic appeals influence consumers attitude to different products/brands categories(Lutz 1981,Shavitt,Lowrey and Han 1992).Research into the role of emotions/affect in shopping are available(Rayand Walker, 2004; Spears,2005). As per Duncan(2005) Consumer motive is the internal impulses which when stimulated initiate some response, as consumers are continuously reacting to their internal impulses as well as external environment. Kim and Jim(2001) stated that consumer motives are drivers of behavior that bring the consumers to the shop for purchase. Tauber(1972) propounded that consumers were often

motivated by many personal and social factors actually unrelated to the need for buying/consuming products/services. There exist ulterior motives which reflect in the attitude. The information seeking function as per Tauber encompassed information search, comparison and analysis. Nonetheless impulsive buying has been evidenced driven by hidden forces like social interaction/reference group affiliation/peer pressure/social comparison etc. Thompson et al.(1990) observed that both hedonic and utilitarian functions coexisted among consumers, and one mode tended to dominate in some consumer segments. Numerous research focusing on the feelings of mastery experienced/feeling of expression of ego or obtain satisfaction of a good deal in shopping are available( Feick and Price,1987;Lichtenstein et al., 1990;Schindler,1989;Slama and Williams,1990).Also Tauber (1972),Rohm and Swaminathan(2004) identified buying motives that fetch enjoyment as a leisure activity for the consumer.Consumer may desire to seek higher level of experiential consumption relative to utilitarian consumption(Kim,2001).Positive emotions of the consumers are significant determinants in buying behavior like the patronage benefits, excitement on outing, time/money spend on valued priorities, as per the study of Kim et al.(2002) on apparels on utilitarian versus hedonic functions of attitude. Haanpa(2005) made a study on the different shopping motives of consumers in Finland on experiential and gratification factors, Hedonic/Recreational, Economic and Convenience types with the younger ones cherishing enjoyment on social and emotional front.Parsons(2002) put forth that in inline buying, the driving forces are

motives like self gratification, learning new trends, diversion, social comparison, communication, status symbol and interaction with other consumers with similar taste. Peter and Donnell(2007) pointed out that social influences like culture, social class, reference groups and family can cause consumer motives, while they also stated that the marketing mix also influences the consumer motives substantially. Belk(1975) studies and found that situational influences like physical/social features, time, task and current conditions etc, have impact on motives. Glitomer .J(2005) stated that price is the main motive in buying and which was supplemented by Kim and Jim(2001) that product considerations like assortment, quality and pricing are critical attributes influencing consumer purchase motive. Jin (2005) put forth that consumer perception about price-quality are most important factors in purchase. Many value conscious consumers buy products on the basis of price than other attributes(Peter and Donnelly,2007).However, Wood, Lias. M and Barry.J. P (2006) pointed out that differences in product quality do not significantly affect brand preference. A durable product has the ability to perform it's functions like overall durability, reliability, ease of operation/repair, performance and other valued attributes(Kotler and Amstrong,2006).These attributes form part of the attitude functions of the consumer triggering motivation to purchase the products and use them. Consumers would often reject home ware with mass appeal and prefer products that are tailored to reflect their specific needs (Elsasser, 2004).The various functions of attitude lead to the consumer's overall attitude toward engaging

in the given purchase decision, thus influencing behavioral intention (Hawkins et al.,2001).The attitude toward the behavior or action reveals the consumer's inclusive evaluation of engaging in the behavior. Behavioral intention reflects the consumer's plan of action or a proposition associating one's self with a future consumption action or behavior (Peter & Olson, 1999). Price is the main motive in buying as per Gitomer.J(2005).Souryamoorthy(1997) stated that durables served as the status enhancement tool. Consumer assortments/comparisons various brands/products in their evoked/consideration set.The consumer evaluates alternatives in terms of functional,psychological benefits as a salient product attributes to match the need-Attitude function.

**Statement of the Problem:** The consumers tastes are changing because of perceived changes in the family, work life & societal situations. These changes are being felt in the way consumers demand their products to realize value for money. The underlying aspects influencing the current purchase attitude towards two class of products (FMCG-Personal body care items and white goods-durables for common family consumption) is worthy of study in view of the tremendous growth of these sectors/industry in Kerala over the past decade, specifically at Kochi.

**Universe of Study:** Kochi, the commercial capital and fastest growing metro in the Kerala State is chosen as the universe. Kochi has evolved as a premier test marketing site for all the leading products launched in India due to the higher female literacy level and acculturation. Keralites are known for their

cosmopolitan acceptance of consumer products and Kochi happens to account for almost 70% of the recent total sales /year of over Rs.370 Crores of White goods sales per year in Kerala which has been growing by leaps and bounds in the past decade due to promising 19% market growth and higher demand potential with even dealers /consumers from other districts of Kerala and rural retailers depending on Urban market/dealers of Kochi. Of late, ,the traditional family lifestyles have changed as also the culinary tastes in the kitchens of Kerala, assimilated western tastes, changed value systems ,influx of fashion and social comparison specifically applicable in the urban areas with higher consumption among the working women households. The sales of FMCG is always on upswing at Kochi with higher purchasing capacity for WW Households. Hence the need for the study to assess the acculturation changes in attitude.

Scope of Study:The study is limited to Kochi city and urban suburbs and is aimed at the limited segment of middleclass domestic Consumer HHs (single entity)of Working women to study their purchase behaviour. /attitude and Institutional/Commercial consumers are excluded. The consumer family units selected specifically as they form the single largest chunk of the growing urban market in White goods or FMCG and are mostly targeted in the market mix by the leading brands by both push and pull strategies. Both Durables and FMCG are considered to contrast between these to diverse class of products as attitude object from consumer perception

Objectives of Study: The objectives of this market research study is on consumer purchase behaviour with relevance to following specific objectives -

1.To understand the relative importance of the attitude functions based need satisfaction involved in the purchase of Durables(White goods-kitchen appliances) purchase by working women Consumers.

2.To contrast the purchase attitude functions for the Personal body care items(FMCG products ) for common family consumption with the Durables(White goods-kitchen appliances) purchase by working women Consumers.

3.Identify the Urban consumer behavior variables towards FMCG Vs White Goods-Durables(Kitchen appliances) in family purchases with relevance to their HH income .

#### **Formulation of Hypothesis**

H01:There exist significant positive correlation between the income of Consumer and the overall purchase attitude towards durable goods and FMCG.

H02:There is significant positive correlation between the personal beliefs/evaluation and the overall purchase attitude of the Consumer towards durables and FMCG.

H03:There is significant positive relationship between the overall purchase attitude and PBC of the Consumer towards Durables and FMCG.

H04:There is significant positive correlation between the overall purchase attitude and social aspects on the consumer towards durables and FMCG.

H05: There is no significant correlation between the overall purchase attitude and attitude functions of consumer towards durables and FMCG.

### Research Methodology

**Sample, Tool and Procedure:** Descriptive exploratory Research on consumer attitude/preference on qualitative variables undertaken herein vide Primary market survey method. The attitude objects contrasted are of two classes: the white durable goods for household and FMCG like personal bodycare items for family like Soap / Shampoo / Hair Oil / Cream / Spray / Talcum powder/Toothpaste/Polish/medicine. The disparate product classes were chosen as objects.

**Sampling Design:** The Consumer Survey was conducted on a targeted sample of 450 family units drawn from a population of over 1lakh HHs in Kochi metro. A total of 300 numbers of filled questionnaires/responses were obtained despite protracted effort in the field survey which is nearly adequate at 90-95% confidence interval, with a max error likely at 3.95%. Thus a response of 66.6% of the targeted family units responded fully(300 numbers) -response rate, the survey spanning over an year(Jan-Dec 2011).

**Sampling Method:** The sample size of 300 Households (HHs) was chosen from a population of 5 lakhs and an overall one lakh HHs settlements in Kochi(Metro). Stratified random sampling based on income and geographical spread in 20 locations of the Kochi metro applied to select the social middle class homogenous sample households strata in the Urban areas of Kochi on a proportional basis of income and population. A pilot study was conducted earlier in the beginning of year 2011, on 30 middle class households which was used to sharpen the efficacy of the questions for the survey. The final primary data collection was

based on the Questionnaire administered on each family unit though combine with the interview method. to elicit better response through personal visits to the respondents ,the working women of each household. Due to time limitation observation method could not be applied on the consumers in their actual purchase behavior exhibited at the retailer so as to contrast with their response against the questionnaire tool. The Cronbach alpha for reliability found to be high enough well, beyond acceptance limit of 0.65.

**Method of Data Collection:** Survey method of primary data collection using Combined Interview and structured questionnaire (with 7 point S.D Scale through statements )adopted for collection of primary data through field survey in Kochi city from households . Personal visit to each family and follow up in person fetched the response to questionnaire ,as also interview schedule was deployed for fetching data from the respondents spread across the city. Utmost care taken to tabulate and analyze the data accurately. Weighted score and factor analysis applied on statements on attitude functions(5x4=20 questions) to assess the consumer accurately.

### Analysis/Findings

The personal characteristics of the respondents(Career woman) has been analyzed as hereunder. The maximum age range of husbands is 40-50 years while the same for housewives is 30-40 yrs. 80% of households had only 2-4 members. The education level of husbands is maximum in the Professional level (35%) and among Housewives, Graduation level (50%) .Almost 90% and 82.67% of the husbands &

Housewives respectively of the sample population were employed in Govt. / Pvt. Sector. The average annual income of 5.82% of the HHs were in the range of Rs. 16-20 Lakh, while the annual income of 60.1% of the households were in the range Rs. 12-16 Lakhs and for the HHs with the annual income of Rs. 8-12 Lakhs was 25.46 percent; the annual income of Rs. 4-8 Lakhs accounted for 5.54% HHs and the lowest income bracket of less than Rs. 4 Lakhs were 3.08% of the Sample HHs. In 79.67% households, wives made the lead decisions on the purchase of goods for family and self help (no servant) has been practiced in the kitchens of 61% of households, usually working housewives. The average age of person handling White good durables like Refrigerator/MWO/Induction cooktop / LPG Hob/Grinder-Mixer-Juicer ranged between 24-50 years (82.67%) with mostly twice a day cooking schedule (71%). The surveyed sample population covered 82.67% as Kerala resident and 12.67% were South Indian (non-Keralite) with 4.67% accounting for North Indians residing in Kochi. Invariably Refrigerator, MWO, LPG Cook Stove, Wet Grinder/Mixer/Induction Cooktop / OTG are currently used per almost all middle class households sampled. The major problems faced in kitchenware durables were parts failure (39.33%), subsequent wear & Tear (29.67%) and handling damage (24%). 60% of the sample population opined that time saving is the striking advantage while 44.67% indicated fuel saving and 19.33% opted for ease of cleaning / operation. Regarding attributes influencing new purchase of Kitchen durables based on product attributes, 12 numbers of salient attributes were identified as- Product quality/technology / performance (23%), aftersales service quality / Warrantee

(13%), Economy-energy saving in operation (11%), Automatic unique features (9%), Brand reputation (8%), Design/style/color/appearance/status symbol (7%), availability (6%), Convenience of handling/user friendly/sizing/ease of cleaning & use (6%), Price (5%), Past experience (4%), Safety of operation (4%) and payment terms/discounts/patronage benefits (4%). In general, for the body care FMCG, the 12 numbers of salient attributes were reported as- Premium quality, Brand credibility, Value for money, innovative technology, safety/body friendliness/medical endorsement, availability, patronage benefits -benefits/coupons/offers/gifts for bulk or regular purchases/revolving monthly credit /free extra quantity enjoyed with retailer (POP), packaging attractiveness for convenient weight/Lot size, Validity for usage/shelf life expiry dates, taste/flavor/Aroma/texture-smoothness strength - efficacy, Peer / Social conformity and price. Umpteen OEM/ brands exist in the durables segment like LG, IFB, SAMSUNG, WHIRLPOOL, ELECTROLUX, GODREJ, ONIDA, PRESTIGE, PANASONIC, PHILIPS, as also in the in body care FMCG major manufacturers like P&G, HUL, GODREJ, Jyothi Labs, TTK, Reckitt Colman, Colgate Palmolive etc have major brands in soaps, toothpaste, powder, spray, creams, Shampoo, hair oil, cleaners like LUX, DETTOL, HAMAM, EMAMI, COLGATE, HEAD & SHOULDERS, CLOSEUP., often within the affordable price range for all segments of MC population. Eighty-seven percent of the respondents/households indicated that their purchase style is dominated by reason (rational motive) weighting the merits/demerits and the Cost-Benefit ratio on durable products purchase. The frequency of repeat purchase of durables was an average

more than 10 years while that of FMCG for personal body care was as and when the stock depleted in the family/reserve maintained. For the household purchase decisions, the social/others influence was as follows: 39.01% were influenced by Family members, 17.85% influenced by friends, 15.93% influenced by close relatives, 14.01% influenced by colleagues/peers, 12.08% influenced by neighbours and 1.12% influenced by others like salesmen. The mass media as a communication source influenced the household attitude for durables as follows: 32.77% are influenced through TV Ads-celebrity endorsements, 25.11% are influenced through newspaper Ads, 17.02% through Ads/review in popular household magazines, 16.17% through the WWW (Internet) Web sites/E shopping sites, 5.1% through Retailer/Dealer network exhibitions/pamphlets and 3.83% through hoardings/LCD TV Ads in street corners & shopping malls. Interestingly, there is little influence through Radio on the urban households. However for the FMCG the source of information for purchase was observed to be: TV (98.5%), Radio (1.2%), Retail outlets salesman (20.1%), Print media newspapers (13.6%), Magazines (1.2%), Hoardings (5.8%), friends-relatives (11.8%) and internet (22.9%). Regarding the quality of the after sales complaint management-spares services support received on branded durables for the households: Only 17.45% rated the services as excellent, while 69.78% rated the aftercare services as good, and 9.79% rated the services as satisfactory and 2.98% rated them as bad (complaints). The likelihood of repeat purchase of existing ownership of brands (brand loyalty) in durables in households has been indicated

