



Indira Management Review

Bi-annual Research and Academic Journal

Research /
Academic Papers

- ❖ Burnout in IT Companies
- ❖ Management of Corporate Liquidity And Profitability
- ❖ BPOs : Challenges and Opportunities
- ❖ Spiritual Leadership

Posers

- ❖ Growth of Indian Insurance Industry
- ❖ E-tailing

Case Study

- ❖ Perspective : "Anatomy of a Crisis"

Book Review

- ❖ Leaders At All Levels

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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.

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- Indira Group has been among the top award winning B-Schools in national and international events, year after year.
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Editorial

P. G. Vijairaghavan

The last century saw the advent of the computer into our lives and the current one has already made computer aided automation an inalienable part of our life, almost an extension of our body, an example being the mobile phone which has become as much a necessity as the clothes we wear. Starting off as the ingenious little calculator which was considered a boon of sorts for those challenged by mathematical calculations, till today, where we find the computer and its various avatars virtually controlling our lives and lifestyles... and artificial intelligence expected to almost run our lives in the coming decade...it certainly has been a long and exciting journey for the computer.

The computer's all pervasive presence in the life of the modern man is best represented in the fast changing world of retail trade. The internet as a channel of commerce has become more pronounced in the last decade and India is discovering this with alacrity now. Hemanth Y has explored the world of e-tailing as he tries to come to grips with the *raison d'être* of this interesting , and certainly extremely convenient , way of doing business

Yet, all this turbo charged convenience has not been achieved without tears. The Information Technology boom has spawned a whole community of experts, developers, programmers, data operators etc, who have had to live alongside the creatures they have given life to over the past 30 years such that they have become inalienable to them; in

fact many in the IT space consider themselves only good to work on this new creature invented by man. While burnout has been typical of the pressure ridden work place in general, the IT sector has come to be known as one which makes excessive demands on the time, and effort of the employee putting enormous psychological pressure on him. And the phenomenon of burnout or a feeling of having lived out ones life in this sector seems to take over those with limited resources of mind and body. Samta Jain and others take a look at this phenomenon and offer some insights to understand and manage it.

Also inextricably related to the IT world is the world of ITES – or BPOs as it is commonly called. Dr Anoop Pandey examines the opportunities and challenges facing the impressive BPO and the skillsets that have to be ensured to help keep the Indian BPO segment at the top in the international market.

This issue also looks through the eyes of M V Srinivasa Rao, at the phenomenal growth achieved by the Insurance sector in the aftermath of the liberalization exercise of the 90s and the reasons therefor; as does Dr Vijayakumar who reflects on the relationship between liquidity and profitability of a corporate. It is said that adversity teaches us the virtues of thrift. This is true of corporates too. The recession of the recent past has brought to light the benefits of a quick turnaround in assets which constitute working capital – by converting receivables

which only constitute book assets, into cash in the quickest possible time instead of relying on other sources for meeting the short term finance needs of the company. Trust and support for employees has been proven to be the key to improved productivity at the workplace; and spiritual leadership can play a pivotal role in the development of the corporate as well as the individual employee. The research led by Dr Shamira Malekar establishes the importance of Spiritual leadership among the respondents interviewed by her in the course of the study. With a view to extend the scope of the

journal to interaction with the readership so as to arrive at different ways of viewing a problem or challenge, we have, for the first time added a new feature in the form of a reader response to a paper published in this journal. Accordingly, we carry a short response that attempts to relate the episode in the last issue, "The Blow That Shook The Bank" to the fabled Panchatantra epic and to pronounce his views on the best way to handle the crisis. We would welcome more reader participation of this kind. Plus a book review that we hope will interest our readers as always.



Burnout in IT Companies

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Abstract

Job burnout is quite prominent in today's workforce. The modern workplace and the workers at all levels in organizations face the stress and burnouts because of the market and customer demands. Due to work Overload, role ambiguity, long-term exhaustion and high professional responsibilities the employees of the organizations are experiencing high levels of physical, emotional and intellectual exhaustion. In recent times, burnout has emerged as an important psychological disorder and researchers go as far as calling it as a civilization disorder.

The research paper is an attempt to understand the various factors like personal, work related and client-side pressures which have a direct impact on the employee burnout by administering the Copenhagen Burnout Inventory on the employees of selected IT/ITES organizations.

Key words: Burnout, Stress, Organizational culture

Introduction

The success of any organization is dependent on human resources and it is the basis of competitive advantage for the organizations. Neither money, nor technology or infrastructure can deliver excellence without the requisite human resource bank. Money cannot buy human resources – for this is one resource which develops and appreciates over time, while other resources depreciate. Thus, it is being realized globally that an organization can have competitive advantage by leveraging

its human resources.

Coordinating and managing human resources is very important for any organization to survive. Maintaining them effectively requires a lot of effort on the part of the organization. People in organizations cannot be regarded as human capital in reality until and unless their contribution to their organization can be measured with the same confidence as any other organizational asset.

Burnout is a state of physical, mental and emotional exhaustion that often results from a combination of a very high expectations and persistent situational stress. It describes a state of depletion of a person's resources, particularly energy due to excessive demands made on him / her and as a result, individual becomes impassive towards his / her work and other aspects of life. It has been found to have dysfunctional repercussions on the individual and adverse effects on the organization. It may reflect in a continued dissatisfaction with the situation, ranging from mild boredom to severe depression, irritation, exhaustion and physical ailment. The experience of high pressure and too few sources of satisfaction can develop into a feeling of exhaustion leading to burnout.

Job burnout is quite prominent in today's workforce. The modern workforce and the worker's at all levels –both the white and blue collar are experiencing the devastating

effects of burnout in epidemic proportions. Commonly it is seen more often because of outsourcing, restructuring and downsizing and this has been a common feature in the IT sector as well. Burnout shows and says more about the organization than about the employees. It is because of the fundamental changes at workplace and also frequent shifts in the nature of jobs performed by the employees. In the IT sector, the job-tasks have a direct impact on the emotional and physical energies of the employee and the technology and trend have made burnout a part of the vocational vocabulary.

Purpose

The purpose of research is to study the concept of Burnout amongst the people employed in IT industry, its reason and consequences and how it can be countered and also to make a comparative analysis of levels of burnout at different IT organizations using the Copenhagen Burnout Inventory.

Objectives of the Research

- To study the cycle of stress – burnout – attrition.
- Finding the causal relationship amongst the trio.
- To study the main players of IT/ITES industry, which is the most volatile industry in terms of attrition analysis.

Methodology

A. Fundamental Study (Secondary Data)

- 360° degree study of the main areas like - Stress, Burnout and Attrition and their causes, consequences, impact, effects etc. was done.
- To know more about the IT/ITES industry – its evolution, growth, strategies in recessionary times secondary data was analyzed.

- Reading the literature to ascertain how the past studies have been done and analyzing the trends.

B. Data Collection and Capturing (Primary Data)

- Collecting the data by using the Copenhagen Burnout Inventory questionnaire.
- Capturing the data from the sample size of 650 and tabulating the same in the excel sheet.
- Verification of the data entered to check upon any entry error

C. Analysis, Interpretations and Conclusions

- Data collected was be analyzed using MS – Excel to understand their impact in the quantitative and qualitative aspect.
- Based on the analysis, interpretations and conclusions was drawn.

Limitations of the Study

- The sample size may not have adequately represented the macro view as methodology followed was random sampling.
- Biased, incomplete and incorrect responses to questions while collecting the primary data as the study was more of an off – field primary study.

Literature Review

The study, “Stress not just burnout” by Bickford (2005), suggested that burnout prevails in majority of the workplaces and there must be adequate mental health support systems within the organizations to fight the same. Studies have revealed the seriousness of the burnout and high risk of heart attacks, depression, suicides and diabetes among the workers in the twenties and the need for the health policy for the IT

sectors. (O'Connor, and Khanna, 2007). Due to monotony of work, high pressure, night shifts, irate customers the health problems like insomnia, indigestion and depression are rampant and the BPO employees are aggressively seeking psychiatric help (Chakravorty, 2005). Researches in the area of causes of burnout have pointed out that the organizational politics has an influence on emotional exhaustion and depersonalization aspects and impact the personal accomplishment aspects of the burnout. (Advani et al., 2005) Researches have shown that work can be major contributor to stress (Davis and Newstorm, 1985). When there is too much pressure and too few sources of satisfaction, the feeling of exhaustion develops and leads to burnout. (Golembiewski and Munzenrider, 1988)

Concept of Burnout

Burnout is a job related stress syndrome that has three components:

- **Emotional exhaustion** – Lack of energy and the feeling that one's emotional resources have been used up at work. Commonly employees feel dreadful about going to work with beginning of every working day.
- **Depersonalization** – It is characterized as viewing co-workers and clients as dehumanized objects.
- **Feelings of diminished personal accomplishment** – Evaluating work performance negatively and feel a decline in job competence and achievement.

Burnout is a result of exhaustion due to overwork. It generally affects professionals that have more responsibilities related to people and who pursue objectives, which

are difficult to attain. The nature of Indian IT industry is prone to cause such exhaustion. Risky situations are those where there is a misfit between the tasks and the means allocated to accomplish them and if there is an ambiguity and / or role conflict. Burnout is strongly related to the context of job/ work. (Maslach et al. 2001)

Freudenberger (1974) defines burnout as "to fail, wear out, or become exhausted by making excessive demands on energy, strengths or resources". Maslach and Leiter (1997) says "burnout represents an erosion in values, dignity, spirit and will – an erosion of the human soul. It is a malady that spreads gradually and continuously over time, putting people into a downward spiral from which it's hard to recover". Burnout is categorized into two types:-

- **Physical Burnout** – is experienced with excessive physical exhaustion. It is most commonly reflected by injury or fatigue and is normally seen among sports persons.
- **Mental Burnout** – is an accumulated state where the nature of work which used to be exciting earlier no longer excites the person.

Burnout is described as a state of depletion of a person's resources and energy resulting in apathetic and impassive behavior towards others, having dysfunctional repercussions on the individual and adverse effects on organization. With technological advancements, workplaces have undergone drastic changes and many executives work in situations which require very little people contact, implying that the construct of executive burnout is qualitatively different and needs to be evolved for better understanding of this pivotal problem. The phenomenon of burnout, a debilitating

stress syndrome, was observed and studied in US and European countries in the 1980s when these countries faced globalization.

Burnout is becoming a major threat to the executives throughout the world and more so in a country like India where they are under pressure to produce higher and higher outputs with minimum inputs.

History of Burnout

Relating burnout to job attributes Freudenberger (1974–1975) was the first to describe it. Maslach (1976) followed him but early phenomenon of burnout become evident by the work of (Menzies, 1975) “case study in the functioning of social systems at defense at anxiety”. Freudenberger (1974) defined burnout stating it as feelings of failure and being worn out. He presented direct accounts of the process when he and others experienced emotional depletion, loss of motivation, and commitment (Freudenberger, 1975). Christina Maslach (1976) applied qualitative methods of interviewing to analyze the job demands with the coping strategies in the emotionally demanding areas. Maslach reviewed the literature from 1975–2000 and described the history of research in two phases:-

1. Pioneering Phase

Many themes emerged from these early interviews in the human services, suggesting that burnout has some identifiable regularity:-

Occupation of service is demanding component of depersonalization (cynicism) also emerged as people described how they tried to cope with emotional stress. Moderating one's compassion for clients by emotional distance from them (detached concern) was viewed as a way of protecting

oneself from intense emotional arousal that could interfere the functioning effectively on the job (Maslach et.al 2001:400)

2. Empirical Phase

In 1980's, the quantitative studies, dominant mode of investigating were on rage. Among this was Maslach's work to develop an inventory remains a pioneering one (Maslach and Jackson, 1981) which saw its 3rd edition within 15 years (Maslach, Jackson, Leiter, 1996).

Stages of burnout

There are three stages of burnout cycle which are as under:

I. Stress Arousal

At this stage the individual experience the first level of burnout at the physiological and psychological frontier. The symptoms are anxiety, sleep disorder, high blood pressure, concentration problems etc.

II. Energy Conservation

This is the second stage of Burnout where there is an attempt to compensate for stress. In case the strategies don't work there are symptoms of lethargy, procrastination, cynicism, resentment and excessive apathy.

III. Exhaustion

At this stage the realization of something wrong comes in an individual. There is a chronic mental and physical fatigue, acute depression and sadness that seeps in an individual. It is the final stage of the burnout cycle and the individual may experience the desire to drop out or have acute suicidal tendencies.

Copenhagen Burnout Inventory

The research used the Copenhagen

Burnout Inventory, which was developed as a longitudinal study of burnout in human service workers in Denmark (Kristensen et.al 2005). It comprises three components:-

Personal Burnout

- State of prolonged physical and psychological exhaustion.
- This aspect is measured by 6 statements in the C.B.I.

Work Burnout

- state of prolonged physical and psychological exhaustion, which is

perceived as related to the person's work.

- This aspect is measured by 7 statements in the C.B.I.

Client Burnout

- state of prolonged physical and psychological exhaustion which is perceived as related to the person's work with clients.
- This aspect is measured by 6 statements in the C.B.I.

Data Analysis and Interpretation:

Personal, Work and Client Burnout Component Wise

1.1 Personal Burnout Component Analysis

Statement	Almost Never (5)	Seldom (4)	Sometimes (3)	Often (2)	Always (1)
How often do you feel tired?	2	28	38	26	6
How often are you physically exhausted?	0	40	44	16	0
How often are you emotionally exhausted?	0	10	32	54	4
How often do you think: "I can't take it anymore"?	0	40	34	24	2
How often do you feel worn out?	0	28	32	20	0
How often do you feel weak and susceptible to illness?	0	26	50	24	0

Analysis

- 26% of the respondents say that they often feel tired which is marginally lower than the respondents who seldom feels tired.
- 100% of the respondents are neither always physically exhausted nor almost never physically exhausted. 44% are sometimes physically exhausted.
- 54% of the respondents are often emotionally exhausted which indicates that people in IT industry are

tend to show more of emotional outbursts and jobs in this industry are more emotionally challenging and physical or mental challenging task.

- 2% of the respondents say that they have often thought of almost giving up because they can't take in the job pressure and stress anymore.
- 50% of the respondents say that they sometimes feel weak and susceptible to illness because of high emotional challenging tasks.

1.2 Work Burnout Component Analysis

Statement	Almost Never (5)	Seldom (4)	Sometimes (3)	Often (2)	Always (1)
Is your work emotionally exhausting?	0	10	58	28	4
Do you feel burnout because of your work?	0	24	44	32	0
Does your work frustrate you?	2	32	44	20	2
Do you feel worn-out at the end of your working day?	4	38	44	14	0
Are you exhausted in the morning at the thought of another day at work?	0	30	48	22	0
Do you feel that every working hour is tiring for you?	2	32	36	24	6
Do you have enough energy for family and friends during leisure time?	2	24	50	24	0

Analysis

- 28% of the respondents say that their work is emotionally exhausting and 4% says that they always feel their work as emotionally challenging and exhausting.
- 100% of the respondents are neither always nor almost never felt burnout because of their work yet 44% felt burnout sometimes because of the work.
- 44% of the respondents felt frustrated

because of their work. This indicates that job of IT people involves monotonous as well as challenging tasks and calls for dynamic HR support functions.

- 50% of the respondents say that they sometimes and feel exhausted in the morning at the thought of another day at work which indicates the necessity of quality of work and environment of the organization.

1.3 Client Burnout Component Analysis

Statement	Almost Never (5)	Seldom (4)	Sometimes (3)	Often (2)	Always (1)
Do you find it hard to work with clients?	0	18	54	28	0
Do you find it frustrating to work with clients?	2	34	44	18	2
Does it drain your energy to work with clients?	2	26	38	30	4
Do you feel that you give more than you get back when you work with clients?	0	14	42	34	10
Are you tired of working with clients?	0	24	36	34	6
Do you sometimes wonder how long you will be able to continue working with clients?	0	18	48	24	10

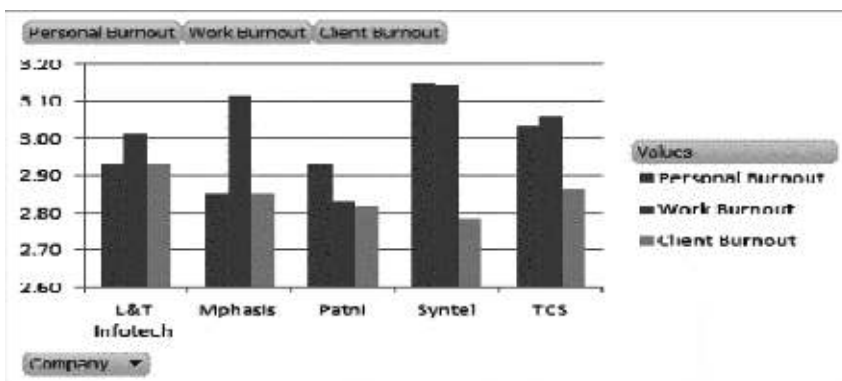
Analysis

- 54% of the respondents say that they find hard to work with clients and 44% indicates that they sometimes get frustrated also which indicates the level of customization and understanding of customers requirement is very high in this industry.
- 34% of the respondents are agreeing that they give more to the clients than the clients giving back to them. This calls for dynamic HR compensation and benefits policy to retain the talent in the organization.
- 34% of the respondents felt that they are tired of working with clients. This indicates that monotony of the job and can be a main factor for high attrition level in Indian IT industry.

Findings: Generic and Specific

2.1 Personal, Work and Client Burnout Company wise

2.1.1 Generic Findings



Findings

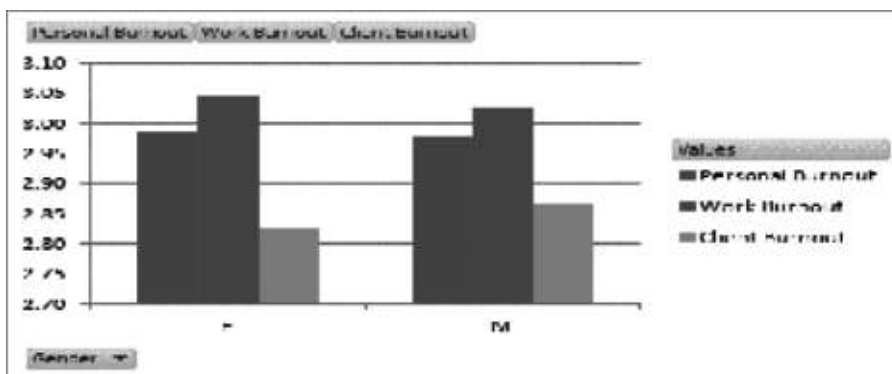
- Syntel shows the highest Personal and Work Burnout rate amongst all the 5 companies
- L&T Infotech indicates the highest Client Burnout amongst all the 5 companies

2.1.2 Specific Findings

	Personal Burnout	Work Burnout	Client Burnout
Highest	Syntel	Syntel	L&T Infotech
Lowest	Mphasis	Patni	Syntel

2.2 Personal, Work and Client Burnout Gender wise

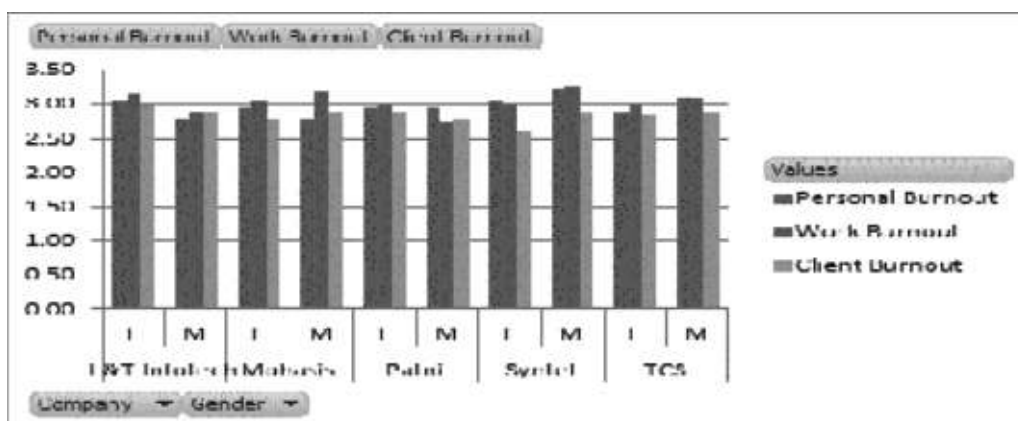
2.2.1 Generic Findings



Findings

- Females indicate more of a work burnout and are least effected by client burnout.
- Males indicate more of work burnout than other two categories but in each category they are show less tendency of burnout as compared to their female colleagues.

