



सिद्धिमूलं प्रबन्धनम्
भा. प्र. सं. इन्दौर
IIM INDORE

Indore Management Journal

Volume 3 Issue 1

April-June 2011

Indore Management Journal

The Indore Management Journal is published by the Indian Institute of Management Indore, in the belief that management scholars and social scientists should integrate disciplines in an attempt to understand the complexities of contemporary management challenges.

We believe that both researchers and practitioners can contribute by translating understanding into action, by linking theory and practice. These would enhance the relevance and thought in various related fields taking us a little outside traditional fields of management, such as sustainable development. We would like to draw special attention to our openness to such thinking as well as approaches.

This could entail working within one's area or crossing disciplinary boundaries. As an academic journal, we also invite manuscripts from a range of authors. We welcome proposals for special issues from potential guest editors. These could include how the topic or theme fits in with the Indore Management Journal's objectives. The descriptions of manuscripts (or the manuscripts themselves), along with author details should be submitted with the proposal.

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Editorial

We are pleased to release the first issue of Volume 3 of Indore Management Journal. The editorial team is conscious of the fact that there has been a delay in bringing out the first issue of Volume 3. As it is common for any new journal, IMJ is also going through the challenges related to stabilizing its presence. Every attempt is being made by the editorial team to ensure the quality, relevance and usability of the journal is enhanced.

Also, attempts are being made to stabilize IMJ and institutionalize the process of bringing out IMJ on a regular and routine basis. As a first step in this direction, the Editor-in-Chief has stepped aside and handed over the task of managing the activities of the journal to a faculty team. The Editor-in-Chief would continue to remain as a mentor and contribute to IMJ in whatever way he could to the betterment of IMJ.

Volume 3, Issue 1 has the usual mix of view points, perspectives, scholarly articles and book reviews.

It is well known that corruption in public life in India is considered to be one of the major impediments in the progress of our nation. Of late, there has been a lot of public debate on how to address issues related to this and make India corruption free. In this context, IMJ is happy to reproduce (with permission) the thought processes of Shri N.R. Narayana Murthy, which was delivered as the Vikram Sarabhai Memorial Lecture at Ahmedabad Management Association.

This issue also carries a conversation with Dr. Mukesh Batra, an entrepreneur and a homoeopath who made this alternate medicine as an acceptable practice in the Indian context.

As in the past, there are two scholarly articles included in this issue. One article argues why extreme value theory is useful in modeling the market rates better than the conventional measures under the volatile market condition. The second article explores why employees neglect their work or express their grievance / hardship in the context of multinational companies.

A set of reviewed cases presented in the recently held national conference jointly organized by Institute of Management Technology (IMT), Nagpur and Case Research Society of India (CRSI) is included in this issue for wider dissemination.

The perspective section of this issue carries an article on ethical issues in the business context by Dr. A. R. Garde, an experienced and well known professional.

As in the past, the present issue carries an assortment of book reviews. These book reviews cover different topics related to negotiation, limitations of rigidity as a human behavior, change management, repositioning marketing in the emerging economic context and the evolution of new media.

The editorial team is confident that the readers would find this issue useful and enjoyable to read. We look forward to your suggestions and comments to make the future issues of IMJ more useful and relevant.

Editorial Team

Indore Management Journal (IMJ)

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Towards a Corruption-free India¹

N. R. Narayana Murthy

I had the privilege of watching Dr. Sarabhai from a distance and listening to him when he was the Chairman of the Indian Institute of Management - Ahmedabad, and I was a rookie systems programmer at the computer center there. He was a world-class scientist, a superb leader, and a rare visionary. His contribution to Indian Science through his founding of Physical Research Laboratory is well-known. His founding of the Indian Institute of Management was a watershed event in the history of Indian management education. His most important contribution is the use of space technology to the economic well-being of the country through his founding of the Indian Space Research Organization.

His belief in such economic upliftment was reflected in his statement: "But we are convinced that if we are to play a meaningful role nationally, and in the community of nations, we must be second to none in the application of advanced technologies to the real problems of man and society." The best tribute we can pay to such a patriot is by redeeming his dream of making India a better place for all. Such a goal cannot be achieved unless India's governance becomes largely corruption-free. Therefore, I will speak on the importance of fighting corruption.

The India of today is very different from the India of 1971, the year in which Dr. Sarabhai died. We have come a long way from being considered a poor, pitiable, and weak country to an important global economic power. Our GDP growth rate is the second highest in the world. Our exports are flourishing. Our stock exchanges are on fire. Foreign direct investment is galloping. Our cricketers have become top performers. India has more billionaires than Japan. Bollywood music and Indian cuisine are known throughout the world. Our software industry is the talk of the whole world. Our youngsters have done so well that President Obama keeps talking

about how Bangalore will take away jobs from Buffalo. I never thought India would be feared as a job snatcher from the most powerful country in the world - the US! His words are, in essence, an acceptance of India's importance in international trade.

However, this is not the whole story. There is another India that has not participated in this happy story of India's phenomenal economic progress. Our Prime Minister keeps exhorting us to make this impressive economic progress an inclusive one. He is right because India has the largest mass of poor in the world - over 350 million are earning less than Rs. 40 per day. We have the largest mass of illiterates in the world - about 400 million. We have more than 250 million Indians not having access to safe drinking water. We have more than 750 million Indians not having access to decent sanitation. More than 50% of our rural primary schools do not have a teacher for every class. The list goes on.

Unless we create hope and confidence in the future for every Indian, our progress will not be sustainable. This is an onerous responsibility that rests on the shoulders of every one of us, in general, and our youth, in particular. This is where role models like Sarabhai can instill courage, confidence, discipline, honesty, sacrifice and hard work in every one of us to wipe the tears off the eyes of every Indian child - from Nagaland to Rajasthan, and from Kashmir to Kerala.

If we want to achieve inclusive growth, we have a long journey ahead to continue this growth and make our economic progress truly sustainable. Such a dream of bringing inclusive economic growth mandates that we make our economic progress all-pervasive and sustainable over a long period of time to touch every citizen.

Secondly, we must create decent livelihood opportunities for our illiterates and semi-literates in large numbers. We have to move people from dependence on agriculture to manufacturing and

¹ Vikram Sarabhai Memorial Lecture delivered at Ahmedabad Management Association on July, 2011.

Note : IMJ is thankful to the author for his consent to publish his speech.

services so that our agriculture can indeed provide better per-capita income to our people and elevate their lifestyles. This is possible only by enhancing contribution of manufacturing, particularly low-tech manufacturing, and low-tech services to our GDP. The number of people below the poverty line is estimated to be about 350 million. Unless we make the lives of these 350 million people and the other citizens of India better, we would fail as a nation.

How do we do it? First, we have to create at least 80 million such jobs in the next five years. Second, we have to provide decent access to education, healthcare, nutrition and shelter at affordable prices to every Indian. Third, we have to make their already-not-so-pleasant life better by ensuring that they are not harassed for bribes to obtain simple services like ration cards, gas cylinders, driving licenses and obtaining land records from the public governance system.

To create 80 million jobs through low-tech manufacturing and services, we have to improve our infrastructure by building enough roads, ports, power plants and other such infrastructure for industrial activity. Given that this would require huge investments, we have to attract large Indian and foreign investors who will use India as a base for domestic and export-oriented manufacturing. Such large scale domestic and foreign investment will require three factors that create trust in investors. They are: a quick response and investor-friendly bureaucracy; transparency of rules and regulations; and a corruption-free decision-making regime in the government. Here I will cover only the issue of reducing corruption to accelerate our inclusive economic growth.

Nowadays, it is impossible to open a newspaper in India and not see umpteen references to corruption in the country. "There is governance and ethical deficit, admits Chidambaram", "2G spectrum scam: Former telecom minister A Raja arrested", "Senior Maharashtra government official burnt to death by oil mafia", "Indian bureaucracy ranked worst in Asia: Survey", "One in three Indians 'utterly corrupt': Former CVC", "In MP, babus sleep on bed of cash", "Nothing moves in government departments without money: Supreme

Court on corruption", "8 of 16 former Chief Justices of India corrupt: Former Law minister", "Free run for illegal mining, fake permits, fraudulent exports" are some of the clippings from recent newspapers.

Washington-based Global Financial Integrity, a think tank, recently released a report that India lost a staggering US\$ 462 billion in illicit financial flows abroad due to tax evasion, crime, and corruption, post-independence. However, the highly-respected Indian economic journalist, Mr. Swaminathan Iyer, argues that most of the black money is in India itself and not abroad.

A study of 160 small companies in Bangalore, Mumbai and Ahmedabad has showed that 30% of these companies paid bribes of at least Rs. 5,000 per month to a plethora of government inspectors. A study by ASSOCHAM has said that 40% of the price of electricity in India is due to theft and corruption. A study by EXIM Bank has showed that the so-called "transaction cost", a polite term for bribes, raises the cost of exported goods by as much as 25%.

Ramesh Ramanathan, Swati Ramanathan and Raghunandan Thoniparambil of Janaagraha have done extensive work on corruption and on how to reduce it. In their paper titled, "Corruption overview and I Paid A Bribe approach", they talk of two types of corruption - Wholesale and Retail. Wholesale corruption refers to big ticket items of corruption that emanate generally from direct or indirect interaction between business entities and governments. I have already given several examples of Wholesale corruption. I will talk about Retail corruption later. Let me continue with Wholesale corruption.

Let me quote from an article on corruption in <http://www.india-post1947.com> to give you a few more examples of Wholesale corruption. A few snippets from that article are: "Officials often steal state property. In Bihar, more than 80% of the subsidized food aid to poor is stolen. In cities and villages throughout India, Mafia raj consisting of municipal and other government officials, elected politicians, judicial officers, real estate developers and law enforcement officials, acquire, develop and sell land in illegal ways. Many state-funded construction activities in India, such as road building,

are dominated by construction mafias which are groupings of corrupt public works officials, materials suppliers, politicians and construction contractors.

Shoddy construction and material substitution (e.g. mixing sand in cement to reduce the quantity of cement used in actual construction and submitting expenses for full quota of cement) result in roads and highways being dangerous, and sometimes simply washed away when India's heavy monsoon season arrives". The 2G scam, Commonwealth Games and Adarsh Society scam are clear examples of Wholesale corruption.

While Wholesale corruption touches the lives of the rich and affects corporations, Retail corruption affects the daily lives of common people and it involves the over-the-counter transactions between citizens and government officials. People tell me that even such routine transactions as obtaining a gas cylinder, getting a death certificate, being given a bedpan in a hospital to an immobile patient, getting a driving license, registering one's land, and obtaining an approval for one's house plan all require bribes to be paid.

My own experience in buying medical prescription in India, including a recent purchase, is that unless I am very careful about the shop, these drugs are often fake and do not cure the ailment at all. In Government hospitals, corruption is associated with non-availability of medicines, getting admission, consultations with doctors and availing diagnostic services. The annual bribe paid by rickshaw pullers in Delhi to the police is estimated by Ms. Madhu Kishwar to be Rs. 480 Crores! A 2005 study done by Transparency International (TI) in India found that more than 50% of the people had firsthand experience of paying bribe or peddling influence to get a job done in a public office. Transparency International estimates that truckers pay annually \$5 billion in bribes.

Garibi Hatao, the famous slogan introduced by Mrs. Indira Gandhi, has just remained rhetoric even after forty years. Dr. Manmohan Singh's dream of "Inclusive Growth" has not gained momentum, thanks to our corrupt citizens. This is the sorry state of affairs that we have come to in the last sixty years after independence. The opinion of most common people I have talked to

is that it is impossible to live in India unless you submit to the regime of corruption. Of course, the rich, the powerful and the elite do not agree with this since they substitute nepotism for corruption, or pay bribes through service agents.

Janaagraha has created a website called "I Paid A Bribe (IPAB)" where citizens can input their experience with corruption. They collect data in three buckets - I paid a bribe; I did not pay a bribe; and I did not have to pay a bribe. The purpose of this exercise is to help citizens understand this hydra-headed monster called corruption and help citizens and the governments to fight it. Their data shows that of the 11,583 people from 409 towns and cities that have posted their experiences, 10123 people or 86.65% paid a total bribe of Rs. 39.13 Crores; 1165 people (9.96%) got the job done even after refusing to pay any bribe; and 395 (3.39%) of the people were not even asked to pay bribe!

Robert Klitgaard explains the root cause of corruption in a simple yet elegant formula, $C=M+D-A$. In simple words, corruption equals monopoly plus discretion minus accountability. Wherever these conditions are present, be it in the public or private sector, corruption tends to grow. It must be recognized that corruption is all pervasive in India and covers public and private governance systems. However, it is the public governance system that requires our attention here since the amounts spent in this system and its impact on the society are huge and it affects the poor much more than the private governance systems. The returns on reforming the public governance systems are very high. Fortunately, the private governance systems have market competition as a deterrent force to keep errant industrialists under check. In public governance systems which are monopolistic, there is no such force.

Why is combating corruption so important at this stage? This is the first time in the history of India in the last 300 years that we have received some recognition from the world. This is the first time in this period of 300 years that Indians have moved confidently towards economic progress and have created a hope that we may indeed solve the problem of poverty in India. This is the first time that foreigners have shown an interest in India as an investment destination. Our software industry has

become a world-leader and is expected to grow to US\$ 300 billion in the next 10 years. That means most Fortune 2000 corporations will do business with Indian software firms and visit India often.

We have become a member of G-20. India has a decent chance of joining the Security Council. Most thinkers that I have spoken to in India and abroad feel that this window of opportunity, if not used well, is unlikely to come again in the near or medium future. If the world forgets India now, it is unlikely that we will be back on the front burner of people's mind for a long, long time. To seize these wonderful opportunities that I mentioned, India will have to be a nation that engenders trust in the mind of leaders outside.

There is a large body of literature on the negative impact of corruption on economic growth and investment in a country. Corruption results in non-merited and wrong choices, inefficiencies, delays and uncertainties. Economists have established that corruption is likely to reduce GDP growth rate by 0.5% to 1.5%. According to these economists, corruption inflates expenditure and reduces return on capital. Purchases of goods and services will be based on who gives the highest kickback rather than who provides the best value-for-money to the public.

In such environments, the experts believe that large programs will be designed to generate huge illegal income to politicians and bureaucrats rather than to improve the quality of life of people. In other words, only countries with low corruption can enjoy efficient returns on public investments and bring faster and more efficient economic growth. This is particularly true for countries that aim to bring inclusive growth that our Prime Minister wants. Given that we need huge investments to create such inclusive growth, we must be seen as a highly desirable destination for investment, trade, tourism and education. We must be seen as trustworthy, honorable, investor-friendly and hospitable people who will take quick and transparent decisions in the interest of our nation. We must compete with the best of governments in enhancing the confidence and comfort of global business people in doing business with us. These transformations require that we remove corruption from public and private governance.