as: Most likely (46.12%), More Likely (17.62%), Less likely (12.03%), Unlikely (7.28) and the Undecided (16.95%). With respect to the final purchase conflict resolver-decision maker in the family for purchase of durables/FMCG: In 56.17% households, the conflict resolver in the household is jointly by involvement of most of the members, while in 33.19% households the husband resolved the purchase conflicts, in 5.53% households only the wife was the conflict resolver, in 2.98% cases the kids were the conflict resolver for purchase decision making and only 2.12% households were strongly influenced by parents/In laws. On the sales promotion preference front, the household attraction towards the various modes of sales promotion schemes available in the market for the brands/marketers of durables has been as below: majority chose Advertisements (44.32%), Celebrity endorsement (22.45%), Hoardings/Banners/Posters-Flex boards (19.87%) and others like dealer gifts/discounts offer/pamphlets (13.36%). In contrast, for the Personal care FMCG, the relative influence on attitude has been advertisement (19.1%), Pricing (15.4%), excellent quality (38.6%), influence of friends-relatives-peers (6.2%), retail outlet-salesman/girls (16.6%) and others/internet (3.2%). The purchase behavior adopted by the households for durables are broadly observed as: Habit-routine style adopted by 7.87%, Limited problem solving style adopted by 19.21%, Extensive problem solving style adopted by the majority (38.35%) and Variety/choice seeking style by 34.57% of the households sampled. For the Personal care FMCG the attitude of the respondents has been based on benefits seeking and the purchase style has been of

convenience/habitual or impulsive as per situations with very limited analysis or information search process before purchase and complying blindly with peer pressure/social comparison. Often when price discounts were available, bulk purchases reported based on shelf life/expiry dates of the product. The overall purchase attitude towards the durables/FMCG by the respondents of households has been a clear majority of favourable(62.14%), Unfavourable( 14.58%), Neutral / ambivalent( 13.68%) and a minority of Can't tell/ Undecided( 9.67%) in the sample. In the case of durables, respondents often engaged in extensive information search through WOM and valued products based on their personal importance and financial value with constraint of affordability and matching the family size-FLCS needs, yet matching the overall family lifestyle and consumption pattern. Like FMCG for the durables also the respondents accorded top importance for Product attributes and benefit seeking behavior with strong preference for leading proven brands to avoid risk as also higher social motivation to comply. The involvement in the purchase process was reported as substantially higher for the durables(86%) in view of the higher financial investment involved. 68% of the respondents live in owned house/apartment while 32% lived in rented house/apartments/quarters in the urban habitat. The highest priority for the respondents were the family welfare (26%), money/investments(23%), children's education(21%), healthcare of parents/ kids(16%), socialization/recreation/shopping (9%) and other pursuits(5%). There is very little brand loyalty evidenced in FMCG as well as in White goods.

**Table 1: Consumer motive for Purchase of Durables-White goods/Brown goods for family use**

S. No.	Statement	Attitude function/Need
A	FUNCTIONAL/UTILITARIAN FACTOR	
A1	I buy the durables to increase convenience/comfort/reduce tension/relieve stress and meet new needs, obtain reward, avail economy, performance and energy saving/save operational costs/avail situational offerings & benefits driven on product attributes for practical value	Physiological/ Benefits driven Security/ Autonomy
A2	I shop for durable goods for survival needs, avoid risks and improve quality of living, willing to pay higher price for branded quality goods-financial value, goods to achieve family security on food needs for autonomy matching family size and income	Diversion Biogenic
A3	I purchase durables for diversion from boredom for better mental wellbeing and save valuable time	Hedonic
A4	I purchase durables to meet the rational needs/necessity at home to save time/Labor/FLC needs and food habits/improve cleanliness/tangible attributes	Epistemic
A5	I buy durables to derive experiential benefits to match my family role and intangible attributes	Curiosity Actualization
B.	KNOWLEDGE FACTOR	
B1	I buy durables driven by the need to learn more, futuristic with high expectations, nurture information, court originality, excitement on intellectual stimulation and be ahead of time on Knowledge and after extensive information search & problem solving analysis with high involvement	Professional Futuristic
B2	I purchase durables purely to serve curiosity, assimilate technology innovations, satisfy thirst for new high end products up to date.	
B3	I purchase durable goods to satisfy and exhibit my knowledge based beliefs, take risks/challenges ,match highest expectations, satiate creativity, educate others	Achievement-Values

B4	I buy durables to match my professional excellence, intrigued by new and unfamiliar brands, learn new & different to be an opinion leader	Psychogenic
B5	I buy durables based on the need to nurture modernity and expose /invest for future now itself for cutting edge technology products of revolutionary type substantially improving present practices	Leadership
C.	VALUE EXPRESSIVE FUNCTION	
C1	In the purchase of durables, I am concerned primarily to exhibit my self outlook as symbol or conscious expression of feelings/values for an achievement /successful individuality loving conspicuous purchase of premium brands always	Ambitious/Growth oriented
C2	I buy durables reflecting my family values/customs for better quality of life with aesthetic appeal/intangible attributes of the product/service	Self esteem
C3	I procure durable items to seek appreciation, enhance my self values matching beauty-aesthetics-grace-novelty-uniqueness of self identity value to manifest superiority/lifestyle symbol and exhibit affluence of personal importance	Power autonomy-ego
C4	I buy durable goods to match with modern trends-sophisticated lifestyle for upward mobility, entertainment, have excitement/happiness/ enjoy humor and progress with passage of time	Psychogenic/Existence
C5	I buy durable goods to match with modern trends-sophisticated lifestyle for upward mobility, entertainment, have excitement/happiness/ enjoy humor and progress with passage of time	Accomplishment-recognition
D.	I buy durables based on reflection of independence-self identity,confidence,exhibition of modernity ,Luxury-aspiration for Prestige / Status seeking to feel better	Social affiliation
D1	EGO DEFENSIVE FUNCTION	

D2	I buy durables to reinforce-protect my ego, obtain self respect to remove anxiety/threat & avoid blame, match religious beliefs, meet materialistic goals and to achieve power ,control & dominance over others-social importance.	Social Group Influence
D3	I shop for durables so as to assert my personality, derive the feeling of pride & importance, be successful & attractive to others, personal achievement and express confidence	
D4	I buy durable goods for home as an accomplishment for success, accumulate material assets to gratify ego in comparison with others/peers on acquisitions with extended Warrantee coverage-insurance backup	
D5	I make purchase of durables to bolster/express self image to match status-autonomy match social image importance congruity, acceptance by others, trust and intangible benefits at affordable price	
	I plan purchase of durables to bolster my social influence ,imitate others, enhance acceptance to socially important persons/group for appreciation & respect, meet family members pressure, satisfy social objectives, nurture belongingness & social affiliations/relationships for group approval/ affection-cohesiveness /Love/respect and appreciation despite higher investment or NIL return on Spending on long term	

S.No.	Statement	Attitude function /Need		
Factor	Attitude function type	Mean	SD	Cronbach alpha
F1	Utilitarian factor	4.10	1.13	0.78
A1		3.23	0.86	
A2		3.86	1.02	
A3		3.24	1.16	
A4		3.29	1.21	
A5				
F2	Knowledge function	3.36	1.18	0.74
B1		3.42	1.16	
B2		3.29	1.12	
B3		3.38	1.21	
B4		3.24	1.08	
B5				
F3	Value expressive function	3.17	1.05	0.69
C1		2.99	1.09	
C2		2.97	1.28	
C3		2.82		
C4		3.02	1.26	
C5			1.11	
F4	Ego defensive function	3.25	1.11	0.71
D1		2.99	1.15	
D2		3.14	1.08	
D3		3.62\	1.17	
D4				
D5		3.74	1.35	

#### Factor Analysis

St. No	F1	F2	F3	F4	Communality
A1	0.829				0.731
A2	0.745				0.719
A3	0.761				0.726
A4	0.657				0.717
A5	0.842				0.713

B1		0.710			0.773
B2		0.806			0.762
B3		0.734			0.668
B4		0.710			0.681
B5		0.537			0.612
C1			0.772		0.639
C2			0.635		0.738
C3			0.468		0.471
C4			0.762		0.723
C5			0.762		0.626
D1				0.735	0.663
D2				0.765	0.621
D3				0.467	0.649
D4				0.407	0.401
D5				0.842	0.716
Eigen Value	3.591	2.682	2.183	2.205	Sum:
% Variance explained	9.876	8.917	7.474	7.613	75.827

KMO Value:0.738; PCA with Varimax orthogonal rotation applied.

Statements A1(benefits) and A3 (diversion from boredom, saving of time) cause the highest percent of total variance of Utilitarian factor at 9.875. Statements A1-5 account for the utilitarian function of the consumer attitude. B2-3 of the Knowledge function of attitude has highest mean value for curiosity and actualization needs with high percent of relative variance 8.917. C1, C4 and C5 account for relatively higher mean among attitude functions under epistemic head. Achievement, ambition- growth and self esteem leading to high percent total variance 7.474 of Value expressive function of attitude. D5, 4, 1 have the highest mean explaining 7.613 per cent of total variance. On the whole the utilitarian and epistemic functions of attitude relatively more predominant in order for white goods purchase. More than one function of attitude plays their role in the overall purchase attitude as well. The time pressure of working women are reflected in the utilitarian function dominating in the overall attitude and decision making on the purchase of white goods, given their higher buying power among MC.

Table 2: Consumer motivation for Purchase of FMCG for common family use

S.No.	Statement	Attitude function /Need
A	FUNCTIONAL/UTILITARIAN FACTOR	
A1	I buy Personal body care items for family use to take better care of the physical body and clean away the dirt/germs/removes filth & stains ,longer life and body care/rejuvenation	Physiological Security
A2	I shop for Personal body care goods for survival needs, avoid risk of infections and improve quality of living/protect body – healthy organs/match solution to bodily ailments, increase life/lessen sufferings	Diversion Biogenic/Benefits driven
A3	I purchase Personal body care items for diversion from boredom for better Physical/mental wellbeing and freshness, skin/hair/nails/lips care-medicinal value, less involved purchase with convenience-casual	Hedonic
A4	I purchase Personal body care items to meet the rational needs/necessity at home to save health time/FLC Needs / food habits/improve cleanliness/tangible attributes of necessity and avail situational benefits-instant offerings	Epistemic Curiosity
A5	I buy Personal body care items to derive experiential benefits to match my family role and intangible attributes like pleasing odour, beauty care, refined tastes matching the necessities of Life, sensually appealing/tasty	Actualization Professional
B.		
B1	KNOWLEDGE FACTOR I buy Personal body care items to avail situational offerings & benefits and driven by the need to learn more, futuristic with high expectations, nurture information,	Futuristic

B2	court originality, excitement on intellectual stimulation and be ahead of time on Knowledge	
B3	I purchase Personal body care items purely to serve curiosity, assimilate technology innovations, satisfy thirst for new high end products up to date, satiate the strangeness.	Achievement-Values
B4	I purchase Personal body care items to satisfy and exhibit my knowledge based beliefs, take risks/challenges ,match highest expectations, satiate creativity, educate others	Psychogenic
B5	I buy Personal body care items to match my professional excellence, intrigued by new and unfamiliar brands, learn new & different to be an opinion leader & to match lifestyle	Leadership
C. C1	I buy Personal body care items based on the need to nurture modernity and expose /invest for future now itself for cutting edge technology products of revolutionary type substantially improving present practices	Ambitious/Growth oriented
	VALUE EXPRESSIVE FUNCTION	
C2	In the purchase of Personal body care items , I am concerned primarily to exhibit my self outlook as symbol or conscious expression of feelings/values for an achievement /successful individuality loving conspicuous purchase of premium quality brands always to associate with celebrity endorsement/Advt cues-persuasion on –show Values symbolism	Self esteem
C3	I buy Personal body care items reflecting my family values/customs for better	Power autonomy-ego

C4	quality of life with aesthetic appeal/intangible attributes of the product, cleanliness and attractiveness /Impulsive satisfaction/reduce dissonance	Psychogenic
C5	I procure Personal body care items to seek appreciation, enhance my self values matching beauty-aesthetics-grace-novelty-uniqueness of self identity value to manifest superiority/status symbol and exhibit affluence, stamp of excellence in person	Accomplishment-recognition
D.		
D1	I buy Personal body care goods to match with modern trends-sophisticated lifestyle for upward mobility, entertainment, have excitement/happiness/ enjoy and progress /adapt with passage of time-trendy/innovate	Social affiliation
D2	I buy Personal body care items based on reflection of independence-self identity,confidence,exhibition of modernity ,Luxury-aspiration for Prestige /Social status	Social Group Influence
D3	EGO DEFENSIVE FUNCTION	
D4	I buy Personal body care items to reinforce-protect my ego, obtain self respect to remove anxiety/threat & avoid blame, match religious beliefs, meet materialistic goals and to achieve power ,control & dominance over others.	
D5	I shop for Personal body care items so as to assert my personality, derive the feeling of pride & importance, be successful & attractive to others, personal achievement and express confidence/feel good and attractive/habitual	
	I buy Personal body care items for home as an accomplishment for success, accumulate material assets to gratify ego	

	<p>in comparison with others/peers on acquisitions/looks/beauty</p> <p>I make purchase of Personal body care items to bolster/express self image to match status-autonomy match social image importance congruity, acceptance by others, trust and intangibles with little value for price and highly brand sensitive-loyal for quality</p> <p>I plan purchase of Personal body care items to bolster my social influence, imitate others, enhance acceptance to socially important persons/group for appreciation &amp; respect, meet family members pressure, satisfy social objectives, nurture belongingness &amp; social affiliations/relationships for group approval/ affection-cohesiveness /Love/respect and appreciation</p>			
Factor	Attitude function type	Mean	SD	Cronbach alpha
F1	Utilitarian factor	3.60	1.16	0.71
A1		3.24	0.91	
A2		3.13	1.12	
A3		3.24		
A4		3.10	1.08	
A5			1.13	
F2	Knowledge function	4.18	1.06	0.76
B1		3.86	0.87	
B2		3.67	1.25	
B3		3.56	1.13	
B4		3.49	1.27	
B5				

F3	Value expressive function	4.19	1.25	0.83
C1		4.09	1.36	
C2		3.95	1.19	
C3		3.82		
C4		3.74	1.17	
C5			1.41	
F4	Ego defensive function	3.28	1.23	0.81
D1		3.98	1.09	
D2		4.02	1.01	
D3		4.62\	1.34	
D4				
D5		4.74	1.42	

### Factor Analysis

St. No	F1	F2	F3	F4	Com.
A1	0.431				0.416
A2	0.643				0.617
A3	0.761				0.726
A4	0.657				0.717
A5	0.781				0.732
B1		0.678			0.694
B2		0.742			0.681
B3		0.471			0.647
B4		0.411			0.403
B5		0.437			0.621

C1			0.521		0.579
C2			0.841		0.758
C3			0.829		0.742
C4			0.742		0.694
C5			0.759		0.711
D1				0.714	0.675
D2				0.847	0.716
D3				0.517	0.592
D4				0.678	0.698
D5				0.662	0.538
Eigen Values	2.664	2.613	3.776	3.412	
% Variance explained	8.935	8.729	9.843	9.741	

KMO Value:0.743 ; PCA with Varimax orthogonal rotation applied.