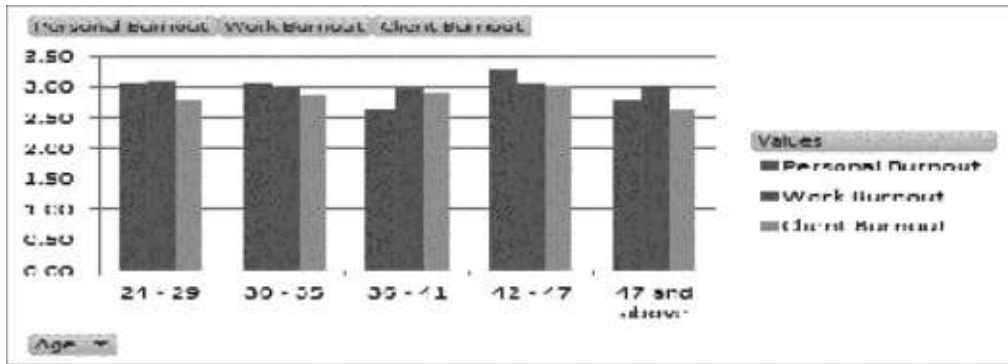
2.2.2 Specific Findings



		Personal Burnout	Work Burnout	Client Burnout
Male	Highest	Syntel	Syntel	L&T Infotech - Mphasis
	Lowest	Mphasis	Patni	Syntel
Female	Highest	L&T Infotech	L&T Infotech	L&T Infotech
	Lowest	TCS	Patni - Syntel - TCS	Syntel

2.3.3 Personal, Work and Client Burnout Age wise

2.3.1 Generic

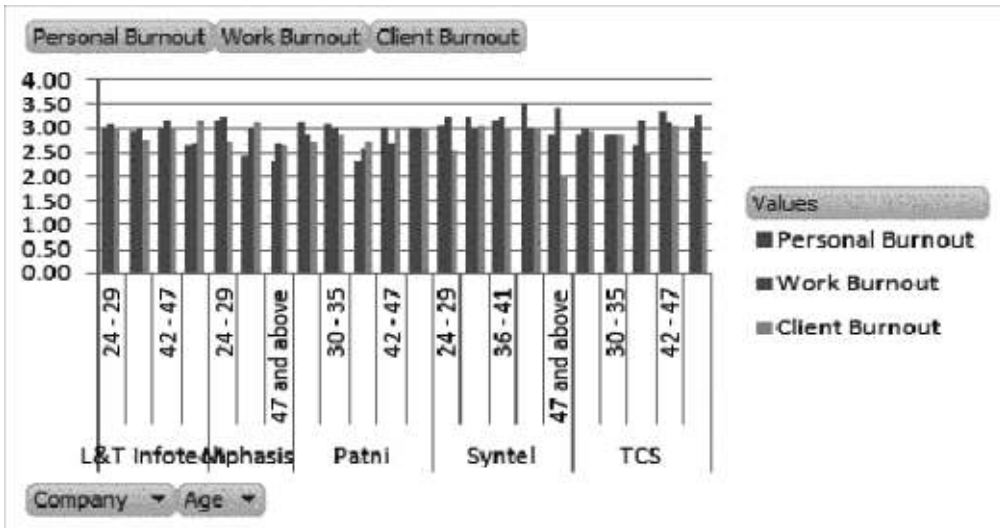


Findings

- Personal Burnout is highest amongst the age group of 42 – 47 because of their large involvement in more of analytical and conceptual part of doing the business
- Work Burnout is highest amongst the age group of 24 – 29 because of high involvement in learning the job and satisfying the first three basic needs of Maslow's Need Theory
- Client Burnout is highest amongst the age group of 42 – 47 because employees in this group are on the verge of being promoted to the top level of management and since IT industry in India is customer driven, they involve themselves to a very high extent to show their talent.

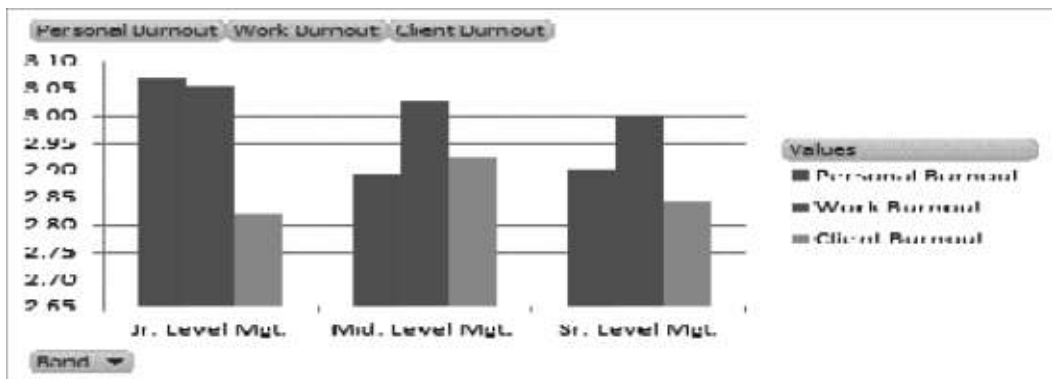
2.3.2 Specific Findings

		Personal Burnout	Work Burnout	Client Burnout
24 - 29	Highest	Mphasis	Mphasis - Syntel	L&T Infotech
	Lowest	TCS	Patni	Syntel
30 - 35	Highest	Syntel	L&T Infotech - Mphasis	Syntel
	Lowest	Mphasis	TCS	L&T Infotech
36 - 41	Highest	Syntel	TCS	Mphasis
	Lowest	Patni	Patni	Patni
42 - 47	Highest	Syntel	L&T Infotech	TCS
	Lowest	Patni	Patni - Mphasis	L&T Infotech - Patni - Syntel
> 47	Highest	TCS	TCS	L&T Infotech
	Lowest	Mphasis	L&T Infotech	Syntel



2.3.4 Personal, Work and Client Burnout Level of Mgt.wise

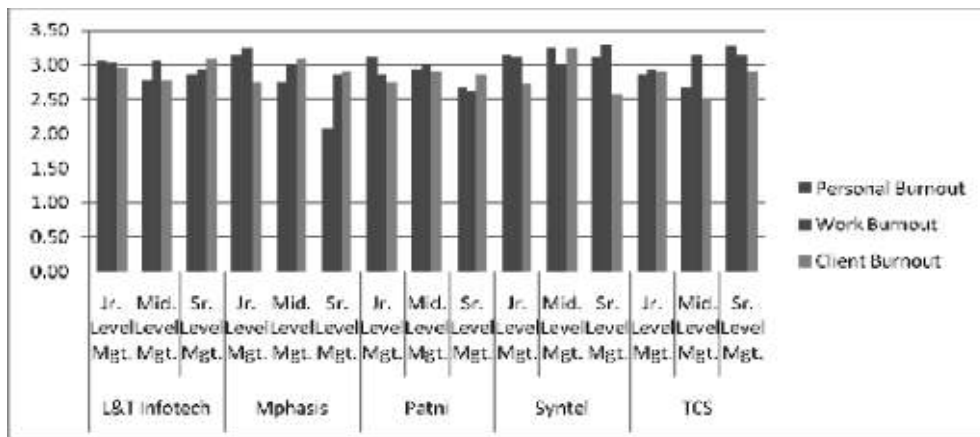
2.3.4.1 Generic Findings



Findings

- Personal Burnout is highest amongst the Junior Level of Management employees because of their high involvement in the work assigned. They also indicate the highest level of work burnout
- Client Burnout is highest amongst the Middle Level of Management employees because they see their chance of promotion with the increase their customer's level of satisfaction

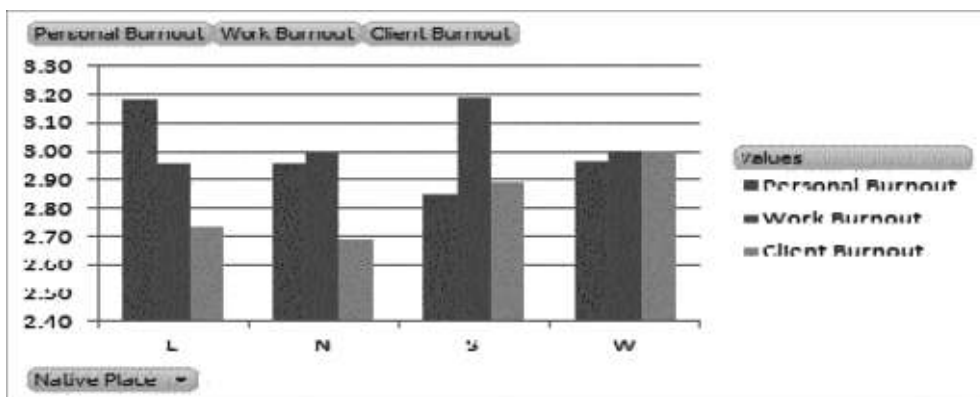
2.3.4 Specific Findings



		Personal Burnout	Work Burnout	Client Burnout
Jr. Level Mgt	Highest	Mphasis	Mphasis	L&T Infotech
	Lowest	TCS	Patni	Syntel
Mid. Level Mgt	Highest	Syntel	TCS	TCS
	Lowest	TCS	Mphasis - Patni - Syntel	Syntel
Sr. Level Mgt	Highest	TCS	Syntel	L&T Infotech
	Lowest	Mphasis	Patni	Syntel

2.3.5 Personal, Work and Client Burnout Employees Native Regionwise

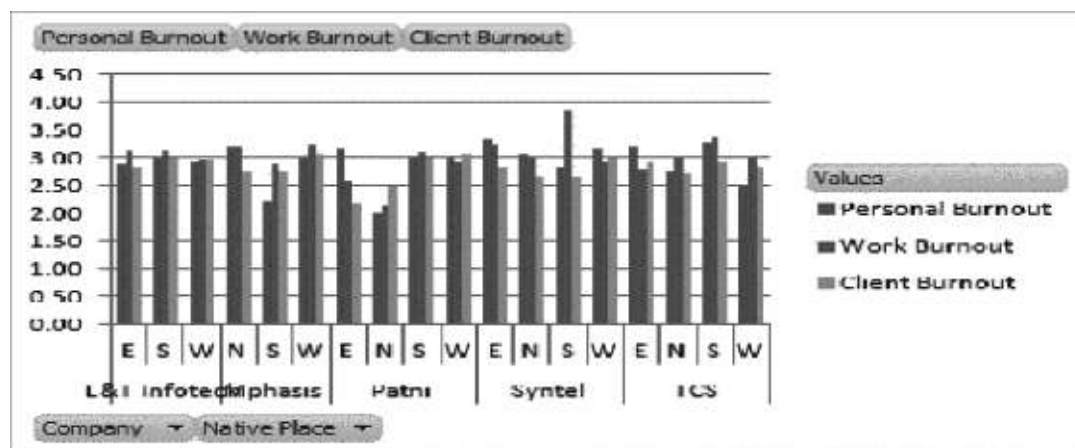
2.3.5.1 Generic Findings



Findings

- Employees who belong to Eastern region of India tend to feel more of a Personal Burnout.
- Employees who belong to Northern region of India tend to feel more of a Work Burnout.
- Employees who belong to Southern region of India tend to feel more of a Work Burnout but least of the personal burnout amongst employees from all the other three regions.
- Employees who belong to Western region of India tend to feel more of a Work Burnout and Client Burnout than personal burnout.

2.3.5.2 Specific Findings



		Personal Burnout	Work Burnout	Client Burnout
East	Highest	Syntel	Syntel	TCS
	Lowest	L&T Infotech	Patni	Patni
West	Highest	Syntel	Mphasis	Mphasis
	Lowest	TCS	Patni	TCS
North	Highest	Mphasis	Mphasis	TCS
	Lowest	Patni	Patni	Patni
South	Highest	TCS	TCS	TCS
	Lowest	Mphasis	Mphasis	Mphasis

Conclusion and Recommendations

The data collected from the primary survey conducted has been analyzed in both generic way and in specific to the companies. Following points indicate some of the major conclusions drawn from the survey:

- Client Burnout shows the highest impact amongst the employees of all the companies which indicates the level of customization to the customer needs
- Since Syntel is not much into Client servicing, employees of that organization tends to feel burnout more by the Personal and Work factors
- Employees of Patni seems to be comparatively less affected by Burnout because of their dynamic HR policies
- Senior Management Team of L&T

Infotech and TCS seems to be affected more by Client and Personal burnout because of their high orientation towards work and client.

Recommendations

- Managing Diversity of Culture
- Challenging yet Non – Stressful Environment
- Equal Opportunity Employer
- Open Communication
- Trainings – Behavioral and Technical
- Team Building Exercises
- De – Stressing Activities

Annexure

Copenhagen Burnout Inventory

The following questions refer to you and your current job. Please indicate your responses on a scale of 1 to 5.

1 = Always or to a very high degree; 2 = Often or to a high degree; 3 = Sometimes or somewhat; 4 = Seldom or to a lower degree; 5 = Never/almost never or to a very low degree

S.N.	Item	1	2	3	4	5
1.	How often do you feel tired?					
2.	Do you feel worn out at the end of a day?					
3.	Do you find it hard to work with clients?					
4.	How often do you feel physically exhausted?					
5.	Are you exhausted in the morning at the thought of another day at work?					
6.	Does it drain your energy to work with clients?					
7.	How often do you feel emotionally exhausted?					
8.	Do you feel that working every hour is tiring for you?					
9.	Do you find it frustrating to work with clients?					
10.	How often do you think: "I can't take it anymore"?					
11.	Do you have enough energy for family and friends during leisure time?					

S.N.	Item	1	2	3	4	5
12.	Do you feel that you give more than you get back when you work with clients?					
13.	How often do you feel worn out?					
14.	Is your work emotionally exhausting?					
15.	Are you tired of working with clients?					
16.	How often do you feel weak and susceptible to illness?					
17.	Does your work frustrate you?					
18.	Do you sometimes wonder how long will you be able to continue working with clients?					
19.	Do you feel burnout because of your work?					

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Management of Corporate Liquidity and Profitability : An Empirical Study

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Abstract

The primary aim of this paper is to investigate the relationship between Cash Conversion Cycle (Liquidity) and firms' profitability. The analysis based on a sample of 20 Indian Automobile firms for the period 1996-2009. The results suggest that the managers can increase profitability of their firms by shortening the cash conversion cycle, accounts receivables period and inventory conversion period. The results suggest that managers can also increase the profitability of their firms by lengthening the accounts payables period. The study suggest an optimal cash conversion cycle as more accurate and comprehensive measures of liquidity analysis.

Key words: *profitability, Accounts Receivables Period, Inventory Conversion Period, ccunts Payable Period, Cash Conversion Cycle, Automobile industry and Liquidity analysis.*

Liquidity management is necessary for all businesses, small, medium or large because it means collecting cash from customers in time so that having no difficulty in paying short-term debts. Therefore, when a business does not manage its liquidity well, it will have cash shortages and will results in difficulty in paying obligations. As a result, in addition to profitability, liquidity management is vital for ongoing concerns. Promoters of capital theory share the axiom that profitability and liquidity comprise the salient (albeit frequently conflicting) goals of working capital management. The conflict arises because the maximization of firm's returns could seriously threaten the liquidity

and on the other hand, the pursuit of liquidity has a tendency to dilute returns. The crucial part in managing working capital is required maintaining its liquidity in day-to-day operation to ensure its smooth running and meets its obligation (Eljelly, 2004). Yet, this is not a simple task since managers must make sure that business operation is running in efficient and profitable manner. There are possibilities of mismatch of current assets and current liabilities during this process. If this happens and firm's manager cannot manage it properly then it will affect firm's growth and profitability. This will further lead to financial distress and finally firms can go bankrupt.

Corporate liquidity is examined from two distinct dimensions: static or dynamic view (Lancaster et al., 1999; Farris and Hutchison, 2002; and Moss and Stine, 1993). The static view is based on commonly used traditional ratios, such as current ratio and quick ratio, calculated from the balance sheet accounts. These traditional measures of liquidity are incompetent measures that cannot provide detailed and accurate about liquidity management effectiveness (Jose et al., 1996). These ratios measures liquidity at a given point in time. For example, the current ratio, are simple to apply and have some theoretical merit increases in say, accounts receivables will increase the current ratio, suggesting improved liquidity. However, the ability to match short-term obligations has

only improved from a liquidation perspective providing current assets may be liquidated at current market value and not from a going-concern approach (Shulman and Dambolena, 1986). Liquidity for the ongoing firm is not reliant on the liquidation value of its assets, but rather on the operating cash flow generated by these assets (Soenen, 1993).

On the other hand, dynamic view measures ongoing liquidity from the firm's operations. As a dynamic measure of the time it takes a firm to go from cash outflow to cash inflow which is measured by Cash Conversion Cycle (CCC) introduced by Hager (1976) and has been recommended by Largay and Stickney (1980), Kamath (1989) and others. Drawing attention to limitations of traditional liquidity ratios, Richards and Laughlin (1980), Kamath (1989), Gentry et al., (1990), and Schilling (1996) have insisted on using ongoing liquidity measures in working capital management. Ongoing liquidity refers to the inflows and outflows of cash through the as the product acquisition, production, sales, payment and collection process takes place overtime. As the firm's ongoing liquidity is a function of its cash (conversion) cycle, it will be more appropriate and evaluate effectiveness of working capital management by cash conversion cycle, rather than traditional liquidity measures.

Cash Conversion Cycle (CCC)

In text books related to finance, CCC is maintained in the context of working capital management (Keown et al., 2003; and Bodie and Merton, 2000). The cash conversion cycle is used as a comprehensive measure of working capital as it shows the time lag between expenditure for the purchase of raw material and the collection of sales of

finished goods (Padachi, 2006; Bodie and Merton, 2009; Keown et al., 2003; Jordon, 2003; and Eljelly, 2004).

$$CCC = RCP + ICP - APP$$

In the above formula, the three variables to which CCC is dependent are defined as follows;

RCP – Receivables Collection Period (in days)

$$(\text{Accounts Receivables} / \text{Sales}) * 365$$

ICP – Inventory Conversion period (in days)

$$(\text{Inventory} / \text{Cost of goods sold}) * 365$$

APP – Accounts Payable Period (in days)

$$(\text{Accounts Payables} / \text{Cost of goods sold}) * 365$$

There seems to be strong relation between the cash conversion cycle of a firm and its profitability. The three different components of CCC (accounts receivables, inventory and accounts payables) can be managed in different ways in order to maximise profitability. It is an indication of how long a firm can carry on if it was to stop its operations or it indicates the time gap between purchase of goods and collection of sales. The optimum level of inventory will have a direct effect on profitability since it will release working capital resources which in turn will be invested in the business cycle, or will increase inventory levels in order to respond to higher product demand. Similarly both credit policy from suppliers and credit period granted to customers will have an impact on profitability. In order to understand the way working capital is managed, CCC and its components will be statistically analysed.

Cash conversion cycle is likely to be negative as well as positive. A positive result indicates the number of days a company must borrow or tie up capital while awaiting payment from a customer. A negative result

indicates the number of days a company has received cash from sales before it must pay its suppliers (Hutchison et al., 2007). Of course the ultimate goal is having low CCC, if possible negative. Because the shorter the CCC, the more efficient the company in managing its cash flow. The purpose of this paper is to investigate the implications of the CCC as an indicator of liquidity on profitability of selected firms in Indian Automobile Industry.