Now, let me get to the issue of reducing both Wholesale corruption and Retail corruption. Before I go into any specific methods to combat corruption at these two levels, let me talk about an important primal condition necessary for a sustained change in the mindset of people towards a better India. While institutions, systems and rules, and strict implementation of these rules are very important to create a decent and honest society, I am not sure we can achieve any worthwhile progress in creating a corruption-free society unless we have a critical mass of leaders in every aspect of life - politics, bureaucracy, business, academia, military and civil society - who believe in honesty, decency, investor-friendliness, civility, rule of law applicable to everybody irrespective of power and pelf, putting the interest of the country above their personal interest, and pride in the nation.

It is important that our leaders are not just honest but are also courageous to take tough and quick actions against errant people and publicize these actions. Once we build a culture of meeting out quick and heavy punishments far outweighing the gains these culprits have made from corruption, I believe that we will see a gradual snowballing of movement towards a corruption-free India. I believe that compliance by common citizens to rules and norms of a community gains momentum and enthusiastic acceptance when leaders demonstrate their compliance with such rules, regulations and values.

Looking at the state of the country today, this appears to be a tall order but we have to remain optimistic. We should not believe people who tell us that it is not possible to pick a small number of honest politicians and bureaucrats to run our country from among a billion Indians.

The institution of Lokpal when fortified and populated by honest and courageous people is a good instrument for fighting Wholesale corruption. This is where all of us must support the efforts of the government of India and Shri Anna Hazare in arriving at a strong Lokpal Bill which will indeed be able to build a culture of honesty in public governance and in the interface between business leaders and public officials.

I will not go into the details of the various clauses of Jan Lokpal such as whether the Prime Minister must come under the purview of Lokpal, and whether CBI and CVC must work within the ambit of Lokpal. These issues are under discussions among experts and a suitable solution will be found in time. It would have been nice if an all-party committee and a few representatives from the civil society had gone into all aspects of the Bill and come to a quick and good conclusion. On the issue of whether an "unelected group" of people can force the government to do good things is to be judged in the context that the "elected" have not passed the Lokpal Bill for over 43 years! Therefore, it is time for the masses to work with the government to do good things.

Lokpal Bill alone will not be sufficient to reduce corruption. We have to improve merit, transparency and accountability in financial matters, public procurements, public-good auctions, and in appointing key officials. We have to simplify our laws, particularly our direct and indirect tax laws, to improve compliance. Decentralization of power, involvement of the civil society in reviewing complaints about and the progress of a government function, and transparency and accountability of politicians and officers in dealing with the civil society are extremely important to reduce corruption.

It is not just sufficient to pass laws but the central and state governments must be enthused to use these laws to reduce corruption. For example, India passed the Benami Transactions Prohibition Act in 1988 but no government in India has used this act to seize Benami property. It is very important that we start to use this act at least after 23 years! This will serve as a disincentive to corrupt people.

Our economic policies should not encourage corruption. A classical example is the adulteration of diesel with petrol, thanks to differential pricing. This is where direct subsidy to the poor using their unique ID of the UIDAI is a good idea.

We have to devise a finance system for election that addresses three objectives: corruption scandals, rising campaign costs, and equal opportunity for political participation, as pointed out by Mr. E. Sridharan. He

also notes that the thrust of political finance reform in democracies worldwide have four main characteristics: limits on expenditure including sub-limits on particular expenditures; limits on contributions from individuals and organizations; public funding, full or partial, of elections and/or parties; and reporting and disclosure of election, party and candidate finances in a suitable form as an administrative pre-requisite for implementation of any or all of the above.

In my opinion, public funding of elections, as has been done in many developed nations of Europe, is an extremely important step. Audited accounts of political parties must be available for public disclosure within 90 days of the closure of the financial year. Any adverse comments by auditors must result in office bearers being banned from holding any public office for ever.

The punishment for the wholesale bribe taker in India is very light today. We must introduce a rule that recovers at least 2 times the bribe amount plus interest on the bribe amount from the bribe taker, his family and his assigns. The guilty person must be sent to imprison at least for 15 years. We must strengthen our courts to speed up the process of judging the corruption cases and punishing the guilty. We must strengthen institutions and governance processes to improve judicial independence and impartiality, judicial integrity, judicial accountability and judicial transparency.

Management is about progress while administration is about status. Therefore, we have to orient the mindset of bureaucracy towards management from the current administrative mindset. We can do this by linking the increases in salaries and bonuses for senior bureaucrats, ministers and legislators to a few important macro parameters like: GDP growth, improvement in human development index, reduction of number of people below poverty line, net exports, job creation, and improvement in global rankings like those by the Transparency International. The lower level bureaucracy can be incentivized by bonuses linked to clear, objective, measurable progress parameters of their own departments with focus on speed of response, transparency, honesty and accountability.

There have been several suggestions to reduce Retail corruption. In my opinion, use of e-governance systems

to separate the point of delivery of services from the point of decision-making is a good tool to reduce corruption. If the governments can outsource the point of delivery to at least a couple of competing private sector companies, and monitor their performance before renewing the contract, it may help reduce corruption.

Janaagraha has proposed a Token system to reduce deliberate delays in responding to the requests of citizens for services. This is a good suggestion and will perhaps work in most cases. However, there are cases when bureaucrats raise unnecessary and meaningless queries if the parties do not agree to pay bribe. In such cases, your token position is lost. Let me give an example. In 1984 when we imported a computer at Bangalore, the customs officer rejected our concessional duty certificate issued by a Joint Secretary of the Department of Electronics without any rhyme or reason other than that we were unwilling to bribe him. We offered to pay for his telephone call to the Joint Secretary in Delhi and even for the travel of his assistant to Delhi to verify the certificate. In fact, the Joint Secretary called the Bangalore officer, verified the authenticity of the certificate, and reissued the certificate. All went in vain. It took us 10 years to get back the unjustly-levied customs duty!

Dr. Kaushik Basu, a well-known Economist from Cornell University and the current Chief Economic Advisor to the Government of India, has proposed a law to make bribe giving, at least certain classes of low-amount, harassment bribe giving, legal. He believes that, today, post the bribing act, both the bribe giver and the bribe taker are guilty and, therefore, have incentive to keep it secret.

On the other hand, if bribe giving and not taking is made legal, then the bribe giver can co-operate with the authorities post the act to expose the bribe taker. This is akin to the bribe giver turning an approver under the current system and escaping punishment. This sounds an interesting idea and should be tried. The only possible issue with this idea is that the rest of the community of bribe takers may shun the bribe giver, and future transactions of the bribe giver with this community of officials may get affected.

I suggest that every office that offers public governance services is encouraged to install the Token system and a workflow system which details the processes and steps involved and the official involved in each of the steps of the service delivered by the concerned office to citizens. This system must be made completely transparent to the public so that the public knows how long an application for a service is waiting at a given step with a given officer.

In each town or village, there should be a civil society committee formed by the government to review the status of the applications for services once a month. This committee can question the official involved in delayed cases and expedite the process. In addition, it is best that the delivery points of service requests be separated from the decision-making points and given over to at least two competing private sector providers.

In the end, it is all about the value system of people in a society that determines how proper and correct they are in their actions whether they join public or private service. It is also about the pride of our country. This is where "walk the talk" by our leaders becomes extremely important. Studies by experts have shown that societies which have embraced meritocracy and performance orientation are better able to handle problems of corruption. In such societies the aspiration of public servants is to get ahead in their career by hard work, performance and honesty. My hope is that every Indian will work hard, smart and honest to make this country a corruption-free country.

Two major curses against this country are our apathy and our singular hatred of speed. We are probably the slowest country in the world in actionizing our intent. What takes a month in most other countries takes years in our country. It is extremely important that all of us - the government, opposition parties, bureaucracy, corporate leaders, academia, media and the civil society - come together and take quick action to remove corruption from this country. I am positive that it will happen.

N. R. Narayana Murthy is the Founder of Infosys Limited, a global software consulting company headquartered in Bangalore, India. He founded Infosys in 1981, served as the CEO during 1981-2002, and as the Chairman and Chief Mentor during 1981-2011. Under his leadership, Infosys was listed on NASDAQ in 1999. He is currently the Chairman Emeritus of Infosys.

Mr. Murthy articulated, designed and implemented the Global Delivery Model which has become the foundation for the huge success in IT services outsourcing from India. He has led key corporate governance initiatives in India. He is an IT advisor to several Asian countries. He serves on the boards of many companies as well as business schools. The Economist ranked Narayana Murthy among the ten most-admired global business leaders in 2005. He topped the Economic Times list of India's most powerful CEO's for three consecutive years: 2004 to 2006.

He has been awarded the Padma Vibhushan by the Government of India, the Legion d'honneur by the Government of France, and the CBE by the British government.

He is the first Indian winner of Ernst and Young's World Entrepreneur of the year award and the Max Schmidheiny Liberty prize, and has appeared in the rankings of businessmen and innovators published by India Today, Business Standard, Forbes, BusinessWeek, Time, CNN, Fortune and Financial Times. He is a Fellow of the Indian National Academy of Engineering and a foreign member of the US National Academy of Engineering. He has about 25 honorary doctorates from universities in India and abroad.

Dr. Batra's Clinic:

Conversation with Dr. Mukesh Batra

Dr. Batra's Clinic was founded in 1982 by Dr. Mukesh Batra. It started off as a Homeopathic clinic in Mumbai. Over time it has grown into chain of Homeopathic clinics not only in India but also in other countries. It comprises of a product company, Hair Transplant Clinics, and a charitable foundation. These clinics provide state-of-the-art services to more than half a million people all over the world, with the numbers growing steadily. The fundamental business strategy of Dr. Batra's clinic is to innovate, to excel in production and to build a brand that constantly strives for improvement.

With so much happening around him all the time, Dr. Mukesh Batra also ensure that he fulfills his social responsibility diligently. Today by extending help to the underprivileged and the deprived, the group drives greater meaning to its life. Dr. Mukesh Batra, a visionary entrepreneur, has deftly combined professional excellence and personal achievement with social commitment and contribution. Single-handedly pioneering the modern Homeopathy in India, Dr. Batra has not only set up a colossal corporate spread but also extended the medical benefits of this safe and sure medical system through path-breaking initiatives (such as commercial and charitable initiatives).

Dr. Batra was at IIM Indore to speak on the occasion of the Third Management Consultation on Healthcare in India in March, 2010. The IMJ team led by Dr. N. Ravichandran had a conversation with Dr. Batra on a wide range of issues related to Dr. Batra's Clinic. A brief overview of the conversation is presented here.

IMJ: We know you as a prominent representative in the field of homeopathy, we know you through your aggressive advertisements and innovative methods of communications to the people. Some of the communications give a terse message, scaring the person at first and then assure them that it can be cured. No one can miss the message. Business people may not see you but they see the business of what

you do. It would be a good idea to start the conversation from how and where it all began and where you have reached now.

Dr. Batra: Thank you so much and it's my pleasure to be here. I am in this position because of the public and the medical association. I come from a family of homeopaths. My father is a homeopath my son is a homeopath; we have 100 years of homeopath in our family. So it was the easiest thing I could do. It comes naturally and it was a childhood decision. I used to give medicines to my father's patients. It was a kind of gut feeling and even then as I grew up in an atmosphere of homeopathy.

Gradually in 1973, I realised that medicine cannot actually be inherited; it is a legacy that can be passed on to anybody; you have to earn it yourself like any other professions. Therefore, I decided to start it on my own and not sit with my father. My father was the Principal of an institute and had a decent practice at that time. As soon as I graduated from college, I was one of the first students to be offered a job as a lecturer in the college. I declined the offer and my father was very upset with me. He didn't talk to me for days.

My aim was to become a clinician. I wanted to be with patients and learn from them. I wanted to start on my own, and actually I was under study with a homeopath doctor. Within six months that doctor left the clinic that belonged to my father's friend. My father had contributed significantly in setting up that clinic. When the other doctor was about to leave, my father suggested that I look after the clinic. However, he turned down my father's proposal saying that he wanted someone very senior and well respected and not a rank junior. The lesson I learnt was that in medicine it is age and experience that matters. You need

grey hairs to dispense white pills. I didn't have grey hairs at that time. I grew a mustache and wore spectacles that didn't help much. I was lucky as he allowed me to look after the clinic for two months only on a trial basis. Fortunately I used those two months to visit the grass root level people in the slums and suburbs and tried to convince them to take homeopathic medicine.

It must be borne in mind that when I took homeopathy it was not an accepted profession. When I chose this profession, I was received with mixed feelings. For example, people around me in parties, turned away when they learnt that I was practicing homeopathy. There was no social acceptance. Homeopathy was perceived as something which people can read from books and practise. They wouldn't ever accept that we had spent 5 ½ years in a medical college and had gone through professional study.

In another instance, I was examining a famous lady, who had a history of migraine. I enquired about her periods as part of the history of migraine. She was offended and banged the door. Actually as practitioners, we had to catch hold of people on a one to one basis and convince them that homeopathy works. So for me, the whole profession was a huge mission and I followed it with passion. If it were for money, reputation or something else it would have been died long time ago, or it would have become outdated. But for me it was a passion. I took it as a real challenge. My forefathers struggled to make homeopathy work and to some extent they succeeded. I thought I must take it forward in my own way and I started my practice by setting up my own small clinic in 1982.

IMJ: So, you left the clinic that belongs to your father's friend?

Dr. Batra: Well I rendered my complete free service there for 7 to 9 years.

IMJ: What happened to that two months' agreement on a trial basis?

Dr. Batra: I actually did well there. I doubled the OPD. The patient visits moved up from about 25 to 50 patients a day. The patients include ministers and VIPs. They were very happy with my performance and did not want me to quit. But, like all the directors on board they did not want to admit my contribution.

IMJ: This happened in Bombay, were you born and brought up in Bombay?

Dr. Batra: I was born in Lucknow, and was brought up in Agra. I did my schooling in Lucknow till sixth standard. My father was working as a Principal of an institute there. He was transferred from Lucknow to Bombay. My parents felt that I would be lonely and I came to Bombay in 1963.

IMJ: Was the doctor who gave you a chance, whose clinic was built up by your father in Bombay too?