For the FMCG purchase, the value expressive function accounts for the highest total percent of variance at 9.843, with C2 (psychogenic) and C3 (leadership) as most dominant. The ego defensive/social function being the next dominant function of attitude with percent total variance of 9.741 having statements reflecting strong social approval. The utilitarian function and knowledge functions are relatively less important in FMCG purchase from above. In contrast, for the lower Income HHs, brand loyalty to avoid risk, security conscious purchasing, price is most important in view of their relatively limited resources and higher family size evidenced in the survey. All the attitude functions are interactively influencing the purchase attitude of the consumers for both durables as well as FMCG for the HH use. For FMCG, as stated earlier, consumers accord top ranking for Quality and price followed by other attributes like fragrance, packaging/brand name/Colour/Continual patronage benefits with retailer etc

Table 3 Innovative purchase attitude/Lifestyle products acceptance level for consumers based on Income level for durables/FMCG

Type of Consumer class/HH of Sample	White durables (% of Sample size)	Personal body care FMCG (% of Sample size)	Urban Lifestyle Category type & Income and % HH in Sample				
			Lifestyle	Disposable monthly Income (Rs.)	% of sample	Annual Income (Rs.)	% of sample
Innovative/Creative/High risk takers Actualizer/Global	4.41	2.77	V. High Income Affluent	>=1 Lakh	8.45	16-20 Lakhs	5.82

Earliest adoption of technology products Achiever	17.62	10.56	Well Off-Upper Middle class	0.5-1 Lakh	57.21	12-16Lakhs	60.1
Earliest majority Striver/Seeker	29.64	26.88	Climbers-True Middle class	0.25-0.50 Lakh	24.74	8-12 Lakhs	25.46
Late majority Struggler	37.76	33.52	Aspirants-Lower Middle class	.05-.25Lakh	6.83	4-8Lakhs	5.54
Laggards-Last adoption of products	10.57	26.27	Deprived - V.Low Income	<0.05Lakh	2.77	<Lakhs	3.08
Total(%)	100	100			100	100	

The majority are in the monthly disposable income bracket of Rs.0.5-1 Lakh and annual income of Rs.12-16 Lakh . The very high and very low income HHs under disposable monthly segments account for a total of 11.22% of the total sample. The middle class is however focused in this study. The influence on income category on attitude function is beyond scope of this study as multiple attitude functions play up in the attitude for both durables and FMCG in a complex manner with the hierarchy of needs as per the income class. However generally it is felt that the lower two income categories vide above are highly security oriented, self centered, family based, more emotional (less rational) with short term goals and benefits exhibited in purchase attitude and decision making. However in contrast, the middle class (middle two segments) accounting for the majority of the consumers in the market are found to be futuristic with long term calculated goals, more rational, risk taking, savings oriented, lifestyle driven, children grooming, highly involved avail greater choice/variety and information search/analysis, self confident and status conscious seeking respect from society. In their attitude for purchase of durables and FMCG. Consumers in both durables and FMCG are found to be not very price sensitive in the current market scenario at Kochi; rather they value the product benefits as per affordability, though income is not found to be influencing the purchases in both categories of products. Hence the product attribute based benefits as per the needs-attitude functions as assessed above assume greater importance than the buying power of the consumer to arrive at the Price Value equation. Nonetheless, there do exist attitudinal preference between the various income segments. Viz., the higher income groups (Well off / upper middle class) accord most importance to the salient attributes of the product and relatively less concerned with the brand name and willing to pay higher price. They have a refined taste, look for intangible attributes, patronage benefits as also the aesthetics of the products in both categories despite their huge purchasing capacity. In the case of the mid segment (true middle class) of the income groups, the significance of product attribute is most relevant (utility value) as also the brand name is better valued as also price sensitive in view of the family size and lifestyle demands from members of the family.

Table 4

Consumer Purchase decision making Enablers through Attitude function	For Durables(in %)			For FMCG(in %)		
	+ High	Neutral	- Low	+ High	Neutral	- Low
Cognitive beliefs on Product benefits /Perceived usefulness/ease of use	81.22	1.15	17.63	74.25	7.49	18.26
Affective/Feelings on Product	29.11	9.02	61.87	58.47	22.61	18.92
Attitude towards purchase	64.9	9.96	25.14	19.73	75.06	5.21
Subjective Norms /Social Influence	87.93	5.75	6.32	88.45	6.57	4.98
PBC/Perceived risk/Importance /Involvement level	85.63	9.39	4.98	72.56	21.91	5.53
Behavioral Intention	77.78	2.68	19.54	85.36	9.82	4.82
Personal characteristics-demographic aspects	78.16	12.26	9.58	86.15	11.47	2.38
Lifestyle and personality/Self Image	81.41	9.97	8.62	88.76	10.22	1.02
Sub Cultural/Religious beliefs/Social norms/Food habits/Nativity	37.93	18.01	44.06	24.75	16.99	58.26
Family dynamics	88.31	4.80	6.89	91.62	6.86	1.52
Mass media- Persuasion and Situational Influences	64.37	2.29	33.34	81.49	17.25	1.26
Past behavior/Cognitive dissonance	39.84	57.10	3.06	23.78	23.81	52.41

The family dynamics, social norms, PBC, beliefs on product benefits, lifestyle/self image of the consumer are prominent in influencing the attitude for durables, while for the FMCG, Family dynamics, lifestyle/self image, demographic personal profile, social norms, behavior intention to buy and situational marketing persuasion, influences the consumer in more discernable manner. The Past experience, sub cultural aspects, affect/feelings are observed to have relatively lesser impact on the purchase attitude for both durables and FMCG.

**Hypothesis testing:**

H01: There exist significant positive correlation between the income of Consumer and the overall purchase attitude towards durable goods and FMCG.

H02: There is significant positive correlation between the personal beliefs/evaluation and the overall purchase attitude of the Consumer towards durables and FMCG.

H03: There is significant positive relationship between the overall purchase attitude and PBC of the Consumer towards Durables and FMCG.

H04: There is significant positive correlation between the overall purchase attitude and social aspects on the consumer towards durables and FMCG.

H05: There is no significant correlation between the overall purchase attitude and attitude functions of consumer towards durables and FMCG.

Table 5: Dependent variable: (A) Overall purchase attitude towards Durables and FMCG.

Independent Variables	T Value	Sig.	P<	H0 S/NS
Income of HH (I)	- 0.158	1.774	0.01	NS ; H01 rejected
Personal Beliefs/evaluation(BE)	0.188	3.121	0.01	S;H02 accepted
Perceived behavioral control-confidence-involvement-importance of purchase (PBC)	0.343	3.866	0.01	S;H03 accepted
Social aspects of Consumer(SN)	0.460	5.812	0.01	S;H04 accepted
Attitude functions(AF)	0.364	4.106	0.01	S;H04 accepted
F value=28.964 k1=2.069	R 2=0.426	2.928	0.01 0.01	Variance=0.3572 Significant.

Regression equation can be put up with regression weights as

Overall purchase attitude,  $A = z_0 + z_1(I) + z_2(BE) + z_3(PBC) + z_4(SN) + z_5(AF) + k_1$ .

Where  $z_1 = -0.158; z_2 = 0.188; z_3 = 0.343; z_4 = 0.460; z_5 = 0.244; k_1 = 2.069$ . (Model)

Income obviously has negative influence while the SN, AF and PBC are most dominant in the regression equation as independent variables.

**Limitations/ Constraints:** The sample population considered were mainly consumers residing in the urban areas of Kochi/(Ernakulam). The answers of the questionnaire depend upon the belief of customers, which may differ from the reality; the survey was conducted considering the time & space constraint, indirect measures relied upon for attitude measurement. The findings of the study are based on the assumptions that the customers have given correct information and undertake resonated actions as per TPB and use as per TAM.

**Conclusion:** This comprehensive study of consumer behaviour on the various attributes of modern durable products and FMCG has outlined the various facets of consumer likes/ dislikes -attitude and the role of attitude functions. The impact of various factors on the consumer attitude has been brought out by regression weights as well. In many ways the attitude towards the durables (White goods) and the FMCG are tangential to each other, though in specific manner the attitude functions differ as well. Multiple attitude functions are seen to moderate the overall attitude towards the product/act. Notably the income of the consumer does not influence the consumer attitude positively or significantly. This study can be extended to rural areas of Kochi as well as also to brown goods and other classes of FMCG to evolve a treatise on current consumer preferences on modern products of mass consumption. Accordingly, the appropriate marketing strategy on product positioning, targeting, product improvements, brand enrichment could be undertaken by marketers to generate higher profits/ corner better market share/ increased Sales volume and to satisfy the dynamic global lifestyle/ consumption

patterns of the modern middle class urban/rural consumers, like the career woman who are the most influential in middle class HHs in purchase and consumption of products in Kochi/Kerala

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#### Abbreviations Used

TPB: Theory of planned behavior, TAM: Technology acceptance model, WWF: Working wife family, SN: Subjective norms, PBC: Perceived behavior control, FMCG: Fast moving consumer goods, BI: Behavioral Intention, HH: Household, FLCS: Family Lifecycle stage, MWO: Microwave oven, OTG : Oven grill toaster, LPG: Liquefied petroleum gas, ELM: Elaboration likelihood model, KMO: Kaiser Meyer Olkin measure of sampling, PCA: Principal component analysis, AF: Attitude function, POP: Point of purchase, OEM: Original equipment manufacturer, MC: Middle class consumer.

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## STUDY ON AWARENESS LEVEL AND USAGE OF IPO GRADING AMONG INVESTORS OF GANDHINAGAR CITY"

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### Abstract

Savings is considered to be a virtue among prudent people. It is believed that an investment of savings leads to money multiplication. Investment refers to parking money in the avenue which performs better and earns good returns. The performance of investment instrument is judged through analysis of financial statements, periodical price movement of the instrument and scores given by reliable and expert agencies. IPO grading is a report card prepared by credit rating agency which assists investors to comprehend the quality of performance of company which is offering its shares for the first time to masses. IPO grading is an independent and unbiased option of rating which helps common investors to make informed investment decisions.

**Key Words:** *Fundamental Analysis, IPO grading, Return on Investment (ROI)*

### Introduction

Investment is an essential tool to multiply money. Broadly speaking there are two major avenues of investments i.e. debt and equity. Debt instruments are a safe bet, whereas equity investments are tied with the risk factor. Therefore, it is very essential to verify that the equity instrument of investment will perform better, by undertaking pre-investment analysis. Regular analysis, post investments facilitates in taking decision of buying,

holding or exiting from the concerned investment. Equity investments are possible through three routes viz., subscribing to an IPO or purchasing shares from secondary market or investing in equity linked investment plans floated by mutual funds and unit linked plans. The tools for pre investment analysis for equity investments can be carried out through various modes. Fundamental analysis consist of in-depth study of financial statements of the company, technical analysis is concerned with identifying the trend in the movement of share prices and then predicting the future targets. IPO grading is the popular and upcoming concept associated with the IPOs. IPO grading is the grade assigned by a credit rating agencies (CRAs) registered with Securities and Exchange Board of India (SEBI), to the IPO of equity shares or any other securities (FAQ, 2012).

### Research Objectives

- To identify and appreciate the tools which are essential in conducting investment analysis.
- To study the meaning and significance of IPO grading.
- To check the awareness level and usage of IPO grading among investors, who subscribed to an IPO.

### Research Methodology

Descriptive research design was adopted to

check the awareness level and usage of IPO grading among investors, who subscribed to an IPO. It was a cross sectional survey in design which was conclusive in nature. The sampling area consisted of investors of Gandhinagar city, who subscribed to an IPO. Non-probability purposive sampling technique was used for exclusively collecting the opinion of investors on IPO grading. The sample size, of total of 100 investors was contacted for the survey. Sampling extent mainly consisted of certain sectors of Gandhinagar like Sector-21, Sector-22, Sector-17, Sector-16, Sector-11 and Infocity. The offices of stock broker were referred as sampling unit and the investors associated with respective broker, were chosen as sampling element i.e. respondent of the research. The time factor for entire survey constituted from 1<sup>st</sup> June, 2011 to 31<sup>st</sup> March, 2012. A structured questionnaire was prepared to elicit primary, quantitative information. The questionnaire was divided into three sections viz., demographic details, evaluation of current investment sources and IPO grading. The reliability of the instrument signifies the confidence one could have in the measurement obtained with a scale. Reliability testing was carried out using coefficient alpha or Cronbach's alpha, which produced a value of 0.899 indicating a satisfactory internal consistency reliability of the questionnaire.

Based on the respondent's capacity to understand the questionnaire, personally or self administered survey was adopted in which respondent was handed-over the questionnaire to fill the details. Whereas in some cases a structured interview method was adopted for obtaining information from the respondents in which, before data collection the questions were explained in

local dialect and to ensure precision, the responses were duly filled by the researcher in the questionnaire. Students of Shri Jairambhai Patel Institute of Business Management and Computer Applications, Gandhinagar helped the researcher in the field work. These students were explicated the objectives of research and were educated for data collection. Various online and offline secondary data sources like newspapers, internet, magazines, books and journals were used for data collection. The questionnaire was prepared using conventional primary scales of measurement. Comparative scales like rank order and non-comparative itemized rating scale like likert scale was used in the preparation of questionnaire. Dichotomous type or multiple-choice-single-response, or multiple-choice-multiple-response scale (check-list) type or open ended questions were incorporated in the questionnaire to seek valuable answers from respondents. Collected data was edited, coded, analyzed, interpreted and presented using frequency distribution tables. At univariate level descriptive statistics like mean, median, mode, standard deviation, frequency tabulation, percentage, rank analysis and Garrett ranking were used for analysis. The collected data was processed for analysis by editing, coding and entering it into computer software- Statistical Package for Social Scientists (SPSS 19.0). At multivariate level inferential statistics was applied. Various parametric statistics like factor analysis, one way ANOVA, T-test and cluster analysis was applied for analyzing the data. Non-parametric test like one way chi-square and two way chi-square was applied on nominal scale based data.