Literature Review – Theoretical Underpinnings

In a study by Kamath (1989), it has been concluded that there is a reverse relationship between cash conversion cycle and profitability. In another study of Shin and Soenen (1998), a sample consisting of American manufacturing firms for the period of 1974-1995 has been analysed and a statistically negative relationship between cash conversion cycle and profitability has been confirmed. To test the relationship between working capital management and corporate profitability, Deloof (2003) used a sample of 1009 large Belgian non-financial firms for a period of 1992-1996. He discussed possible relationships between cash conversion cycle and profitability by dividing cash conversion cycle into its components (inventory, account receivables and account payables period). Results of the study have concluded that increase in all of these periods affect profitability negatively. Lazaridis and Tryfonidis (2006) conducted a cross sectional study by using a sample of 131 firms listed on the Athens Stock Exchange for the period of 2001-2004 and found cash conversion cycle affects profitability negatively.

Eljelly (2004) empirically examined the relationship between profitability and

liquidity as measured by current ratio and cash conversion cycle on a sample of 929 Joint stock companies in Saudi Arabia. It has been concluded that the effect of cash conversion cycle on profitability is stronger than the effect of current ratio on it and found significant negative relationship between the firm's profitability and its liquidity level. Raheman and Nasr (2007) studied the effect of different variables of working capital management including cash conversion cycle on the profitability of 94 Pakistani firm listed on Karachi Stock Exchange for a period between 1999-2004 and found that as cash conversion cycle increases, it leads to decreasing profitability of the firm. Garcia-Teruel and Martinez-Solano (2007) collected data for 8872 SMEs from Spain for the period 1996-2002 and tested the effects of working capital management on profitability. The results demonstrated that shortening cash conversion cycle improves the profitability. Falope and Ajilore (2009) used a sample of 50 Nigerian quoted non-financial firms for the period 1996-2005. They found a significant negative relationship between net operating profitability and the average collection period, inventory turnover in days, average payment period and cash conversion cycle.

Mathuva (2009) examined the influence of working capital management components on corporate profitability by using a sample of 30 listed on the Nairobi-Stock Exchange (NSE) for the periods 1993 to 2008. He found that there exists a highly significant negative relationship between the time it takes for firms to collect cash from their customers and profitability. Amarjit Gill, Nahum Biger and Neil Mathur (2010) studied the relationship between the cash conversion cycle and profitability and found

significant relationship between them. The other studies, Ali Uyar (2009), Moss Stine (1993), Jose et al., (1996), Hutchison et al., (2007), Vaidyanathan et al., (1990), Lyrودي and McCarty (1993), Soenen (1993) and Wang (2002) empirically examined the relationship between profitability and liquidity showed that there exists a significant and negative relation between profitability and CCC. However, the study conducted by Katerina Lyrودي and Lazoridis (2000) in the Food Industry of Greece found that there was positive relationship between CCC and return on assets.

Among the studies conducted in the Indian context showed both the positive and negative association between liquidity and profitability. Amit K. Mallik, Debdas Rakshit (2005) studied the relationship between liquidity and profitability in the context of Indian Pharmaceutical industry and concluded that no definite relationship can be established between liquidity and profitability. Narware (2004) in his study of working capital management and profitability of NFL, a fertilizer company disclosed both negative and positive association. Bardia (2004) in his study on steel giant SAIL for the period from 1991-92 to 2001-2002 concluded that there was a positive relationship between liquidity and profitability. D. Sur, J. Biswas and Ganguly, P. (2001) revealed in their study of Indian Aluminium producing industry, a very significant positive association between liquidity and profitability. Vijayakumar and Venkatachalam (1995) in their study on Tamil Nadu Sugar Industry with regard to relationship between liquidity and profitability concluded that liquidity was negatively associated with profitability.

In summary, the literature review indicates that working capital management impacts on the profitability of the firm but there still is ambiguity regarding the appropriate variables that might serve as proxies for working capital management. The present study investigates the relationship between a set of such variables and the profitability of a sample of Indian Automobile firms. Further, most of the Indian studies used traditional liquidity ratios viz., current and quick ratio as a measure of liquidity. Only a very few studies used Cash Conversion Cycle (CCC) as a measure for liquidity. Therefore, to fill this gap in the literature, as attempt has been made in this part to study the relationship between cash conversion cycle and profitability of Indian automobile firms. The present study postulates the following hypothesis: "Firms liquidity negatively affects profitability"

Variables Specifications and Empirical Model

This study investigates the effects of cash conversion cycle on firm's profitability. The dependent variable of the regression model is return on assets (PR). The Cash Conversion Cycle (CCC) used as a comprehensive measure of liquidity is independent variable, and is measured by adding ARP to ICP and then subtracting the APP. It is expected that there is a negative relationship between profitability and cash conversion cycle. This is consistent with the view that the time lag between expenditure for the purchase of raw materials and the collection of sales of finished goods can be too long, and that decreasing the time lag increases profitability. Along with cash conversion cycle, the present study has taken into considerations some control variables relating to firms such as the size of

the firm, the growth in its sales and its financial leverage. The size of the firm (SIZE) has been measured by the natural logarithm of its total sales. The growth of the firm (GROWTH) is measured by variations in its annual sales value with reference to previous year's sales [(sales_t-sales_{t-1})/sales_{t-1}]. Moreover, the financial leverage (LEV) was taken as the debt to equity ratio of each firm

for the whole sample period. Finally, since good economic conditions tend to be reflected in a firm's profitability (Lamberson, 1995), this phenomenon has been controlled for the evolution of the economic cycle using the GDPGR variable, which measures the real annual GDP growth. Table 1 below summarises the definitions and theoretical predicted signs.

Table 1 : Proxy variables definition and predicted relationships

Proxy variables	Definitions	Predicted Sign
ARP	Account receivables divided by sales and multiplied by 365 days	+/-
ICP	Inventory divided by cost of goods sold and multiplied by 365 days	+/-
APP	Accounts payables divided by cost of goods sold and multiplied by 365 days	+/-
CCC	No. of days A/R plus No. of days of IC minus No. of days A/P	+/-
Size	Natural logarithm of firm's sales	+/-
Growth	Difference between current year sales and previous year sales divided by previous year sales	+/-
Leverage	Total debt divided by equity	-
GDPGR	Difference between current year GDP and previous year GDP divided by previous year GDP	+

Empirical Model

The study uses panel data regression analysis of cross-sectional and time series data. The pooled regression is one where both intercepts and slopes are constant, where the cross-section firm data and time series data are pooled together in a single column assuming that there is no significant cross-section or temporal effects.

The general form of model is

$$Pr_{it} = \alpha_0 + \epsilon_i X_{it} + e_{it}$$

where

Pr_{it} - Return on assets of firm i at time t ;

$i = 1, 2, 3, \dots, 20$ firms

α_0 - The intercept of equation

ϵ_i - Co-efficients of X_{it} variables

X_{it} - The different independent variables for working capital management of firms i at time t

t - Time = 1, 2, 3,

e - The error term

To investigate the impact of cash conversion cycle on profitability the model used for the regression analysis is expressed in the general form as given above. Specifically, when convert the above general least squares model into specified variables it becomes:

$$Pr_{it} = \alpha_0 + \alpha_1 CCC_{it} + \alpha_2 SIZE_{it} + \alpha_3 GROWTH_{it} + \alpha_4 LEV_{it} + \alpha_5 GDPGR_{it} + e_{it}$$

Where,

PR - Measures the firm profitability with gross profit as a percentage of total assets for firm (i) in the year (t).

CCC - Cash Conversion Cycle for firm (i) in the year (t).

Size - Natural logarithm of firm's sales for firm (i) in the year (t).

Growth - Growth of firm's sales for firm (i) in the year (t).

Leverage - Measures the leverage with debt to equity for firm (i) in the year (t).

GDPGR - Measures the growth of GDP for firm (i) in the year (t).

α_0 - Constant term for firm (i) in the year (t).

$\alpha_1, \alpha_2, \dots$ - Regression Co-efficient.

e - disturbance term for firm (i) in the year (t).

Research Design

Keeping in view the scope of the study, it is decided to include all the companies under automobile industry working before or from the year 1996-97 to 2008-09. There are 26 companies operating in the Indian automobile industry. But, owing to several constraints such as non-availability of financial statements or non-working of a company in a particular year etc., it is compelled to restrict the number of sample companies to 20. The companies under automobile industry are classified into three sectors namely; Commercial vehicles, Passenger cars and Multiutility vehicles and Two and three wheelers. For the purpose of the study all the three sectors have been selected. It accounts for 73.23 per cent of the total companies available in the Indian automobile industry. The selected 20

companies include 5 under commercial vehicles, 6 under Passenger cars and Multiutility vehicles and 9 under two and three wheeler sectors. It is inferred that sample company represents 98.74 percentage of market share in commercial vehicles, 89.76 percentage of market share in passenger cars and Multiutility vehicles and 99.81 percentage of market share in two and three wheelers. Thus, the findings based on the occurrence of such representative sample may be presumed to be true representative of automobile industry in the country.

The study is mainly based on secondary data. The major source of data analysed and interpreted in this study related to all those companies selected is collected from "PROWESS" database, which is the most reliable on the empowered corporate database of Centre for Monitoring Indian Economy (CMIE). Besides prowess database, relevant secondary data have also been collected from BSE Stock Exchange Official Directory, CIME Publications, Annual Survey of Industry, Business newspapers, Reports on Currency and Finance, Libraries of various Research Institutions, through Internet etc.

Results and Discussion

In Table 2, the summary statistics of the variables included in the regression models are presented. Descriptive statistics shows the mean and standard deviation of the different variables of interest in the study. It also presents the standard error of mean, median, minimum and maximum values, kurtosis and skewness of the variables. Table 2 presents descriptive statistics for 20 Indian automobile companies for the period of 13 years from 1996-97 to 2008-09 and for a total 216 companies year observations.

Overall, the mean profit rate on total assets is 22.29 per cent with the standard deviation of 105.3 per cent. It means that value of the profitability (profit rate on total assets) can deviate from mean to both sides by 105.3 per cent. The maximum value for the profit rate on total assets is 1638.9 per cent for a

company in a year while the minimum is - 189.4 per cent. The mean cash conversion cycle is 30 days (approximately one month) with the standard deviation of 66 days, implying that Indian automobile company's turnover their stock on an average of 12 times a year.

Table 2 : Descriptive statistics of Independent, Dependent and Control variables

20 Indian Automobile Firms, 1996 – 2009 – 216 Firm -year observations (N = 216)							
Variables	Mean \pm S.D	Standard Error of mean	Median	Minimum	Maximum	kurtosis	Skewness
PR	22.29 \pm 105.3	6.62	14.58	-189.39	1638.92	222.83	14.44
CCC	29.90 \pm 65.81	4.14	19.07	-255.76	312.03	5.58	-0.18
Size	6.90 \pm 1.70	0.11	6.86	0.92	10.39	0.01	-0.27
Growth	10.60 \pm 36.83	2.32	10.13	-97.62	356.66	31.46	3.48
Leverage	1.33 \pm 3.12	0.20	0.67	0.00	41.37	110.30	9.32
GDPG	12.73 \pm 3.41	0.98	13.44	7.76	16.92	-1.56	-0.33

Notes : PR-Profit Rate on total assets; CCC-Cash Conversion Cycle; Size-Natural logarithm of sales (proxy for size);Growth-Sales growth; Leverage-Debt/Equity; GDPG-Gross Domestic Product Growth.

Source : Computed.

To check the size of the company and its relationship with profitability, natural logarithm of sales is used as a control variable. The mean value of log of sales is 6.90 while the standard deviation is 1.70. The maximum value of log of sales for a company in a year is 10.39 and the minimum is 0.92. In the same way to check the growth of the company and its relationship with profitability, sales growth is used as a control variable. The average growth of sales for Indian automobile companies is 10.60 per cent with a standard deviation of 36.83 per cent. The highest growth of sales for a company in a particular year is 356.66 per cent and in the same way the minimum growth of sales for a company in a year is - 97.62 per cent.

To check the leverage and its relationship with the profitability, the debt ratio (obtained by dividing the total debt of the company by the equity) is used as a control variable. The results of the descriptive statistics show that the average leverage ratio for the Indian automobile companies is 1.33 with a standard deviation of 3.12. The maximum debt financing used by a company is 41.37, whereas the minimum level of the debt ratio is 0.00 which is unusual but may be possible. To check the GDP growth and its relationship with the profitability, GDP growth rate is used as a control variable. The mean value for this ratio is 12.73 per cent with a standard deviation of 3.41 per cent. The maximum GDP growth during the study period is 16.92 per cent and the minimum is 7.76 per cent.

Pearson's Correlation Co-efficient Analysis

Consistent with **Shin and Soenen (1998)**, Table 3 provides the Pearson correlation for the variables used in the regression model. Pearson's correlation analysis is used for data to see the relationship between variables such as those between liquidity (working capital management) and profitability. Table 3 shows the negative relationship between profitability and CCC, is consistent with the view that the time lag between the expenditure for the purchases of raw materials and the collection of sales of finished goods can be too long and that decreasing the time lag increases profitability (Deloof, 2003). Firm size is positively related to profitability. This means that larger firm report higher profits compared to smaller firms. This may be due

to larger firm's ability to exploit their economies of scale. Growth, which could be an indicator of a firm's business opportunities, is an important factor allowing firms to enjoy improved profitability, as can be seen in the positive sign for the variable GROWTH. With reference to other control variables, leverage and GDPG, profitability is negatively associated with leverage whereas profitability is positively associated with GDPG. Thus, by analyzing the results it is concluded that if the firm is able to reduce these time periods, then the firm is efficient in managing working capital (liquidity). This efficiency will lead to increasing its profitability. The results of correlation analysis indicate that as far as Indian automobile companies are concerned, the liquidity management very significantly and strongly affects their profitability.

Table 3 : Correlation Matrix

	PR	CCC	Size	Growth	Leverage	GDPG
PR	1.00					
CCC	-0.09	1.00				
Size	0.04	-0.11	1.00			
Growth	0.03	-0.13	0.18	1.00		
Leverage	-0.20	0.14	-0.22	0.02	1.00	
GDPG	-0.05	0.28	-0.69	-0.15	-0.24	1.00

Notes : PR-Profit Rate on total assets; CCC-Cash Conversion Cycle; Size -Natural logarithm of sales (proxy for size); S.Growth-Sales growth; Leverage-Debt/Equity; GDPG-Gross Domestic Product Growth.

Sources : Computed.

Regression Analysis

Although, Pearson linear correlations give proof of an inverse relationship between profitability and CCC, these measures do not allow us to identify causes from consequences (Shin and Soenen, 1998). Therefore, the main analysis will be derived from appropriate multivariate models

estimated using the overall least squares regression model. The model specifies above is estimated using the regression based framework (pooled OLS) as employed by Deloof (2003), Raheman and Nasr (2007), Garcia Teruel and Martinez-Solano (2007), Padachi (2006), David M. Mathuva (2009) and Amarjit Gill et al.,

(2010). Table 4 report the pooled OLS regression results of the overall relationship which exists between working capital management (liquidity) and profitability.

Cash Conversion Cycle (CCC) and Profitability

The results of the regression model shows that consistent with Deloof (2003), Rahman and Nasr (2007), Shin and Soenen (1998), Garcia-Teruel and Martinez-Solano (2007), Padachi (2006) and David M. Mathuva (2009), a negative relationship exists between the Cash Conversion Cycle (CCC) and profitability. This supports the notion that the CCC is negatively related

with profitability. Shin and Soenen (1998) argued that the negative relation between profits and the cash conversion cycle could be explained by the market power or the market share, i.e., a shorter CCC because of bargaining power by the suppliers and/ or the customers as well as higher profitability due to market dominance. The negative relationship between the firm's CCC and profitability can also be explained by the fact that minimizing the investment in current assets can help in boosting profits. This ensures the liquid cash is not maintained in the business for long and that it is use to generate profits for the firm.

Table 4 : Regressions of Profitability on Working capital variables

20 Indian Automobile Firms, 1996-2009 : 216 Firm year observations	
(Dependent variable : Profit Rate on total assets(PR))	
Independent Variables	Model 4
Intercept	15.07
CCC	-0.01 (2.31)***
Size	0.55 (1.66)
Growth	0.14 (2.44)**
Leverage	-5.05 (1.23)
GDPG	0.36 (3.02)**
R²	0.80
Adjusted R²	0.66
F Value	5.65*
Durbin Watson	1.47

Notes : PR-Profit Rate on total assets; CCC-Cash Conversion Cycle; Size-Natural logarithm of sales (proxy for size); Growth-Sales growth; Leverage - Debt / Equity; GDPG-Gross Domestic Product Growth.

* P < 0.01; **P < 0.05; ***P < 0.10

Source : Computed

The model also shows that profitability increases with firm size (as measured by natural logarithm of sales). The results of the regression indicate that the coefficient of growth (as measured by growth of sales) on profitability showed significant and positive relationship with profitability. The study used the debt ratio (measured by debt divided by equity) as a proxy for leverage, it shows a negative relationship with the profitability. This means that, when the leverage of the firm increases, it will adversely affect its profitability. Similarly, GDP growth of the country showed a significant positive relationship with profitability. It reflects that if the country's GDP increases, the profitability of Indian Automobile Industry will also increase. The model's adjusted R^2 is 66 per cent with an F-value of 5.65 which is significant ($p < 0.05$). The Durbin Watson statistic is 1.49.

Conclusion

The study of empirical relationship between liquidity and profitability is one of the areas of performance of corporate enterprise. This study has shown that Indian automobile industry has been able to achieve high scores on the various components of working capital and this has positive impact on its profitability. Empirical results of the study found a significant negative relationship between profitability and Cash Conversion Cycle (CCC) for a sample of Indian automobile industry. These results suggest that managers can create value for their shareholders by reducing the number of days of accounts receivable and inventories to a reasonable minimum. Further, companies are capable of gaining sustainable competitive advantage by means of effective and efficient utilisation of the resources of the organisation through a careful reduction of the cash conversion

cycle to its minimum. In doing so, the profitability of the firm is expected to increase. Therefore, managers can create profits for their companies by handling correctly the cash conversion cycle and keeping each different component (accounts receivables, accounts payables and inventory) to an optimum level.

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Business Process Outsourcing: Challenges and Opportunities

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Abstract

BPO is a heterogeneous and rapidly growing offshore market with a projected annual growth rate of 60 percent (Tapper, 2004). Brown and Stone (2004) reported that BPO accounted for 34 percent of the global outsourcing contract value in 2004 and projected that BPO services would grow from \$1.3 billion in 2002 to \$4.3 billion in 2007. The growing number of global contracts and alliances focusing on BPO service delivery clearly demonstrate the organizations' beliefs in the BPO value-propositions. BPO suppliers not only help reduce clients' costs, but also provide expertise, help improve clients' services, and increase clients' profits. Client and vendor organizations seeking to exploit the benefits of a BPO relationship need to mutually understand their goals, values, and capabilities before entering into an outsourcing partnership.

Business Process Outsourcing (BPO) industry is of significance to India owing to its role in generating foreign exchange and providing employment to the educated youths of the nation. The BPO industry in India has been established only over the last 10 yrs. But the same is being touted as a magic wand which has contributed significantly towards warding off unemployment for thousands of young graduate. However, there is concern regarding issues of health and services that are unique to this new and developing industry. Further BPO sector has been ranked high for attrition rate on account of stress factors, work pressures and health reasons.

Through this paper, focus is placed on the following three points: (1) the unique managerial challenges of BPO companies in India; (2) the

issues perceived as most critical by the management and employees and (3) the opportunities for BPO firms in coming future.

Key Words: BPO, Clients, Outsourcing Partnership, Generating Foreign Exchange, Challenges & Opportunities for BPOs

Business Process Outsourcing

Generally outsourcing can be defined as - An organization entering into a contract with another organization to operate and manage one or more of its business processes.

Business process outsourcing (BPO) is a broad term referring to outsourcing in all fields. A BPO differentiates itself by either putting in new technology or applying existing technology in a new way to improve a process. Business Process Outsourcing (BPO) is the delegation of one or more IT-intensive business processes to an external provider that in turn owns, administers and manages the selected process based on defined and measurable performance criteria (Stone, 2004)¹.

Business Process Outsourcing (BPO) is the assignment of one or more intense business processes to external providers. The external provider, who is an independent business organization, but works in collaboration with the parents company, provides the business on agreed terms and conditions including product / service design and quality.

¹ Stone, Lisa. "New BPO Definitions Clarify Service Offerings." Research Note (October 2004): Gartner Research, Document G00123758 <www.gartner.com>.