Dr. Batra: Yes, he was in Bombay. That was the first job I did. I worked for nine years and there I learnt my next lesson. After 9 years of service, I took my wife to a nearby hill station for a day's vacation. We sat on the foot board in the train, since we couldn't afford a reserved seat. I went only for one day, and when I came back, I was blasted by one of the patients. The patient was suffering from pain due to Thrombus Veins. There was no phone at that time and as a result they couldn't contact me when they needed my help. I realised that patients could be more demanding and selfish. They think about themselves and not about the doctor. They think that the doctor is only to serve them and there is no personal life of a doctor. He yelled at me and suggested that I become a teacher if I wanted to take holidays. I declined that willful suggestion and started my own clinic in 1982.

IMJ: We would like to know about your siblings?

Dr. Batra: I have two brothers but neither of them is a doctor: one is a chartered accountant who looks after the construction and other is a lawyer.

IMJ: Tell us about your first clinic.

Dr. Batra: I started my first clinic in 1982 in Choupaty. When I went out to borrow money for the clinic, it was virtually impossible to get loans as there was a strong perception among the lenders that a homeopath cannot repay the loans. I needed a computer and at that time it cost Rs.1, 25,000. It was huge one with very big monitor. A filter had to be placed before the screen to prevent damage to the eyes I also got huge & noisy printer.

I did manage to get loan from my friends which took 10 years to repay. I was earning 25000 from practice in some other clinics. The break -even at that time was 65000 Rupees which took 3 times my income. In 1982 I repaid the loans which I took on a personal level from friends at the interest rate of 3% per month (36% per annum), similar to the interest rate in film industry. I think homeopathy was not as risky as film industry but it was perceived to be as riskier as producing a film. The lesson I learnt was that nothing comes without risk. Every entrepreneur has to take a calculated risk which I was willing. Throughout my career I have always taken a calculated risk and never gambled. I don't smoke, I don't drink, I am a vegetarian and a Satwik person.

IMJ: Do you mean that you started your clinic with money borrowed solely from friends? No bank lent you any loan nor you tapped any conventional sources like your in-laws or brothers?

Dr. Batra: No, I never do that. Everything I did was on my own. I am very proud that I am completely a self driven person.

IMJ: This was in spite of your father being a renowned practitioner?

Dr. Batra: I never depend on anyone, my in-laws were doctors and specialists, but I never borrowed from anybody and I just did it on my own.

IMJ: You just wanted to be on your own?

Dr. Batra: I wanted to accomplish on my own. I take pride in whatever I have achieved so far because, I did it by myself, and I did it in the right way. I have always paid the taxes. I have not taken any shortcuts and did nothing silly in my life and that's the thing I feel proud of . Even now people ask me whether I am worried about setting up such a large but compact business. My reply to them is No! I am not worried even if it fails; because I know how to set up this business. In the beginning I didn't know how to do it, now I know it, it's much easier now.

IMJ: Can you give us a idea of how big your company is?

Dr. Batra: It is not a very big company, we are a group of companies, and we are still growing. Our turnover is around Rupees 80 Crores. We have 700 employees and about 250 doctors. We have 55 branches in four countries. We have made our presence in Dubai. Our company is a part of SEC, Dubai health care city and is growing at the rate of hundred percent. Our company in UK is also growing at a rate of hundred percent. We were the first homeopathy company to enter Harley Street which is considered the Mecca of Oral Medicine. No homeopathy doctors were allowed there, but we are running our clinic there since last year.

IMJ: Where is Harley Street?

Dr. Batra: Harley Street is in central London. It is a whole road in central London full of super specialty doctor. It is big thing for us, and people from all part of the world come there for super specialty treatments and the best

surgeons and best doctors in the world practice there. It is a prestigious thing for us. However, we had a tough time convincing them that homeopathy should be part of it because they thought that the presence of a homeopath person may downgrade the prestige associated with Harley Street. So entering Haley Street was a challenge. Similarly, in Dubai we are the only homeopathy company to be in healthcare city. We had to be very stringent, quality conscious, we had something called CPQ to follow the Harvard medical protocol. Because of the processes we built into our company, we found it very easy to be a part of it; we did it all at one shot for the first time. We were also awarded the best new comer in healthcare segment in Dubai last year. It has been an interesting journey so far.

IMJ: In legal parlance are you a public limited or a private limited company?

Dr. Batra: We are a private limited company.

IMJ: Will you continue as one or will you become a public limited company?

Dr. Batra: Honestly speaking, I don't know because it is not my private area. I actually decided to enter into a zero debt policy; whatever we earn, we put back into the company. We never take back money from the company. I own hundred percent of my company; we don't have any partners. We don't have any franchises in India, we own the whole business, and we manage them on our own. We own hundred percent of our company in Dubai and in UK as well.

IMJ: How many clinics do you have in India?

Dr. Batra: In India we have 55 clinics in 20 cities (In 2011 it has become 79 super-specialty clinics spread across 33 cities in India, Dubai and UK).

IMJ: Can you tell us more about how this model work and how you expand the business?

Dr. Batra: Basically I have to go back to the story I left unfinished, that actually gave me confidence in my work in my own clinic, I did that till 1996. In spite of doing well, I felt that I was not getting Job satisfaction. I was seeing nearly about 325 patients per day, and people from all over the world would wait in long queues to have my appointment. I kept office timing from 9 am to 6 pm, so that I could be with my family rest of the time. When one sees a lot of patients, one actually doesn't realise whether they are recovering through one's treatment or not. Many years later a patient would say, " you treated my son and he got well !" Some patients may say that treatment didn't work and I had to go to an allopath hospital. So you know, it will never give a satisfaction of doing quality work. Well it was more like a general practice. I soon got disillusioned and I was not quite happy with what I was doing.

IMJ: How much did you charge these patients then?

Dr. Batra: I would charge anywhere between Rs. 150-500. The fee was very nominal according to Mumbai standards.

IMJ: About 300 patients per day, so it would have fetched you lot of money?

Dr. Batra: I did it very well. It was like a business school for me; a lot of money because they were nearly like a 300 patients per day. It was gained after nine years of struggle but I was not willing to chase the money. In 1996, I invited Dr. Manmohan Singh and Mr. Subramanian who was the then Governor of Maharashtra and inaugurated a specialty clinic in homeopathy. It was again a new concept.

Prior to that about a year ago I had invited the Director of Lintas and initiated research with them. We prepared potions. I spent nearly Rupees 10 Lakhs in that research, which was big money in 1996. After doing all that exercise I got two patients. It taught me a moral and gave me a sound business lesson. In

experimental research, we should not bother about the money that we put and what we get in return. It is the perspective that we learn. I was able to learn about diseases.

I learnt about 14 diseases for which people approached homeopathy. I have treated nearly 50,000 people from 1974 to 1996. We have recorded the data. We discovered that we got good results for those 14 diseases, for which there were no proven results in conventional medicines. We put these 14 diseases in a brochure form. That's how the specialty clinic started. I invited Dr. Manmohan Singh to inaugurate that and it all went very well.

Ultimately it was recorded in all the media. Even the first clinic which I started in 1982 was mentioned as the first standardized and computerized clinic in the world, as no one had any medical reports in electronic form at that time. Then all the banks returned and asked me to take their money. All the people who had refused me earlier also came back; but I replied that I do not need it now. So I realized that an idea whose time has come for launch cannot be stopped for want of money or fame.

IMJ: Did this marketing give you an idea of specialty clinic that may be worthwhile for homeopathy?

Dr. Batra: When I reduced my practice I started charging a package fee, which is a first of its kind in the history of medicine. In this scheme, I started treating patients, in a single package or more depending on the disease. I shifted from 325 patients to only two patients and was very happy doing that. I took nearly one year to pick up and in a span of one year all my appointments were booked for the next one year. I did all the planning and like all other professionals, I charged for the time.

The other aspects I realized was that there is no "shelf" life for a professionals' time. It is not a product that can be kept and used later.

The value of time is huge and I set time slots professionally, rather than selling medicines. I realized that people pay for the advice and the experience with the doctors and not for the medicines that were prescribed. I reached a stage when I had no time for any appointment for the next one year. Again I realised that it was a silly thing to do. Again in one year I changed my business model, and realized that I cannot go beyond this.

IMJ: Sir, earlier you practiced as a general practitioner, people came and you provided what they wanted. It was like a transaction. Then you did research but it didn't take you so far in terms of money and popularity. But you said, through research you actually learnt on what homeopathy works on and you specialized in treating about 14 diseases. Later you said you entered the package model. Can you explain what do you mean by that?

Dr. Batra: I took an annual fee in advance, a low membership from the patients. The patients could visit me as many times as they wish but a minimum of one appointment in a month, and take as many medicines as required. In case they can't come, they could also collect the medicines by couriers, but I preferred that they come as often as possible.

IMJ: So the patient is under your healthcare which means they are under your care.

Dr. Batra: Yes, but it is basically limited to the 14 diseases which we are sure can be cured as has been clinically proven in the past. Usually the patients said that they were suffering for a long time, it may be dermatitis, or any other chronic disease like arthritis. I have many of such patients.

IMJ: Is this package deal functional only in Bombay?

Dr. Batra: Yes, this was in Bombay and I was the only doctor with some staffs with me. During this time I started advertising. When I started the

specialty clinic I thought it was necessary to advertise, so that people would know of the services we are offering. People usually do not know that homeopathy can successfully treat many kinds of diseases including long stranding illness. We felt we need to popularize. Till 1996 we didn't advertise, we experimented with small, advertisements, and then we built on it.

When we were doing such advertisements we had a call from Mauritius, requesting us to start a clinic in Mauritius. Actually it was quite exciting for us. We agreed and signed up the MoU and did all the work to be done. I went to Mauritius to launch the clinic and somebody suggested to us to invite the Vice President to inaugurate the clinic. When I approached him, he realized that I was a homeopath. He shouted at me saying that he would put me behind bars, because homeopathy is illegal in Mauritius and is not recognized. I still remember his words "Dr. Batra I am the head of Council; you cannot expect a Vice President of the country to inaugurate a room", and he was furious. I replied saying that I will not do it illegally.

Fortunately, for me he had a illness which I could notice. So I asked him "can I help you ?", but he said, "No, nobody can help me, I have been all over the world". I said "Give me a chance and I'll see to it that you are cured". Finally he became convinced and turned a friend. I assured him that though my clinic was ready, I will not start. I also decided to call for a press conference the next day to let them know that I will not start the practice and will wait till it is recognized. So, we were waiting for the government to legalize us. And from then on I went there in regular intervals for the next six months. I used to sit for hours outside the health minister's cabin and the health secretary's cabin.

IMJ: But you did not give up....

Dr. Batra: No, I never gave up and I visited regularly for six months. I started meeting the President, Vice President, Health Minister and the whole lot of other ministers and finally they all became friends. But they did not legalize it. Ultimately something good happened. They said they were now convinced and would pass it in the parliament. I was proud to think that I was instrumental in getting homeopathy recognized in that land. After that they beamed my bio-pic in prime time, on television as a person who brought medicine to a country. That was an interesting phase in my life.

The same was introduced in gulf countries too. Homeopathic medicine contains alcohol which is considered anti-Islamic. Somehow we managed to first introduce it in Oman. They recognized homeopathy and there we entered into a partnership with a hospital named Lama Polyclinic. Still we have one floor in that hospital for homeopathy. There we have diagnostic staff. From Oman, we went into Dubai health care city and then to London. That is the international business aspect of our company.

During the same time in 1996, I planned to start a branch in Bangalore which was incidentally inaugurated by Mr. Shatrughan Sinha who was the Governor at that time. Then we went to Baroda. One of the doctors working with me said, "Sir, I am getting married in Baroda and can I work for you in Baroda ?", and I said " ok, let's start". It was all unplanned. It was like a gift because people who worked with me volunteered this decision.

We never do any marketing research. We carried on wherever is possible. It was like a calling for us. I used to work from Monday to Friday in Mumbai, weekends in other Clinics, once in a month in Mauritius and Bangalore. All these put a huge strain on me physically. It was like nearly 700 to 800 patients

and I had to see them in those two days. But it was working successfully as Dr. Batra's clinic. People were very happy and it worked well. It was like a collection of doctors in a clinic.

Even though all were separate clinics, they kept all case sheets ready and when I visit the clinic they discuss with me and prepared the prescription and it worked like that. I thought this cannot be the end, and I was convinced in the next step. I felt, I should replicate myself into 100 to 500 Dr. Batras and if I am unable to do that then I can't withdraw from all these things.

In 2001, I turned my company into a Corporate and slowly started withdrawing from my practice. Over a period, our company was rated among the last according to a market survey report. Our patients would say the following: " The clinic means Dr. Batra but Dr. Batra is not to be seen," and second, they were happy to pay any amount of money and get treated, but only by Dr. Batra and not by his assistants. Third, they would say that Dr. Batra is great in his treatment and we wish we could be healed only by him but not by his juniors. We don't trust them.

It was a huge and conscious exercise to get out from the dependency of people because I was also a public figure in many ways at that time. I was worshiped like a Hero and Dr. Batra was a household name over the countries in the world. It was very difficult to disassociate from that. I consciously hide myself for five years to withdraw and not to practice. I also wanted to set up these companies; so I built it as a corporate structure, with a back office support and a front office. It took me 5 to 6 years, to set up all the process. Now it is nearing ten years and is not yet complete.

I felt I should train doctors and they need to work independently. By and large they work

independently even now. Now we have a network, which started five years ago. We have all our doctors networked together, and we have all case histories archived and if I have to look at any case, I could see the case history and I could advice. After five years of setting up the company I felt I was missing my practice. Being a professional, I wanted to get back. People said that I was so gifted and talented and wondered why I didn't use it for benefit of people.

Administrative work is tough but still we wanted to extend our services to many people. Like you would want to shake hands with your students; I wanted to shake hand with my patients. So I started working one day in my clinic in Bombay and one day in Delhi which I still do. I meet my patients who have been visiting me for the last 20 to 30 years; I've taken them back and their families; some difficult cases, second opinion, advice, and usually such things. So now I am a combination of a doctor and an administrator, predominantly an administrator and less of a doctor. I also teach my doctors at least once in a month all over the country.

IMJ: Facilitated through Video conferencing, is it?

Dr. Batra: In Bombay and Delhi it is live training, but in other places training is done through video conferencing.

IMJ: How does this model work? Can you please tell us about that? You said you started up clinic in Baroda as one of your doctors was getting married there. As she was relocating there you setup the clinic with facilities. What is the need for you and what is the need for the doctor? How does it work?