### Meaning and Significance of IPO Grading

The IPO grade represents a relative assessment of the fundamentals of that issue in relation to the other listed equity securities in India. Such grading is assigned on a five point scale with a higher score indicating stronger fundamentals and vice versa. It can be interpreted viz., IPO grade 1= Poor fundamentals, IPO grade 2= Below Average fundamentals, IPO grade 3= Average fundamentals, IPO grade 4= Above Average fundamentals and IPO grade 5= Strong fundamentals. It is introduced to provide additional information to investors in order to facilitate their assessment on equity issues offered through an IPO. The grading fundamentally rests on five major parameters viz., business prospects and competitive position, financial position, management quality, corporate governance practices, compliance and litigation history and new project risks and prospects. IPO grading tends to be an unbiased opinion of the rating agency and not SEBI (FAQ, 2012). IPO grading along with the rationale given by rating agency is to be disclosed in the Red Herring Prospectus of the company (FAQ on IPO Grading, 2012). The literary work explained that IPO grading does not affect the under-pricing of book-built IPOs, moreover the transparency of book built process offers a much stronger signal to the retail investors as compared to that provided by grading (Khurshed, et al., n.d.). IPO grading was introduced to make additional information about unlisted companies or those without any track record of their performance available to the investors, helping them assess the issue before investing and burning their fingers (Pandey, 2011). Investors should not consider IPO grading as 'Buy IPO' or 'Skip IPO' recommendations (Chittorgarh, n.d.). IPO grading is only supplement information on the fundamentals of the IPOs being issued to the general public (Business Rediff, 2009). A company which has filed the draft offer document for its IPO with SEBI, on or after 1<sup>st</sup> May, 2007, is required to obtain a grade for the IPO from at least one CRA (SEBI, n.d.)

### Findings of the Survey

Findings of the survey are mainly divided into three sections, which are discussed as follows.

#### Section I- Findings of Demographic Details

Details pertaining to gender, educational background, occupation and yearly income are analyzed in the following table.

**Table 1 Demographic Details of Investors**

Particulars		Percentage
Gender	Male	97
	Female	03
	<b>Total</b>	<b>100</b>
Educational Background	Up to HSC	21
	Graduate	49
	Above Graduate	29
	Others	01
	<b>Total</b>	<b>100</b>
Occupation	Service	40
	Business	40
	Professional	16
	Others	04
	<b>Total</b>	<b>100</b>
Yearly Income (₹)	Up to 2,00,000	24
	2,00,001 - 5,00,000	46
	Above 5,00,001	30
	<b>Total</b>	<b>100</b>

(Source: Primary Data)

As per table 1 it may be inferred that male (97%) and female (3%) are investors. Female are found to be lowest investors as they are burdened with household responsibilities and they hardly find time to research in capital market. Women by nature are risk averse and hence they do not wish to park the money in highly volatile avenues like primary or secondary market. An open ended question was asked to seek the information on the age of respondents. It was found that the mean age of the respondent was 35 years with a standard deviation (SD) of 10 years. It may be inferred that majority young respondents subscribed to IPO. 78% respondents were highly educated (graduate and above graduate) who invested in IPO. Very few (22%) respondents were found to invest in IPO, which depicts that there exists less awareness about IPO among less educated people. In the survey it was found that 40% each respondent were in service and business, 16% respondents were professional and 4% respondents were student. Income diversity was found among the respondents, 24% respondents earned income up to `2,00,000; 46% respondents earned income between `2,00,001 to `5,00,000 and 30% respondents earned income above `5,00,001.

## Section II- Evaluation of Current Investment Sources

The respondents were asked various questions on nature of investments, type of investments and satisfaction of return on investment etc., which are discussed in below.

### *Tax Payers*

The survey was conducted during 1<sup>st</sup> June, 2011 to 31<sup>st</sup> March, 2012, which implies that the Assesment Year (A.Y.) was 2012-13, in which the exemption limit was `1,60,000 for men and `1,90,000 for women. From the primary data it was found that 87% respondents were taxpayers and only 13% respondents did not fall in the tax bracket. The tax payers have income higher than the exemption limit and are quite better off than non tax payers. As a part of tax planning the tax payers invest in equity, mutual fund, or debt, or real estate to reduce the tax liability. Non taxpayers may also have surplus funds which they may wish to invest to multiply money. Inclination towards equity investment may motivate investors to subscribe to IPOs.

### *Present Investment*

A multiple choice question was asked to the respondent regarding where do they invest their money. The affirmative response towards the investments were debt (20%), equity (43%), Commodity (24%) and Bullion (13%). As depicted from the table below the open ended age question was binned into five different classes. For better understanding a cross tabulation was carried out between age and current investments.

**Table 2 Cross Tabulation between Age and Current Investment**

Current Investment					
Age	Debt	Equity	Commodity	Bullion	Total
<= 21	0	1	1	0	2
22 - 32	21	39	23	13	96
33 - 43	11	27	16	8	62
44 - 54	5	12	4	2	23
55+	2	3	2	2	9
<b>Total</b>	<b>39</b>	<b>82</b>	<b>46</b>	<b>25</b>	<b>192</b>

(Source: SPSS Output)

From table 2 it may be inferred that in the age group of 22-32 years and 33-43 years, as high as a total of 66 and 32 young respondents invest in equity and debt respectively. It points out that young investors are proper tax planners, who invest in debt as well as equity. Only 12 respondents who fall in the age group of 44-54 years invest in equity. With the progression in age the number of equity investors and debt investors just becomes 3 and 2 respectively, which clearly states that older people do not prefer to invest, may be due to shorter length of their service or social responsibility of children and family. Investment in commodity market and bullion market across all age groups was found to be 46 and 25 respectively.

### ***Instruments of Investment***

A multiple choice question was asked to the respondent regarding the instruments of investment. The positive responses towards the investments were fixed deposit (26%), post office (24%), NSC Bonds (18%), Gold (20%), house property (11%) and insurance (1%). It represents that in the debt investments investors highly preferred to invest in postal schemes like time deposits or recurring deposits (RDs).

### ***Investment in Shares***

A multiple choice multiple response question was asked on how investors invest in shares. 85 respondents exclusively invested in secondary market and 100 respondents invested in both the markets. It represents an attraction towards equity market. Two-way Chi-Square test was run to check if there existed any association between investment in shares and the income of the respondents, which is discussed below.

$H_0$ : There is no association between investment in shares and the income of the respondent.

$H_1$ : There is an association between investment in shares and the income of the respondent.

**Table 3 Cross Tabulation of Investment in Shares and Income of Respondent**

Particulars		Income			Total
		Up to `2L	`2L-5L	Above `5L	
Market	Primary Market (IPO)	23	46	30	99
	Secondary Market	21	36	28	85
	<b>Total</b>	44	82	58	184

(Source: Primary Data)

**Table 4 Computation of Chi-Square**

Observed N ( $O_i$ )	Expected N ( $E_i$ )	$(O_i - E_i)^2 / E_i$
23	24	0.042
46	44	0.091
30	31	0.032
21	20	0.05
36	38	0.105
<b>157</b>	<b>157</b>	<b>0.32</b>
Chi-Square Calculated = $\sum [(O_i - E_i)^2 / E_i]$ , $X_{calc} = 0.61$ , Degree of Freedom=2, $X_{tab} = 5.991$ .		
$X_{tab} > X_{calc}$ (5.991 > 0.61)		

(Source:  
Author's  
Computation)

At 95% level of confidence the significance value of  $X_{tab} > X_{calc}$ , so  $H_0$  cannot be rejected, i.e. there is no association between investment in shares and the income of the respondents. Investors who have missed an opportunity to receive shares in IPO take a route to secondary market for availing the shares. Thus, both the markets are quite familiar for investors. People who have surplus fund and are risk takers tend to get attracted to stock market.

### **Reasons for Investing in IPO**

Using five point likert scale from strongly disagree (1) to strongly agree (5), 10 statements were put in the questionnaire to explore the reasons for investing in IPO. On applying the descriptive statistics it was found that majority of the statements have ratings above 3 and SD less than 1, which respectively, indicated a positive agreement to the reasons of investing in IPO and also indicated a consensus among the response of the investors. Factor analysis using data reduction technique was performed to club the statements.

$H_{02}$ : Variables are uncorrelated in the population.

$H_{12}$ : Variables are correlated in the population.

**Table 5 Test Statistics for KMO and Bartlett's Test of Sphericity**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.75	Approx. Chi-Square	332.46
df	45	Sig.	0.00

(Source: SPSS Output)

From table 5 it may be inferred that the KMO value is  $0.75 > 0.5$ , which represents that factor analysis is appropriate. As per Bartlett's test of sphericity the Chi-Square value is found as high as 332.46 and the significance value is  $0.00 < 0.05$ , i.e.  $H_0$  is rejected. Based on the output of rotated component matrix, following factors were obtained.

**Table 6 Factors Based on Rotated Component Matrix**

Factor Nos.	Name of the Factor	Variable	Factor Loading
1.	Solicited to Maximize Wealth	Helps in maximizing the wealth	0.83
		Probability of future price increase	0.69
		Broker has advised to invest	0.73
		Friend/Relative has advised to invest	0.73
		Investment based on analyst's advise	0.73
2.	Best Investment Option	IPOs are issued by good companies	0.87
		Invest due to availability of surplus funds	0.85
3.	Quick Money Spinner	IPOs offer listing gains	0.69
		IPOs offer short term gains	0.80
		IPOs are offered at lower price	0.53

(Source: SPSS Output)

One Way ANOVA was applied between occupation and above mentioned factors, which discussed below.

$H_0$ : Respondents with different type of occupation do not significantly differ in reasons of investing in IPOs viz., solicited to maximize wealth, best investment option and quick money spinner.

$H_1$ : Respondents with different type of occupation significantly differ in reasons of investing in IPOs viz., solicited to maximize wealth, best investment option and quick money spinner.

**Table 7 Test Statistics for One Way ANOVA**

		Sum of Squares	df	Mean Square	F	Sig.
Solicited to maximize wealth	Between Groups	0.54	3	0.18	0.25	0.86
	Within Groups	69.58	96	0.73		
	Total	70.11	99			
Best Investment Option	Between Groups	2.34	3	0.78	0.75	0.53
	Within Groups	99.83	96	1.04		
	Total	102.16	99			
Quick Money Spinner	Between Groups	0.05	3	0.02	0.04	0.99
	Within Groups	39.31	96	0.41		
	Total	39.36	99			

(Source: SPSS Output)

From the above *table 7* it may be inferred that at 95 percent level of confidence the significance p-value > 0.05 which implies that Respondents with different type of occupation do not significantly differ in reasons of investing in IPOs viz., solicited to maximize wealth, best investment option and quick money spinner. It may be inferred that occupation does not have any role with respect to the investments made in the market. A salaried person, self employed or entrepreneur invest in IPOs for availing good returns. Stock market is a route to generate and maximize wealth irrespective of the type of occupation. IPOs are considered as offerings to selected investors. Investor's invest in IPO because they consider that value-buy company's stock is available at lower price.

The responses to reasons behind investing in IPO have been used for performing cluster analysis, to find the type of investors. The hierarchical cluster method has been used. For determining appropriate number of clusters, the agglomeration table is re-agglomerated, and it's shown below.

**Table 8 Re-formed Agglomeration Schedule**

No. of Clusters	Agglomeration last step	Co-efficient this step	Change
2	909.71	663.96	245.76
3	663.96	565.07	98.89
4	565.07	499.03	66.04
5	499.03	454.91	44.12
6	454.91	411.32	43.59
7	411.32	377.77	33.56

(Source: SPSS Output)

From the above table it can be interpreted that the difference of cluster 2 and 3 is more while the difference starts narrowing down from third cluster onwards. Therefore, the number of clusters identified is 2 in total. To find out the main characteristics for each of the clusters and to club them together One Way ANOVA is performed by taking the reasons for investment as dependent matrix variable. The factor which is used is WARD method. The cluster segmentation is as follows.

**Table 9 Cluster Segmentation**

No.	Cluster	1	2	No.	Cluster	1	2
	N	61	39		N	61	39
1	Good Companies	4.74	3.41	6	Wealth Maximization	4.41	3.59
2	Surplus Funds	4.66	3.03	7	Future Price Increase	4.38	3.85
3	Broker's Advise	4.54	3.49	8	Listing Gains	4.10	4.31
4	Friends/Relatives Advise	4.52	3.10	9	Short-term Gains	4.21	4.00
5	Analyst's Advise	4.57	3.46	10	Availability at Low Price	4.30	3.59

(Source: SPSS Output)

Based on above cluster segmentation following cluster is obtained.

**Table 10 Kind of Cluster**

Cluster No.	Kind of Cluster	Characteristics
1	Rational, Researchers and Cautious Investors	Such investors have surplus funds; they invest in good companies based on external advice.
2	Opportunists, Anticipator, Investor cum Trader	Such investors invest for listing and short term gains; in order to maximize their wealth by purchasing at lower price.

(Source: Author's Interpretation)

### **Objective of Investing in IPO**

Rank analysis was applied to identify the most and the least preferred factors considered by respondents while investing in IPO. First factor was past financial record of a company (WAM=31.10), second factor was brand name of the company (WAM=29.80), third factor was management of the company (WAM=24.00) and fourth factor was information in prospectus of the company (WAM=15.40).

### ***Pre Investment Analysis of IPO***

A cross tabulation was performed to identify which analysis is performed by investors before investing.

**Table 11 Cross Tabulation between Type of Analysis and Pre Investment Analysis**

<b>Analysis before Investing</b>			
<b>Type of Analysis</b>	<b>Yes</b>	<b>No</b>	<b>Total</b>
Technical	15	3	<b>18</b>
Fundamental	19	1	<b>20</b>
Both	42	6	<b>48</b>
None	3	11	<b>14</b>
<b>Total</b>	<b>79</b>	<b>21</b>	<b>100</b>

*(Source: SPSS Output)*

From *table 11* it may be inferred that a total of 76 respondents carry out either technical or fundamental or both analysis before investment. 21 respondents do not carry out any analysis before investment.

### ***Number of IPOs Subscribed, Amount of Investment in IPO and Sector of Investment***

In the last five years the number of IPO listed was around 266. The descriptive statistics revealed that in the last 5 years, average investment in IPOs was in 8 companies, with a higher SD of 7.39, and median of 6.50. Maximum number of investors has invested in the IPO of 5 companies. In the last five years minimum amount of investment was `20,000. Maximum investors invested `5,00,000 and the mean investment was `6,35,700, in IPO in the duration of five years. One-way Chi Square was applied to check which sector was favoured for investment.