Business Process Outsourcing (BPO) is one of the fastest growing segments of the Information Technology Enabled Services (ITES) industry. Its phenomenal growth can be attributed to technological advancements, such as the internet and mobile services, which have reduced communications costs and facilitated the internationalization of business processes and services (Mahnke et.al., 2005)².

Traditionally firms lower cost of production and availability of economy of sales was the major motivational force behind outsourcing³ (Kakabadse and Kakabadse, 2005 and Klein, 2009) but today, the various perspectives for Organizations to go in for Outsourcing includes:

1. With the emergence of globalised competitive market, firms need to concentrate on their core competencies and identify and outsource their non-core processes (Chalos and Sung, 1998, Currie and Wilcock, 1977)⁴
2. Long term relationships between Host and Vendor clients can help both the companies to satisfy their customer better by enhancing their competitive strengths and developing new skills at the same time (Diromualdo and Gurbaxami, 1988)⁵.

The industry is heterogeneous mix of number of services offered by them ranging from: -



1. **Customer Support Services :** Customers calling to check on their order status or to have information on products and services.
2. **Technical Support Services:** Include round-the-clock technical support and problem resolution and troubleshooting of computer hardware, software, peripherals
3. **Telemarketing Services:** Making calls to prospective customers overseas to sell the products
4. **Insurance Processing:** Selling specialized insurance schemes to customers
5. **Policy Maintenance / Management:** Record Changes like Name, Beneficiary, Nominee, Address; Claim

² Mahnke, Volker, Mikkel L. Overby, and Jon Vang. "Strategic Outsourcing of IT Services: Theoretical Stocktaking and Empirical Challenges." *Industry and Innovation* 12 (June 2005): 205–53.

³ Kakabadse, Andrew and Nada Kakabadse. "Outsourcing: Current and Future Trends." *Thunderbird International Business Review* 47 (March–April 2005): 183–204.

⁴ Chalos, Peter and Jaeyoung Sung. "Outsourcing Decision and Managerial Incentives." *Decision Science* 29 (Fall 1998): 901–19 and Currie, Wendy L. and Leslie P. Willcocks. "New Strategies in IT Outsourcing: Major Trends and Global Best Practices—Report." London: Business Intelligence Ltd., December 1997

⁵ DiRomualdo, Anthony and Vijay Gurbaxani. "Strategic Intent for IT Outsourcing." *Sloan Management Review* 39 (Summer 1998): 67–80

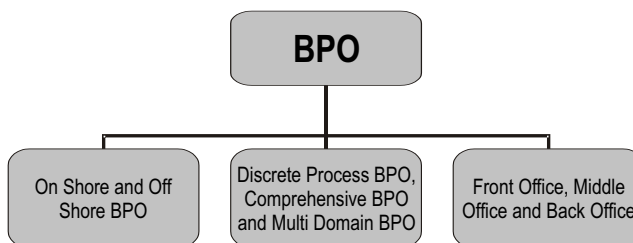
6. Medical transcription in th Health Sector
7. Check processing and imaging in Banking

Types of BPOs: BPOs can be differentiated on the basis of three categories⁶:

1. **On Shore and Off Shore BPO:** Onshore BPO refers to outsourcing to a domestic or nearby vendor whereas offshore refers to the vendor from a different country. For example, for U.S. clients, Canada is considered an onshore location, and India is offshore
2. **Discrete Process BPO, Comprehensive BPO and Multi Domain BPO⁷** : Discrete BPO refers to a single-process BPO where the vendor is responsible for only one process, for example accounts

payable in banking. In a comprehensive BPO, the vendor undertakes multiple business processes within a single support area, such as HR and Multi-domain BPO is where vendor supports various clients' functions across multiple support groups. For example, a vendor may be responsible for HR, finance, and accounting, as well as customer relations

3. **Front Office, Middle Office and Back Office:** Front-office BPO includes customer service and technical support services; middle-office processing includes services such as banking, insurance, telecom, transportation, and utilities; back-office BPO supports functions such as HR and finance



Approaches to Outsourcing:

Three approaches generally have been used by the firms for making their outsourcing decisions:

Theoretical Perspectives on Outsourcing; - (Anu Mehta Et. Al)⁸

1. **Transaction Cost View:** Decision to

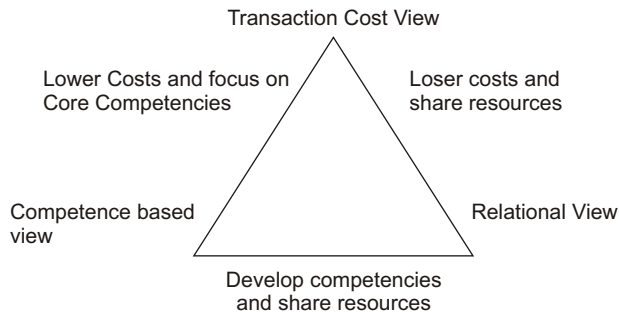
outsource is determined by the relative transaction and production costs associated with the process or service (Williamson, 1975)

2. **Competence Based View:** the competency based perspective is based on company's core competencies. Competencies are

⁶ Anju Mehta, Achilles Armennakis, Nikhil Mehta and Feruzan Irani, Challenges and Opportunities of Busienss Process Outsourcing in India, Journal of Labour Research, Volume XXVII, Number 3, Summer, 2006

⁷ Stone, Lisa. "New BPO Definitions Clarify Service Offerings." Research Note (October 2004)

⁸ Anju Mehta, Achilles Armennakis, Nikhil Mehta and Feruzan Irani, Challenges and Opportunities of Busienss Process Outsourcing in India, Journal of Labour Research, Volume XXVII, Number 3, Summer, 2006



those which are unique, inimitable and non-substitutable (Barney (1991)⁹ . According to it, firm should concentrate on its core competencies for competitive advantage and may outsource its non-core activities (Quinn and Hilmer, 1994)¹⁰

3. **Relational View:** Relational view is based on inter – firm exchange or sharing of knowledge, assets and capabilities. According to Dyer and Singh (1988)¹¹ , Relational rents are created when partners share, combine or invest their assets, knowledge or capabilities or employ effective governance to lower their transaction costs or improve synergies.

Business Process Outsourcing in India

India is all set to register the highest growth rate in call center service industry in Asia Pacific Region. A recent survey on

Information Technology Enabled Services has revealed that currently more than 150 call centers are operating in the country including international and domestic.

Presently more than 10,000 seats in different call centers handles 45 – 80 calls per seat per day with an average revenue for each ranging from 8 lacs to 10 lacs per month.¹²

The Nasscom Mokinsey report predicted that IT enabled industry would account for a mammoth \$7 billion business per year. This report also predicts that Indian BPO might generate over 2 million jobs and Rs. 850 billion revenue by the year 2010¹³ .

Despite criticism and opposition faced from unhappy US and British workers who have lost their jobs to foreign firms, INDIA's Business Process Outsourcing sector is projected to grow as much as 30% in the next few years.¹⁴

⁹ Barney, Jay. "Firm Resources and Sustained Competitive Advantage." *Journal of Management* 17 (March 1991): 99–120

¹⁰ Quinn, James B. "The Intelligent Enterprise: A New Paradigm." *Academy of Management Executive* 6 (November 1992): 48–63. and Frederick G. Hilmer. "Strategic Outsourcing." *Sloan Management Review* 35 (Summer 1994), 43–55.

¹¹ Dyer, Jeffrey H. and Harbir Singh. "The Relational View: Cooperative Strategy and Sources of Interorganizational Competitive Advantage." *Academy of Management Review* 23 (October 1998): 660–79.

¹² Issues and concerns of Health among call center employees, *Indisan Journal of Occupational and Environmental Medicine*—Dec, 2006, Vol. 9

¹³ Data Quest Business Employees Survey, 2004, Vol XXII No. 21 November 10, 2004

¹⁴ Call Center Industry in India: [Http://callcentreinindia.blogspot.com](http://callcentreinindia.blogspot.com)

What makes Call Center in India an Attractive Option:

1. Booming IT and ITES industry with its strengths acknowledged all over the world.
2. Largest English speaking population in the world after USA.
3. Good working culture facilitated through working of same age group people who come from same educational background.
4. Easy job with less emphasis on higher educational qualifications.
5. Availability of facilities like high salaries, transportation, food, safety and security measures make it popular among young generation.
6. Cost effective: manpower available in India is 40% cheaper as compared to what is available at the parent organization's country.
7. Indian Government has recognized the potential of IT enabled services and has taken positive steps for providing numerous incentives.
8. Presence of International Technology vendors and solutions results in creation of most advanced set ups in the technology intensive segment.

Table 1 : India's Competitive position in comparison to other countries

Country	India	China	Israel	Africa	South Ireland	Northern Ireland	Czech Republic	Poland	Hungary	Russia
Govt. Support	E	F	G	F	VG	VG	VG	F	F	P
Labour Pool	E	G	G	F	G	G	G	G	G	VG
Infrastructure	F	P	VG	F	VG	VG	VG	F	P	P
Education	VG	F	VG	G	VG	VG	VG	G	F	VG
Cost	E	E	F	VG	G	F	F	G	VG	E
Political Stability	F	F	P	F	G	E	E	G	F	F
Cultural Compatibility	F	P	VG	E	E	E	E	VG	VG	G
Data / IP Security	G	P	VG	G	E	E	E	F	F	P
Overall Climate	VG	P	F	F	G	G	G	F	P	P

P = Poor, F = Fair, G = Good, VG = Very Good and E = Excellent

Source: Garner (2004)¹⁵

Darker Side of BPO in India

In spite of the tremendous growth as witnessed by BPO sector and presence of facilities like pick and drop, high incentives, food etc., the industry has the highest attrition and turnover rate as compared to other industries. Long hours of work, permanent high shifts, incredibly high work

targets, loss of identity are the dark clouds which are threatening the future prospects of BPO sector.

Health Problems: About 30 – 40% of the employees working in the call centers had complained of eye problems, soreness, dryness, blurred vision, light sensitivity, headache which are together called as

¹⁵ Stone, Lisa. "New BPO Definitions Clarify Service Offerings." Research Note (October 2004): Gartner Research, Document G00123758 <www.gartner.com>.

Computer Vision Syndrome. Further, employees are suffering from digestive disorders. Further, 34% employees have reported to their HR managers that they are suffering from disease called Dysphonia i.e. inability to speak which is characterized by croakiness of voice, irritating cough, poor vocal power, inability to modulate and breathing difficulties¹⁶.

Stress: Prolonged working in shifts of odd hour's can have major implications on the physical and mental health of the employees. The physical strains like sleep disorders, depression, odd working shifts, learning foreign accents, constantly handling abusive calls and high stress levels are making the BPO employees more prone to hypertension and heart attacks¹⁷. With no time for personal life, the erratic schedules and monotonous work of business process outsourcing also disturbs the family life of the employees adding to their frustrations. This will definitely lead to loose family ties and other unhealthy behavior.

Through this paper, I have made an attempt to find out the possible causes of stress among BPO employees and also an attempt has been made to suggest remedial measures to be taken to avoid the stress factors and giving the employees a very congenial and conducive environment to ensure their career growth.

Objectives Of The Research

Previous studies on Business Process Outsourcing Industry have highlighted the boom in the BPO Sector and its growth trends in coming future but at the same time it has uncovered various concerns relating

to high turnover and attrition rate, presence of stress and unhealthy factors, work life imbalance etc.

Through this paper, we focus on the following three points: -

1. The Unique Challenges for Human Resource Department of Vendor Company
2. The opportunities available for BPO sector
3. Suggesting measures to overcome challenges

Research Methodology

The study is based on both primary and secondary sources.

For Primary Data, interview method is used, wherein interviews of 20 employees working in different BPOs were taken. It was ensured that employees are drawn from all levels of organization viz. lower level, middle management consisting of team leaders and upper management.

The sample consisted of around 20 executives from 15 major Indian BPO organizations. The respondents were selected by the contact person in each organization. Of the 20 executives, ten were drawn from lower management, 05 from middle management, and 05 belonged to upper management. The sample was drawn from different levels of management to overcome any response bias due to the manager's status in the organization and to obtain perceptions from all levels of management common to Indian BPO firms.

The sample consisted of 08 females and 12 males with ages ranging from 20 to 43 years.

¹⁶ Problems in BPO by Mr. M D S Prabhu published on 26th October, 09, BPO FAQ, <http://bpoindia.org>

¹⁷ Bhagwati, J., Panagariya, A. and Srinivasan, T.N. (2004) 'The muddles over outsourcing, Journal of Economic Perspectives, 18:4, 93-114.

Number of years of work experience in a BPO firm ranged from five months to 7.5 years.

BPO were selected from Delhi and NCR region. All the organizations were well established and had more than 1,000 employees providing support for different business processes such as technical support, customer services, HR, insurance, banking, and software. A majority had U.S.-based companies as clients.

Using a semi-structured interview format, respondents were asked ten open-ended questions related to positive and negative aspects of working in the BPO industry, managerial challenges, recent changes, and future trends:

1. What are the positive aspects of working in the BPO sector?
2. What are the negative aspects of working in the BPO sector?
3. What recent changes have you witnessed in your job/organization?
4. What are the major challenges faced by you/your organization?
5. What are the strengths of the Indian BPO industry?
6. What are the weaknesses of the Indian BPO industry?
7. What opportunities exist for the Indian BPO industry?
8. What are the threats to the Indian BPO industry?
9. How has the external environment changed recently?
10. Any other information that you would like to share?

Information was also gathered on company size, business operations, major clients, and respondent's age, gender, work experience,

and job designation. The respondents were interviewed either in person or on telephone and average time per interview was approximately 40 - 50 minutes. After entering their answers, they are once again contacted for further clarification and information as required.

Interview responses were then content analyzed. The first stage of content analysis involved unitizing the data. 20 different sheets were formed based on the answers given by the respondents and then the units were independently examined and data was meaningfully organized with emphasis on common answers given by the respondents. Examples of statements used to characterize themes included the following: "The reason I am staying in the industry is good salary," "you get to work with educated people and of the same age group," "the worst part of the job is the night shifts," and "there is high attrition, it is very difficult to stop people from leaving." These examples were used to identify themes related to HR, work environment, and job design.

On comparing and discussing the categories, ten broad categories emerged that described the interview data..

Attempt is also made to categorize the data on the basis of positive and negative statements and the three levels of management to understand in better way the critical issues at all the levels.

To identify the strengths and weakness, SWOT Analysis was used.

Secondary data was obtained from the papers published in Journals, blogs given on websites and website of research agencies

Data Analysis and Findings

1. When asked about the positives points of BPOs, majority of the

employees emphasized on Work Environment, Growth Prospects, Money, Learning opportunities, Benefits and Skill Development as the motivational factors luring the people to apply for jobs in BPOs.

Table 2 : Sample of Main Categories and the Responses given by the Respondents

Category	Interviewee's Response
Career and Business Prospects	<ol style="list-style-type: none"> 1. "Many career options like trainer, team leader, service delivery manager" 2. "Promotions are quick and based on performance"
HR Issues	<ol style="list-style-type: none"> 1. "It is difficult to stop people from leaving" 2. "Giving feedback, especially negative feedback to employees is a problem, we have to portray positively somehow." 3. "Motivate team, when you too are feeling stressed and exhausted"
Motivation and Stress	<ol style="list-style-type: none"> 1. Sometimes the work pressures are just too much 2. People are frustrated and not satisfied with job 3. Health is being adversely affected. Picking up one call after another is a tuff task
Work Environment	<ol style="list-style-type: none"> 1. "Very good, open and friendly culture" 2. Work environment is good 3. OK, however it looks that everyone is busy with himself. Not enough time for breaks to chat
Customer Relations	<ol style="list-style-type: none"> 1. "there are customers who just don't want to talk to Indians, handline them is big problem" 2. "Listening verbal abuses from customers without any reason is stressful" sometimes you feel like crying but you have to pick the next call" 3. Customer care issues like cultural differences need to be addressed
Competition	<ol style="list-style-type: none"> 1. Countries like China, Philippines etc. are giving good competition 2. Competition from Captive Sector
Client Vendor Demands	<ol style="list-style-type: none"> 1. Meeting client demand is very challenging 2. Company went into strategic partnership and merged with client for better salaries, work culture
Change related issues	<ol style="list-style-type: none"> 1. "training employees according to changing client policies is difficult" 2. "Many changes – client's processes, policies, rules keep on changing"
Cost and quality	<ol style="list-style-type: none"> 1. "Client implemented quality check and standards" 2. "It is turning costly for company as they make much less profits now; pay increases"

Note : The statements are randomly selected from responses of Middle, upper and lower level employees based on their frequency in answers.

2. Negative points of BPO included Night Shifts, wherein 15 people out of 20 said that they are finding it very difficult to work in night shifts and is affecting their health. Other factors which are going on the negative side included tiring and monotonous job, lack of motivation, high attrition rate, daily targets.

Employees working at the upper level have shown their concern regarding increasing Client requirements. They were of the opinion that when they the, original owners cannot meet quality requirements effectively than how can they expect the outsourced companies to meet their demands perfectly. The other factor on which they emphasized was of increasing competition.

3. **Major Challenges:** Challenges identified through interviews were different for different levels of management.

A. Challenges at lower level included:

- a) **Meeting targets:** Employees are working under constant pressure to meet the deadlines and targets assigned to them as their salaries, incentives and appraisals are based on their performance.
- b) **Dealing with customers:** Dealing with foreign customers over phone specially britishers and US citizens is also very challenging as these people make verbal attacks on employees and use abusing words like back off you paki, I don't want to talk to you, pass

me to someone who can speak my language etc. The employees feel that such customers are frustrated as their jobs have been shifted to India.

- c) **Work life balance:** working in 24 X 7 environments with no time for personal life, the erratic schedules and monotonous work of business process outsourcing disturbs their family life and causes frustration. This further results in loose family ties and other unhealthy behaviour.
- d) **Stress:** The basic profile of the BPO employees is trouble-shooting, sales or revenue collection. All of these are done through tele-calling. Talking to foreigners in a fake foreign accent, solving other people's problems, facing and handling the anger and abuse of the clients become a routine for employees. Identify loss is another factor causing stress as reported by one of the interviewee who said their names are changed according to the local names of the region.
- e) **Health:** Prolonged working in shifts of odd hours has major implications on the physical and mental health of the employees. Out of the people interviewed, majority of the people have expressed that depression is the most common problem faced by

BPO employees. Frequent headaches, feeling of fatigue, sleeping disorders and frustration are regular features of their jobs. Working at night shifts requires them to adjust to biological clock and shift their social activities accordingly which adversely affect their health.

- B. Other than the above, challenges at the middle level included motivating employees to give their best under

constant pressure and also handling absenteeism and attrition rate. Majority of the employees have accepted that the industry is suffering from high attrition rate with an average of 2 out of 10 employees leaving the organization every month. Often managers are not properly trained to work with teams and directing and guiding different teams simultaneously.

	Lower Management	Middle Management	Upper Management
Positive Aspects	Work Environment Growth prospects Money Learning Opportunities Benefits	Learning Skill development Money Fast growth Career prospects	New business areas Growth prospects Manpower availability Client partnerships IT based services
Negative Aspects	Night Shifts Tiring / Boring Stress / Lack of Motivation Attrition	Motivation Night shifts Attrition Stress Daily targets	Tough job HR Issues Competition Increasing cost Client requirements
Challenges	Adapt to change Customer handling Targets Shift and health Competition	Motivation Attrition HR Issues Targets Client Satisfaction Employee satisfaction	HR Issues Competition Operational costs Client standards

Note: Based on the frequency of responses given by interviewees during the interview.

On the other hand upper management showed their concern for meeting Client Demands. Customer-companies tend to demand better results from outsourcing partners than what they could actually expect from their own departments. "When the job is being done 10,000 miles away, demands on parameters such as quality, turn around timeliness, information security, business continuity and disaster recovery, etc, are far higher than at home. So, how to be more efficient than the original?"

4. Opportunities for BPO Industry: employees have shown their optimism towards following factors: -

1. High Growth potential with new organization entering the Indian market. For eg.

European clients also are now coming to India

2. Both client and vendor companies are now moving towards relational based model based on partnerships
3. New areas are opening with introduction R & D, Publications, Market Research and Knowledge Process Outsourcing
5. Major threat for the Indian BPO industry comes out from countries like China who are attracting foreign companies to them and also captive units being set up by the foreign companies themselves in the country. Moreover, the increased competition from local and global vendors is chipping away the profit margins of domestic vendors.