Dr. Batra: The need for the doctor is life time opportunities for her as she is relocating there, she is nearby and she can work and continue with her profession. There are not many opportunities. The gain for me is plain luck,

because that made me to open a clinic in Baroda.

IMJ: Who owns the clinic at Baroda?

Dr. Batra: It is still owned by me and the doctors are paid by me. My doctors are paid very fancy salary, with accommodation; sometimes with a car and driver depending at what level they are. The highest amount paid to some of our doctors is 3 lakhs per month. The lowest amount paid to the doctors is between rupees 12000 to 15000 per month. Out of the 250 doctors about 10 to 11 doctors are in the highest pay bandwidth and the average payment to the doctors is about Rupees 50,000 to 60,000 per month. The payments are made either by cash or cheque.

IMJI: How do you sustain this?

Dr. Batra: They are good people and they pay for themselves. They bring of business, moving around everywhere they contribute in terms of quality. There is no risk involved in this model. My doctors are paid incentives depending on the number of cases and the results they bring to the clinic.

IMJ: How do you ensure the quality and the way they behave, their treatment, their prescription? How does homeopathy work actually? Is it opinion based or protocol based?

Dr. Batra: It is opinion based and very difficult to standardize like most of the other systems of medicine. By and large to standardize it we follow a process, i.e. we follow international protocols. For example if it is a skin disease, we ensure that these are the things to be checked and the ERP program does not let you proceed to next level unless these are ticked the standardization of fundamentals is done this way and the rest is done through training. It is one single Dr. Batra's method of prescribing homeopathic medicine, which is followed in clinics all over the world. So

they have freedom to choose within that method.

IMJ: But they have to sustain within that method, which is a limitation in some sense because the doctor is young and not Dr. Batra.

Dr. Batra: It is not a limitation, everything comes out of experience. There is a wide scope for variations within that system, and it is not restrictive. It is a larger philosophy and within that you have to find your own mission

IMJ: How do you actually know if your diagnosis is right or wrong? For example, I walk up to a clinic for skin treatment and the doctor keeps on giving me something without telling what is happening to me. I just go with a faith in him and I know it's not a life threatening disease; at the worst I may become ugly. If I don't get better treatment, I go to the next doctor. It is the general thinking of a patient. So how do you know your diagnosis is correct and you can cure the patient?

Dr. Batra: It is not purely based on opinion. When we follow all these protocols, there are mandatory tests that we have to do for particular diseases. We make sure that we do this. For example if it is rheumatoid arthritis in women not in men, it is mostly due to thyroid and the rest due to anemia. 30% of them are thyroid patients and 20% are anemic; the rest are caused due to stress. Because it is basically an autoimmune disease, for these patients, we do a thyroid test. If it is abnormal we correct them. When we do that it automatically sets right, for example, in the case of hair loss among women, we found lower levels of serum ferritin. Their hair is ok but the iron absorption and binding capacity is low so when we give homeopathic iron supplement they get cured completely.

And we also found that patients who lose hair generally have little hair in their chin, face; suffer from irregular periods. These symptoms are enough for our diagnoses. We take

sonography and confirm whether there is cyst. Our doctors are all well trained in clinical sciences. Dermatologists from European society train our doctors. The person who did the first hair transplantation trains our society. We have the best doctors to train our doctors; we have our own dermatologists and Pediatricians. When a patient goes to a doctor who can not make a diagnosis; he will refer the case to a Dermatologist, he may prescribe medicine on his own. But we have our own dermatologist, they work for us, and they give a second opinion in that particular case and allow us to continue our homeopathic medicine.

For example in case of psoriasis, when it enters erythrodermal stage it is highly fatal. It is a very serious disease and requires hospitalization. It needs an intervention at the right time and if it is not done it becomes fatal. If we are not well trained to do it we could miss things like that. There are about 2000 diseases and problems that have to be cured; there are many syndromes and manifestations of many diseases. We have introduced a system called second opinion; we also have an interesting practice: if a patient visits us thrice and is not cured or the condition is not improving, we take up the issue in the medical audit committee. The world's finest doctors are there in the committee and when the condition remains unchanged or gets worse, they give advice to the patient free of charge through video conferencing to ensure that he gets well.

IMJ: Do you combine allopathic with homeopathy medicine? You mentioned pediatrics like ?

Dr. Batra: We don't combine medicine with homeopathy we combine clinical medicine with homeopathy. For example we can show CT Scans to the patients. We can show polyp to the patient and we can show how it dissipates in homeopathic medicine.

IMJ: So Dr. Batra is a network of doctors who follow protocols in studying the disease, the ERP system facilitates the process. The doctor monitors all the patients and when something goes wrong the audit committee discuss that case and there is a strong feedback system.

Dr. Batra: We have a very strong customer feedback system.

IMJ: Who developed the ERP and how was it developed ?

Dr. Batra: First I did it with two software engineers. It was a small basic model in 1982 and it lasted for 25 years, five years ago we shifted to datamatics we have our own team of doctors and datamatics software engineers. We have developed good software which records the details of all the patients who visit our clinic.

IMJ: Even if a patient visits once or twice?

Dr. Batra: A patient has his prescription; what was recorded and what was prescribed to the patient everything is seen even in a mobile phone.

I actually update every day. Two years ago we didn't have that audit meet. Only now we developed it. We also have complaint system. You can log on to Dr. Batras.com from your mobile phone. Everything is centralized. Today my biggest goal other than training is looking at the future.

I stopped looking at my balance sheets. There is no top line, bottom line. The first thing I do every day is to look at the complaints of my internal customers and ensure that the complaints are addressed on a day to day basis. Even though I have a discharging team, being in a service industry we have to satisfy our internal customers. When we don't do that, it gets passed on to other customers. I have huge network now. In a latest survey it was seen that 86% of our internal customers are satisfied with us.

Now my job is to satisfy the rest 14% and so I am making strong HR changes so that I can get close to 100%. After all very small things can lead to very big things and the people get troubled.

The second thing I do is to look at external customer complaints. I have a customer care person and she has to report all external complaints to me. Any patient who has a complaint in any part of the world should be reported to me, and within 24 hours it has to be addressed and within 30 days it has to be resolved. We have kept the duration of 30 days because the frequency of visit of a patient is once in a month, and by the time the patient makes the next visit, the grievance must be addressed.

IMJ: Which are the 14 diseases you mentioned ? Does the list include blood pressure ? What are the main aspects?

Dr. Batra: No it does not include blood pressure. The main ones which we focus are hair in terms of trichology and skin. There are 40 different diseases.

IMJ: What is Trichology?

Dr. Batra: Trichology is the science of hairs. It is a super specialty and my son is a trichologist. He is the first Vice President of UK trichologist society. He has brought in a lot of changes. We have instruments by which we can look at your hair and say if you will become bald in next five years. We can diagnose diabetes even 5 years before it manifests and that too from your hair. That is how we work in trichology and it is a specialty. Having said that we cannot treat about 30-40% of hair patients because they are in different grades, and we cannot tell them. Hence, we have collaborated with a new American Company for hair transplantation. We set operation theaters at Bombay and within six hours we send our patients back home with hair. It is

a different business and we have financial and technical staff in the American Company, we have 51 percent stake and they have 49 percent stake in this business.

IMJ: Have you any plans to popularize homeopathy in masses in the country?

Dr. Batra: I think to a large extent we have popularized homeopathy through our writings, our business model and advertisements.

IMJ: It is a belief that we can follow either homeopathy or allopathic; only one of them.

Dr. Batra: No, you can follow both. As discussed earlier, we treat 14 different types of skin diseases. 45% of our business today is in the hair segment, 30% in skin segment and rest 25% in the last resort. We get diabetic failures, neopathies, and cancer patients in their last stage; we get all kinds of cases.

IMJ: Do you have any treatment for them?

Dr. Batra: We try to palliate them and make them comfortable. They must have been to several doctors across the world. They are at the last resort, and it is cheaper. It is not that they do not have any other options. Other options are not only expensive, but are also painful. Sometimes it is better not to intervene, but allow the patient to be peaceful and calm. It is a non-invasive medicine. It builds up the immunity; it has no side effects as it is not chemical based. So it helps in such cases. This way we treat some cancer patients, we send for pathological reports and show them. But it does not happen always but still people come to us. We have nearly 5% patients with respiratory problems, and a lot of asthma patients. They respond very well to homeopathy, not only asthma but also elderly patients with, Chronic Obstructive Pulmonary Disease (COPD) come to us.

IMJ: Do you think homeopathy helps in critical disease?

Dr. Batra: Homeopathy helps significantly in these problem. We basically deal with, these two diseases because these are two diseases which are not advertised. We are very ethical in what we do and call it magic and we never claim any cures and we have no conformation to cure anything.

We are now all over the world, we are in London and, we are in Dubai. The ministry of health is very strict. We are clear in what we do. We are allowed to advertise only cosmetic diseases and not medical diseases. So we don't advertise what we are not supposed to do. We have huge experience in this segment as we treat 150000 patients at a given time, out of which nearly 45% are hair patients; we see nearly 70000 hair patients at any given time. That makes us the largest hair clinic in the world and the experience we have in these diseases is huge. Even the dermatologists who are with us say they have never seen such cases before in any hospital; it is because we have super specialty and that is successful.

IMJ: Before I started this meeting, I learnt that you are a photographer, a singer and you have a lot of other intrests and characteristics. Can you please tell us how you pursue all these, because you are a busy man, and many people say they are busy and don't have time?

Dr. Batra: As you rightly said, you must have some time to do what you love, that is what I believe. It is all in time management and dedication. Unless you dedicate yourself, you will not get time to do anything for yourself. It all depends upon some priorities; it is what we love the most. I love my work and I have passion for it but I need not be present there to do it all the time. Today my work runs automatically, whether I am there or not, the clinic runs on its own.

IMJ: It is still surprising, you have not gone to any management school, and you do ERP, develop

standard procedures, strive for customer care, and gain better rewards. You attend to all of these so that it becomes sustainable. How come you do all that?

Dr. Batra: It is all hands on practice. I don't think that one has to learn all these in a management school. Apart from the hands-on training, I learnt from other people, by observing how they run companies, by listening to the lectures of people in management schools, by reading few books, by interacting with a lot of people who run big companies, industries.

IMJ: What is that "inner source"? Is it reading or listening to people?

Dr. Batra: I listen to people. The practical thing I have gained the way I have treated all kinds of citizens from top to bottom, politicians, film stars and so on. I have an insight into all kinds of professions.

IMJ: What is the trigger to learn photography or singing?

Dr. Batra: I believe, in medicine we see many patients who are suffering from ailments constantly. This at times makes you insensitive as a doctor. To keep the sensitivity alive in life a doctor has to do something in fine arts. I didn't know how to sing a line, but now I have learnt quite a bit and it has turned into a hobby. I also learnt how to put my hobbies like photography to use through charity.

Next week I have my sixth exhibition. This time it is NCP. They are very strict about the standards of photography. Tata theatre's Board decides if it is fit enough and whether to exhibit a work or not, they sell it to all the Tata theaters, galleries. All of the proceed belongs to them. This is there acceptance of my work.

I have managed to get there in these six years. It is not that just I do for hobby, but I do it well. Earlier I used to think my first exhibition which was sponsored by Mr. Sibbi Roy as

great; but over the years I know it was terrible. I have improved greatly and am still moving ahead. I think it is a passion for professionals, who strives to improve every year. It is actually the pursuit for excellence which I try to do in my work and it is only an extension of that.

IMJ: In a different domain?

Dr. Batra: Yes! It is in a different domain to retain the sensitivity in my life. That's why I made it compulsory for all my doctors. They are all young guys, sitting in comfortable air conditioned room, having VIPs waiting outside for 2 to 3 hours to see them. They think they are great and right always. To make them understand the value of that, they must voluntarily spare a half day to do CSR among poor people. We have lots of old age homes across the country. We work with Sanjay Gandhi Animal Welfare and take care of 900 dogs. My doctors provide free homeopathy treatment. We work with Moffusil areas and treat AIDS patients. We work with about 400 visually handicapped children. For the last 25 years we have been doing various things there.

IMJ: So Charity has been a part of your scheme?

Dr. Batra: Yes, but not always.

IMJ: When did it start?

Dr. Batra: As a person, it was always there, but as a doctor, I am always sensitive to people's needs. When people cannot afford for treatment I would put my hands in pocket and give whatever I have. As an individual, I tell to my patients to forget about my fees but pay their daughter's school fees. When I turned 50, which was 8 years back, I decided to formulate a trust and I started Dr. Batra's foundation which was inaugurated by the Chief Minister of Maharashtra. The foundation received some money from the Chief Minister's corpus fund. I also put in my own money. We adopted a good system while organizing the Trust.

I have introduced one percent contribution system. I encourage all my employees to contribute one percent of their salary to the foundation. As the number of employees increases and services grow, the foundation also grows. I also insist on a contribution of 1 percent from all my products and profits.

IMJ: That's your contribution.

Dr. Batra: No my personal contribution is separate, I try and fund it in many ways. We pay the entire fee for 5 ½ years for homeopaths which is pretty expensive. In this way we help them qualify as doctors and there are no conditions. In every city we run a free clinic and we treat around 1000 patients every month. There are no condition and our treatment is complete. We conduct many free health camps, not that we are giving to the society but basically we learn from these experiences.

My doctors learn the human values which otherwise they miss out. They get the chance to look at the other side of life, which generally they forget; these experiences make their life sensitive and they are sensitive to pain and suffering which otherwise they don't feel, that is why CSR is needed. It is not that we are only changing the society but in a sense it flows back in a better way i.e. the doctors are never insensitive. They think that the next person after a patient X may be worse than X and thus, why waste time with X.

I have been associated with film-fare awards. I have been on the censor board for five years, I used to take off on Wednesday and watch censored movies. This is all because I want to do something creative, outside medicine. It has also built an insight into the problems, people and situations. Today as a photographer, I feel I have seen a lot more which otherwise I might have overlooked. When I go for a walk I usually watch all things that move with me and I would form a visual memory of a photographer, which

other people would have missed. The duty of photographer is to capture beauty for posterity and bring it to people and share with other people to enjoy.

Then I hand it to apparently blind children who cannot see, so you know for me that's a huge thing. In many ways it inspires my life, and I am very passionate about photography. I almost died when I went to take a picture. I developed high attitude pulmonary edema, I collapsed and fell on the floor. I was lying two days outside the toilet, then in a Hospital and they helped me to regain life. They charted a special helicopter and saved my life. Being passionate about photography, I put out my head in-60degree in Switzerland so that I could see the track turning with all the snow falling.