H<sub>0</sub>4: The proportion of investment in all the sectors is equal.

H<sub>1</sub>4: The proportion of investment in all the sectors is not equal.

**Table 12 Computation of Chi-Square**

<b>Sector</b>	<b>Observed N (O<sub>i</sub>)</b>	<b>Expected N (E<sub>i</sub>)</b>	<b>(O<sub>i</sub>-E<sub>i</sub>)<sup>2</sup>/E<sub>i</sub></b>
Power	52	20	51.20
Finance	60	20	80.00
Real Estate	58	20	72.20
Tele-Communications	31	20	6.05
Others	10	20	5.00
<b>Total</b>	<b>211</b>	<b>100</b>	<b>214.45</b>
Chi-Square Calculated = ? [(O <sub>i</sub> -E <sub>i</sub> ) <sup>2</sup> /E <sub>i</sub> ], X <sub>calc</sub> = 214.45, Degree of Freedom=5, X <sub>tab</sub> = 9.49.			
X <sub>tab</sub> < X <sub>calc</sub> (9.49 < 214.45)			

*(Source: Author's Computation)*

At 95% level of confidence the significance value of  $X_{tab} < X_{calc}$ , so  $H_0$  is rejected, i.e. The proportion of investment in all the sectors is not equal. Other sector consisted of energy, oil, banks, Fast Moving Consumer Goods (FMCG), retail and infrastructure. Investment in finance sector is highest, which is most favoured among the investors.

### ***Status of Shares Allotted in IPO***

A multiple choice question was probed to know the status of shares allotted in the IPO. The table revealed the following details.

**Table 13 Status of Shares**

Particulars	N	Percent	Particulars	N	Percent
Sold it on Listing day	26	13	Sold it on the next day	39	19
Sold it before the period of 1 year	58	28	Sold it after holding it for 1 year	38	18
Sold it initially and later purchased it when the price dropped	20	10	Still hold the shares	26	12

*(Source: SPSS Output)*

Majority of the respondents after listing of the shares, sold the shares before 1 year, which means that the number of short-term investors are more as compared to the long term investors. Only 12% respondents hold the shares for longer period. Listing gains traders sell the IPO on the listing day and they have no investment horizon. Intraday traders sell IPO on the next day of listing. Investors who hold the shares for long term are real investors.

### ***Analysis of Return Derived on Investment (ROI) IPO***

The descriptive statistics revealed that on an average investor got 11.52% return by investing in IPO. It may be inferred that by investing in IPO one can get more return as compared to investing the money in fixed income deposits. The SD is 7.65, which means that there is huge volatility in the return derived. It was further learnt that 61% respondents were satisfied with the return on IPO and rest 39% were dissatisfied with ROI. IPO is a good source of investment and a tool to maximize wealth.

### **Section III- IPO Grading**

The analysis of whether investors were aware about IPO grading, usage of the same and most the favoured source for availing information on IPO grading etc is discussed below.

#### ***Awareness and Usage of IPO Grading***

It was notice that 63% respondents were about the concept of IPO grading and 37% were ignorant about the concept of IPO grading. Qualitatively it was known that investors were aware about the grading given by rating agency like Credit Rating Information Services of India Limited (CRISIL), Credit Analysis and Research Limited (CARE) and Investment Information and Credit Rating Agency of India Ltd. (ICRA). It was popularly understood as ratings given by rating agency. Conceptual and direct awareness on IPO grading was missing.

### ***Opinion for IPO Grading***

The informed respondents were asked to rate their opinion on a five point likert scale (5- Highly agree, 1- Highly Disagree) with respect to the usefulness of IPO grading.

**Table 14 Descriptive Statistics on Opinion for IPO Grading**

Statement	Mean	SD	Statement	Mean	SD
Heard about it.	3.58	1.44	Important in analysis	3.25	1.20
Possess knowledge of the concept	3.49	1.21	Possess idea of its access	3.38	1.08
Advantageous to use	3.57	1.16	Helped to take correct investment decision	3.64	1.09
Useful tool to judge company	3.53	1.19	Helps in correct performance evaluation of company	3.62	1.14
Investment decision based on it gives satisfactory returns				3.70	1.14

(Source: SPSS Output)

From the above table it can be comprehended that mean above 3 indicates positive agreement for the concept of IPO. SD greater than 1 indicates that there is a significant deviation in the response of the investor when compared with the mean response.

### ***Information Access and Reliability of IPO Grading***

On a five point likert scale (1- Not at all useful and 5- Extremely useful) respondents were asked to rate the sources that they accessed for collecting information about IPO grading. One sample T-test was performed to check which source was useful.

$H_0$ : Familiar investors significantly do not differ in the mean ratings given to the sources of information for accessing IPO grades ( $\mu=3$ ).

$H_1$ : Familiar investors significantly differ in the mean ratings given to the sources of information for accessing IPO grades ( $\mu \neq 3$ ).

**Table 15 Test Statistics for One-Sample T-Test**

<b>Test Value = 3</b>							
Sources	t	df	Sig. (2-tailed)	Sources	t	df	Sig. (2-tailed)
Newspaper	9.05	99	0.00	Chhittorgarh website	7.44	99	0.00
IPO India website	6.10	99	0.00	SEBI website	12.98	99	0.00
NSE website	9.49	99	0.00	Prospectus of the company	12.79	99	0.00
BSE website	10.47	99	0.00				

(Source: SPSS Output)

At 5% level of significance it may be inferred that the p-value in all cases  $<0.05$ , so  $H_0$  is rejected and  $H_1$  is accepted i.e. There is a significant difference in the mean ratings given to the sources of information for accessing IPO grades. The mean ratings above 3 indicated that the sources were considered useful or extremely useful to seek information on IPO grading. The mean of SEBI Website and Prospectus of the company is 4.05, it can be deduced that familiar investors considered these sources as useful to get information on IPO grading. The least preferred source was IPO India Website. It was learnt that 44%, 39% and 8% respondents relied on ratings given by CRISIL, ICRA and CARE respectively. 9% respondents did not use any grading.

#### ***Potential Investors Desirable Mode and Medium for Receiving IPO Grading Information***

An ordinal question was asked to the respondents on mode of receiving conceptual information on IPO grading. Respondents were willing to get conceptual information on basics of IPO grading. Garret ranking was applied to find the most favoured and the least favoured mode.

**Table 16 Garrett Ranking on Mode of Receiving Conceptual Information on IPO Grading**

Statement	Total Garret Score	Mean Score	Rank	Statement	Total Garret Score	Mean Score	Rank
Newspaper Article	6131	78.60256	1	Live Classroom Chat	4921	63.08974	3
Tutorials on Website	6013	77.08974	2	Others	2993	38.37179	4

*(Source: Excel Output)*

From *table 16* it may be inferred that most preferred mode was newspaper article and the least preferred source was other mode like information sharing on television, by broker and personal talk. Regarding the medium of receiving information on IPO grading investors preferred newspaper (22%), IPO India Website (21%), NSE Website (20%), BSE Website (17%), SEBI Website and Prospectus of Company (9% each) and Other medium like TV and Moneycontrol Website (2%)

#### **Conclusion**

The empirical research highlights that investors invests in IPO based to maximize wealth, considers it as a best investment option and is a tool to quickly spin the money. Many investors are not aware about the concept and essence of IPO grading. As discussed in the findings there is lot of advantage of using IPO grading therefore it should be catered to the masses. Knowledge of IPO grading should be given to the investors so that they can take an informed decision. IPO grading knowledge should be disseminated to masses in the form of newspaper articles. Newspaper is considered as a cheap and easily available source so it is highly preferred. Tutorials on website and live classroom chat are most preferred by tech-savvy investors. The reach of IPO grading should be broadened so that investors get to know the real picture of the company issuing IPO and the knowledgeable investors can keep away from the trap of low rated IPOs.

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**SETH PROJECT CONSULTANTS LTD:  
STRIVING FOR GROWTH**

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Management activities are often discussed and analyzed using static analysis thereby failing to accurately communicate the difficulties of operating in an environment where decisions have to address several factors simultaneously and have unexpected consequences. This case is based on the problems faced by an organization in its effort to improve its growth rates. While the situation described touches upon various areas of management in an organizational setting beset with problems and confusion, the focus is on depicting the interrelated nature of different aspects of management and with particular reference to Indian work conditions.

**Introduction**

Seth Project Consultants Ltd. (SPCL) provided project management consultancy and services, primarily for large construction projects. Over the years it had earned a good reputation and was well regarded. The only drawback was that its growth was steady rather than spectacular and its Promoter/Chairman was very eager to remedy that aspect.

After several consultations and meetings, the management of SPCL agreed that some external assistance might be required to meet its promoter's aspirations. To that end they appointed leading advertising and marketing consultants to project the image of SCTL to a higher level and to help them grow their business. In addition some internal changes were also implemented

(spread out over a period of a year or so). One noticeable break from the past was the appointment of the new CEO. Until then, SPCL had always been run by an Operations executive. The new CEO, however, was a Finance man, who had caught top management's attention several years ago while spearheading the installation of a new Project Management Information System. The advanced accounting features of the PMIS had later come in very handy, not only by saving the company a lot of money, but also by helping it to avoid legal and other complications during a dispute with a very powerful customer. That had cast the then GM (Finance) into the limelight and accelerated his rise and when the current CEO was elevated to MD, the once upon a time GM (Finance) became the CEO.

The last major change concerned the organization structure. Earlier, temporary pure project organizations were formed to handle each new project under a senior manager (the Project Manager (PM)). Projects were largely industrial or government. Now, the businesses of SPCL were reclassified under four heads - Industrial, Government, Commercial (non-industrial) and Residential, and a new Business Head position (termed as Grade A1) (1) was introduced to head each business group. The Business Head reported to the DCEO. The PM designation and position were still retained, but while previously PMs were mobile and freely moved across projects without reference to whether they were industrial or government, now they were

attached to a particular business and required to report to the respective Business Head.

A couple of years after the launch of the new initiatives to revitalize the organization, SPCL decided to review the progress that had been made towards the objectives specified. Accordingly, a meeting of the CEO was scheduled with the management staff.

### **Brief Summary of CEO's Address**

CEO: "We thought we would share a few things with you. I understand that all of you are busy at this time of the year, but the new initiatives for the revitalization of SPCL has been going on for about two years now and we in the management thought we should take stock and assess how things have been. A few concerns have been brought to us so we thought we should share some information and perhaps remove the doubts and answer the rumours that have been circulating.

First, certain rumours have been brought to the attention of top management regarding the new performance appraisal system. Let me clarify that the new performance appraisal system is not for the purpose of downsizing. We are not downsizing. There is no truth to the rumours. For every role we have now come up with a set of clear guidelines – what the employees are required to do, the criteria for performance appraisal and the basis on which rewards and promotions will be made. The purpose was to bring clarity and objectivity to the process so that everyone knows the basis on which these decisions will be made. There were some doubts, some worries that the goals are too challenging and we have addressed them adequately.

For example one common question is that employees are assessed on their overall all round performance. Let us say that an employee is very good at routine performance and poor at meeting developmental goals (individual or organizational). So what happens? We do not have any simple answer. The committee will review such cases and decide. But, in general, an acceptable level of performance across all criteria will be required. Exceptional performance in one or more criteria will be considered provided that the performance in each area is at least of a minimum standard. Yes, people who are not able to meet those standards will be given some chances but if they don't improve then we will not be able to continue our association with them. Our organization is not a free bus to carry ticket less passengers. Every one has to pull their weight.

Another point of concern that we have been hearing about relates to the distribution of work across locations. Since our centre here at Madhyampur was the first location where SPCL was established and is still the Head Quarters and largest workplace of SPCL I understand that many tasks were centralized here. Now of course, the other locations where our operations are carried out are getting larger, particularly Pashchimpur, Poorvanagar and Dakshinpet. The distribution of work across locations relating to both operations and administration must become more equitable. All operations centres must contribute their fair share and a beginning has been made. On the other hand, the need is to ensure that the same standards are maintained across locations.

In a similar fashion, we are also moving towards uniform application of HR and other policies across locations, standardization of procedures across locations and for that

matter through out the organization.

You will all be aware that as the first step in our growth plan, we had established the new positions of “Business Heads” to work under the top management team comprising of the MD, myself and the DCEOs. Each of our four businesses is under the direct charge of a Business Head and to start with all of them have been located here. At the other locations we have Deputy Business Heads. Ultimately a Business Head might be located anywhere the business requires and not necessarily here. The primary objectives of the Business Head are customer, market and product development for that business. Separate organization wide teams have also been established for this purpose comprising of employees who have been specially chosen for this purpose based on their expertise and potential to contribute to SPCL.

We had spent a lot of money on the external agencies we had appointed for the marketing and positioning of SPCL but that experiment was not successful. So now we have decided to handle those ourselves. As far as other functions are concerned we will continue to focus on core areas and outsource others to more competent agencies. I can tell you that we are already seeing encouraging results in some of these initiatives.

All these changes and more are in the pipeline to make SPCL the premier project consultancy organization in the country, a sought after partner of the construction industry and the employer of first choice for the best and brightest engineering and management students of the land."

Sometime after the meeting some quiet conversations took place. (**Note:** It may be

assumed that all facts, incidents and examples, reported or referred to in the conversations, are essentially true. Arguments/opinions should be assessed on their own merit/logic.)

#### **Cast of characters:**

Lakshmi Parvati (L): Expert with overall 18 year's experience. At the time of the first conversation she was a scheduling specialist.

Vaishampayana (V): Veteran employee with 14 year's experience. At the time of the first conversation he was a design expert and the Department Head of his function.

Yajnavalkya (Y): Veteran employee with over 10 years' experience at SPCL. At the time of the first conversation he was a certified civil specifications professional and the Department Head of his function.

#### **Conversations**

##### **A**

L: Let's see, I took some notes the other day...

V: (Raising eyebrows sardonically) Took notes?

L: (Unperturbed) It is useful sometimes. One tends to forget things these days.

Y: Yes, of course, words of wisdom, sorry, golden words are never repeated.

V: Rare words from our non-resident CEO and non-resident MD.

L: (Looks up, vaguely interested) Yes, do tell me where these people are all the time? Business development?

Y: What business development? Spending large sums of money on meetings not held or otherwise unproductive.

V: Meetings? Enjoying the comforts of home you mean!

L: (Still searching) No, I mean, I thought, he was supposed to be heading up that new business?