Table 4 : SWOT Analysis

Strengths	Human Resource, Cost and time Advantage, Work culture
Weaknesses	Job requirements, HR Issues like night shifts, stress, Cultural gap, customer handling.
Opportunities	Growth – new business avenues coming up, IT based services, Client partnerships
Threats	Competition, unpredictability, increasing costs, Client demands.

Note: The key issues in each SWOT category are derived on the basis of frequency with which the issues were mentioned by the respondents.

Recommendations

Based on the primary and the secondary data, I conclude with following recommendations:

1. Identify Strengths and Core

Competencies: the BPO's in India should try to identify their strengths and concentrate more on their core competency. As the competition intensifies, the future of any company

will depend upon their quality of services and unique resources.

2. **Effective MIS:** the organisations need to have a thorough understanding of their client organizations and should have strong and effective management information system. Knowledge can be the competitive edge for the vendors which will help them to keep them abreast of the changes occurring, such as new technologies, changing client requirements, government regulations, and customer attitudes.
3. **Emphasize on long-term and value-based relationship with the client:** Indian BPO's should understand that outsourcing is about partnership and not just about providing a service or solution. In order to establish a long-term and mutually beneficial client relationship, they must show their commitment through investing in resources and sharing them with the client.
4. **Establish Realistic Performance Standards and an Active Appraisal System:** BPO's should clearly benchmark their processes and design proper guidelines to ensure that everyone knows what is expected out of them. Proper control checks along with the standards laid down in advance will help to improve quality of their services.
5. **Develop clear communication networks at all levels of management.** Clear and transparent communication of the goals, policies, and plans of the company at all levels is crucial to success. Employee

participation in planning and decision making can be an important tool to improve employee motivation.

6. **Reframing of HR policies** and redesigning of job designs is very important to curb the issue of high attrition rate. Length and frequency of breaks should be increased to avoid stress and boredom in the job.
7. **Creative Ways to Motivate Employees must be designed.** For example, developing a team culture, rotating employees through various jobs, defining a career path, and stabilizing employment are potential options.
8. Efforts must be made to discover critical issues with the help of employee participation and steps must be taken to deal with them. HR department to realize that each employee has unique strengths and weaknesses and is coming from different background. Tailor made programmes must be designed to solve critical individual problems.
9. One of the critical success factors for BPO industry is the ability to adapt to continuous changing and dynamic environment and for this, employees must be open to change. Managers must develop change management skills. Organizations need to develop a culture of continuous learning.

Managerial Implications of the Study

The study examines the strengths and weaknesses of India as a player in BPO Industry. While the major strength of Indian BPO industry is considered to be its qualified manpower available at competitive salaries as compared to their counter parts, the

major challenges including high attrition, work life imbalance, stress and motivation issues faced by the industry are also coming from HR field. The industry must design a special focused curriculum that prepares Indian youth specifically for this industry. BPO managers must take action at both strategic and operational levels. At the strategic level, they need to rethink their business goals, revamp their organizational structures, and improve client-vendor relations. At the operational level, action plans are needed to deal with issues like employee motivation, attrition, and training and development.

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An Empirical Study on Spiritual Leadership

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Abstract

Incorporating spirituality in leadership leads to greater perceptions of trust and organizational support and commitment among employees, which could have positive effects on organizational performance from the perspective of the organization, Spiritual leadership is driven by combination of factors. This paper aims at identifying the key factors that drive spiritual leadership (SL) in individuals. The research design consists of a survey utilizing simple random sampling, involving 209 individuals in the age group of 18-50 years. Relevant statistical analyses have been demonstrated to signify important findings. The degree of association of SL with the determinants is calculated along with constructing a regression equation to measure SL. The analyses bring out the strength of determining factors significantly contributing to the measure of SL, and clustering to establish homogeneity within the sample. There is no spiritual difference between male and female, according to the T-test hypothesis analysis on gender. This research is useful in providing feedbacks to policy makers, administrators and prospective employers and has the potential to understand the level of spirituality and work on its improvisation.

Key Words: spiritual leadership; leadership in organization

1. Introduction

Nearly three-quarters of employees (65% to 75%) report that the worst and the most successful aspect of their job is their immediate boss. Leadership is

fundamentally about achieving goals and making change. Yukl (1998) stated that the process wherein an individual member of a group or organization influences the interpretation of events, the choice of objectives and strategies, the organization of work activities, the motivation of people to achieve the objectives, the maintenance of cooperative relationships, the development of skills and confidence by members and the enlistment of support and cooperation from people outside the group or organization.

Hacker and Johnston (1998), the most important aspect of leadership is aligning individual and organizational vision. They believe this is accomplished by applying spiritual leadership principles such as providing time for clear self-awareness and reflection, encouraging wholeness mindsets to resolve issues and building community and direction by discussing and aligning individual as well as group values.

There are four essential leader characteristics being honest; being forward-looking, inspiring others in pursuit of a shared vision, and competency which followers admire and that give the leader credibility in motivating people to perform and satisfy the basic human need for calling in making a difference (Kouzes and Pozner, 1993).

Before a definition of spirituality in leadership can be provided, one must know that the term 'spirit' relates to the deeper

sense, meaning, or significance of something and 'leader' is one who influences followers to think or behave in some way. Combining the two terms suggest that the leader who incorporates spirituality into his or her leadership will be one who causes others to seek out and understand their inner selves and who fosters a sense of meaning and significance among his or her followers. Thus, one definition of spirituality in leadership is a holistic approach to leadership in which the leader strives to encourage a sense of significance and interconnectedness among employees.

Spiritual leadership involves humbling self and doing the tasks that no one else wants to do. True spiritual leadership, with a spirit of humility and service, will cause people to follow because they want to, not because they have to. Spiritual leadership insists on humility. Humility is the attitude that puts others ahead, that considers others more importance. Spiritual leadership also requires integrity. People do not want to follow a person they do not respect. Spirituality is defined herein as human belief in, movement toward and relationship with a higher purpose or power, self and others, from which a sense of purpose, consciousness, interconnectedness, and destiny, and consequently, a basis for action can be derived.

Spiritual leadership involves the application of spiritual values and principles to the workplace. The spiritual leader understands the importance of employees finding meaning in their work and demonstrates a genuine concern for the "whole" person, not just the employee. The spiritual leader strives for a workplace that is truly a community, consisting of people with shared

traditions, values, and beliefs. Spirituality in leadership implies that the focus will be less on formal position and power, but more on people; less on conformity and more on transformation and diversity; and less on controlling and more on partnership, collaboration, and inspiration. Spirituality in leadership does not require that the leader adhere to a particular religion or that he or she attempt to convince subordinates to pursue a specific set of religious principles.

There is a difference between the leadership and the management. Effective leaders are who increase their employee's bottom lines. Spirituality plays an increasingly important part in the workplace. Many employees look to the workplace as a means of finding meaning in their lives. Many people appear to be estranged from formal religion, which takes away another potential avenue to a sense of self-worth, identity and spiritual growth. Most spend more time in the workplace with their coworkers than anywhere else. Close friendships, courtships, and marriages are common among coworkers. The modern workplace is not just a place where people work, but a place where they form friendships, socialize, and attempt to find a sense of fulfillment. It is also a place where people attempt to make sense of and derive meaning from the activities that comprise what we call "work" and how these activities fit within the greater fabric of individuals' lives. The workplace and spiritual leadership are real issues affecting the quality of life in the modern organization. Successful leaders recognize that spirituality in the workplace positively influences worker and organizational performance (Giacalone and Jurkiewicz, 2003). Spirituality leads people to experience consciousness at a deeper level,

improves their intuitive skills, encourages teamwork, develops more purposeful and compelling organizational vision, and boosts innovation, thereby boosting productivity (White and Jeter, 2002). Thus the aim of the paper is to develop a tool to measure spirituality of individuals.

2 Literature Review

2.1 Leadership in the organizations

2.1.1 Definition of the leadership

According to Conger (1993), the turbulent environment of the twenty-first century requires newer forms of leadership at all levels of the organization (Ford and Ismail, 2006). The organization may lose or gain in the market because of its own leadership ability. Leadership may be defined as the lifting of people's vision to a higher sight, the raising of their performance to a higher standard, the building of their personality beyond its normal limitations (Drucker, 1985). It analyzes attributes and capabilities of the organization in leadership positions, to assist the individuals in the development of their interpersonal relationships and other related skills. These capabilities, attributes and the strategic choices of the leaders add value to organization and inspire their teams to implement those strategies. The players in the leadership are; the leader and the followers. The leader's characteristics and behaviors influence the follower and, -the

Influencing process and its outcomes that occur between the leader and the followers- are analyzed by the leadership concept (Antonakis, 2006). Organizational leadership inspires active followership and the members follow the leader's idea or a systematic process. The systematic processes involve transactions among the followers, which are managed by the leaders. In addition to this, leadership is a

dynamic process and different conditions require different leadership activities. For Hunt (2004), leadership is an influencing process between leaders and the followers and sometimes the roles are changed between the followers and the leaders, where the followers also may legitimize and influence the leaders, so it is not only a top-down process but also exercised sideways, diagonally, and down-up throughout an organizational hierarchy (Antonakis, 2006).

2.1.2 Spiritual leadership

In the rapidly changing global world, the persons need for leadership ethics more than they've needed before. Therefore, investigating the leadership in a deeper manner comes into question. A narrower concept "spiritual leadership" is a type of leadership and will be investigated in our study. The spiritual leadership is about creating value for the organization.

As the organization members know their own responsibilities, a value based leadership will occur in the organization. This common value will keep the organization members together which also helps the organizational tasks to be done willingly. Additionally, by this leadership type, the followers will contribute to compose a better work-environment. The notion of spirituality in the workplace has come into a considerable prominence in the last decade (Gibbons, 2000). Spirituality is the source of harmonizing expression of compassion and wisdom, and sometimes healing the compassion and wisdom, which become in the mind (Maxwell, 2003). It is an intangible concept, composes in the members' mind, flourishes there and inspires to the big strategic projects. It is one of the fundamentals of volunteer working. Although spiritual leaders often espouse the

values such as love, harmony, unity, compassion, peace, truth or honesty; they so often get instead is greed, cynicism, arrogance, impatience, self-doubt, envy, and moral decline (Kakabadse, Kouzmin, and Kakabadse, 2002). Comparing these values make the spiritual leaders find better ethical ways for their followers. In the spiritual leadership, the value is loaded to all over the organization by the help of the ethical skills of the leader. Another important factor for the spiritual leaders is to develop new specialized skills. This means that the leader has to renew him to accommodate for the changes becoming around the organization and the leader has to develop the ability of making big picture analysis. The spiritual leaders are the key players in the organizations, and they are empowered with the roles in helping facilitate the effort of change. Fostering a positive and successful change for the organization begins at the top and works down. This requires loading responsibilities to the members, which may be as hard to succeed. In spiritual environment, the members share the responsibilities more willingly and this facilitates the leader's role.

2.1.3 The theory of spiritual leadership

The theory of spiritual leadership is developed within an intrinsic motivation model that incorporates vision, hope/faith, and altruistic love, theories of workplace spirituality, and spiritual survival; where the spiritual survival variables are meaning /calling and membership (Fry, Vitucci, and Cedillo, 2005). Due to this statement, it can be said that the followers are strictly motivated with the spiritual leaders. There becomes a different atmosphere, which has been created by the spiritual leaders. This atmosphere composes a coherence

between the leaders and the followers, which affects the working environment positively. 'Operationally, spiritual leadership comprises the values, attitudes, and behaviors that are necessary to intrinsically motivate one's self and others, so they have a sense of spiritual survival through calling and membership which entails: 1. Creating a vision wherein leaders and followers experience a sense of calling in that life has meaning and makes a difference; 2. Establishing a social/ organizational culture based on the values of altruistic love whereby leaders and followers have a sense of membership, feel understood and appreciated, and have genuine care, concern, and appreciation for both self and others' (Fry et al., 2005). These definitions direct us to research the spiritual leadership in terms of vision, hope/faith, altruistic love, meaning/calling and membership. Vision defines the attractive future for an organization, which is also in motivator role. It is in the future, not in present. The leader has a crucial role in creating the vision and supervising it, which composes bridges between today and tomorrow. These cond dimension of spiritual leadership is altruistic love, which is to love everybody with no exception. In altruistic love, the people prefer to suffer themselves instead of suffering the others. The third dimension of the spiritual leadership is hope/faith, which keeps followers looking forward to the future and provides the desire and positive expectation that ensures to create effort through intrinsic motivation (Fry et al., 2005). The other dimension is "meaning/calling", in which the organization members believe that the job they do is important and meaningful for them and it makes difference in the people's lives. As the last dimension, "membership" means

that the organization understands the members and appreciates them.

2.2 Factors leading to spiritual leadership

Spiritual leadership is driven by combination of factors. Following are some of the most important factors identified for our empirical study.

Perseverance

Perseverance is when a person, or group of people continue to work towards a goal, no matter what the obstacle are. A good example of this could be Jackie Robinson, who overcame tremendous obstacles to become a hall of fame baseball player. It means steady persistence in adhering to a course of action, a belief, or a purpose.

Theory Logical Oriented

It is the study of the principles of reasoning, especially of the structure of propositions as distinguished from their content and of method and validity in deductive reasoning.

Attitude

The definition of attitude is "Attitudes are learned predispositions towards aspects of our environment. They may be positively or negatively directed towards certain people, service or institutions." They are Job satisfaction, Job involvement, and organizational commitment.

Attitude is a hypothetical construct that represents an individual's like or dislike for an item. Attitudes are positive, negative or neutral views

Self Control

It is an ability to exercise restraint or control over one's feelings, emotions, reactions, etc.

Thinking Hard

It is never letting something go out of focus,

never resting, wiring something to the centre of our consciousness, surrounding it with no fear, engulfed by it that breathlessness is the normal state of mind, courageously walking into the dark holding nothing but a burning desire. Thinking hard is not easy, that is why those who think really hard do great work. Thinking hard means dropping all else, all the vacations we had planned, all the good work intended to do, all our amusements, everything, except that one thought. Buddha did it and he attained a heightened state of consciousness that has guided and still guides a substantial number of humans. It is an act or practice of one that thinks; in other words a way of reasoning, judgment.

3. Research Design Process

3.1 Research Design

The design is the structure of any scientific work. It gives direction and systematizes the research. The research design that we have used is the causal research.

Causal Research

If the objective is to determine which variable might be causing a certain behavior, i.e. whether there is a cause and effect relationship between variables, causal research must be undertaken. In order to determine causality, it is important to hold the variable that is assumed to cause the change in the other variable(s) constant and then measure the changes in the other variable(s). This type of research is very complex and the researcher can never be completely certain that there are not other factors influencing the causal relationship, especially when dealing with people's attitudes and behavior. Causal Research explores the effect of one thing on another and more specifically, the effect of one variable on another. The research is used to measure what impact a specific change will

have on existing norms and allows market researchers to predict hypothetical scenarios upon which a company can base its business plan.

3.2 Sampling Design

Sampling is that part of statistical practice concerned with the selection of an unbiased or random subset of individual observations within a population of individuals intended to yield some knowledge about the population of concern, especially for the purposes of making predictions based on statistical inference. Sampling is an important aspect of data collection. For the research conducted by us we used simple random sampling. The three main advantages of sampling are that cost is lower, data collection is faster, and since the data set is smaller it is possible to ensure homogeneity and to improve the accuracy and quality of the data. Here, the questionnaire designed basically aimed to understand which factors are primarily more important from the perspective of white collar people for spiritual leadership. The questionnaire

consisted of 51 questions with the sample size = 209.

4 Research Analysis

The analysis is done with the help of software SPSS 11.5.

4.1 Reliability assessment scale (alpha)

The concept of reliability has been used to cover several aspects of score consistency. Test reliability indicates the extent to which individual differences in test scores are attributable to “true” differences in the characteristics under consideration and the extent to which they are attributable to chance errors. These errors cannot be avoided or corrected through improved methodology. Cronbach Alpha was found to be 0.8620

4.2 Correlation

In order to test the association of spiritual leadership and its factors a detailed set of statistical analysis was conducted first being a confirmatory Pearson's Correlation as seen in Table 1.

Table 1 : Correlation Analysis

	TP	TTHO	TA	TSC	THT
GRAND TOTAL	.852(**)	.891(**)	.775(**)	.707(**)	.840(**)
TP		.675(**)	.602(**)	.468(**)	.675(**)
TTHO			.590(**)	.613(**)	.657(**)
TA				.482(**)	.618(**)
TSC					.435(**)

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Where, Total of Perseverance (TP), Total of Theory Logical Oriented (TTHO), Total of Attitude (TA), Total of Self Control (TSC) and Total of Hard thinker (THT)

There is a range of correlation coefficients which measures the degree of association between the factors as described below:

The degree of association between total

spirituality and perseverance is 0.852

The degree of association between total spirituality and Theory logical oriented is 0.891 which is quite high.

The degree of association between total spirituality and Attitude is 0.775.

The degree of association between total spirituality and Self Control is 0.707.

The degree of association between total spirituality and Hard Thinker is 0.840.

4.3 Regression Analysis

Testing the overall significance of regression

Regression is the determination of a statistical relationship between two or more variables. In simple regression, there are

only two variables; one variable (defined as independent) is the cause of the behavior of another one (defined as dependent variable). Regression interprets what exists physically i.e. there must be a physical way in which independent variable can affect dependent variable.

As the objective of this study is to identify and assess the effect of components on spiritual leadership, the method of multiple regression analysis has been chosen, as it helps in assessing the individual and the combined effect of independent variables (Perseverance, Theory logical oriented, Attitude, Self Control, Hard Thinker) on the dependent variable (Spirituality levels).

Table 2 : Regression Analysis of Spirituality and its Factors

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.91 (a)	0.91	0.91	.005

a. Predictors: (Constant), GENDER, OCCUPATION, QUALIFICATION, T P, T HO, TA, T SC, T TH

In forward stepwise regression the algorithm adds one independent variable at a time – which explains most of the variation in the dependent variable 'Y'. The next step is of one more variable X2, then rechecking the model to see that both variables form a good model. The process continues with addition of a third and more variables if it still adds up to the explanation of 'Y' (Nargundkar, 2002). The steps used in conducting the regression analysis on the above sample are as follows:

$$Y = A + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + B_5X_5 \dots (1)$$

Y = dependent variable representing the Spiritual Leadership

B1, B2, B3, B4, B5, B6 and B7 are the coefficients of the regression equation

X1 = Perseverance

X2 = Theory logical oriented

X3 = Attitude

X4 = Self Control

X5 = Hard Thinker

A = Constant term

From the above table 4 we can analyze that the regression co-efficient = 0.91 which shows that the independent factors do have a significant impact on the spirituality levels of the workmen.

$$\text{S.Q. (Y)} = -1.85 + 0.267 \text{ TP} + 0.324 \text{ THO} \\ + .174 \text{ TA} + 0.187 \text{ TSC} + 0.258 \text{ THT}$$

From the above table 2, we can analyze that the regression co-efficient = 0.91, which shows that Out of 8 independent variables only 5 independent variables have an impact

on spiritual quotient Y as shown in above equation. There is no impact of Gender, Occupation and Qualification on spiritual quotient.

4.4 Cluster Analysis of Spirituality and its factors

Cluster Analysis is a multi-variant procedure (Nargundkar, 2002) is a group of similar objects. Cluster analysis is an exploratory data analysis tool for solving classification problems. Its object is to sort cases (people, things, events, etc) into groups, or clusters, so that the degree of association is strong between members of the same cluster and weak between members of different clusters. Each cluster thus describes, in

terms of the data collected, the class to which its members belong; and this description may be abstracted through use from the particular to the general class or type.

Cooper and Schindler (2007) have identified five basic steps:

- Selection of sample to be clustered.
- Definition of the variables on which to measure the objects.
- Computation of the similarities through correlation.
- Selection of mutually exclusive clusters.
- Cluster comparison

Table 3 : Final Cluster Centers

	Cluster	
	1	2
Age Range	3	3
Gender	1	1
Qualification	3	3
Occupation	1	1
THT	30	24
TA	19	15
TP	28	22
TTHO	33	24
TSC	18	15

Cluster 1:

The above table explains that there exists homogeneity in considering the impact of the components mentioned above and the spirituality levels between samples in the age range of 31-50 years and gender of male employees whose qualification is up to Graduation whose occupation is service

Cluster 2:

The above table explains that there exists homogeneity in considering the impact of the components mentioned above and the spirituality levels between samples in the age range of 31-50 years and gender of male employees whose qualification is up to Graduation whose occupation is service.