IMJ: But you should not have done that...

Dr. Batra: Yes, but we lost everything at that time and we don't think, having done all these, I also wanted to do a little bit of it. At the end of the day if I feel distressed I sing for one hour. I have already given a public performance. Now I will be able to give a huge public performance in front of 1000 people. It also gives you space and comfort level of doing things that you want to do. Retirement is the age for valuing your own time and setting your own ways of worth. I am able to do that so I am retired. But it does not mean I am not working, because I am working all the time, still I am combining work and hobby. Today I am in Indore; I was in Delhi yesterday and in Pune the day before.

For me, staying at home is a rare thing but I am equally comfortable in living a life out of suitcase, where ever I am, I enjoy each moment of life. It is all learning how to live your life and not use your professional time for personal work. I make sure that I have all time for what I wanted to do I love to sing. But I had no classical background ever before, about I had a terrible voice, but now I am confident about giving public performances.

IMJ: You don't take the answer 'NO' for anything, you don't take any failure. Rather you push ahead and achieve things.

Dr. Batra: I am not an easy going person and I make sure that I do everything that it takes and all means to achieve.

IMJ: Do you have any disappointment in your life?

Dr. Batra: Yes, I have a disappointment somewhere on personal front, otherwise I have a fulfilling life. I am very happy and the happiest thing in my life is that I am in a position to give. As a professional I never need to ask but as a business man I have to take permission. It has been very traumatic to do that role, when I had to go and ask for license, for permission to run something, as a professional. I have never done that because I had always given. But as a business man I had to do that. It has been a dichotomy and it was very difficult to manage in earlier stages of career.

But now I have professionals to do that. I am very happy that I am in a position to give rather than to take. And I am happy to help people all around the world. I can give my time, whenever I can. I am happy that I can help people any time and it does not take anything from me.

IMJ: What would be your advice to homeopaths who are not in your system?

Dr. Batra: First thing, never be in a hurry. In healthcare trust is the main thing. Trust in chronic cases comes only with reports which come after months, years and not instantaneously. Something being immediately successful is a myth. It can be due to your touch but you can not last long. To have a sustained success, you have to create strong fundamentals. You have to make sure your value systems are correct. I strongly believe that a person who is not a good human being can never be a good doctor. Empathy towards people comes only when dealing with people. One, who is not a happy

doctor, is a frustrated doctor. His frustration actually comes in dealing with his own patients.

You have to be satisfied in your worth from within. You must have a healing touch. You must not only know how to treat people but also how to heal people; that is, you must go beyond physical diagnostic things. You must motivate people, for motivation among patients is important. If your patient is not motivated he will not take up your treatment till he gets well. These days he has many options. He can go left, right or centre wherever he wants but in that bargain he may still not get well. But when your patient is motivated he will take up your prescription and he will follow your treatment till he gets well. Now-a-days the youngsters are in a hurry. They want to earn quick money. They collapse all systems. They think they are doctors and hence, can prescribe anything and become multimillionaires. It is not that easy, they have to earn trust because to build trust is the main thing in healthcare. It takes time.

IMJ: What is your advice to allopath?

Dr. Batra: Follow homeopathic principles. Homeopathy never likes suppression, and don't suppress anything. It is always better to deal with an honest person rather than to beat around the bush. You have to be clear cut in the association you have. There is no disappointment, if you treat from the grass root level. That is what homeopathy does. I have to say to all doctors that everything starts with a small descent; small frustration go on and on. So when you are engaged with people, you will always do well if you believe in the fact that 'customer engagement is the correct engagement'. But if you isolate yourself and sit in high towers, something can always go wrong.

Since you don't know what is happening at ground level you will always think that things are going wonderfully well. Positive skills, calculated risks are fundamentals; no risk, no gain. Benefit analysis is a thing which you have to do in homeopathy as well.

IMJ: You have not entered any management school, you have not learnt anything formally but you do many things in management. What is your advice to corporate managers, people who want to manage industries?

Dr. Batra: First thing I would like to say is leadership differentiates a good leader from a manager. Leadership has to be exemplary and need not be enforced through training. It has to come from within. It comes from setting examples to others. All the time people are watching you, when you come late to office, when you swipe your card wrongly, when you go for lunch and don't come back on time, it is all that is observed by people all the time. Therefore you cannot be exemplary.

A manager must have good leadership quality, must be honest, must be passionate about himself in his own life, he must be more comfortable in both process and people. You know some managers are more oriented towards processes but are not comfortable with people, and some managers are more oriented towards people, but they are not process oriented. I think we need to have a combination of both. In my company I have managers who are both process and people oriented; but it is difficult to find both qualities together.

IMJ: Do you read Books?

Dr. Batra: I read a lot of books related to philosophy, self-improvement, medical books like a new clinic model and management based books. Reading helps me in developing insights and fosters different thoughts.

IMJ: What is your reaction to life now?

Dr. Batra: I think you are very lucky as long as you work hard; as long as you want to do things which you want to do, and luck also depends on how much planning one does in accomplishing the work. This is all I want to mention. Generally, we always make long term plans and never follow of believe in those plans and we drift towards something else.

I think opportunities keep coming. A good business man exploits every one's job. As business men, we face many speed breakers all our way, but we bypass those speed breakers and find our own way. We slow down for some time and then we catch up the speed, so I think luck is very important, and it must be there in every one's life. But I have seen persons who are all lucky and also insist hard work.

IMJ: According to you how do you think they work hard?

Dr. Batra: I think all people who are lucky are also good planners. They work very hard and they are very passionate about their work in whatever business they do. They have clear direction followed by proper planning and they know how to reach the goal. I see many people mainly young people, lacking this focus.

IMJ: You are not only ambitious but also hard working. Perhaps this combination worked well for you.

Dr. Batra: I am ambitious about my dreams including singing. I have not done anything wrong or compromising on anything to achieve that. I have followed the model of the Tata group. The value systems we follow in the company are very important and they are very accessible to people. Just to give an example, right in the middle of a multi-crore marketing campaign, I asked my marketing manager to quit, as he signed himself in the company. It is not the money that we lose, but we certainly gave importance to the values that we believe. We never paid our employee in cash.

IMJ: You have your own principles to follow?

Dr. Batra: Yes, I have my own principles and I do follow them. The thing in which I take real pride is I have set up an organization which is really very artistic. Nobody tells lies, never cheats others, does nothing wrong thing neither with the customers or with the internal members. These are the practices that make my campaign successful. That is the thing which I have achieved.

IMJ: Thanks a lot for sharing your ideas with us. It was a very open talk and it gave us a great insight into you as a medical practitioner, a businessman and a sensitive human being.

Mukesh Batra is a homeopathy practitioner and the Chairman and Managing Director of Dr. Batra's Positive Health Clinic Pvt Ltd. Mukesh Batra has been the recipient of several awards including Padma Shri for his dedicated contribution to the field of healthcare and medicine. Mukesh Batra's organization (Dr. Batras' Positive Health Clinic Pvt. Ltd., also known as Dr. Batra's) was the recipient of the Retailer of the Year award and also topped some of India's leading service brands in 2009. Apart from being a doctor, he is a philanthropist, a photographer and a writer.

N. Ravichandran is the Director of Indian Institute of Management Indore. Prior to the present assignment, he had spent nearly three decades at IIM Ahmedabad in the Production and Quantitative Methods Area and in the Business Policy Area.

Modeling of Extreme Market Risk using Extreme Value Theory (EVT): An Empirical Exposition for Indian and Global Stock Indices

Gaurav Singh Chauhan

ABSTRACT

The paper presents an empirical application of Extreme Value Theory (EVT) in modeling extreme behavior of financial asset prices. EVT is a branch of statistics dealing with the extreme deviations from the mean of probability distributions. It is the theory behind modeling the maxima of a random variable. Market risk takes extreme form when certain events, which are assumed to be rare in the distribution of assets, cause severe changes in the valuation of the portfolio. These rare events usually lie in the tails of the return distribution of the assets. We model two different risk measures with three different return distributions and analyze the importance of extreme value distributions in underscoring the behavior of extreme market moves. The paper highlights that the high volatility of Indian stock market associated with higher returns is better captured through extreme value distributions rather than conventional distributions. Also, for all the stock indices, EVT help in modeling the market risk better than conventional distributions.

Key Words: Market risk, Extreme Value Theory (EVT), enhanced risk measures, extreme value distributions

JEL Classification: C12, C13, C15, C19, G11

1. Introduction

Research in recent times, especially in the latter half of 20th century, dealt with the determination of an explicit trade-off between risk and returns. While there is almost no disagreement on the definition and specification about returns ascribed to an asset, researchers do disagree with the notion of risk. While the specific definition of risk is very important when used as the stochastic discount factors for asset pricing, it is equally important to estimate

an aggregate measure of risk in portfolio of asset for determination of risk capital.

Market risk is the risk faced by a portfolio of assets due to change in market moves or market wide risk factors. Market risk takes extreme form when certain events, which are assumed to be rare in the distribution of assets, cause severe changes in the valuation of the portfolio. These rare events usually lie on the tails of the return distribution of the assets. These rare events may therefore, cause a large gain or a large loss to the value of the portfolio. As an average investor is concerned with the extreme losses rather than large gains, we are also concerned with the loss severity or the downside risk of the portfolio.

The conventional analysis of risk return trade-off starts with the objective quantification of risk by Markowitz (1952). This was the first instance to determine a mathematical formulation of risk-return trade-off in the form of efficient frontier. In his analysis, Markowitz was able to demonstrate the diversification of asset portfolio through multivariate distribution of returns using Pearson's correlation coefficient. While the work was inherently seminal in its own context, recent extreme events in the market led us to relook the assumptions underlying the Markowitz framework. The analysis relied on elliptically distributed asset classes, where Pearson's correlation is a well behaved concordance metric [1]. The elliptically distributed random variable is one for which the density can always be presented as a nondegenerate variance mixture of (at least two) normal densities (Owen and Rabinovitch, 1983). If we happen to look into the return distributions for most of the assets in extreme market moves, we may find strong

disagreement with the assumption of elliptical distributions. These distributions tend to show skewed and leptokurtic patterns. Under these conditions a Pearson's correlation of zero does not signify the independence of asset returns.

The above background laid the foundation and motivation for this work. Emerging markets such as India entails higher volatility associated with higher returns. Capturing market risk in these markets effectively would therefore have larger implications for global investors to diversify their risk through quantifiable exposures in these markets. In this paper we analyze risk in more than one dimension using VaR and Expected Shortfall as alternative risk measures. We then applied these risk measures to different kinds of asset distributions to see the utility and fit of these measures for different asset classes in the form of real time financial time series of Indian and global stock indices. The exercise thus helps us to compare the performance of various risk measures and return distributions with respect to chosen stock indices.

Section 2 gives a theoretical background regarding definitions of various risk measures and concept of extreme value distributions. These aspects necessarily deal with properties of risk measures, Extreme Value Theory (EVT) and its use in extreme distributions. Although, the theoretical description of risk measures and EVT would be dealt with in details in advanced texts on Risk and their properties, this is included here to make definitions of these measures consistent as used for the empirical analysis in later sections. An avid practitioner can skip this section entirely. In section 3 we reviewed some key works related to the paper. Section 4 reveals the data and methodology for the empirical analysis. In this section we intend to show how modeling of Value-at-Risk (VaR) and Expected Shortfall (ES), as alternative risk measures to the variance, are modeled for a set of asset returns consisting of actual financial time series using three different return distributions. Section 5 discusses the results and implications. Section 6 provides the concluding remarks with some limitations.

2. Theoretical Background

2.1. Extreme Value Theory (EVT)- Generalized Extreme Value (GEV) distributions and Generalized Pareto Distributions (GPD)

EVT is the theory behind modeling the maxima of a random variable. It is a branch of statistics dealing with the extreme deviations from the mean of probability distributions. Extreme value theory is important for assessing risk for highly unusual events. Let X_n be the realization for any random process W in period n , with specified maximas for any set of non-overlapping periods of fixed intervals. We therefore, are interested in modeling the distributions of $M_n = \max\{X_1, X_2, \dots, X_n\}$. This can be done by observing the maxima in two ways. First is the Block Maxima Method and second is the Peak Over Threshold method (POT). Under the former, we consider the maximum value of variables in successive non-overlapping periods and determine the distributions of these maximas. In the latter, however, we specify a threshold and define maxima as the value of random variable exceeding this threshold. The distribution of these maximas follows Generalized Extreme Value (GEV) distributions. Using the fundamental theorem of Fisher & Tipper (1928) and Gnedenko (1943), Jenkinson (1955) has been cited to show the formulation of GEV distributions. The limiting case of maxima, $M_n = F(\mu, \sigma, \xi)$ is given by:

$$F(x; \mu, \sigma, \xi) = \left\{ - \left[1 + \xi \left(\frac{x - \mu}{\sigma} \right) \right]^{-1/\xi} \right\} \dots \dots \dots (1)$$

for $1 + \xi(x - \mu) / \sigma > 0$, where $\mu \in \mathbb{R}$ is the location parameter, $\sigma > 0$ the scale parameter and $\xi \in \mathbb{R}$, the shape parameter.

Fisher-Tipper type I, II and III distributions are said to be obtained respectively for $\xi = 0$, $\xi < 0$, and $\xi > 0$. Depending on the range of the parameters these distributions are called Frechet, Weibull and Gumbel distributions. Maximum domain of attraction (MDA) is the concept from seminal work of Fisher & Tipper, (1928). McNeil (1996) discussed MDA in detail. Under the concept of MDA, if we know that suitably normalized maxima converge in distribution, then the limit

distribution must be an extreme value distribution for some value of the parameters μ , σ , and ξ . Using MDA different sub-class of distributions are classified, such as Pareto, Burr, normal, exponential etc.

Under POT method of estimating the maxima a threshold value, u , has been considered and the excess distribution function F_u of the values of random variable exceeding u has to be obtained. For an asymptotic case where $u \rightarrow \infty$ under conditions of MDA, F_u assumes the form of Generalized Pareto Distributions (GPD), which is expressed as (Pickands, 1975; Balkema & de Hann, 1974):

$$F(x; \mu, \sigma, \xi) = \left\{ 1 - \left[1 + \xi \left(\frac{x - \mu}{\sigma} \right) \right]^{-1/\xi} \right\} \dots\dots\dots (2)$$

For $x > \mu$, and $x \leq \mu - \sigma/\xi$ when $\xi < 0$, where μ is the location parameter, σ the scale parameter and ξ the shape parameter.