V: Where are you these days? He gave up that long back. They have appointed new people,

created that new post called Business Head as he mentioned. He gave up his Business Head duties long back.

Y: And so now we have yet some more grossly overpaid "top managers".

L: Found it! So tell me what did you think of his statement? "Not a free bus for ticket less passengers", and that bit about pulling our own weight. Reminds me of olden day oarships with lots of poor fellows rowing?

Y: So those fellows sit and beat the drum and we row?

V: No, no. No drum beating and all that. They enjoy themselves fully without distractions. That is why they appoint others - to beat the drum and whip the slaves.

L: Right. Full of joy, the both of you are.

## **B**

L: Now tell me I don't remember hearing about those business wide teams before?

V: Of course not! Only specially chosen employees are on those teams!

Y: And we are not special. But, I did hear some months back about some such proposal. I thought everyone knew.

L: Maybe they sent it only to you Department Heads. I definitely don't remember it. Anyway the Marketing Department and Business Development people must be rejoicing.

V: Rejoicing?

L: Well okay, I believe the exact word is schadenfreude.

Y: What? Use simple words.

L: German word, which found its way into English. It means, "joy at the misfortune of others".

V: Oh, you are talking about the advertising and marketing consultants.

Y: Tell me, he said that the experiment failed, but did anyone ask why?

V: Ask why? No, no, no, no, no. That is all dangerous. Then you may have to find

someone at fault.

L: But –

Y: No buts, it was an experiment which failed.

L: But, then how do we know that other experiments won't fail?

Y: What? You still have some doubt? Of course they will fail!

V: Yes, I was just going to say that but he said it. In all those so called "non-core areas" we have great expertise, developed over many years with much effort, but it is being lost now and our external professional agencies are doing very poor quality work, and at a very high cost also. Only when the system collapses, then everyone will realize.

## **C**

V: We don't seem to be meeting very regularly these days?

Y: (Laughing) Coordination problems?

L: Sorry, I don't get it.

Y: Projects are accepted here at HQ. We go through and tentatively, in principle agree that it can be done and then it is circulated for approval. Last time some projects were rejected here. But then the business development team at Pashchimpur called the party for negotiations.

V: Not only that, the best part is that they have accepted (other) projects for which they do not have the capabilities!

Y: Even better, some projects are only handled here. Some months back they found out that Dakshinpet has accepted such a project and completed it without informing any one. Only at the time of accounting and billing did the whole thing come out and become known over here!

V: You don't know the whole story, Poorvanagar did the same thing, and then they used the wrong accounting code.

## **D**

L: One part of what he said got me a bit

worried. What was that reference to overall all round performance and developmental goals? Till now I was aware of only my performance of my duties including the secretarial/administrative/clerical work, which was not originally part of my job, but got dumped on my head, when they didn't hire new staff. And then of course it became part of the performance appraisal system!

Y: No idea, he was just giving an example and possibly he was thinking that we had 360 degree feedback so he spoke about developmental goals.

V: Yes, that is most likely; he probably doesn't even know what work we do.

## E

Y: (Gleefully) I foresee more problems.

L: I should have known from how happy you were that something is about to happen.

V: What is it this time?

Y: Potential future problems.

L: Could you be more specific?

Y: (In a sing song voice) The company has decided to implement teleconferencing and electronic work groups, due to unique skills at different locations.

V: So?

Y: (Continuing in sing song) This might require further changes in the Performance Appraisal System.

L: I am ... doomed.

About six months later there was much activity and it became known that a High Level Management Meeting of Top management was being conducted. Shortly thereafter a meeting of the MD was scheduled with the management staff. This led to animated discussions among the staff.

## F

L: Any idea what this meeting is about?

V: Are you new to SPCL?

L: (Taken aback) No.

V: Have you ever attended any meeting where the agenda was circulated in advance?

Y: Don't you know? First the minutes are written then the meeting is convened!

L: Hey, hey, hey, okay, you don't have to be so mean. I just thought that you well-informed people knew. If you don't know, no need to get all heated up!

Y: (Laughing) You are right. We do know.

V: (Grinning) Growth problems! Marketing failures!

L: What?

Y: And above industry norm attrition rate among employees.

L: (Hopefully) No good news?

V: Look we have told you what we heard. Now, whether you think it is good or bad, it is up to you.

L: So should I go for the meeting? I have another meeting scheduled with a customer.

Y: Last week I got a terrible scolding from W. You know what he said? "It is your mistake. You think you have a choice. When your boss asks/says something even if it doesn't sound like an order, it is one and you have no choice".

L: (Sighs) OK. It's just that the last meeting was so depressing.

Y: Can you tell me one good thing about these meetings?

V: Yes, I find them terribly motivational.

Y,L: (Look at V as though he has gone mad.)

V: Ask me what I do?

L: What does it motivate you to do Basanti? (2)

V: Very funny, very funny. But, ... it does motivate me. It motivates me to get high scores on Space Invaders®. (3)

### **Brief Summary of MD's Address**

MD: "Thank you all for being here. As you might be aware last week we had a top management meeting with all the DCEOs and Business Heads. Certain issues were discussed and we thought that some of those should also be informed to everyone here. Briefly we have several points on the agenda. In fact some of those points were mentioned by the CEO in his address a few months ago about future paths.

Specifically, since we are approaching our historically lean season, and this is the time when many of you avail of your leave entitlements, there are some points you might want to ponder over when you are free, in your spare time.

To start with there were some issues about centralization and decentralization across locations, business, projects, departments and teams. These questions have assumed greater importance in view of the changes that have been initiated by which we are implementing greater delegation of authority and responsibility to the employee on the spot to make decisions. We have implemented policies empowering employees across the company to participate effectively in the new schemes initiated in various operational areas, including business development and new product development and we expect your enthusiastic participation.

In our last meeting with the chairman, we had suggested certain goals regarding our company. I may tell you that the chairman was quite appreciative of all that we had done, but thought that we should stretch our goals. For example, revenues from new

customers, products and businesses are very small right now and he did not feel that merely setting a high growth target on such small bases was appropriate. Therefore we finally decided on some more challenging goals based on absolute values. We decided that these might be better set as percentages of our total revenue i.e. what fraction of our sales should come from these areas. Please also be aware that these are stretch targets and therefore quite demanding. We have studied some innovative companies such as 3M and decided to set out own goals accordingly. The goal is that 50% of our total revenues should be generated from these avenues – new customers/markets contributing 10%, new products from the existing businesses 20% and new businesses another 20%, thereby doubling our existing revenues from their current levels.

This is possible only if each and every one of us is involved in the effort to generate new business. In fact we have always been encouraging employees in this regard in the past as well i.e. to say employees generating new business for our company have always been recognized and rewarded. The only difference now is that everyone must be involved in this activity. If you have contacts outside, follow up and tell them what we can do for them. When you go to the sites and meet representatives of other organizations; when we are bidding and you meet the private and public agencies issuing the tenders; and in general, whenever you come across some project activity or meet people involved in project activity, tell them what we can do. And when you come back, inform the respective departments here so that they can follow up.

Coming to the matter of new business and product development: we have already

delegated these matters to the specialist departments. It is you collectively who are now assessing new requests for proposal and forwarding them for processing. You do not need to be told that all the growth planned can come about only if we have the right attitude and involvement of all personnel. All employees were instructed in detail about the new product development programmes and in fact those tasks were delegated to the departments and teams over a year ago. I would be very unhappy if anyone says that they have completed all the work assigned to his or her department or team. This simple means that you have not identified enough growth opportunities to make sure that all resources are fully engaged. The responsibility for identifying new business lies with each and every one of us: with each member of every department, project or business, and in particular the Department Heads. Nor will we accept it as a genuine reason if any department or project team identifies a lack of manpower as a reason for not being able to achieve their targets.

In fact let me make it clear, achievement of the targets set by the chairman is of paramount importance. I do not wish to offend anyone, but, it has been observed that many of our employees are very careful to take full benefit – that is to say – to fully avail of the leave that they are allowed and it perhaps time to reconsider that issue. If you have time to go on leave then you cannot say that you did not have enough time or manpower to achieve your targets.

In a related development, we have also decided to institute some new initiatives in order to bring SPCL on par with the practices

of our most renowned competitors. Henceforth we will have a new billing procedure. Instead of billing on the basis of man-hours as is currently being done, the top management was of the view that billing should be done on the basis of man-days with the minimum billing unit being half a man-day. The procedure for the billing calculation has also been revised in order ensure that the billing amount remains more or less comparable under the new norms, and to prevent abuse of the process so that clients will not start complaining that it is just a back door way to increase the billed amount.

I think that I may disclose to you that there was a heated discussion about the implementation of the new billing procedures. Everyone present from the Chairman downward to the Department Heads had strong views. Finally agreement was reached. In any case the new billing procedures would have to be adopted sooner or later. However, ultimately it was decided to introduce the new billing procedures from the current year, with the following provisos: (i) the new billing procedures would be applied to all new clients; (ii) for existing clients and existing projects, following the current billing procedures might cause confusion; and (iii) for the first year it is up to the departments concerned to decide which billing procedures they wish to follow.

Finally, after much thought, one of the new product development teams has come up with a suggestion. I would like all of you to consider this suggestion without any preconceived notions or prejudices as it has great potential to be a money-spinner, even though it might seem counter intuitive. There is great demand for certification programmes, which I can

vouch for from my personal experience; I myself have conducted a number of refresher courses for various corporate clients. Since all of us, or at least most of you, have qualified, passed and obtained various project management certifications, we may be able to become a certifying agency ourselves or failing that we can at least facilitate people who want to obtain the same – for a fee of course. Now if we consider the number of persons who might need these types of certifications, I am sure that you can estimate for yourselves that the market size is potentially hundreds or even thousands of crores. I want each and every business and department at each of our locations to develop and run at least one such certification programme in the next one year, preferably during the lean season next year."

Predictably the MD's announcements led to some furore among employees even though they were careful to discuss these matters only in private.

### **Conversations (Cont'd)**

#### **G**

Y: What a joker. Saw the presentation he made? He can't make a decent set of slides and he claims to have run certification programmes?

L: (Hesitantly) Maybe someone else made the slides for him.

Y: That is alright. That is what W says. He says that he doesn't make slides. He even says that he has other people to do such things. But just look at the quality of his (W's) slides. If other people make the slides you should at least check before using the slides, and I remember that he (MD) said

that he had made the slides himself.

L: Fair enough. (Sighs)

Y: (sarcastically) What? Lost your enthusiasm?

L: Remember what he said? "Some points you might want to consider during your leave". You know what the translation is? "Some of you might want to start searching for a new job!"

V: That is a good input!

L: And that's not all. Did either of you get the underlying message?

Y: The stated message was enough for us!

L: This is worse than you think. All the time he was saying everything is our responsibility, meaning what? Everything is our fault! They have done whatever they could and so nothing is their fault, but everything depends on us and therefore if things turn out badly, everything will be our fault!

#### **H**

L: I had a really interesting experience just now.

Y: Calm down, calm down.

V: Yes, have a seat, calm down and then tell us.

L: Oh there's no problem in telling. Sometime back we managed to develop a new product concept. So I took it up to my Department Head – you know him – excessively careful not to cause even the smallest wave. Surprisingly enough he seemed to think it would be possible to take it forward. So I wrote it up and off it went to the PM. So more queries, more funny questions, but he too seemed to think it would pass. Then it went to the Business Head who took it to the DCEO. Now the Business Head has sent a mail, which was eventually forwarded to me that the DCEO says it should be discussed with the CEO, the MD and the other DCEOs. He even wants to know whether we have discussed this with our counterparts

at the other locations. Imagine – 'WE' are going to offer that product / service and this relates to services offered only here ok? On top of it the other locations don't have experts in this area. And now, all these other fellows will tell us what to do? They don't have to implement it so they can make any funny suggestions and we have to implement it and face the music? This is really ridiculous.

V: Oh, you think that is bad? Wait till you hear my story. Like in your case, some proposal finally found its way to the DCEO's table. So I call him up. He says that he is busy and to call next week. So I call again the following week and the week after and then the week after that! Finally, he says that he will get back to me. Now I am stuck. And at least in your case everyone knows the situation. My department thinks that I, as the Department Head, am not doing anything and I get a bad name.

Y: Yes, yes, and if you try to tell anyone all they say is that the bosses are busy people so it is up to the businesses, project people, departments and teams to follow up and get things done. But do they understand that this is all in addition to our normal schedule? I cannot leave everything and go sit outside his office. Then top management will say that I am never available in my office!

L: There are so many things we can do. But these top managers keep going on the same track. I thought that new products and services should be offered because there is a market demand/requirement, because customers recognize the value proposition and are willing to pay a good price. But, we have no discretion over pricing. Everything is decided on a company wide basis. I don't understand; if customers believe that some services are worth more then why can't we

give them what they want and charge for the full value?

V: Don't worry, it is not only you. We also had a terrible fight in the meeting about our proposal. In the past we offered some products and services, but we really didn't have much expertise in those areas. Now one of our specialists suggested that we should get out of those and instead offer the services demanded by our customers. You know whenever there is any interaction they (customers) mention that it would be nice if we offered the full set of services they use. But in the meeting the argument went round and round. People kept arguing that we had built up expertise in many products and services so they should be offered because SPCL has the capabilities.

L: Wait a minute I am a bit lost. First you said that you didn't have capabilities, now you say that SPCL has the capabilities. So which one is it?

Y: On paper we have some capabilities. But in practice the quality is very poor. Some people believe that we have the capabilities. He (indicating Y) and I don't. That is another story.

V: Ultimately, it comes to the same thing. Do we offer those service and products because we have capabilities (or think we have capabilities) to provide them or do we determine which service and products the market wants and develop the capabilities required to ensure that we can provide them?

I

L: (to Y) V seems to be in bad mood?

Y: There he is. Let us ask him directly.

Y: (to V) What happened?

V: (Fuming) Don't ask. Do you remember those new billing regulations?

Y: Sort of. Why?

V: (Looking around carefully before starting)

So, sometime back the formal document of the new billing regulations and procedures was circulated to all of us?

L: Might have seen it. Don't remember the details.

V: It had a preface mentioning that it had been decided to introduce the new billing procedures from the current year and that the new procedures would be applicable to all clients of the company. Some of the others went to get some clarifications about the new procedures and were told that for ongoing projects they could follow the previous norm. That was a big relief, since we are in the middle of many projects and we had been maintaining billing records in the old way i.e. on the hourly basis format. No doubt we could convert the records to the new format, but this would require a lot of time and effort. So we continued as we were doing.