4.5 T Test – Hypothesis statement on Gender

The null hypothesis here is that there is no spiritual difference between male and female

a. Testing of the hypothesis statement of SQ and gender:

Based on previous research that female tends to score higher on measures of Spiritual Quotient than males do, an Independent sample T test examined whether this was apparent in this study. Since females have a high measure of SQ than males and hypotheses 1 holds true.

Table 4 : Group Statistics

	Gender	N	Mean	Std. Deviation	Std. Error Mean
Grand Total	Male	138	107.62	17.08	1.454
	Female	65	110.66	18.505	2.295
TP	Male	138	23.78	4.774	0.406
	Female	65	24.2	4.521	0.561
TTHO	Male	138	26.51	5.504	0.469
	Female	65	27.66	6.022	0.747
TSC	Male	138	15.43	3.187	0.271
	Female	65	16.38	3.44	0.427
TA	Male	138	16.28	3.08	0.262
	Female	65	16.23	2.999	0.372
THT	Male	138	25.61	4.483	0.382
	Female	65	26.18	4.66	0.578

The null hypothesis here is that there is no spiritual difference between male and female.

Table 5

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
Grand Total	Equal variances assumed	.369	.544	-1.154	201	.250	-3.05	2.640	-8.250	2.159
	Equal variances not assumed			-1.121	116.872	.265	-3.05	2.717	-8.427	2.335
TP	Equal variances assumed	.326	.569	-.601	201	.548	-.42	.706	-1.817	.968
	Equal variances not assumed			-.613	131.866	.541	-.42	.693	-1.795	.945

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
TTHO	Equal variances assumed	.742	.390	-1.344	201	.181	-1.15	.854	-2.830	.536
	Equal variances not assumed			-1.301	115.901	.196	-1.15	.882	-2.893	.599
TSC	Equal variances assumed	.022	.883	-1.931	201	.055	-.95	.492	-1.920	.020
	Equal variances not assumed			-1.878	117.268	.063	-.95	.506	-1.951	.052
TA	Equal variances assumed	.067	.796	.113	201	.910	.05	.460	-.854	.958
	Equal variances not assumed			.114	128.587	.909	.05	.455	-.849	.952
THT	Equal variances assumed	.305	.581	-.843	201	.400	-.58	.683	-1.923	.771
	Equal variances not assumed			-.832	121.191	.407	-.58	.693	-1.947	.795

The above table shows that there is no spiritual difference between male and female.

5. Conclusion

The results of this study have original implications for businesses as well as academic researchers that show positive significant correlations with total spirituality and factors like perseverance, theory logical oriented, attitude, self-control, hard thinker in the organizations. From the perspective of the organization, incorporating spirituality in leadership may lead to greater perceptions of trust and organizational support and commitment among employees, which could have positive effects on organizational performance. Spiritual leadership is driven by combination of factors like perseverance, theory logical oriented, attitude, self-control, and hard thinker. Spiritual leadership influences personal and organizational performance. Previously it can be said that

spiritual quotients of female are more than male. But, after the analysis of data, there is no spiritual quotient difference between male and female. Religion and spirituality are two distinct terms. However, people surveyed are not clear about the concept of spirituality. The purpose of spiritual leadership is to create vision and value congruence across the strategic, empowered team and individual levels and, ultimately, to foster higher levels of organizational commitment and productivity. The analyses bring out the strength of determining factors significantly contributing to the measure of SL, clustering to establish homogeneity within the sample. There is no spiritual difference between male and female, according to the T-test hypothesis analysis on gender. This research is useful

in providing feedbacks to policy makers, administrators and prospective employers and has the potential to understand the level of spirituality and work on its improvisation. We believe that the results of this study may be useful for globally acting organizations in planning their strategic maps and increasing their effectiveness. Nevertheless, compare the results and reach a detailed and sensible conclusion.

This concept of spiritual leadership offers each of us the opportunity to become the spiritual leaders of our respective workplaces and of our lives. This study helps us in how to increase productivity and prosperity on every level in the workplace. The vision, purpose, mission, strategy, and their implementation by the Strategic leaders are responsible for creating vision and value of organizations.

As people are not aware about the concept of spiritual leadership, the leaders must inculcate and communicate the concept with their employees. Human resource managers may promote better functioning by appealing to adopt more spiritual values to guide their work and productivity. Spiritual practices such as praying, meditating, reciting holy books and scriptures, performing yoga, making pilgrimages to Holy Saints, attending religious services, reading books of poetry and philosophy and seeking direction from spiritual leaders can also be valuable interventions for helping spiritually oriented personnel clarify and affirm their spiritual values. The concept of spiritual leadership should be included in the curriculum of management courses, as the students are the future managers/leaders.

We should encourage the spiritual leadership learners, if performance appraisals are not a part of the routine

process of the ministry to develop a simple appraisal form.

Strategic leaders have to read the experiences shared by spiritual leaders in their published books which will help in the organizational development at all levels. Organizations should make greater efforts to use spiritual values to bring organizational change. Organizations can facilitate spirituality into organizational change and development by asking personnel whether they can think of ways that their spiritual beliefs and values might help them cope with their organizational and extra organizational stressors. It would be of practical interest for organizations to examine the ways in which spiritual values influence personnel's activity directly and have wider impact on family and social life.

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No	Disagree	Strongly Disagree	Neutral	Agree	Strongly Agree
1 I believe in spirituality.					
2 I understand spirituality.					
3 I follow spiritual leadership in my work place.					
4 Spirituality contributes to good working condition.					
5 Spiritual beliefs help for improve performance and enhance perceptions of the company's potential.					
6 I support my family member for spiritual leadership at home.					
7 Spiritual leadership helps in developing a more purposeful and compelling organizational vision.					
8 Spiritual leadership creates a higher sense of service, greater personal growth and development.					
9 Blessings comfort me.					
10 I set aside time for contemplation and self reflection.					
11 I sense that something is going to happen before it happens.					
12 I consult spiritual healers.					
13 I discuss spirituality openly with family and friends.					
14 I think about serious physical injury that has happened to me.					
15 My parents expected me to attend religious services.					
16 I pay special attention to the foods I eat.					
17 I think about my soul living beyond my body.					
18 I participate in community activities.					
19 I discuss the existence of a higher being.					
20 I have witnessed serious illness in people close to me.					

No	Disagree	Strongly Disagree	Neutral	Agree	Strongly Agree
21 I said my prayers at night as a child.					
22 I remind myself that human beings are here for a purpose.					
23 I practice meditation or other relaxation techniques.					
24 I use spirit guides to help me get through crises.					
25 I volunteer time with the needy, the homeless, etc.					
26 I like to read sacred books.					
27 I have cared for physically ill relatives or friends.					
28 My parents read sacred books to me as a child.					
29 I feel that my life is directed by god.					
30 I use relaxation techniques to reduce stress.					
31 I sense the presence of loved ones who are no longer living.					
32 I attend classes and workshops about spirituality.					
33 I read about spiritual matters.					
34 I think about the experience of past lives.					
35 I currently practice the religion of my birth.					
36 I understand the events of life as part of a divine plan.					
37 I feel connected to my body.					
38 I turn to my angel for guidance.					
39 I devote time to a spiritual community.					
40 Scientific explanations give me peace of mind in confusing life situations.					
41 I have witnessed emotional or psychic trauma in people close to me.					
42 My parents spoke to me about god.					
43 I feel close to god.					
44 Meditation has been a meaningful part of my life.					
45 I attend religious services.					
46 I have experienced emotional or psychic trauma.					

No	Disagree	Strongly Disagree	Neutral	Agree	Strongly Agree
47 I have conversations with people who have died.					
48 I feel the present of a power greater than myself.					
49 I question many of the teachings of religious					
50 I have memories of near-death experiences.					
51 My family practiced specific spiritual rituals.					

Appendix : Questionnaire - Spiritual Leadership and Job Satisfaction

Please rate the extent to which you feel you are spiritual on a scale of 1 to 10, where “1” is “not spiritual” and “10” is “very spiritual”:

1	2	3	4	5	6	7	8	9	10

18. Please rate the extent to which you feel you are religious on a scale of 1 to 10, where “1” is “not religious” and “10” is “very religious”:

1	2	3	4	5	6	7	8	9	10

19. Name :

20. Age range :	18-20	21-30	31-40	41-50	51-60	61-70
21. Gender :						

22. Occupation :

23. Religion :

24. Qualification :



Growth of Indian Insurance Industry in the Era of Liberalisation

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Abstract

The insurance sector is one of the most promising sectors in India. Overall premiums sustained an average growth rate of 10.62 per cent during the period after liberalization of the sector in 1999 till 2009. This was one of the most steady growth patterns witnessed amongst emerging economies in Asian as well as global insurance markets. Higher per capita income, domestic savings and availability of more instruments for parking surplus funds has been facilitating the growth in the activities of insurance sector in India. Indian insurance industry with the largest number of life insurance policies in force in the world, the penetration of insurance as a percentage of GDP stood at 5.2 per cent as of March 2009 as against 1.2 per cent in 2000. In the light of these developments in the insurance industry, this paper signifies the issues of growth of Indian insurance sector particularly in the post-liberalization era.

Key Words: Insurance Penetration, Insurance Density, Per Capita Income, Domestic Savings, Gross Direct Premium, New Policies, Underwritten.

1. Introduction

Insurance services play a pivotal role in generating revenue for the development of any economy. The insurance industry mobilizes large funds through the sale of insurance services to a large number of widespread individuals and organizations in

the global market. According to Dorfman, insurance can be defined in financial perspective and legal perspective. In financial perspective, insurance is a financial arrangement that redistributes the costs of unexpected losses. In legal perspective, insurance is a contractual arrangement whereby one party agrees to compensate another party for losses.

In India, business of insurance is divided into four classes: life insurance, fire insurance, marine insurance and miscellaneous insurance. Life insurers undertake the life insurance business; general insurers handle the rest. Life insurance business is nationalized in 1956 by taking over 245 private insurers. The Life Insurance Corporation of India (LIC) is the only public sector life insurer operating the life insurance business. The General Insurance Corporation (GIC) is established in 1972 by taking over the business of 107 insurers. The details of nationalization of insurance business in India are given in Table 1. GIC has four subsidiaries namely, National Insurance, Oriental Insurance, New India Insurance and United India Insurance. In addition, there are three more companies doing general insurance business in India, viz., Employees State Insurance Corporation, Deposit Insurance Corporation and Export Risk Insurance Corporation.

Table 1: Nationalization of Insurance Companies in India

Name of the Company	Year of Establishment	Head office
Life Insurance Corporation of India	1956	Bombay
General Insurance Corporation:		
i. National Insurance	1972	Calcutta
ii. Oriental Insurance	1972	New Delhi
iii. New India Assurance	1972	New Delhi
iv. United India Assurance	1972	Madras
Employee State Insurance Corporation	1948	New Delhi
Deposit Insurance Corporation	1962	New Delhi
New Delhi Export Risk Insurance Corporation	1957	Bombay

Source: Sharma. S. P., Organization of Indian Insurance, Allied Publications, Gwalior.

2. Issues of Impact of Liberalization on Indian Insurance Sector

After the nationalization, insurance business in India is completely under the state control of through two autonomous corporations – LIC and GIC. In order to liberalize the sector, the Insurance Regulatory and Development Authority (IRDA) Act 1999 bill was passed by the parliament in December 1999. IRDA follows the world pattern of keeping the life insurance and general insurance companies separate. In other words no composite insurance business is encouraged in the insurance market. However, under the new dispensation Indian insurance companies in private sector were permitted to operate in India with the

following conditions: a) Company is formed and registered under the Companies Act, 1956; b) The aggregate holdings of equity shares by a foreign company, either by itself or through its subsidiary companies or its nominees, do not exceed 26%, paid up equity capital of such Indian insurance company; c) The company's sole purpose is to carry on life insurance business or general insurance business or reinsurance business. d) The minimum paid up equity capital for life or general insurance business is Rs.100 crores. e) The minimum paid up equity capital for carrying on reinsurance business has been prescribed as Rs.200 crores.

Table 2 : Registered Insurers in India as on March 2009

Type of business	Public Sector	Private Sector	Total
Life Insurance	1	21	22
General Insurance	6	15	21
Re-insurance	1	–	1
Total	8	36	44

* includes two specialized insurance companies – ECGC and AIC.

Source: IRDA Annual Report.

Today, the industry services the largest number of life insurance policies in the world. By the end of March 2009 there were 22 life insurance companies, 21 general insurance companies and 1 national re-insurer were operating in India. The details of number of public and private sector companies operating in India are shown given in Table 2. Of these 44 companies, 8 are in the public sector and the remaining thirty-six are private sector companies also registered with IRDA. GIC is operating as a public sector re-insurer in India.

The opening of the sector witnessed the introduction of a number of innovative services deserving the attention of the customers and possibly the Indian insurance market is one of the fastest growing markets. As on March 2009, around Rs.4,15,000 crore of assets are under the management of Indian insurance companies, which is almost double the size of the mutual funds industry in India. There

are 29lakhs agents and 3.2lakhs employees working in the insurance industry. Higher per capita income, domestic savings and availability of more instruments for parking surplus funds has been facilitating the growth in the activities of insurance sector in India.

Because of liberalization of the insurance sector and with the entry of new players, the Indian insurance market has become one of the fastest growing insurance markets in the world. Most of the private life insurance companies are joint ventures with recognized foreign players across the globe. The trends in registration of private insurers after the liberalization are given in Table 3. Some of the factors that support the possibilities for increase in the penetration of the Indian insurance market are the emerging socio-economic changes, increased wealth, education and awareness of insurance needs.

Table 3 : Private Insurance Companies Registered with IRDA during Post Liberalization Period.

Year	Private Insurer		Total
	Life	Non-life	
2000-01	5	4	9
2001-02	6	2	8
2002-03	1	2	3
2003-04	—	—	—
2004-05	1	—	1
2005-06	1	—	1
2006-07	1	1	2
2007-08	2	3	5
2008-09	4	3	7
Total	21	15	36

Source: Handbook of Indian Insurance Statistics.

3. Growth of the Insurance Sector in the Era of Liberalization

Growth of insurance markets are described using various key economic indicators as annual premiums, new policies underwritten (contract of insurance come in to force) by the insurers, the relative market share of life and non-life insurance markets, insurance penetration and in terms of insurance density.

Growth in Volume of Insurance Premiums

Volumes of insurance premiums are common indicators used to describe the insurance markets. The growth of life insurance market is described in such a way that as India has a huge middle class population of about 350 million people who can afford to invest in health, life, disability and pension insurance products. It is seen that only 20 per cent of the population

actually invest in life insurance schemes catering to the said products. The amount invested covers only 25 per cent of their actual needs and capacities. Hence, Indian insurance market can be labeled as a practically untapped market, which in its core holds immense potential and scope for growth.

We can observe the fast growth of private players in the total premium collected during the period from 2001-02 to 2008-09 as shown in Table 4. After the liberalization of the sector the private players are increasing their market share enormously in terms of collection of total premiums. In the year 2001-02 the total premium collected by the private players is Rs 272.55 crore which is recorded 4124.31 per cent growth over the previous year, while the total industry growth rate is recorded at 43.54 per cent. This is indicated the market attractiveness of life insurance business immediately after the

Table 4: Gross Direct Premium* Underwritten by Life Insurers (Rs. in crore)

Year	Insurer		Insurer		Total	Growth Rate (%)
	Public Sector Total	Growth Rate (%)	Private Sector Total	Growth Rate (%)		
2001-02	49821.91	42.79	272.55	4124.31	50094.46	43.54
2002-03	54628.49	9.65	1119.06	310.59	55747.55	11.28
2003-04	63533.43	16.30	3120.33	178.83	66653.75	19.56
2004-05	75127.29	18.25	7727.51	147.65	82854.80	24.31
2005-06	90792.22	20.85	15083.54	95.19	105875.76	27.78
2006-07	127822.84	40.79	28253.00	87.08	156075.84	47.38
2007-08	149789.99	17.19	51561.42	82.50	201351.41	29.01
2008-09	157288.04	5.01	64503.22	25.10	221791.26	10.15

* Premium collected in the financial year.

Source: Annual Reports of Insurance Regulatory and Development Authority, India.

one year of liberalization of the sector.

The total premium of the private life insurance players in 2003-04 is Rs.3,120.33 crore which is recorded a growth rate of 178.33 per cent and touched Rs.51,561.42 crore in 2007-08 with an average growth rate of 118.25 per cent per year during the said period. However, in the year 2008-09 the life insurance industry collected the total premium of Rs.2, 21,791.26 crore as against Rs.2, 01,351.41 crore in the previous financial year which is recorded a growth rate of 10.15 per cent. Out of the total Rs.2, 21,791.26 crore premium in 2008-09, Rs.90, 645.78 crore i.e., 40.87 per cent of the total premium was contributed from unit-linked products.

On the other side general insurance sector grew at a Compounded Annual Growth Rate (CAGR) of 15 per cent over the past six

years since 2007. As shown in Table 5, the private insurers recorded a growth rate of 6453.98 per cent during 2001-02. The comparatively lower growth rate for the public insurers needs to be seen in the light of their high base. The premium underwritten by ten private sector insurers in 2007-08 was Rs.10,991.89 crore as against Rs. 8,646.57 crore in 2006-07 exhibiting a growth of 27.12 per cent. The general insurance industry has added Rs. 2,918.27 crore in total premium during the year 2007-08 of which public insurers contributed Rs. 572.94 crore and the private insurers contributed Rs.2,345.32 crore. It can be observed that all the private insurers have reported increase in premiums during 2007-08. Besides, health insurance has also become one of the fastest growing segments in the non-life insurance industry; it has grown by 30 per cent during 2008-09.

Table 5: Gross Direct Premium* Underwritten by Non-Life Insurers (Rs in crore)

Year	Insurer					
	Public Sector Total	Growth Rate (%)	Private Sector Total	Growth Rate (%)	Total	Growth Rate (%)
2001-02	11,917.59	13.59	467.65	6453.98	12,385.24	17.97
2002-03	13,520.44	13.45	1,349.80	188.64	14,870.25	20.06
2003-04	14,284.65	5.65	2,257.83	67.27	16,542.49	11.25
2004-05	14,948.82	4.65	3,507.62	55.35	18,456.45	11.57
2005-06	15,976.44	6.87	5,362.66	52.89	21,339.10	15.62
2006-07	17,283.45	8.18	8,646.57	61.24	25,930.02	21.51
2007-08	17,813.71	3.07	10,991.89	27.12	28,805.60	11.09
2008-09	18,030.75	7.12	12,321.09	12.09	30,351.84	9.09

* Premium collected in the financial year.

Source: Annual Reports of Insurance Regulatory and Development Authority, India.

Growth of New Business of Insurers

In the year 2003-04, two years after the liberalization of the sector, the number of new policies (policies issued in the financial year) underwritten by the life insurers was

increased to 286.27lakh as against 253.70lakh in 2002-03 exhibited a growth of 12.83 per cent. LIC was recorded a negative growth rate of 11.09 per cent in the subsequent year 2004-05.

Table 6: New Policies Underwritten* by Life Insurers (No. of Policies)

Year	Insurer		Insurer		Total	Growth Rate (%)
	Public Sector Total	Growth Rate (%)	Private Sector Total	Growth Rate (%)		
2002-03	24545580	86.75	825094	5.25	25370674	—
2003-04	26968069	9.87	1658847	101.05	28626916	12.83
2004-05	23978123	-11.09	2233075	34.62	26211198	-8.43
2005-06	31590707	31.75	3871410	73.37	35462117	35.29
2006-07	38229292	21.01	7922274	104.64	46151566	30.14
2007-08	37612599	-1.61	13261558	67.40	50874157	10.23
2008-09	35912667	-4.52	15010710	13.19	50923377	0.10

* Policies underwritten in the financial year. Note: 2002-03 taken as base year.