The tail index, ξ , reflects the heaviness of tails while the scale, σ parameter reflects the dispersion of the distribution around the mean. The higher the ξ , heavier is the tail. Different values of these parameters results in different forms of GPD like Pareto ($\xi > 0$), Uniform ($\xi = 1$), Exponential ($\xi = 0$). To estimate these parameters two general methodologies used are (i) semi-parametric method based on Hill type estimators (Hill 1975) and, (ii) Parametric methods based on specific GPDs to be used. Danielsson and de Vries (1997) use semi-parametric approach based on Hill estimator for estimating the tail index.

Hosking & Wallis (1987) gave a detailed analysis on the parameter estimation of GPD. For given random sample X_1, X_2, \dots, X_n of a population X from the GPD, the Maximum Likelihood Estimators (MLEs) of the parameters (σ , ξ) have been discussed by them. The Moment Estimators (MEs) of the parameters are given by:

$$\hat{\sigma}_{ME} = \bar{X} \left(\frac{\bar{X}^2}{s^2} + 1 \right) / 2, \text{ and } \hat{\xi}_{ME} = \bar{X} \left(\frac{\bar{X}^2}{s^2} - 1 \right) / 2 \dots\dots\dots (3)$$

where \bar{X} and s^2 are the sample mean and the sample variance respectively.

The probability-weighted moment (PWM) estimators of the parameters for the GPD:

$$\hat{\sigma}_{PWM} = \frac{2a\bar{X}}{(\bar{X} - 2\alpha)} \text{ and } \hat{\xi}_{PWM} = \frac{X}{(\bar{X} - 2\alpha)} - 2 \dots\dots\dots (4)$$

where, $\alpha = n^{-1} \sum_{i=1}^n \frac{n-i}{n-1}$ with X_i being the i th order statistic.

The traditional methods of estimating parameters for GPD are found to be difficult to estimate. Since Maximum Likelihood estimation (MLE) is computationally difficult, approximations given by ME estimators are often used. Davison (1984), Smith (1985), Hosking & Wallis (1987) and Grimshaw (1993) discussed the problems in these estimations.

2.2. Risk measures and their properties

Many applications in quantitative finance need the risk in a portfolio of assets to be quantified. This quantification generally is expressed as risk exposure. Among the set of models to estimate the risk exposure, Value-at-risk (VaR) is the one which is widely used. VaR is mathematically expressed as:

$$VaR_\alpha = \inf\{l \in R : p(L > l) \leq 1 - \alpha\} = \inf\{l \in F_L(l) \geq \alpha\} \dots\dots\dots (5)$$

This can be interpreted for a confidence level α , the smallest number l such that the probability that the loss L exceeds l is not larger than $(1 - \alpha)$. Or VaR as the lowest value of the random variable X , denoting the portfolio returns, that can be achieved with a confidence α . In other words VaR is the α -quantile of the generalised inverse of distribution $F(X)$ of the portfolio returns. VaR has been used extensively in financial applications due to its intuitive appeal, easy implementation and straightforward applicability.

Three general methods to calculate VaR are (i) empirical estimation on historical returns, (ii) using parametric estimation of distribution functions and (iii) Monte carlo simulations. Some specific VaR calculations techniques are :

1. Delta-normal model (Garbade, 1986),
2. Delta GARCH model (Hseih, 1993),
3. Delta weighted normal model (Morgan, 1994),
4. Gamma normal model (Wilson, 1994).

Researchers have cited several problems in using VaR as a risk metric. VaR is not a coherent risk measure (not even a weak coherent measure). Thus it is difficult to get single estimate for VaR using different methods for the same portfolio returns. VaR lacks the sub-additivity property (discussed below), where it goes against the tenets of portfolio diversification. It is not a convex function of risk, which causes computational issues in optimization problems, when used as a constraint. Winker & Maringer (2004) have attempted to optimize a portfolio using VaR through the use of mathematically sophisticated Memetic search algorithms.

VaR seems to penalize gains and losses in the same way and is also inappropriate for rare events. It is also inconsistent with the utility function approach except when assets have Gaussian distribution or when quadratic utility is assumed. Thus it is unsuitable for modeling risk in case of non-elliptical distributions.

2.2.1. Coherence of risk

To see the coherence of risk measures, let ρ be the risk measure, defined as the amount invested prudently today to bear an expected loss of X in future. Artzner *et al.* (1999), defined the following axioms for a coherent measure of risk given the mapping ($\rho : X \rightarrow R$) :

- a. Translation invariance, i.e., $\rho(x + r) = \rho(x) - a$ for all random variables x , real number 'a' and riskless rate r ;
- b. Sub-additivity, i.e., $\rho(x + y) \leq \rho(x) + \rho(y)$ for all random variables x and y ;
- c. Positive homogeneity, i.e., $\rho(\lambda x) = \rho(\lambda x)$ for all random variables x and positive real numbers λ and,
- d. Monotonicity, i.e., $x \leq y \Rightarrow \rho(x) \leq \rho(y)$ for all random variables x and y .

It can be noted again that VaR does not obey the sub-additivity property.

2.2.2. Different risk measures

- a. Conditional value at risk (CVaR)

CVaR is defined as the expected value of losses exceeding VaR. Mathematically,

$$CVaR(X) = VaR(X) + E[X - VaR(X) | X > VaR(X)] \dots (6)$$

CVaR is a coherent measure having all the properties of a coherent risk measure.

- b. Expected Shortfall (ES)

For an integrable loss distribution $F(X)$ satisfying,

$$\int_R |x| \cdot df(x) < \infty$$

ES is defined as the conditional expectation of the random variable X , such that $X > VaR X$. Mathematically, $ES(X) =$

$$E[X | X \geq VaR(X)] + E[X - VaR(X) | X > VaR(X)] \dots (7)$$

The condition of sub-additivity holds for ES and it is a coherent risk measure.

- c. Expected regret (ER)

ER is very similar to CVaR, where it is defined as the expected value of loss distribution given it exceeds a threshold, β . Mathematically,

$$ER_\beta(X) = \int f(x, y) - \beta \cdot p(y) \cdot dy \dots (8)$$

Where, $p(y)$ is the probability density function of the loss distribution.

- d. Tail mean (TM)

TM is defined as:

$$TM_\alpha(x) = \frac{1}{\alpha} \left\{ E X I_{x \leq x(\alpha)} + x_\alpha \alpha - p(X \leq x(x)) \right\} \dots (9)$$

Where, $I_{X \leq x(\alpha)}$ is the indicator function defined such that $I_{X \leq x(\alpha)} = 1$ if $X \leq x(\alpha)$ and 0 otherwise and α is the confidence level.

3. Literature Review

3.1. Extreme Value Theory (EVT) - Generalized Extreme Value (GEV) distributions and Generalized Pareto Distributions (GPD)

The evidence as given by Fama (1976) generally suggests that the distribution of daily returns is heavy-tailed distributions relative to normal. Mandelbrot (1966) was among the first ones to acknowledge the heavy tails and excess peakedness underlying the real time financial assets. The concept in fact was earlier proposed by Jenkinson (1955) in terms of introducing Generalized Extreme Value (GEV) distributions. This led to the path breaking venture into the field of Extreme Value Theory (EVT). Researchers since 1990s were constantly seeking answers to some real time risk phenomenon using the realm of EVT. EVT in recent times proved to be instrumental in statistically modeling rare events which are of considerable importance for aggregation of risk in a portfolio. EVT has been extensively used nowadays to compute point estimates and confidence intervals for tail risk measures in a financial optimization problem. Embrechts et al. (1997) showed that EVT specially focuses on behavior of tail dependence for set of asset returns and used for modeling the maxima of a random variable. Other distributions such as Stable Paretian distributions are also modeled to deal with heavy tails; here these distributions, however, deal with complete distributions and not only the tails. A wide description of Stable Paretian distributions for financial assets has been given in Rachev and Mitnik, (2000). Beirlant & Teugels (1992), Embrechts & Kluppelberg (1993), gave a mathematical treatment about insurance mathematics in EVT and its applications.

On the application front EVT finds wide utility. Neftci (2000) compared VaR based on Normal and extreme value distribution assumptions using historical bond prices and foreign exchange rates. Da Silva and Vaz de Melo Mendez (2003) computed VaR estimates using EVT to analyze ten Asian stock markets. Gilli and Kellezi (2003) also advocate EVT, Block Maxima and Peak Over Threshold (POT) to compute tail risk measures: VaR and ES. These methods to identify the maxima for GEV distributions are discussed later in the paper. Embrechts

et al. (1997) modeled rare events in insurance and other quantitative finance aspects using EVT. Longin (2000) in his paper showed the implementation of EVT for estimating VaR of a portfolio. Extending the concept of EVT to the insurance industry, McNeil (1996) used the Danish insurance data to highlight the relevance of Generalized Pareto Distributions (GPD), which is a subclass of GEV, for EVT. He also dealt with the parameter estimation and curve fitting for modeling rare historical losses in non-insurance sector. He also dealt with the concept of loss severity and showed how to model the aggregate payments depending on the number of losses. He employed the method of Maximum Likelihood Estimation (MLE) as well as Probability Weighted Method (PWM) of moments for parameter estimation and data fitting and found that GPD is the best fit distribution for extreme values.

A crucial aspect in modeling with GPD is the parameter estimation and curve fitting. Jenkinson (1955) and Prescott & Walden (1980), dealt with the estimation of GEV parameters. They used Maximum Likelihood Estimation (MLE) and sextile estimation methods for estimating parameters for GEV distributions. There are three functional forms for estimating GPD parameters. Maximum Likelihood Estimators (MLE), Probability Weighted Method (PWM) and moment estimators (ME). The Maximum Likelihood Estimators (MLEs) of the parameters have been discussed by Davison (1984), Smith (1985), Hosking & Wallis (1987) and Zhang (2007). Grimshaw (1993) gave a detailed algorithm for computing the MLEs for some restrained set. Hosking & Wallis (1987) also discussed an approximation in terms of the moment estimators (MEs) of the parameters. They also discussed the PWM estimation in the same paper.

3.2. Risk measures

Disagreement among researchers for appropriate risk measure in portfolio optimization led to proper definition of essential properties of risk measures. Artzner et al. (1999) in his seminal work has worked for defining the axioms of a coherent risk measure. VaR

generally does not possess the sub-additivity property, which goes against the tenet of portfolio optimization. Different risk measure and their properties have been dealt with by some researchers¹. Zokivic (2008) dealt with CVaR and properties of other risk measures. In emerging market context, Darbha (2001) investigated the value-at-risk for fixed income portfolios in India, and compared alternative models including variance-covariance method, historical simulation method and extreme value method without making distribution assumptions for entire return processes. Also Lima and Neri (2007) investigated the VaR methodologies for Brazillian market.

The problem of optimization of a portfolio with different risk metrics for elliptically distributed assets is dealt in Giorgi (2002). He showed that mean-VaR and mean-ES optimization are subsets of mean-variance efficient frontier. Rockafellar & Uryasev (2002) discussed this comparison for multivariate Gaussian distributions. The formal definition and properties of the two risk measures have been discussed in section 2 above.

4. Data and Methodology

In the following empirical analysis we have modeled different return distribution against different risk measures such as VAR and ES. We chose historical estimation (empirical distribution), Gaussian distribution and Generalized Pareto Distribution using Peak Over Threshold (POT) method to estimate VAR and ES of real time financial asset returns. Our data set consists of financial time series of four stock market indices viz SENSEX, CNX NIFTY, S&P 500 and FTSE 100.

We chose daily returns for these time series for the period starting from January 1995 to December 2009. The period was chosen such that to capture broad market movements after structural changes have been introduced in Indian economy in early 1990s. Further the tail of the data set captured the period of extreme market movements owing to recent global meltdown of 2007-09. In all we have sample points data for 3692 observations during this period.

¹ See, for example, Duffie & Pan (1997), Gordy (2000), Jackson & Perraudin (2000), Jorion (1996), Rockafellar & Uryasev (2002), Szego (2005) etc .

We estimated the VAR and ES for the different return distribution sequentially starting from empirical distribution. Microsoft Excel and SPSS 16.0 were used for analyzing the data.

a. Empirical distribution:

Let F_n denote the empirical process of the observed losses X_1, \dots, X_n .

This is given by

$$F_n(t) = \frac{1}{n} \sum_{i=1}^n I(X_i \geq t) \dots \dots \dots (10)$$

where $I(\cdot)$ is the indicator function, and X_i is i.i.d. with (unknown) distribution F .

Let $X_{n(1)} \leq X_{n(2)} \leq \dots \leq X_{n(n)}$ is the order statistics, then the $\text{VaR}_\alpha(X)$ or α quantile $F^{-1}(\alpha)$ can be estimated by (Van Der Vaart, 1998) :

$$F_n^{-1}(\alpha) = X_{n(i)}, \alpha \in \left(\frac{i-1}{n}, \frac{i}{n} \right) \dots \dots \dots (11)$$

In effect we calculate the α percentile of the return distribution for given data points.

Similarly, ES is given by,

$$ES = E(x \mid x > \text{VAR}(X)) \dots \dots \dots (12)$$

In effect, assuming i.i.d returns ES is the average of loss data points exceeding VAR.

b. Gaussian Distribution

Let $X_i, i=1, \dots, n$, be i.i.d., with normal distribution $X \sim N(\mu, \sigma^2)$ with unknown μ and σ . Then VaR at α confidence level is simply given by $z_\alpha \sigma$, where z_α is such that $P(Z > z_\alpha) = \alpha$, with $Z \sim N(0,1)$. Where σ , the standard deviation can completely define VAR for a given confidence level. This means that for a given confidence, say 95%, the VaR is simply 1.645σ and for 99% CI VaR is 2.33σ

Similarly ES is given by Eq (12) above,

Where, $z_\alpha = \Phi^{-1}(\alpha)$ represents the α quantile of the standard Normal distribution, Φ is the cumulative distribution function (cdf) of the standard Normal distribution. ES can be approximated once the value of VAR is known. For 95% CI, the ES is approximately 2.06σ and for 99% CI, $ES = 2.67\sigma$. We have used these approximations here.

c. EVT approach - GPD distribution

Earlier we have seen that to estimate maxima of a random variable we can use either the block maxima method (BMM) or the peak over threshold (POT) method. BMM uses the value of maxima in successive non-overlapping intervals, while a threshold is to be defined in case of POT. The random variable which is greater than the threshold is under consideration. The distribution function of these maxima constitutes the GPD which is given above in Eq (2). For such a GPD, VAR and ES are given by, (Lee, 2009).

$$VaR = u + \frac{\sigma}{\xi} \left(\left(\frac{n}{n_u} (1-q) \right)^{-\xi} - 1 \right) \dots\dots\dots(13)$$

$$ES_q = \frac{VaR_q + (\sigma - \xi\mu)}{1 - \xi} \dots\dots\dots(14)$$

Where, $p =$ confidence level= $1-q$; $\sigma =$ scale parameter; $\mu =$ mean, $u =$ threshold $\xi =$ shape parameter, or tail index, n_u is the number of data sets exceeding the threshold u and n is the total data points. Moment estimators in equation 3 can be used here as approximations to estimate σ and ξ .