Then at the quarterly review, the billing statement submitted by some of the specialists in my department following the hourly norm was apparently questioned by top management. Since none of us were present at that meeting, a committee of VP (Operations), VP (Systems & Admin) and VP (HR), was set up to meet and find out why the old norms were still being followed. The CEO in particular was very angry that employees apparently did not know that the policy had been amended and made some very harsh comments about the consequences for such employees. When the people were questioned by the committee, all of them said that they were aware about the new procedures, but they had understood that the new billing was optional for the first year and that they had been informed that for ongoing projects it was not merely permitted, but also preferable that the old

norms be followed rather than change procedures in the middle of the project and risk offending the clients. The committee was taken aback at the response and clarified to them that the new procedures were not optional. Then H proved that in his project, following the old norms was beneficial and also more equitable.(4) The committee was surprised but agreed that in his case, perhaps the old norms could be allowed and he (and I) believed that the matter had been closed.

Y: So much fuss over nothing?

V: (Growling) Wait. I have not finished.

L: Something more happened?

V: Yes. A few days after that, H was again directly instructed by VP (HR) that all employees had to follow the new billing norms and he was asked to rework his billing statement. I was not called to that meeting, nor was I officially informed about what happened. But now H is quite confused and also angry. However there is no way to argue or verify what happened at the meeting because there is no official (written) communication - only an oral instruction.

J

L: Tell me, that day you said you had another story

V: Who said?

L: You both did

Y: About what?

L: Our capabilities or some people's perceptions of our capabilities.

V: There is a long story. I believe it is true but I have no proof.

L: Why the suspense? Please start.

V: Okay but after that if I want a rope you should not ask why! You know that our MD earlier worked at Bizarre Banausic Research Organization (BBRO)?

L: It was called something else earlier?

V: Pre-independence it was known as the Benefic Bibliophilic Research Organization,

but when Bizarreland achieved independence it decided to give up its colonial name and renamed itself as Bizarreland Banausic Research Organization which was later amended (shortened) to its present name of Bizarre Banausic Research Organization. Anyway, when our MD was a Department Head at the BBRO, a similar problem had arisen over there. The story goes like this:

Many years ago, BBRO was a small struggling organization, and they needed to improve their viability. Its Pharmacy Department was renowned but most people were unaware that it even had other departments. They were very desperately looking for ways to improve their research output. So it was considered a great achievement when BBRO managed to convince Nexteinstein the famous physicist to join them.

When the news spread, people were surprised that Nexteinstein had agreed to join BBRO. While Physics was a long established department at BBRO it was not one of its better departments. In fact it was not known at all for its research; in reality many of the physicists were more famously (or notoriously) associated with some nearby schools where they were much in demand as tutors. Indeed, only a short while earlier there had been rumours that BBRO was planning to do away with the Physics Department entirely. Then came the shocking announcement: Nexteinstein had been hired for the Pharmacy department and the stunned employees raised all sorts of queries:

Why? Because the pharmacy department was world famous for its research and Nexteinstein was the foremost physicist in

the world was the answer.

What does physics have to do with pharmacy? BBRO had a specialized research area called Physical Pharmacy. (Besides as the high ranking officer said, "Physics, pharmacy all these , (5) areas isn't it obvious there is an esoteric similarity?")

Who decided? The recruitment committee of BBRO comprising of senior officers from various departments (but no one from either Physics or Pharmacy).

Two departments were most unhappy at the developments. The first obviously was the Physics department. When questioned by the HoD, Physics Department, about why Nexteinstein had been hired for the Pharmacy Department, the recruitment committee members laughed till the tears came out of their eyes.

"Do you expect the foremost scientist in the world to wallow in your mud hole?" scoffed one officer. "We have hired him because HE IS. Just having his name associated with BBRO gives us prominence."

The other surprisingly (or perhaps not so surprisingly) was the Pharmacy department.

"What on earth are we supposed to do with a physicist?" asked one junior scientist bolder than the others. "He probably doesn't know the difference between liver and lung much less patella and pituitary. And it not as though we are not reputed in our own right."

The officer frowned. "He is a double Nobel laureate: the only one of his kind still alive. "You" may be "reputed" but "He" is a living legend. You must learn to make use of the

resources you have got. Why should he be restricted to work in only YOUR areas of specialization? Let him do research in whatever area he likes.”

The other officer interjected, “Yes, that is correct let him do whatever he likes. Be happy if his shadow falls on you.”

“But the cost ...”, the HoD of Pharmacy started to splutter.

“Cost? Bah!” was the condescending reply, “Are you accountants? No? Concentrate on science and leave such mundane book keeping type tasks to the Industrial Studies Department,” (“Till they are shut down,” the other added sotto voice).

“Just be happy that unlike SOME departments you are not at present in any danger of being made redundant. Consider Nextein's appointment in your department as your reward!”

V: And that, my dear friends, is your answer.

L: But what has that story to do with us?

Y: Everything. When the big bosses found that some departments were lagging behind in new product development they decided to “help” us by providing us with “experts”. Let us not start about what we wanted. Just one example is enough: one time, we wanted a civil engineer with expertise in modelling. Finally we reached a compromise and agreed to accept anyone with mathematical modelling expertise. They did not recruit us a civil engineer nor did they get us an expert in modelling. Instead they transferred K, who is a mechanical engineer to us. Now, I should not comment about someone else's abilities, but K himself says that he has spent his entire life in maintenance and forgotten all his

academics! And now if you say words like 'design' or 'model' in front of him he looks at you blankly. So on paper we have expertise, but our “experts” have no knowledge about our practical engineering problems. (6)

V: And these are the people who top management has faith in. And not only that that – all the new “experts” have been directly recruited in grade B. So on the one hand top management complains about productivity and on the other hand we are dumped with useless fellows, who are paid high salaries, but who do no work.

L: Yes. That seems to be a common feature these days. Even in our department, the new recruits are all interested in new product development, but when it comes to the normal work they all complain about the workload and the quality of their work is pathetic. All absolutely lazy lumps! But after the new pay scales were altered, they were all placed in grade D or even C with the rest of us people, who have been bursting ourselves, slogging here for so many years.

**K**

V: It finally happened.

Y: What?

V: H lost his temper.

L: H lost his temper? But he is so calm and quiet. I cannot imagine him shouting.

V: He didn't shout. The committee called him for a meeting where the new billing procedures were being discussed. Our CEO was there and made some comment about people being unaware about the billing procedures. H very politely told him that it was possible that he (H) didn't know about the billing procedures. Then he continued that he had been here almost 15 years, doing various tasks including preparing the billing statements from his first year. He finished by saying that he was quite sure that there could

be no doubt that the CEO was more expert than him and that he (H) was quite willing to learn from him.

Y: He said that?

L: The CEO who hasn't prepared a single billing statement, at least here at SPCL, is going to teach him about billing? What did the CEO say?

V: He looked surprised. Then the DCEO told H that the guidelines had already been circulated and the CEO had other responsibilities.

Y: (unbelievably) You mean they didn't understand what he was trying to say?

V: Correct. They thought he was just being troublesome. They didn't understand that he was mocking them.

**L**

V: I wish that I had some back up then, like H, I too would say something to the CEO and MD.

L: About what?

V: About the certification programmes.

Y: What would you say?

V: I would say that I was not able to conduct the programme because all the hotel rooms were booked.

L: (puzzled) All the hotel rooms were booked?

V: Yes, the famous summer/monsoon vacation wonderland resort of Madhyampur is much in demand at that time of the year and tourists make bookings months in advance. What? Why do you look at me like that? SPCL does not have any accommodation facilities of its own, so the participants will have to stay in hotels.

L: Agreed, we don't have any accommodation facilities. But who comes here in the summer/monsoon? I don't understand how anyone can think that outsiders will willingly want to come here in the summer with average temperatures of 40+ degrees in the

shade, till the monsoon starts and then we get an average of 10 mm rain daily!

V: And look at our location – out of town in the heart of the industrial area. The nearest decent hotel is almost 20 km away. It was ideal for our original customers but to conduct certification programmes?

Y: You are missing the point. All these off location programmes are part business and part paid holiday. But our canteen and lunchroom are vegetarian. There is no bar anywhere nearby. There are no recreational facilities.

V: Yes, ideal conditions, enjoy industrial surroundings complete with pollution, eat grass, drink water and without any distractions participants will have to focus on the programme!

Y: If our "experts" run the programme, the programme will be the recreation!

**M**

Y: (Grimly) Have you ever thought that you could see the future?

L: No.

V: Just tell us what happened.

Y: I am just coming from a meeting with our Business Head. He says six months are gone and wants to know why we are lagging behind in new customer / business / product development.

L: Does he understand that we are short staffed and have not been able to even complete the work we have on hand? What happened to all those "initiatives" anyway?

V: Really! This is too bad! Top management reorganized the company into businesses and appointed Business Heads for this very purpose. Then they appointed the company wide business development and product development committees and on top of it they even appointed similar committees for each Business, Department, Location and what

not. In this process, some Department Heads are on their respective departmental committees and some are not. Why? Because apparently the choice of committee members has been dictated by the grade - only grade B and grade A level management staff were included on the committees. What happened in some departments where the number of grade A and grade B employees were less than 5? Then they have drawn members from other departments. And finally when the Business Heads and top management's "handpicked" committees fail, all of us are responsible for the failure of product development, business expansions and new business development?

L: So, now it is clear why the CEO referred to overall all round performance. We underestimate these people. See it wasn't that innocent. But how are we can we achieve those revenue goals? The MD calls them stretch; I say they are extremely difficult. In two years we haven't managed to do more than 1 or 2 % each and in one year he expects to make it ten times as much?

Y: Only difficult? That is what you think. I think they are impossible.

V: That is what. This is the power of delegation. Now it is not their problem. Like you said it is our problem.

L: Well we can't solve it. So better start getting ready for the fun next year.

### Notes

1. Originally management grades (below DCEO) in SPCL ranged from Grade A (highest) to Grade G (lowest). The creation of the new Business Head required the creation of a new grade, hence A1.

2. Older readers will no doubt be able to place the reference to Sholay. (Basanti what is your name?)

3. Space Invaders® One of the first (read "really old") video games in which the player has to shoot down alien invaders.

4. Admittedly this was an example of a rather peculiar set of situations where, due to no fault of either party, on a large number of occasions the employee had not been able to put in a full day on the project, so the number of partial days worked was very high.

5. Psi, Phi (= Sci-fi?).

6. Similar to 6 above, it might be inferred that mathematics, maintenance, mechanical engineering and modelling are related in the same esoteric way, beginning with the sacred letter 'μ'. And likewise, benefic bibliophilic, bizarre and banausic are related to each other by the enigmatic symbol 'β'.

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**'UNLOCKING ENTREPRENEURIAL CAPABILITIES -:  
A STRATEGIC APPROACH TO  
ECONOMIC GROWTH BY UNIVERSITIES.'**

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**ABSTRACT:**

Entrepreneurship education ranks high on policy agendas in India as entrepreneurial awareness is in tandem with the Indian government's aspiration to avoid dependency, on existing organizations for employment opportunity and to encourage young adults especially graduates to "create employment" via venture creation. Entrepreneurship refers to an individual's ability to turn ideas into action. Realizing the importance of entrepreneurs in the development of the economy, efforts should be taken to nurture entrepreneurship in all ways. Education institutions, particularly higher education institutions, can be entrusted with a new additional task, which is to contribute to the development of entrepreneurial talent among young graduates. University graduates have enormous potential for innovation and economic development, mobilizing them for entrepreneurial careers, enhancing their entrepreneurial skills and providing support for business start-up are important and a new tasks for higher education institutions that are only now being fully recognized.

This paper explores the role of higher education in fostering entrepreneurship education. The entrepreneurial based higher education system may lead to the delivery of high technology, practical oriented graduates that will be competitive in the world of work across their professions.

**Keywords:** *entrepreneurship education, economic development, entrepreneurial talent*

**INTRODUCTION**

Entrepreneurship has been hailed as the new engine of economic growth in both developed and developing countries. It is paradigmatically referred to as the process of innovatively exploring and exploiting opportunities in the midst of risks and uncertainty by synthesizing resources to create novel outputs often within the context of new organizational formation (Casson, 2003; Shane, 2003). Exalted as the driving force of innovation, entrepreneurship offers the benefits of increased economic efficiencies, bringing Innovation to the market, job creation and sustained employment.

Regional colleges and universities are integral to providing economic and workforce development resources that support local and regional economies. Similarly nascent entrepreneurs create economies and build enterprises through deliberate planning and risk taking. Many universities are taking specific actions to adapt to the new social and business needs. Barnett (1994) has defined the changing situation as a shift '**from higher education in society to higher education of society.**' Universities have developed technology

transfer capabilities and extended their teaching from educating individuals to shaping organizations through entrepreneurial education and incubation (Etzkowitz and Zhou 2008). Formal degrees in entrepreneurship studies are typically hosted by a business school/faculty to provide a mix of theoretical grounding in business management as well as training in practical aspects of entrepreneurship. One initial measure to increase the level of entrepreneurship skills teaching would be to make relevant learning outcomes more explicit and to contextualize them in respect to employability and entrepreneurship (Frank 2007).

#### **WHAT IS ENTREPRENEURSHIP EDUCATION?**

Entrepreneurship education can be defined as the purposeful intervention by an educator in the life of the learner to impart entrepreneurial qualities and skills to enable the learner to survive in the world of business. Alberti, Sciascia and Poli (2004) define entrepreneurship education as the structured formal conveyance of entrepreneurial competencies, which in turn refers to the concepts, skills and mental awareness used by individuals during the process of starting and developing their growth oriented ventures. Entrepreneurship education aims to promote creativity, innovation and self-employment.

It is therefore agreed that existing activities and programmes qualify as education for entrepreneurship if they include at least two of the following elements:

a) Developing those personal attributes and generally applicable (horizontal) skills that

form the basis of an entrepreneurial mindset and behavior.

b) Raising students' awareness of self-employment and entrepreneurship as possible career options.

c) Work on practical enterprise projects and activities, for instance students running mini companies.

d) Providing specific business skills and knowledge of how to start and successfully run a company.

Entrepreneurial programmes and modules offer students the tools to think creatively, to be an effective problem solver, to analyze a business idea objectively and to communicate, network, lead and evaluate any given project. Students feel more confident about setting up their own businesses if they can test their ideas in an educational, supportive environment. However, the benefits of entrepreneurship education are not limited to boosting start-ups, innovative ventures and new jobs. Entrepreneurship is a competence for everyone, helping young people to be more creative and self-confident in whatever they undertake.