Source: Annual Reports of Insurance Regulatory and Development Authority, India.

As shown in Table 6, the overall growth rate of the industry in terms of new policies issued is always positive except in the year 2004-05. There is an increase in the share of direct selling in total individual new business. Private insurers procured 11.37 per cent of their new business through direct selling. The share of corporate agents in the new business premium procured by the private life insurers was 31.70 per cent in 2008-09. LIC did not procure any new business through direct selling. LIC has 97.34 per cent of the new business premium from individual agents.

In case of non-life insurers as shown in Table 7, the total number of policies issued by the general insurers in 2008-09 was 670.60lakh as against 572.50lakh in 2007-08 which is recorded 17.13 per cent growth over the

previous year. While there is a negative growth rate recorded in the non-life sector in the year 2003-04 and 2006-07. There is a negative growth of 5.47 per cent and 19.48 per cent recorded in the public sector in the consecutive years during 2005-06 and 2006-07, where as the private players recorded a growth rate of 73.92 per cent and 41.85 per cent respectively for the same period. However, there is a balanced growth among public and private sector non-life insurers was recorded during 2008-09.

Market Share of Insurers

Before the liberalization of insurance sector, LIC is the only company dealing with life insurance business. After opening of the sector to other private companies, all the world leaders of life insurance has started

Table 7: New Policies Underwritten* by Non-Life Insurers (No. of Policies)

Year	Insurer		Insurer		Total	Growth Rate (%)
	Public Sector Total	Growth Rate (%)	Private Sector Total	Growth Rate (%)		
2002-03	41885005	86.15	1676907	4.85	43561912	—
2003-04	38427204	–8.26	3298827	96.72	41726031	–4.21
2004-05	42634047	16.15	5144755	55.96	49778802	19.29
2005-06	42193079	–5.47	8947516	73.92	51140595	2.73
2006-07	33972092	–19.48	12692053	41.85	46664145	–8.75
2007-08	38547040	13.47	18703219	47.36	57250259	22.69
2008-09	45137181	17.09	21922906	17.21	67060087	17.13

* Policies underwritten in the financial year.

Note: 2002-03 taken as base year.

Source: Annual Reports of Insurance Regulatory and Development Authority, India.

their operation in India. The opening of the sector to the private players has increased the competition to capture the market share. As shown in Table 8, the market share of life insurers during the period after liberalization of the sector, private players increased their market share from mere 0.54 per cent in 2001-02 to 29.08 per cent in the year 2008-

09. The foreign companies have offered good schemes to lure all types of Indian consumers but unfortunately failed to get the major share of market even after liberalization. Still the LIC is the biggest player in the Indian life insurance market with approximately 71 per cent of market share in 2008-09.

Table 8: Market Share of Life Insurers (%)

Year	Insurer	
	Public Sector	Private Sector
2001-02	99.46	0.54
2002-03	97.99	2.01
2003-04	95.29	4.71
2004-05	90.67	9.33
2005-06	85.75	14.25
2006-07	81.92	18.08
2007-08	74.39	25.61
2008-09	70.92	29.08

Source: Annual Reports of Insurance Regulatory and Development Authority, India.

However, private non-life insurers are gradually increasing their market share over the past few years since liberalization of the sector. As shown in Table 9, the private non-life insurer has a market share of 3.78 per cent in 2001-02 increased to 40.59 percent in the year 2008-09.

Table 9: Market Share of Non-Life Insurers (%)

Year	Insurer	
	Public Sector	Private Sector
2001-02	96.22	3.78
2002-03	90.92	9.08
2003-04	86.35	13.65
2004-05	80.99	19.01
2005-06	73.66	26.34
2006-07	65.28	34.72
2007-08	60.49	39.51
2008-09	59.41	40.59

Source: Annual Reports of Insurance Regulatory and Development Authority, India.

Among the public sector non-life insurers, New India Insurance has the largest market share of 18.97 per cent in 2007-08 followed by oriental insurance with 13.69 per cent, national insurance with 14.40 per cent, oriental insurance with 13.69 per cent and united India insurance has the market share of 13.44 per cent.

General insurance industry during the pre-liberalization period where GIC was the holding company of the four public sector units played an important role in drawing up and in placing the reinsurance programme of each insurance company. As a result the reinsurance programme of the entire market was placed as a single block. GIC organized pools for different classes of business such as fire, marine hull and inter-company cessions amongst companies to increase retention within the country.

Insurance Penetration and Insurance Density in India

Insurance markets can also be differentiated by insurance penetration which is defined as annual insurance premiums as a percentage of Gross Domestic Product (GDP). Some insurance markets are characterized by high levels of insurance penetration and therefore an active insurance market compares to GDP. Another insurance indicator discusses here is the insurance density which is defined as annual insurance premiums in per capita.

The growth rates of insurance penetration and insurance density in India are shown in Table 10 and Table 11 respectively. In India, insurance industry penetration recorded at 2.71 per cent in the year 2000-01 of which life insurance recorded 2.15 per cent and non-life insurance recorded 0.56 per cent. These levels of penetration in life insurance sector reached to 4.60 per cent in life and 0.60 per cent by the end of the year 2008-09.

As per the preliminary estimates of Reserve

Table 10: Insurance Penetration^{*} In India after the Liberalization

Year [#]	Insurer		Total
	Life	Non-life	
2000-2001	2.15	0.56	2.71
2001-2002	2.59	0.67	3.26
2002-2003	2.26	0.62	2.88
2003-2004	2.53	0.64	3.17
2004-2005	2.53	0.61	3.14
2005-2006	4.10	0.60	4.80
2006-2007	4.00	0.60	4.70
2007-2008	4.00	0.60	4.60
2008-2009	4.60	0.60	5.20

^{*} Insurance penetration is measured as ratio of percentage of premium in USD to GDP.

[#] Data Relates to Financial Year.

Source: Sigma Volumes of Swiss Re, Economic Research and Consulting.

Table 11: Insurance Density^{*} in India after the Liberalization

Year [#]	Insurer		Total
	Life	Non-life	
2000-2001	9.1	2.4	11.5
2001-2002	11.7	3.0	14.7
2002-2003	12.9	3.5	16.4
2003-2004	19.7	15.7	4.0
2004-2005	18.3	4.4	22.7
2005-2006	33.2	5.2	38.4
2006-2007	40.4	6.2	46.6
2007-2008	41.2	6.2	47.4
2008-2009	47.7	6.7	54.3

^{*} Insurance density is measured as ratio of premium in US Dollar to total population.

[#] Data pertains to financial year.

Source: Sigma Volumes of Swiss Re, Economic Research and Consulting.

Bank of India (RBI), the net financial saving of the household sector in 2008-09 is 10.9 per cent of GDP at current market prices, is lower than 11.5 per cent in 2007-08. Decline in the household investments in shares and debentures were the main factor responsible for the lower household financial saving in 2008-09. The inflation environment also remained highly volatile during 2008-09; Whole Sale Price Index (WPI) inflation rose to a high of 12.9 per cent in August 2008 and sharply declined thereafter and recorded below 1 per cent by the end March 2009. Hence, as GDP per capita rises, it is expected that individuals will purchase more insurance. According to Swiss Re Economic Research and Consulting, Sigma 2/2010 report on "World Insurance in 2009", insurance penetration in India is currently about 5.2 per cent of its GDP.

Conclusion

The Indian insurance industry has witnessed tremendous growth in the presence of a fairly large number of insurers both in life and non-life segment. While the world is eyeing India for growth and expansion, Indian companies are becoming

increasingly world class. There may be room for many more players in a large underinsured market like India with a population of over one billion. Insurance companies will vie with each other to capture market share through better pricing and client segmentation. The market share was distributed among the private players. A well-regulated insurance industry which moves with the times by offering its customers tailor-made products to satisfy their financial needs is, therefore, essential if we desire to progress towards a worry-free future. With life insurance penetration of being just 4.6% and general insurance penetration of 0.60% by 2009, the opportunities in the Indian market place is immense. The next five years will be challenging but those that can build scale and market share will survive and prosper.

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E-tailing –Exploring New Horizons in Retailing

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Abstract

Retailing has witnessed a dramatic change in the business across the globe. The term e-retailing or e-tailing is the buzzword used in most of the retail organizations. This has given way for the retail outlets to do business over Internet. Most of the organizations are transforming their business models in electronic format. The acronym E-tailing represent the electronic mode of retailing or Electronic retailing which means the business process is done through E-Commerce Websites. The website acts as a front end which reflects the transaction process on the website. The study is an attempt to understand the various aspects of retail business process like merchandising, order fulfillment etc.,.Besides this, to know the business models available to retailers.

Keyword(s): e-tailing, retailing, internet, e-commerce, apparels

1. Introduction

At a basic level, any commercial transaction that involves a direct sale to a consumer at any point of time may be termed as retailing. It can be the selling of apparel, books, music, footwear, grocery items or other things. Such a retail trade could take place in a shopping mall, a mom-and-pop store, a department store, and hypermarket or in a friendly neighborhood grocery shop. Most of such retail trades that can be done through the brick-and-mortar retailing route can be successfully replicated over the Internet as well. In the traditional sense, the term Retailing referred to the final transaction between a business and a customer (B2C).

The acronym E-tailing stands for electronic retailing or e-Retailing. It is the concept of selling of retail goods using electronic media particularly through the Internet medium. There are thousands of storefronts or e-commerce sites on the Internet that are extensions of existing retailers. Penetration of computers and proliferation of the Internet has given rise to many new forms of businesses, such as business process outsourcing, call centre based customer relationship management, remotely managed educational and electronic retailing. E-retailing is an independent business model with specific process involved in it. This paper discusses about the business models in an apparel segment. In general Internet Serve as a communication backbone for the business. Eventually, the models give way for the company to follow a right format to generate revenues and restraining the brand image of the company by putting right strategies in place for example display of right merchandise on the websites. Usually most of the websites are designed around an electronic catalogue format with specifications of the merchandise and auction sites.

With recent research confirming that more and more shoppers are choosing to buy apparel online rather than on the high street. Retailers and brand owners need to evolve their business models towards a multi-channel strategy. It is priority for many companies to invest in e-commerce

considering the critical factors to achieve success in the business. This article takes a look at various factors which transforms a traditional model to Click and mortar business model.

E-Retailing, either as an extension of the existing retail business or an altogether new start-up, has many advantages. Traditional brick-store retailers are placing more emphasis on their electronic channels and evolving into multi-channel retailers to increase their reach and support their retail channels. The new start-ups in e-retailing can be launched from a small room with one PC attached with the outside world through the Internet.

Review of Literature

Lisa H. Wilson (2001) Retail Industry Study has mentioned that many of the advantages of e-commerce were first exploited by retail 'e-businesses' such as Amazon.com, eTrade and Auto-by-tel which were created as Internet versions of traditional bookstores, brokerage firms, and auto dealerships. Freed from the geographic confines and costs of running actual stores, such firms could deliver almost unlimited content on request and could react and make changes in close to real-time. Compared to traditional retail or catalogue operations, this new way of conducting business is changing cost structures. The emergence of these e-businesses has made their 'bricks and mortar' competitors consider their own e-commerce strategies and many now operate their own online stores (e.g., Barnes and Noble, Merrill Lynch).

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The most valuable aspects of Internet shopping as compared to store-based ad catalog shopping are typically perceived to

be competitive pricing, one-source shopping, convenience and time-savings (Corral, 2000).

(Machan, 2000) According to Xceed Intelligence, the apparel industry has traditionally been slow to adopt new business practices, and the outdated practices have consequently slowed down adoption of e-commerce (Masters, 2000). Often heard argument behind the slow take-off lies in the fact that the consumers perceive clothing as products that have to be seen, touched and tried of before the purchase. In addition to the inability to touch, feel or try on clothing on the Internet, consumers have been concerned with returns, security and costs (Kelly 2000) – worries.

Enhanced communication and interaction along the value chain appear to be the main reasons the Internet is used in the business-to-business side of apparel business (Gertner & Stillman, 2001). Forecasting and logistics processes will continue to become exponentially complex, as a great majority of apparel products will continue to be shipped from international manufacturing plants, and as inventory of finished products shrink, retailer assortments will likely grow (Welling, 2000). In the short cycles of apparel seasons and fashions companies such as Capstan Systems who target shippers that specialize in "economically perishable goods" such as consumer electronics and apparel can become key players (Cottrill, 2000).

Young Jun Choi¹, Chung Suk Suh (2005) reported that the development of the internet in the 20th century led to the birth of an electronic marketplace or it is called e-marketplace, which is now a kernel of electronic commerce (e-commerce). An e-marketplace provides a virtual space where

sellers and buyers trade with each other as in the traditional marketplace. Various kinds of economic transactions and buying and selling of goods and services, as well as exchanges of information take place in e-marketplaces. E-marketplaces have become an alternative place for trading. Finally, an e-marketplace can serve as an information agent that provides buyers and sellers with information on products and other participants in the market. These features have been reshaping the economy by affecting the behavior of buyers and sellers.

2. Business Models

B2C e-commerce is a phenomenon involving many different types of retailer, different products, different approaches to the organization of the supply chain, and hence a wide range of models. The model in which firms operates is given below:

- **Bricks & Clicks or Bricks & Mortar :**
The Firms which come under this category already existed as traditional retailers (with physical premises for their sales) but made a transition to e-commerce by offering their products on the Internet.
- **Clicks & Bricks or Clicks & Mortar :**
The firms which launched directly into e-commerce i.e. have no sales physical outlets but subsequently added a logistical back office.

From the point of view of the transport implications, it is useful to distinguish a wider range of types of B2C e-commerce:

- a) **Retail chains who have added the option of online orders to their normal operations:**
In this category it is a development of B2B e-commerce (since an electronic

media is used to contact the customer directly instead of through a business, i.e. a retailer)

- b) **Small apparel retail businesses offering a specialized service or product line:**

In this category small retailers can include businesses of very diverse type and often offering a very narrow product range or highly specialized service (specialized sportswear, custom-made clothing etc.,

- c) **Mail order companies who have extended into online ordering:**

In this category for mail order firms, the transfer to e-modes is a relatively simple process, as it affects only the purchasing end of the process rather than the delivery network. In this respect, due to their experience in distribution, they have a considerable advantage over new e-businesses. The failure of the many e-tailers has been put down to lack of experience in logistics and inability to deliver orders reliably and on time.

- d) **Wholesalers using e-commerce to sell directly to customers:**

In this category E-commerce has made it feasible for some producers/wholesalers to offer their products directly to customers and hence eliminating the retailer as intermediary.

- e) **Pure “e-tailers”** (online retailers without physical outlets).

The relative weight of each category is changing over time, and varies according to the country, as it is influenced in part by the retail structure. In countries such as Italy

which has a large proportion of small independent retailers, these tend to be better represented than in countries, such as the UK, which are dominated by large retail chains. The impact of e-commerce on the logistics of the delivery chain is very different in each of the above categories. It is therefore important in the future to be able to monitor the development of each of the category. Below we look at typical delivery chains being used for supplying goods ordered online, and relate these to the different categories of retailer.

2.1 B2C E-commerce

There are certain essential parameters for an electronic retailing business to be successful. One must consider these components well in advance before setting up an electronic storefront.

The process of procurement, storage and logistics in e-businesses is different from that in traditional brick-store businesses. The e-retail organization has to carefully redesign and integrate various processes to suit the new e-business. Traditional sections of departments and management hierarchy may pose hindrances and bottlenecks in the process of order processing and shipments. For example, the traditional business may require the goods to be present at the warehouse and inspected before being shipped to the customer, but in electronic retailing, shipping of goods from one place to another to a customer would not be possible. The retailer may appoint a local supplier at the city where the customer resides and instruct the supplier to deliver the goods. This would require by passing certain business rules and a lot of faith on the local supplier. It would require business

confidence that the supplier would follow the instructions and deliver the same product in good quantity and perfect quality. Merchandise planning and demand analysis is also difficult in e-retailing, as compared to traditional retail businesses.

In apparel industry companies are caught between a rock and a hard place. Product costs are rising and prices are falling. Companies need to find ways to reduce their costs. E-Commerce enables a company to dramatically reduce the cost of taking orders by letting the buyer do the work. It is particularly beneficial when working with end consumers or many smaller or low volume business customers.

Business-to-consumer (B2C) e-Commerce goes much further than business-to-business (B2B) as it is a powerful marketing tool and can connect the seller directly to the end consumer to drive higher margin sales revenue. It also provides an excellent opportunity to gather customer data and build strong brand loyalty. Business-to-Consumer (B2C) e-commerce portal helps the consumer to know about the specifications of the merchandise available in the website.

E-Business formats differ from one category to another. To incorporate the required business format one should be able to understand the needs of the consumer in business processes. For example, if the Apparel Retail Store is following E-Catalog format, the website provides the database of new merchandise and services to be promoted on it. Besides this, the price tags for the merchandise are displayed on the storefront. To have the right model, the website should be designed in such a way that the interface should be user friendly.

Fig. 1 illustrates some of the delivery

solutions which exist for online buying. The three most common basic alternatives are described below:

The supply chain on the left - [1] shown in **yellow** represents the case of direct delivery from the producer or supplier to the customer. This is possible when customers are able to order online directly from the supplier/producer, or when the retailer passes an order on to the supplier. It is a possibility favored by e-commerce and has obvious advantage for suppliers (since the retailer is cut out of the supply chain), but is currently limited in its development due to the lack of experience on the part of suppliers in organizing the logistics.

The supply chain in the centre - [2] shown in **orange** represents the arrangement which is most common for small/medium sized retail stores. In this case the order management is undertaken by the store itself and the goods delivery made directly from the store to the customer. From the transport point of view, it is the system most similar to the traditional way of shopping - the effect is simply the replacement of the customer's shopping trip by a local delivery trip which, when possible, is chained with other deliveries in the same area.

The supply chain on the right - [3] shown in blue represents a new distribution pattern made possible by B2C e-commerce and consisting of the setting up of 'e-fulfillment centers' at which orders are picked and dispatched. They tend to serve large regions and sometimes make use of 'intermediate' van centres for the local delivery.

E-tailing model: Kalahari.net

Kalahari.net is a South African based business model. It is a web and internet facilitated business which sells products

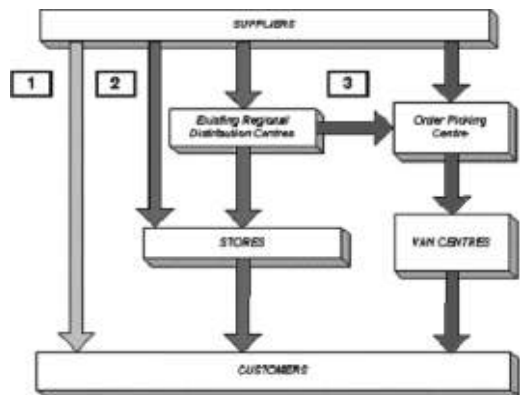


Fig 1: Alternative solutions for B2C e-commerce deliveries

Source:

http://www.trg.soton.ac.uk/rosetta/workareas/5a_etd/etd_pr1_present.htm

such as software, hardware and health care goods. kalahari.net has a number of online partners through which products such as ticketing solutions to theatres and major events may be bought.

Database plays a vital role in e-tailing model of the company. Kalahari is linked to approximately 400 supplier databases all over the world-these ranges from 2 million products down to only 2 products. A primary Kalahari.net database houses all product information (figure 2). Extreme care is taken to ensure the accuracy of the data. There is no room for errors.

Suppliers are totally responsible for providing the data to the primary databases each day. Since it is not possible to manually check such a huge stock database, exception reporting takes place to identify the errors. For example selling price is lower than that of cost price. In addition to exception reporting, a suppliers report is maintained to determine how many suppliers have actually sent through an updated file, at what time did the report come through and how long did it take to upload.

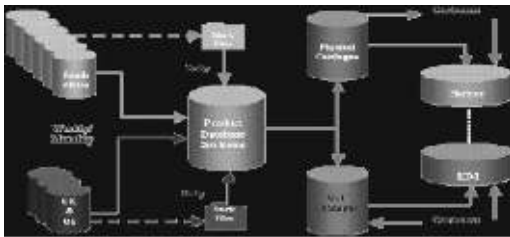


Fig 2: Ensuring suppliers update the database with accurate data is an all important business process. (Source: Kalahari.net)

Ordering and fulfillment

The Kalahari.net Management System which is essentially a CRM system handles all ordering and fulfillment processing. Central to ensuring that these key processes function smoothly, is once again the integrity of the data being handled.