We used a daily forecast of VAR and ES based on rolling window approach of Harmantzis et al (2006). The rolling period considered is 125, 250 and 500 days. Thus for 126th day we estimate VAR and ES using data from day 1 to day 125 for all the three distributions mentioned above. Similarly 127th day forecast is generated by rolling the window one day ahead i.e day 2 to day 126 etc. Similar approach is followed for other windows of 250 and 500 days. We have used 95% as the confidence level.

VaR and ES for these windows of time period is calculated for all the three distributions mentioned above using the equations underlying these distributions for VaR and ES. Under POT method for GPD the threshold is set at 50% of maxima in the time window. This is done because there is no standard methodology to choose a threshold in POT method (Embrechts et al., 1997) and our objective was to demonstrate the utility of threshold method rather than achieving definite results.

We also performed measure-of-fit test for VaR and ES for all three distributions. For VaR we record the violations, which were the returns in the data set exceeding the forecasted VaR. If the model was a perfect fit then, VaR violations must be $1 - \alpha$, where α was the confidence level. These violations were statistically tested using binomial testing. If the violations were statistically significantly less than $1 - \alpha$, then the model was overstating VAR and vice versa. Thus null hypotheses that the model was a good fit could be tested using binomial tests. The null can be rejected if the p-value is less than 0.05.

For ES, it is to be noted that when VaR violations occur, the difference between actual returns and ES must be statistically zero for a good fit model. This difference can be statistically tested using t-test with the null hypotheses of the difference being zero. We can reject the null hypotheses if the p-values are less than 0.05.

5. Results

First the VaR calculations were done for all the time series and for three different kinds of distributions. The VaR violations, defined as data points where daily return exceeds that of calculated VaR, was noted and the total number of such violations were compared to the expected violations. The number of expected violations must be 5% for 95% confidence level. If the violation exceeds the 5% level then VAR was underestimating the risk and vice versa. To check for the difference between VAR violations and that which were expected, Binomial test was employed. The results for different time series and for different window sizes were tabulated below in Table 1.

From Table 1 it can be seen that the Empirical distribution significantly overestimate VaR for all window sizes. For Gaussian distribution, except FTSE 100, VaR model properly fitted the data for other time series. Window size of 125 seems to be a proper fit for valuing VaR through Gaussian distribution and 500 size window significantly overestimates the risk. Similar results are obtained for EVT (GPD) distribution. Except FTSE, VaR model properly fits for other time series. Window size

Table 1 : Binomial Test for VaR violations

SENSEX				NIFTY			S&P 500			FTSE 100		
<i>Empirical Distribution</i>												
Expected	Series	Actual	Signifi.	Series	Actual	Signifi.	Series	Actual	Signifi.	Series	Actual	Signifi.
178.3	BSEH125	210	0.0095	NSEH125	219	0.0014	SPH125	215	0.0034	FTH125	219	0.0014
172.05	BSEH250	202	0.0120	NSEH250	204	0.0081	SPH250	208	0.0035	FTH250	208	0.0035
159.55	BSEH500	191	0.0071	NSEH500	186	0.0193	SPH500	214	0.0000	FTH500	215	0.0000
<i>Gaussian Distribution</i>												
178.3	BSEG125	190	0.1939	NSEG125	191	0.1739	SPG125	193	0.1380	FTG125	212	0.0063
172.05	BSEG250	178	0.3315	NSEG250	173	0.4813	SPG250	199	0.0210	FTG250	205	0.0066
159.55	BSEG500	175	0.1133	NSEG500	164	0.3700	SPG500	204	0.0003	FTG500	212	0.0000
<i>EVT (GPD) Distribution</i>												
178.3	BSEE125	188	0.2380	NSEE125	191	0.1739	SPE125	193	0.1380	FTE125	211	0.0078
172.05	BSEE250	178	0.3315	NSEE250	173	0.4813	SPE250	198	0.0251	FTE250	205	0.0066
159.55	BSEE500	174	0.1292	NSEE500	163	0.4009	SPE500	204	0.0003	FTE500	212	0.0000

of 125 seems appropriate here also and 500 days window is least preferred.

We also conducted ES calculations for all the time series and all the size windows. For estimating the fit for the models we looked for the points where VaR violations occurred and estimated the difference between actual returns and estimated ES. It can be noted here that this difference for a better model must be statistically zero. Thus we applied the t-test to measure whether the mean difference between actual returns and the ES is different from zero. The results for t-test are tabulated below in Table 2.

It can be seen from Table 2 that for Empirical distribution, window size of 125 days does not properly relate to the data and ES consistently underestimates the risk. This fit is improved for all the time series, except FTSE 100, for window sizes of 250 and 500 days. Gaussian distribution seems to be barely fitting the SENSEX and NIFTY. For these time series ES consistently underestimates the risk. For window size of 500 ES shows same pattern for FTSE 100 too. Rest of the time series window combinations seems appropriately

Table 2: t-test to measure the mean difference between actual returns and the ES

<i>Empirical Distribution</i>															
SENSEX				NIFTY				S&P500				FTSE100			
Series	N	Mean	Signif.	Series	N	Mean	Signif.	Series	N	Mean	Signif.	Series	N	Mean	Signif.
BSEH125	210	-0.0031	0.0007	NSEH125	219	-0.0026	0.0060	SPH125	215	-0.0019	0.0028	FTH125	219	-0.0014	0.0135
BSEH250	202	-0.0018	0.0724	NSEH250	204	-0.0013	0.1926	SPH250	208	-0.0013	0.0676	FTH250	208	-0.0017	0.0044
BSEH500	191	-0.0015	0.1566	NSEH500	186	-0.0019	0.0957	SPH500	214	-0.0015	0.0632	FTH500	215	-0.0020	0.0025
<i>Gaussian Distribution</i>															
BSEG125	190	-0.0020	0.0434	NSEG125	191	-0.0024	0.0219	SPG125	193	-0.0008	0.2745	FTG125	212	0.0001	0.9256
BSEG250	178	-0.0024	0.0201	NSEG250	173	-0.0030	0.0089	SPG250	199	-0.0012	0.1310	FTG250	205	-0.0011	0.0865
BSEG500	175	-0.0022	0.0508	NSEG500	164	-0.0039	0.0015	SPG500	204	-0.0024	0.0034	FTG500	212	-0.0025	0.0004
<i>EVT(GPD)Distribution</i>															
BSEE125	188	-0.0011	0.2376	NSEE125	191	-0.0011	0.2613	SPE125	193	-0.0007	0.3452	FTE125	211	0.0001	0.8414
BSEE250	178	-0.0016	0.1305	NSEE250	173	-0.0019	0.0869	SPE250	198	-0.0009	0.2368	FTE250	205	-0.0008	0.1800
BSEE500	174	-0.0021	0.0645	NSEE500	163	-0.0032	0.0097	SPE500	204	-0.0019	0.0231	FTE500	212	-0.0020	0.0028

relating to the data. GPD seems to be a better model than both the Empirical distribution and the Gaussian distribution. Except for window size of 500 days GPD shows a good fit for all the time series and for all the window sizes.

6. Managerial Implications

As has been witnessed in recent market moves, financial markets are increasingly being exposed to both exogenous and endogenous shocks. An important feat in managing these uncertainties is to precisely predict these shocks and design models for their remedy. Rather than investing in resources to estimate the timings of such volatilities, it seems to be a much better option to estimate the appropriate risk exposure in dealing with particular financial assets. Following such an approach risk measures such as VaR and ES comes handy in estimating these exposures.

However, appropriate fit between these risk measures to the concerned distribution of asset prices would be quite challenging for risk managers. Ex post estimation of parameters of well known distribution may not serve the purpose because of inherent lack of fit of these distributions to real time series data.

Managers are therefore left with relative decision making where while working with different distributions they tend to attain certain confidence in fitting these distributions to real time series data. Empirical analysis such as the one dealt with in this paper helps us to make use of certain distributions which represents the volatility in financial time series pretty well. However, caution needs to be applied in such uses of these distributions with certain risk measures as some distributions might look to be artificially suited to these risk measures.

7. Conclusion and Discussion

We have studied EVT and its features with the help of GPDs which are hypothesized to describe the risk of rare events in a better manner. Shortfall of VaR as a risk led us to search for better options; that can capture rare events with more certainty. To empirically interpret the

relation between different distributions and different risk measures, we empirically tested the fit for two of the risk measures viz VaR and ES to three different distributions namely empirical, Gaussian and EVT (GPD) for four real time series consisting of Indian and global stock indices. We relied on previous studies to lead us through the introduction of EVT and different risk measures and to guide us for empirical testing.

The findings point towards the relative importance of EVT in exploring dynamics of rare events in a distressed market setting. Higher volatility of Indian stock indices which are associated with their higher returns are seen to be better encapsulated by extreme value distributions, which enriches risk measures. Also, for all the stock indices under consideration, market risk seems to be better modeled using EVT rather than conventional risk measurements.

The empirical analysis made use of approximations suggested in previous research for deriving moment estimators. The accuracy and mathematical convergence of these can be improved significantly with sophisticated mathematical softwares and algorithms. Parameter estimation for GPD is one such challenging area that needs to be further explored with respect to mathematical efficiency and relative utility for approximations have to be made. Moreover, the analysis can be better reinforced by further tests.

Although we have primarily checked for significant serial correlations in time series that have been used, some of these tests may take better care of associated serial correlations; they may be used in checking clustering of extreme market moves in certain period of analysis. This area provided us a ground for further research in refining the finding and draw seasoned inferences thereof.

Acknowledgement

The author is thankful to Prof. L.V. Ramana, (Faculty, (F&A), IIM Indore) for his valuable inputs and suggestions for some of the ideas developed in the paper.

Notes

1. Concordance is the basic measure of association between two random variables. Two pairs of observation on continuous random variables X and Y denoted by (x_1, y_1) and (x_2, y_2) are said to be concordant if $x_1 - x_2$ is of the same sign as $y_1 - y_2$. That is the pairs are concordant if:

$$(x_1 - x_2)(y_1 - y_2) > 0 \text{ and discordant if } (x_1 - x_2)(y_1 - y_2) < 0.$$

Following are the properties of a concordant metric $m(X, Y)$:

1. $m(X, Y) \in [-1, 1]$,
2. $m(X, Y) = 0$, if X and Y are independent
3. if $F(X, Y) \leq G(X, Y)$ then, $mF(X, Y) \leq mG(X, Y)$; where $F(\cdot)$ and $G(\cdot)$ are two possible joint distributions.

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Gaurav Singh Chauhan is a faculty in the area of Finance and Accounting at Indian Institute of Management Indore. His research interests include Financial Regulation, Risk Management, Financial Economics and Corporate Finance. He is actively working in the field of Financial Stability and Risk Management as his research theme. He has recently presented his works in different International and National conferences where some of these are highly appreciated. He has recently published research articles related to Banking and Finance. He has worked in Oil and Gas industry for about five years in management positions, before joining IIM Indore.

Voice or Neglect: Understanding Employee Behavior in Two Multinational Corporations

Sushanta Kumar Mishra and Richa Saxena

Abstract

The present study is based on the data from two Multinational Corporations (MNCs) located in the state of Gujarat in India. The study explores the influence of organizational image and organizational practices on the voice and neglect behavior of shop-floor employees. The study found that irrespective of attractive organizational image, weak organizational practices induce voice behavior among the employees as they hope that organizational practices will improve overtime. However, employees shift to neglect behavior when they lose the trust in the management. Implications of the study for academia and industry were discussed.

Keywords: MNCs, voice, neglect, trust, organizational image, organizational practices.

1. Introduction

Different employees respond differently to organizational actions. Some choose to raise their voice, whereas others either choose to remain silent or choose to quit the context. There is an increasing interest on the action-reaction phenomenon between the organizations and their employees. Indeed, studies have started discussing the breaking of the organizational silence (Huang, van de Vliert, & Van der Vegt, 2005) and emancipation of voice in workplace (George & Brief, 1992). Voice behavior is particularly important in the present context, given the increasing belief that employee comments and suggestions may improve organizational functioning and performance (Morrison & Milliken, 2000). Although voice literature has a rich theoretical tradition dating back to Hirschman's (1970) seminal work; research on its antecedents is still in an early stage of development (Detert & Burris, 2007; Graham & Van Dyne, 2006). This may be because of the fact that employee voice is not only a function of person-centered variables like satisfaction with the work group, but more importantly is a function of situational factors (Withey

& Cooper, 1989). Hence, research still needs to explore important antecedents of employees' voice behavior, particularly, the organizational conditions that favor or inhibit such behavior. In this study, we seek to contribute to such understanding.

Organizational voice is a phenomenon in which people express opinions or thoughts in order to bring some organizational change. The notion of voice stems from the idea that employees recognize some source of dissatisfaction and eventually identify opportunity for improving their own and their organization's well-being (Hirschman, 1970). Voice is the verbal activity that is used to promote constructive change in the status quo (Rusbult et al., 1988). Despite an increase in research on 'voice' in organizations in recent years (Special issue of *Journal of Management Studies*, 2003), our knowledge of the phenomenon remains limited in many important ways. In fact, the typology of EVLN (where E denotes Exit, V denotes Voice, L denotes Loyalty and N denotes Neglect response) proposed by Hirschman¹ (1970), seems to be appropriate to understand dissatisfaction, attrition, and flirting loyalty of employees in present organizations. The mere presence of employees in the workplace is not as important as the manner in which they perform their job activities. In this regard, the present study tries to understand employee responses particularly 'neglect' and 'voice' from the lens of organizational attachment. Hirschman (1970) remarked that the key to understanding the decision of 'voice' or 'neglect' is the loyalty of the members, wherein those with greater loyalty towards the organization are more likely to stay and try to change it from within. In the present study, we seek to advance the present understanding of the situational mechanisms that facilitate or inhibit voice by returning to Hirschman's (1970) loyalty and exit concepts. Specifically, we describe how organizational attachment, influences the

¹ Originally Hirschman (1970) suggested only three reactions in his typology Exit, Voice and Loyalty. Later Lyons & Lowery (1989) added Neglect as an additional component to this typology.

propensity to speak up, rather than a set of passive behaviors (i.e., silently remaining supportive), that has been suggested by most subsequent operationalization of loyalty (Rusbult et al., 1988; Withey & Cooper, 1989). The other purpose is to explore how organizational factors like organizational image and organizational practices influence employee voice and neglect behavior.