#### **ENTREPRENEURSHIP EDUCATION AND ECONOMIC GROWTH:**

The education system plays a critical role in the economic advancement of the nation since it is the primary developer of human resources, almost all growth theory models recognize that the quality of human resource and thereby the quality of education is vital to the economic growth process. However the current education globally and especially in developing economies leaves much to be desired. Entrepreneurship education can address some of the deficiencies in the existing education system. The development

of entrepreneurial skills in the education system can increase the supply of future entrepreneurs in the country. A venture support system based on entrepreneurial education can be designed to stimulate and facilitate entrepreneurial activities which could result in a lower unemployment rate, increased establishment of new companies and fewer failures of existing business, the development of entrepreneurial skills as well as knowledge of venture creation process can prepare students for the realities of life when they graduate. It will empower them to learn business and enhance their social and life skills that are dearly needed in today's society.

In growing economies like India, it has been suggested that to enhance its rapid economic growth rate, India must provide for

- 1) Education directed specifically at entrepreneurial skills
- 2) Financing of entrepreneurial efforts.
- 3) Networking among potential entrepreneurs and their experienced counterparts (Lal, Anil K, Clement, Ronald W, 2005)

### **ENTREPRENEURSHIP EDUCATION AND TRAINING**

Entrepreneurship and Enterprise Education have given higher education institutions the opportunity to grant societies employable graduates who have the necessary kit of innovation, motivation and creativity to develop new products, services and small and medium enterprises (SME's) that not only boost economies but also contribute to the overall cultural and social development. The emphasis on the role of entrepreneurship education programs to promote self-employment is build on the notion that entrepreneurship or certain

facets of it can be taught or at least encouraged by these programs. The accepted notion is that education can serve as a preparatory function in relation to new venture initiation or start up whereby the transfer of knowledge and the acquisition and development of relevant skills are expected to increase the propensity, self-efficacy and effectiveness of the potential entrepreneur (Jack & Anderson, 1999)

Fostering entrepreneurship in higher education means that entrepreneurship should be incorporated in various subjects in order to provide students with specific training on how to start and run a business. The need to revise and update existing educational curricula to respond to profound and multifaceted changes occurring in the world today is widely recognized.

### **TEACHING AND ENTREPRENEURSHIP:**

While Entrepreneurship has been introduced as a course in a number of business school curricula, there needs to be a greater thrust in making Entrepreneurship a priority subject. Other aspects of Entrepreneurship such as business ethics, early enterprise management, aspects of scaling up, Indian corporate law and relevant international laws, should also be a part of such curricula. However, many students and graduates perceive several obstacles that oppose against business start-ups, such as lack of experience or lack of finance, which block the path toward their preferred choice. The problem of this inconsistency may lie in the present curriculums, which have focused almost entirely on the needs of aspiring middle and functional managers rather than the needs of aspiring entrepreneurs. Entrepreneurship education and training needs to be localized, i.e. researching the local environment and circumstances which will in some way

contribute to skills improvement and therefore to small and medium enterprise development and ultimately job creation.

### **CURRICULUM AS A PROCESS**

More recently, curriculum developers have given more attention to the PROCESSES that produce quality curriculum. This means constructing an effective process that suits the local circumstances and environment, increasing the chances of producing and implementing quality products (syllabuses and eventually learning outcomes)

<b>FROM</b>	<b>TO</b>
Teaching	Learning
Transfer of Facts	Students construction of Knowledge
Memorization of Information	Analysis, Synthesis, Evaluation, Application of Information
Concentration on Knowledge	Development of Knowledge, Skills, Values, Attitudes
Rote Learning	Applied learning/contextual learning
Categorized Knowledge	Integrated content (broader learning areas)
Schooling	Lifelong Learning
Focus on Inputs	Focus on Outcomes
Didactic Teaching	Teaching strategies including 'interactive methodology'
Assumption that there is 'one learning style'	Recognition that there are 'preferred learning styles'
Curriculum as a product	Curriculum as both process and product

### **ENTREPRENEURIAL QUALITIES NEEDED BY PROSPECTIVE ENTREPRENEURS.**

If formal education program support the development of the following mentioned personal entrepreneurial traits, potential entrepreneurs will be more likely to initiate action and have a better chance of success in their business ventures.

## Traits/Characteristics Of Entrepreneurs

<b>Self Confidence</b>	<ul style="list-style-type: none"> <li>• Confidence</li> <li>• Independent, individualistic.</li> <li>• Optimistic</li> <li>• Leadership, Dynamic</li> </ul>
<b>Originality</b>	<ul style="list-style-type: none"> <li>• Innovative, creative</li> <li>• Resourceful</li> <li>• Initiative</li> <li>• Versatile, knowledgeable</li> </ul>
<b>People Oriented</b>	<ul style="list-style-type: none"> <li>• Get along with others</li> <li>• Flexible</li> <li>• Responsive to suggestions/criticisms</li> </ul>
<b>Task-Result Oriented</b>	<ul style="list-style-type: none"> <li>• Need for achievement</li> <li>• Profit oriented</li> <li>• Persistent,perseverance, determined</li> <li>• Hard worker, drive, energy</li> </ul>
<b>Future Oriented</b>	<ul style="list-style-type: none"> <li>• Foresight</li> <li>• Perceptive</li> </ul>
<b>Risk Taker</b>	<ul style="list-style-type: none"> <li>• Risk taking ability</li> <li>• Likes challenges</li> </ul>

### PRIMARY FOCUS OF ENTREPRENEURSHIP-TRAINING CURRICULA SHOULD BE TO-

#### Teach basic entrepreneurial skills-

Entrepreneurship education should focus on the training of entrepreneurial skills like creativity, problem solving abilities, communication, conflict management and negotiation; development of soft skills, entrepreneurial motivation and opportunity recognition.

#### Ensure that learners understand the real world of work and entrepreneurship

Interaction with entrepreneurs, business owners can be organized to foster students' entrepreneurial spirit. Working on real case studies from entrepreneurs and university projects/patents and working as interns with the start-ups and existing entrepreneurs should be encouraged.

**Provide opportunities to learn about the importance of entrepreneurship to the economic system through classroom and practical experience**

- A business plan competition e.g. searching for an idea; creativity and innovation. Compiling a business plan and starting a business can be done.
- Start-up support and support for nascent companies can be organized in co-operation with the Chamber of Commerce and Industry. Coaching and establishing contacts with other business support providers, firms and financiers can be provided.
- Prototyping entrepreneurship education by encouraging multidisciplinary student teams (design, media, business, computer science etc.)
- The institutions could also provide extensive industry linkages on different aspects of business, law and finance. Elaborate models of profit-sharing and advisory assistance can also be provided.

**Launch an in-campus business**

Enterprise centers' in major educational and research institutions should provide institutional support for Entrepreneurship, on a larger scale and on a more systematic basis. Special enterprise centers' focusing on translating innovation-driven ideas into viable businesses would greatly enhance Entrepreneurship. Currently, incubation centers provide assistance to selected start-ups. Providing consultation and coaching services for future entrepreneurs and facilitation of contacts to external business should also be encouraged.

**Explore learners' entrepreneurial qualities and teach education economically**  
**Entrepreneurial qualities**

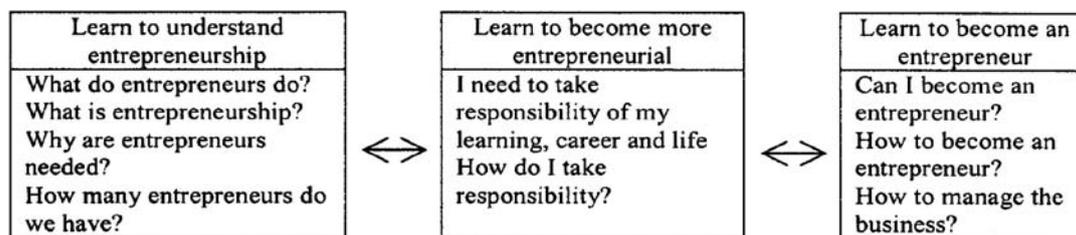
e.g. achievement motivation; creativity; decision making; initiative; innovation; locus of control and risk taking.

**Entrepreneurial skills** e.g. strategy formulation; leadership; planning and time management and financial concepts; communication and negotiation skills; and self-knowledge.and

**Economic education** e.g. unemployment; economic growth; tax; personal financial management; productivity and industry knowledge of the prospective entrepreneur should be explored and accordingly enhanced. Awareness creation activities to promote self-employment as a viable career choice should also be conducted.

**HYTTI MODEL OF ENTREPRENEURSHIP EDUCATION (HYTTI, 2002)**

In Hytti model (as shown in Figure ) the different roles assigned to entrepreneurship education are summarized.



Source: Hytti.U.(Ed) (2002).State of Art of Enterprise Education in Europe-Result from the Entredu project, Turku Finland.

In essence, each of these three categories has the purpose of identifying and monitoring progress as the student moves from becoming familiar with the concept of entrepreneurship to developing a level of maturity that will enable the student to start an enterprise to a stage where the student/prospective entrepreneur possesses most of the elements required for business success

From a further perspective **Bolton and Thompson (2004)** postulate that entrepreneurship education and training activities consist of three categories, namely: **Entrepreneurship as a subject**, covering the areas from economic development to business plan preparation, with a major focus on the entrepreneur;

**Entrepreneurship as an activity**, with an approach about entrepreneurship, but also for entrepreneurs with the main focus on the preparation of a viable business plan; and **Entrepreneur enabling**, this is concerned with the potential of entrepreneurs and how their talent can be identified and enabled.

In view of the above analyses on content, entrepreneurial training must be viewed as a practical application and common sense approach to acquiring the necessary skills to grow the business successfully.

## FACTORS INFLUENCING ENTREPRENEURSHIP

• **Culture** has a great impact on entrepreneurship. Generally people doing traditional business do not like to work as employees. Any society that believes in consumerism promotes entrepreneurship in that region because profits from a trade turn out to be higher than profits from a service. A culture where people do not believe in hard work and are afraid of taking risk is not favorable for entrepreneurship.

• **Political Environment** also affects entrepreneurship. Unsteady political situations, ever-changing administrative policies, high taxes hinder entrepreneurship. Governmental policies to develop transportation, communication network, industrial hubs and all other facilities promote entrepreneurship. The economy plays a significant role in the growth of an enterprise. Strong and stable economic conditions encourage business.

• **Availability of Various Resources** like money, man power; raw materials, communication and transportation facilities etc. play a major role in influencing any enterprise. Besides all these factors, the growth of an enterprise depends upon the

skills and mind-set of the entrepreneur. He must be hard-working, determined, good manager with broad business plan, able to face unforeseen events and risks.

## **SUGGESTIONS TO ENHANCE ENTREPRENEURSHIP**

### **• Content and Learning Methods:**

The ability to promote Entrepreneurship requires an enquiring mind that is able to make connections between theory and practice. There is a need to recreate real-life situations in the classroom with the help of examples and illustrations so that students are able to get a 'concrete feel' of various aspects of the outside world.

**• Teaching and Entrepreneurship:** While Entrepreneurship has been introduced as a course in a number of business school curricula, there needs to be a greater thrust in making Entrepreneurship a priority subject.

### **• Encourage Student-led Entrepreneurial Activities on Campus:**

It is necessary to encourage activities within educational institutions, where entrepreneurial abilities find opportunities and fertile ground to grow, as activities outside the confines of the textbook are imperative to develop leadership and team building skills that are necessary for Entrepreneurship

### **CONCLUSION:**

There is always ongoing discussion as to whether entrepreneurship can be taught at learning institutions. Some argue that even the most prominent entrepreneur, Bill Gates; choose to leave the grand ivy league of

Harvard, halting education in seeking for entrepreneurship experience. Many believe entrepreneurship is the result of gut feeling, internal drives, timing and luck. However, Garavan (1994) suggested that "learning" entrepreneurship either from successful entrepreneurial parents, work experience or proper education will enhance the probability of success. Believing entrepreneurship can be taught, he stressed the paradigm that "entrepreneurs are often made, not born".

It is understood that the teaching responsibility does not rest entirely with the educational world. The society has its role in providing the appropriate environment and right atmosphere for the growth of entrepreneurship. Failures must not be penalized but instead analyzed, as they are also a vital part of the learning process. The impact of education programme may not be immediately evident but should have sustained effects on developing a strong enterprise culture, although this might be difficult to determine in the short term, it is essential to the long term growth of India. We also believe that entrepreneurship results in increased innovation and sustained economic growth. We see enormous potential in investing in entrepreneurship education in order to nurture talent and develop the next wave of leaders and innovators who will not only create jobs and value for society, but also empower others to create a better future.

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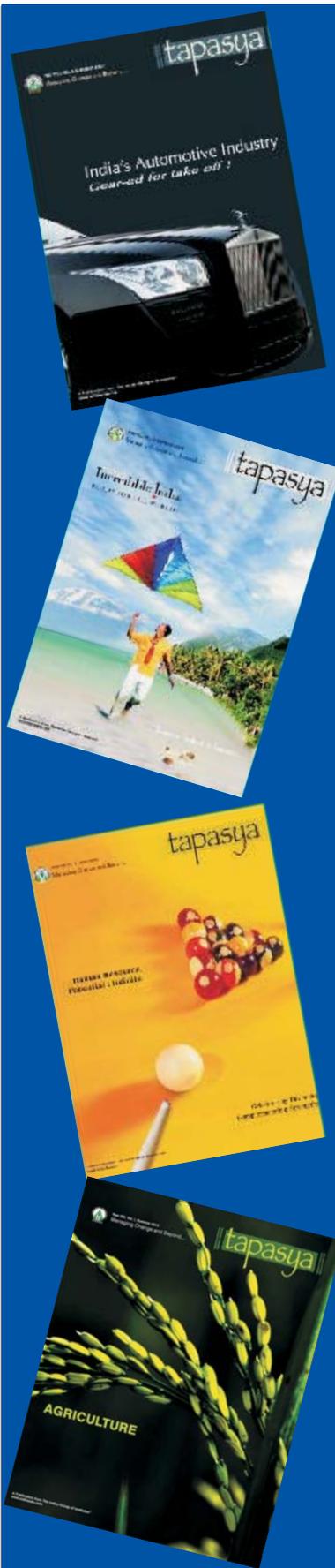
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