KMS is used to monitor the purchasing cycle. Orders to suppliers are compiled twice daily and depending on the facilities available at the supplier end, these are EDI, FTP and email or manual (via fax). All transactional data relating to orders in the pipeline are handled by KMS.

Without a database there is no website and with no website there is no business. Data is needed to allow us to feed the site. Information is available on the website. What the stock availability is? Our pricing, the number of days to deliver and number of days for products to arrive is essential. We

monitor the supply chain closely. Where the stock is coming from? How much is international or how much is local? The weight, the volumetric mass, delivery dates, when will the customer receive an order, how many customers did receive on time, how many did not to mention only some of the issues.

3. Factors required for Online Business formats

The factor required for the e-commerce is **website**. The aesthetic and easy handling facilities are two important terms in this relation. The aesthetic provides initial attraction along with keeping the visitor long held with the site. The maneuvering easiness keeps the visitor surfing it for long.

The **aesthetics** of the website must provide soothing look and feel and clarity of objects or scripts to the visitor along with sufficient ergonomic considerations, so that the visitor does not feel tired at the earliest. The careful placement of buttons and links provides ease in handling it.

Finally, the **transparency** of services creates faith on the visitor of the site as well as on the customer of the business. Various factors listed below will add more features to the website

- **Strong Branding**

The Website should reflect the Brand

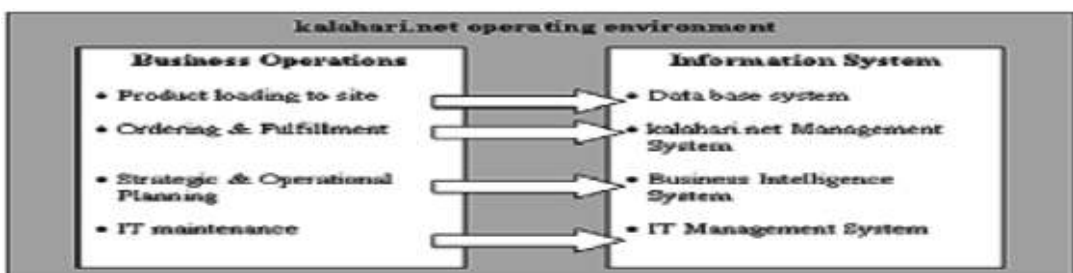


Fig 3: depicts 4 central Information Systems at Kalahari.net

image of the company rather than cluttering with many images and information. Company can generate Revenues by enhancing the store image of the Website. Eventually, the brand equity can be build upon it.

- **Unique Merchandising**

The merchandise offered by the storefront should be unique as the name suggests and carry the brand image of the product or service.

- **Value Addition**

When the consumer buys the product online the storefront should be able to give value added service to the consumers.

2. Few Challenges in E-tailing

- **Channel Conflicts**

Companies selling through the Internet as well as through brick stores may find their interest conflicting at many places. In electronic storefront orders, the goods directly reach the end-consumer and so the distributors and sellers may feel the threat to their existence. Most of the time, it is seen that retailers tend to reduce price over the Net. The sale at the brick store may drop because the retailer may tend to sell more through the Internet as a result of reduction of prices.

- **Legal Issues**

Proper laws have not yet evolved for Internet based transactions. Validity of e-mails, digital signatures and application of copyright laws is being checked by various government authorities. E-mail and digital signatures are now being recognized as valid for any legal purpose. Value Added Tax (VAT) is yet another area that creates problems. Taxes on

goods and services are still an issue. Since the taxes are levied and shared by multiple government agencies at local, state or federal level, there are no clear rules to guide retailers on that. In e-retailing, the place of billing, the place of dispatch of goods and the place of delivery all differ. If these three places fall in different jurisdictions of governments, levy and submission of taxes would be a problem.

- **Security and Privacy**

Security is one of the major challenges in the digital world. Despite a lot of security arrangements, such as passwords and firewalls, we come across the news of website hacking and data pilferages. The Internet being on public domain is more susceptible to unauthorized peeping. People are wary of divulging information regarding their credit cards and personal details on the Net because they can be misused. Cyber criminals have exploited the Internet weaknesses and have broken into computer systems, retrieving passwords and banking information. Security of payment gateway is a major concern, which has to be taken care of by the retailer by putting up proper security layers.

- **Strategy, focus and ownership**

Most retailers and brands have put a toe in the water with a marketing website and perhaps introduced some basic form of e-Commerce. However, e-Commerce has often been handled as a small side line with no designated executive driving it and potential customers often left to

stumble across the e-Commerce site, rather than being managed as an important sales channel. Making a success of e-Commerce requires a clear strategy, ownership and laser focus.

3. Merits of E-Retailing

1. The electronic channel gives the existing brick-store retailers an opportunity to reach new markets.
2. For the existing retailers, it is an extension to leverage their skills and grow revenues and profits without creating an altogether new business.
3. E-Retailing overcomes some limitations of the traditional formats, for instance the customers can shop from the comfort of their homes.
4. The e-commerce software that also traces the customers activities on the Net enables e-retailers to gain valuable insights into their customers shopping behavior.
5. The e-retail channels transcend all barriers of time and space. The retailer's server must be on 24*7. An order can come from any customer living any place at any time of the day.
6. E-Commerce channels are definitely efficient and retailers do not have to pay a heavy price for brick-n-mortar shops in costly shopping malls.

Conclusion

As we can observe in the Retail industry

there is a sea change in the existing retailing format as it is evident from the fact that most of the retailers are transforming the retail format into electronic format i.e., e-tailing or e-retailing for specific category of Apparel products. And there are retailers who wish to stay with the current business model with plethora of offline retail activities lined up as against the pure e-tailers who are directly in the electronic format of retailing (E-tailing). To conclude, retailers will make a choice to be a pure e-tailer or to have store with online formats.

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A Perspective on the Case: “Anatomy of a Crisis”

***Dr Arvind Sudarsan**

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The following is a perspective on the case study published in our January 2011 issue, “The Blow That Shook The Bank” and attempts to analyse the reasons and the remedies for the situation that was reported therein and to find a judicious management solution to the issue. With the use of the fable of the Panchatantra the author tries to answer if the crisis could have been avoided?

Preface

The case brings to mind a story in the Panchatantra called “The Three Fish”. The gist of the story is that three fish overhear that some fishermen have discovered their pond. The first fish leaves immediately. The following day, the second fish is caught by the fishermen and manages to escape, (by his presence of mind), by pretending to be dead. The third fish is also caught and thrashes about in the net (trying to escape) and is killed by the fishermen.

According to one source

(<http://panchatantra.org/tale-of-the-three-fish.html>) the names of the three fish are given as:

1. Anagatavidhata, meaning^{1,2}: one who can foresee events which have not taken place;
2. Pratyutpannamati, meaning: one who is able to handle whatever is happening at the moment; and
3. Yadbhavishya, meaning: one who doesn't care about what will happen; who does not plan for future

Based on the details provided, by and large, the characters in the case would appear to exhibit the characteristics of the third fish. Whichever paradigm one prefers³, it is clear that things have been allowed to deteriorate to their present state as described in the case.

Analysis of Issues & Characters

(This is with reference more to the last set of questions mentioned in the case)

1. Robinson: racist, obnoxious (alienated almost all employees including those in the executive cadre), stupid (not bright). Why is he tolerated at all in the bank? What action was taken to correct his behaviour in the past?
2. Murari Bose: Frustrated due to lack of advancement; leading to over reactions. (Observation: such a situation can lead individuals to become bitter; then their performance is affected and other people complain and treat them worse – it is a vicious cycle.) Why is he not being promoted? Is there a good cause? Has anyone told him? (Apparently not.) If he was a poor performer why was he promoted in the first place?
3. Mukherjee slapping Bose: Where Mukherjee chooses to stay would appear to be his business. It is his responsibility to come on time. So the question arises: does he normally

come on time, or how often is he late? Accordingly he may be dealt with. This issue must be resolved creatively. It cannot be left to go unrecognized for obvious reasons of organizational discipline and morale. No action will be perceived as an invitation for the staff to slap officers.

4. The union can go to the police if they like. The facts are that Mukherjee assaulted Bose and not the other way about. If Bose files a counter charge, it will be Mukherjee facing the music.
5. Conflict management: Apparently issues (1) and (2) were managed by "avoidance", and primarily because of this the present situation has arisen.

Possible Solutions

With reference to Mukherjee, One possible solution would be to give him a suspended punishment contingent on good behaviour (and possibly coming to work on time for the next 6 months or 1 year).

Bose's situation presents a trickier problem. While his age is not mentioned, it would appear that he cannot be very young, so some care should be taken to avoid further harm.

Ideally the organization could try and counsel Bose and help him meet his aspirations – either by finding out his strengths and giving him the appropriate work so that he might prove worthy of promotion; or by providing appropriate training opportunities so as to address any shortcoming he may have which are coming in the way of his advancement. Of course in

case it is clear that for what so ever reason Bose is not likely to achieve any further career progression that too should be made clear with a full explanation and after that it is upto him to decide whether he wants to continue or not.

The third person i.e. Robinson would appear to require both counselling and disciplining on an urgent basis. Indians tend to be extremely tolerant of the racist tendencies on the part of whites particularly, but others are not. For his own future welfare his attitude and behaviour needs to change.

In general there appears to be a lack of proactive management or anticipation of problems much less implementation of any corrective steps on the part of the organization. (Alternatively it may be that problems are recognized but there is a tendency to avoid confrontation.) Either way, some type of remedial training may be useful to foresee and avoid such problems in future.

Notes

1. For all meanings I have referred (informally) to a person knowledgeable in Sanskrit.
2. Unfortunately I am unable to remember/find the source where author renames the three fish as the Strategic Management fish; the Crisis Management fish and the Reactive Management fish.
3. Students of management may also be able to analyze the situation in terms of the "Urgent vs Important" framework of Stephen Covey.



Book Review

Leaders At All Levels :

Ram Charan

Publisher: Wiley India Pvt Ltd., pp184 Paperback, Price Rs 329

Ram Charan's book *Leaders At All Levels* emphasizes on rebuilding succession and leadership development from the ground up. The book is based on his four decades of rich corporate experiences with top CEOs of Fortune 500 companies. He connects the content with real corporates like General Electric, Colgate-Palmolive, Novartis Pharmaceuticals, Textron, and Well Point Inc. He unfolds the shortage of leadership talent at the corporate world and addresses the need to spot the hidden leadership talent within the company at an early stage.

The book is divided into 8 chapters with epilogue titled 'what can a leader do?' At the end of the book it provides the building blocks of the Apprenticeship Model. Usually there is a myth that the only top brass has to be developed. He advocates that leaders have to be developed at all levels. He advises to abandon traditional leadership development practices.

He coins Apprenticeship Model that may sound wrong for business executives, but it isn't. He outlines Leadership Growth Through Concentric Learning. According to this, leaders expand their capabilities through deliberate practice of a core skill in increasingly complex situations. Each new use strengthens the existing core and allows the leader to use it innovatively.

He unfolds three-step process to develop social acumen for leaders. That is, in an early job, the leader selects good people and

gets them working well as a team. In the next job, the leader influences and directs people who don't report to him such as a cross-functional team or a group of suppliers. And finally, the leader runs a global business and builds teams of people from diverse cultures, with which he has no previous experience.

He reveals that some companies like General Electric, Procter & Gamble, Colgate, PepsiCo, and Sherwin-Williams are net producers of senior leaders. If we learn the right lessons from their successes, we can incorporate the underlying principles into a new approach to leadership development and, with renewed effort, produce the kinds of leaders our corporations desperately need, including twenty-first-century CEOs

He shares that leadership can be developed through practice. People can pick up tools and techniques and ideas and insights about leadership from a book or a classroom. A lot of what passes for leadership development for leadership must develop their abilities by practicing in the real world and converting the experience into improved skill and judgment.

He identifies that finding leadership talent early is essential. The path from initial recruitment to the senior level of a company is approximately twenty-five years long and involves, on average, only five jobs before becoming eligible for the CEO post. Most

high-level job incumbents reach that point by the age of about fifty.

The author asserts that three fundamental principles should guide the CEO succession process. The first is to recognize that the CEO's job is quantitatively and qualitatively different from all other jobs; the second is no two CEO jobs are alike; and the third is CEOs are people, complete with their share of human flaws.

Ram suggests that the board must approach the CEO succession decision with passion and intensity, devoting a lot of time and energy to it years in advance. The senior most human resources (HR) executive and, in most cases, the incumbent CEO should be involved, not only to design the tools but also to contribute to the discussion of the business and the candidates and to manage the tricky issues that arise as the list of potential CEO contenders gets whittled down.

Ram pats the young people that those who are coming out of universities and business schools are quick thinkers, conceptually agile, facile with models and numbers, and able to diagnose a situation through data. They often show keen insights into business problems. Many are ambitious and driven.

He reveals about Immelt who pores over the list of 175 top leaders at his company, each and every day, thinking about where they fit, what they can do, and who needs to go into another job soon. As observing and providing feedback becomes part of the boss's everyday routine, it gets to be second nature.

Ram implores leaders to expand themselves beyond a single culture. It's not good enough to have direct reports in other countries. Running a business in China from

New York is a completely different experience from living in China while running the business. The leader must be immersed in that milieu to get the experience necessary to deal with different cultures and different constituencies, such as government agencies, nongovernmental organizations, and the special interest groups that are becoming increasingly influential in corporate affairs.

He explains that leaders must possess both people acumen and business acumen. Anyone can improve his or her ability to select and develop people's talents, but other aspects of people acumen are hard to teach. Leaders with people acumen have good instincts to anticipate problems among individuals who must work together and to get them resolved. When leaders are unable to make good decisions, or any decisions at all, it may be that their business acumen is not expanding. They cannot be considered to have CEO potential.

He investigates that in the 1970s and 1980s, companies like IBM, Xerox, and General Motors had what appeared to be excellent leadership development programs that were regarded as benchmarks within their industries. Yet, none produced the kind of CEOs that were most needed by those companies. Something was wrong in their leadership framework.

Ram reveals why some leaders like Jack Welch and Jeff Immelt at General Electric, Andy Grove of Intel, Reuben Mark of Colgate-Palmolive, Michael Dell of Dell Computer, Andrea Jung of Avon, and Ivan Seidenberg of Verizon are successful at a relatively early age because they expanded their depth and breadth of understanding of business and improved their judgment quickly.

He dwells at length about Colgate's leadership where Colgate's secret weapon is the depth of its leadership, all the way to the top. The company never even missed a beat when longtime CEO Reuben Mark announced in 2006 that insider Ian Cook would succeed him. He further explains Colgate's leadership identification and development process taking place at three levels: local, regional, and global. Local talent may be someone who is relatively early in his or her career but who can make it to the level of reporting directly to a general manager in a subsidiary. Regional talent is someone with more experience, capable of going beyond a subsidiary to responsible positions in regions like Asia or Latin America. The global talent pool is at the core of Colgate's long-term succession planning.

Ram concludes that leadership can't be taught in a classroom, but educational experiences-classroom training, voracious reading, rubbing shoulders with others in seminars-can accelerate a leader's growth. The leadership lessons from the book are as follows:

Leadership Lessons

- Remember that leadership is a job, not a badge of honor.
- The bosses must view leadership as a corporate resource.
- It is the positives that make the person valuable leader.
- If a flaw comes to light, it must be viewed in the context of the particular job and shouldn't necessarily take the leader off the list of high potentials.
- No forty-five-year-old will become the CEO of a major company unless he outshines every boss from the time he enters the company until he is nominated for the job.
- Failure is not necessarily the end of a leader's talent track. Many people who fail in one job flourish when they are reassigned to another that better fits their talents and skills.
- Building the CEO nucleus is a must. Leaders should start with a core understanding of money making, then develop that capability by moving from simple situations to those that are more complex.
- Real leaders exhibit an enthusiasm for selecting people who are better than they are – whether or not they have worked with them before – and then using those subordinates to lift the organization and themselves to new levels of accomplishment.
- A successful succession process must have an explicit component for identifying leaders early who could someday be a CEO and tailoring their experiences, training, and development to both their individual talents and to the demands of that most challenging job.
- Finding the right talent is equally important because growing high-potential leaders is highly resource intensive.
- Finally, filling the CEO Job is the ultimate challenge of any succession and talent development system; it takes a ton of leadership ore to produce an ounce of CEO gold.

Conclusion

Ram Charan advises companies to shed their traditional leadership development programs and practices. He suggests

finding out the root causes of current looming leadership crisis and addressing them immediately. The book contains pearls of wisdom about succession, leadership pipeline and leadership development.

The book outlines tools and techniques and secrets and strategies that enable people to reach higher positions quickly. For instance, it clearly emphasizes that the people who work in line jobs can grow faster than the

ones in staff jobs. Precisely, the book provides a blueprint and paves the way to reach CEO level. The book is worth reading for directors, senior executives and CEOs to learn the ropes of succession and leadership at all levels.

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INDIRA MANAGEMENT REVIEW

Welcomes academic and research articles on subjects of contemporary relevance to the study of Management.

Notes to Contributors

IMR is a vehicle for disseminating today's thinking on everything that moves business. As such, it welcomes serious writing in the form of, critiques, posers, academic or research papers etc. that promote new thought on accepted concepts or initiate new concepts. The subjects may be as varied as logistics and human resources, IT sourcing and the multiplex boom, or the rural markets and RFID. However, a level of academic and professional authority or understanding of the issue on the part of the writer, is a must, while considering the work for publication. We encourage papers with an Indian context, more so if they examine issues with reference to India's place in the bigger international picture. Articles are put through the blind/peer review process before being accepted

Authors are requested to note the following while forwarding written material for publication:

1. The paper should be of max. 15 pages length in MS Word format in Arial font size 12 typed in 1.5 line spacing. Graphs and tables should be in the body of the text and not separate
2. The article should carry a brief abstract not exceeding 100 words profiling the nature of work to follow.
3. Bibliography in the accepted European format should accompany at the end of the article, as shown below :

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Adorno, Theodor, (1964) (1986): The Jargon of Authenticity, London, Routledge and Kegan Paul.

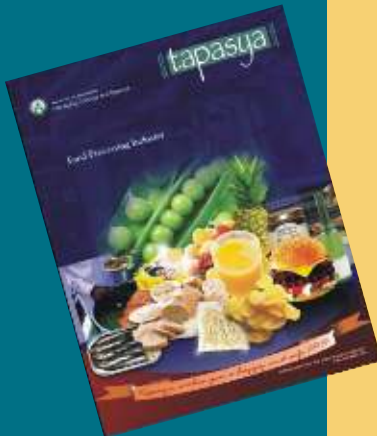
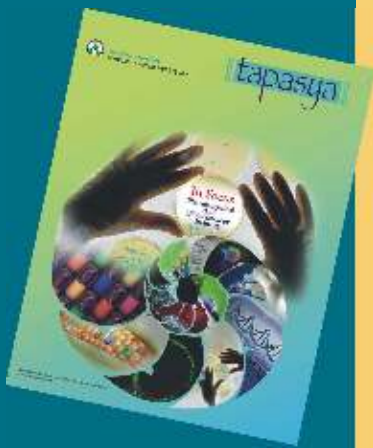
Ahmed Abad and Abraham E (1994): (eds), Management Research in India 2 Vols, AIMS Publication

Argyris, Chris, (1991): "Teaching Smart People How to Learn", Harvard Business Review, May-June.

4. A declaration on the following lines should accompany the article, signed by the author/s

I/ We confirm that the enclosed article (name of article)_____ is the original work of the undersigned and that all referenced material mentioned therein are duly acknowledged by us at the end thereof. I/We confirm responsibility for all the information used in the article which is in the private ownership of other individuals/entities. The article has not been submitted to any other publication/journal and is not under consideration for publication anywhere else. "

- 5 A brief biosketch of the author/s may also be forwarded (max. 100 words each)
- 6 One copy of the text should be couriered to the Editor, Indira Management Review, Shree Chanakya Education Society, 85/5A Tathawade, Pune-Bangalore Bypass, Near Wakad Junction, Pune 411033 and the same be also emailed to vijai@indiraedu.com
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