2. Literature Review

2.1 *EVLN Typology and Loyalty*

Building on the work of Hirschman (1970), other researchers (Lyons & Lowery, 1989) introduced the additional notion of 'neglect' to form a four-fold typology EVLN to describe how employees select among these responses when they become dissatisfied. In the EVLN typology, loyalty was considered as an alternative to exit and voice rather than a psychological condition moderating the relation between dissatisfaction and exit/voice. Researchers criticized it (Dowding, John, Mergoupis & Vugt, 2000) as problematic and argued that Hirschman (1970) used it as 'ad hoc equation filler' (Barry, 1974: 95). Although Hirschman posited that loyalty, or feelings of attachment to the organization, would be the primary psychological consideration affecting voice and exit, most research in the voice-specific stream has focused on perceived cost (safety) and efficacy (utility) as the primary psychological underpinnings linking individual and situational factors to voice (Ashford, Rothbard, Piderit, & Dutton, 1998; Detert & Burris, 2007). In this article, we describe how employees' attachment with an organization influences their voice behavior.

Hirschman (1970: 30) defines voice as "any attempt at all to change, rather than to escape from, an objectionable state of affairs, whether through individual or collective petition to the management directly in charge, through appeal to higher authority with the intention of forcing a change in management, or through various types of actions and protests..." The primary motivation of employees in voice behavior is to provide information, opinion, or feedback concerning work related improvements (Hoffmann, 2006; van Dyne, Ang, Botero, 2003) or to resolve the organizational problems (Spencer,

1986). Voice is similar to whistle blowing in the sense that it is aimed at improving the organization where the workers go outside their organization to raise voice only when their voices have been ignored by their supervisors (Rothschild & Miethe, 1999).

When individuals believe that organizational recovery is not going to happen they respond with neglect (Withey & Cooper, 1989). Neglect is shown by putting in less effort, not working to improve the relationships, rather letting it fall apart (Rusbult, Zembrodt, & Gonn, 1982). In a work setting it includes spending less time at work and expending less effort when present in the job (Withey & Cooper, 1989).

2.2 *Organizational Attachment*

Employees' attachment with their organization depends on both intra-organizational and extra-organizational factors (Morgan et al. 2004). The extra-organizational factors are the factors that influence the employees' perception about how outsiders view their organization. As individuals are motivated by self-enhancement needs, they tend to attach themselves with organizations that confer positive qualities upon them. Hence, when employees perceive their organization's external image favorably, they "bask in the reflected glory" of the organization (Cialdini et al. 1976: 366) and their perception of organizational image lead to their attachment with the organization (Fuller et al., 2006). The intra-organizational factors are the organizational practices within the organization (Fuller et al., 2006).

2.3 *Organizational Image*

Image is a powerful perception because organizational members use it as a "mirror" to assess their own organizational identity perceptions in the light of external stakeholders' evaluations (Dutton, Dukerich & Harquail, 1994: 249). Smidts, Pruyn, Van Riel, (2001) adopt a slightly narrow approach to image, and define it as organizational members' perceptions of how prestigious the organization is in the eyes of external stakeholders. Because it is based on an individual's evaluation of his or her organization's image, it is an individual-level variable (Smidts, Pruyn, Van Riel, 2001). The present

study uses the term "image" in a general sense, with the implicit understanding that it denotes member's perception of how outsiders think about the organization. Dutton, Dukerich & Harquail, (1994) remarked that organizational image is likely to influence employee attitudes and behaviors in the workplace.

2.4 Organizational Practice

The literature is divided on the practices that come under HR practices. However, according to the HRM index (Sels, De Winne, Maes et al., 2006), the key HR practices include how competencies are developed (Knowledge, Skill, Abilities through training), behaviors are nurtured (career management, compensation), and empowerment practices (employee influence, involvement) are followed in an organization. Studies indicate that when workers perceive the practices of the organization as discriminatory, they may detach themselves from the organization. For example, Veenstra, Haslam, & Reynolds (2004) reasoned that to the extent employees are neglected, their attachment with the organization dampens. However, to our surprise, there is hardly any study that explores the linkage between employees' attachment with the organization and their EVLN behavior. The present study explores the effect of organizational image and organizational practices on employees' attachment to the organization and on subsequent voice and neglect behavior.

3. The Study

The distinctive features of MNCs are high levels of geographical and cultural diversity coupled with complex portfolios of businesses, functions, and markets. This diversity and complexity makes it impossible for executives at the corporate headquarters to give full attention to all subsidiary units (Levy, 2005). Given the inability of the top executives at corporate headquarters to give attention to its subsidiary units, MNCs provide a fascinating context for exploring the "voice" and "neglect" behavior of employees who are working in different units away from the corporate headquarters.

The present study is based on the responses of employees of two MNCs located in the state of Gujarat. Both the MNCs were in the manufacturing sector. The data were

collected in the year 2006. The epistemological choice was phenomenology as it seemed to be an appropriate method that could help in digging out the phenomena. Our adherence to this outlook helped us in unearthing the workers' attachment and detachment with their organization and the subsequent voice and neglect behavior. In this sense, we repeatedly raised questions like why employees attach/ detach themselves from the organizations. To start with, the details of the two organizations are given in *Table 1*.

3. 1 Methodology

Crotty (1998) states that phenomenology invites the researchers to place their usual understanding in abeyance and look at the things afresh. In an attempt to understand and describe people's subjective experiences, phenomenology tries to put oneself in the place of the other. The emphasis in this approach remains on common understandings and the meanings of common practices, so that phenomenological research of this kind emerges as an exploration, via personal experiences (Crotty, 1998: 83). In the present study, the researchers went to these sites without any prior knowledge of the issues prevailing there. Hence, it was imperative to choose an approach which is exploratory in nature and would have given enough scope to understand the issues with the help of continuous dialogues with multiple stakeholders at the sites. The conversational interview was used as the primary instrument in the present study to explore and gather experiential narratives that would serve as a resource for developing a richer and deeper understanding of the phenomena being studied (van Manen, 1998). In addition to the conversational interviews, the researchers also referred to the organizational documents like reports, standing orders, rule books, minutes of the meetings and the policy documents.

Initially, the work-sites were visited to explore the prevailing issues in the organizations. Multiple visits to the sites were made by the researchers to collect data from different groups of people. Consistent use of dialogues with various stakeholders facilitated the initial rapport-building and building trust with the

TABLE-1: Comparison of two MNCs

	Pharmaco Company	Sanzvik Steel Ltd.
Company Status	One of the top Pharmaceutical Companies in India	One of the top Steel Tubes Manufacturing Companies in India
Worker Strength at the shop floor	135	122
Workers Qualification	SSC and ITI	SSC and ITI
Average Age of Workers	37 to 38 years	36 to 37 years
Average Experience	15 to 16 years	10 years
Sex Ratio (Female/Male)	0	0
Employees Union	Not Affiliated to any Political Party	Not Affiliated to any Political Party
Main Activity of Union	Let the Voice of the workers heard	To protect the jobs of the workers
Main Activity of Management	To involve in production activity	Production activity and controlling workers
Retrenchment	Never	Used VRS in 2001 to take care of excess manpower
Employees	All Gujarati/or domicile of Gujarat	All Gujarati/or domicile of Gujarat

respondents. It also helped in identifying the strained relationship between the workers in the shop-floor and the management. Further, dialogues were planned and interviews were conducted by the researchers to get more in-depth information by the participants. As there was no permission to voice record the interviews, field notes were taken during and just after the interview. At the end of each day of data collection, the researchers used to document and record their field notes in an organized manner, so that there is no loss of data with the passage of time. Data was analyzed thematically. Initially, the statements capturing any specific incident or the descriptions around it were identified. With the help of these statements significant meaning was derived to understand the phenomena. The data extracted from the interviews was verified and validated with the data from other sources like company documents or the interview of other respondents. In case of any discrepancy, the researchers sometimes went back to the respondents to get the better understanding of the facts. The analysis was not a one-time process, but was done through the iterative process.

3.2 Study 1: Ankleswar site of Pharmaco

Pharmaco (name withheld) is a reputed MNC in pharmaceutical industry, with one of its manufacturing site located in Ankleshwar Industrial Estate (AIE), in the Bharuch District of Gujarat. There were approximately fourteen Pharmaceutical and twenty-two bulk drug manufacturers in this area at the time of our study.

The Ankleshwar site of Pharmaco was started in 1987 and it gained reputation in the locality over a period of time. The plant was accredited with USFDA and ISO certifications. Over the years, Pharmaco was rated among the top 10 pharmaceutical companies in India. The Ankleshwar site of Pharmaco employed 227 permanent employees, out of which 135 were in the worker level and 92 were in the management level. In addition, there were contract workers to help the permanent workers in daily activities. The average age of workers was about 37 to 38 years and the average duration they have spent with the present company was about 15 to 16 years. The educational qualification of permanent workers varied from below matriculation to ITI (ITI is a vocational

training done after Matriculation in various trades like, Fitter, Welder, Electrician, etc.). Most of the permanent workers in the company belonged to Gujarat (98%) or were domiciled in Gujarat. Data of 9 senior level managers (all males; called Head of the Departments: HoDs or simply Heads), 5 junior level managers (4 males and 1 female), 12 workers (10 from shop floor, 1 male nurse, and 1 security guard) were used for the present study. To explore workers' interpretation of the organizational image and practices we got involved in conversation with the respondents.

Organizational Image

Pharmaco was regarded as a quality producer in the business community. Consistently over the years, it was rated as one of the top ranking organizations in India. In Ankleswar, compared to other players, Pharmaco was regarded as one of the good pay masters by its employees as well as their contemporaries in other similar organizations. The organization invested lot of money in social cause, like donating to the local hospital, providing ambulance facility to other organizations, providing training on safety and health, involving in local educational institutes, and for the overall development of the locality. The organization was never involved in retrenchment like other organizations in that sector and locality. The organization maintained its reputation over the years and people in the locality considered it as a respected organization. It was a matter of pride for the employees to be a part of Pharmaco. Due to the reputation of the organization, employees generally did not get any difficulty in getting financial assistance from local bankers. Almost all the employees reported that the external image of their company was high and they were respected because of their association with Pharmaco. However, the organizational practices were not perceived well by the workers. In the following section we have described the organizational practices at the Ankleswar site of Pharmaco.

Organizational Practices

Pharmaco had elaborate and well-documented organizational practices, like leave policy, medical policy, Health, Safety, and Environmental (HSE) Policy to cite a few. The organization provided many facilities

like transportation facility, housing loans, canteen facility, and annual bonus to its employees. The company had elaborate, well-documented and organization-wide communicated values. The Manager (HR) remarked that

Our practices are very transparent and as a result of that the union is management friendly. From peon to President all know the values of the organization.

Values and Policies of Pharmaco

The managers felt that the values of the organization guided the employees' understanding about their organization. We quote the opinion of a senior level manager,

The importance of policies, values are immense in the organization. They help us to understand the company better and the priorities of the organization.

Similarly the HoD of another department explained that,

The values are essential for our organization. Values give us direction and the policies give the broad overview of our objectives (HoD, API Plant).

However, during the interviews it seemed that even some of the middle level managers were not fully aware of their organization's values. According to a manager

The vision and values of the company are for the visitors. If you follow them, you will not survive in this organization (Manager 1).

The workers were found to be unaware of the values of the company. The union leaders also fail to communicate the values of their company. As we move from the top level managers to the workers, we noticed that the awareness and the belief in those values are lacking among employees at different organizational levels. It seems that though the top managers are talking about the values and vision of the company, probably it is not communicated properly to the people at different levels or people at lower levels do not believe in the values of the company.

Performance Evaluation

There was no system of performance appraisal for the workers. Some workers opined that going against the management is suicidal. The feeling among the workers

was that the performance of the individual is dependent on the HoD. Normally, it used to take 5 to 6 years for a time bound promotion but there were evidences that some employees did not get promotion even after completing 10 years of their service, because they were not liked by their managers. Even some managers shared similar views during the interview.

Impression management is an important part of our performance. Our performance is judged mostly by the impression of the senior managers (Manager 2).

Salary and Incentive

There was a huge difference between the salary structure of the workers and the managers. Similar proportional difference was noted in other allowances like house rent, travel allowance, and leave travel facilities. The executives were eligible for monthly incentives depending on production, whereas workers had no incentive systems. There is a Pharmaco residential colony, with quarters exclusively for the managers, and the company provides financial assistance for celebrating common festivals in the colony. The company used to give cash gifts to newly married couples, but only to employees in the managerial level, as a gesture of good wishes. Workers were denied this felicitation. Moreover, managers could enter and leave the plant premises anytime, but this was not so in the case of workers. Workers were frisked by security persons as and when they left the plant but managers were exempted from such a procedure.

Canteen Facility

The company provided canteen facilities that serve tea, snacks and meals. During the visit to the canteen premises we had a peculiar observation. One end of the canteen was meant for the workers, whereas the other end meant for the management staffs; the middle portion was used as kitchen by the canteen staff. The quality of the food was same for all the employees. However, there was huge disparity in the service quality provided in the two sections of the canteen. In the management side of the canteen the building was air conditioned and the food was served as buffet while the workers were given limited amount of food and their side of the hall was poorly maintained. The ambience of that side was

treacherous and was stinking. The steel glasses, steel cups and trays were piled up for the workers. Drinking water was poured in a drum and then distributed from that drum to the workers. There were plastic chairs unlike the wooden cushioned chairs for managers. The workers' wash room was in a shabby condition while the washroom for managers was well maintained with auto flush, hand dryers, liquid soaps, etc. These conditions contradicted the HR Manager's statement that we treat our managers and workers equally.

Family Culture

The organization values and policies claim that Pharmaco has a strong family culture with no difference as far as organization treatment is concerned. According to a union member,

A worker is a worker. A worker can not be an executive in his entire period of service in this organization (Union Member 1).

The Head (HR) also agreed that one could not compare workers with executives. He argued that by virtue of the design of system there was inherent inequality between the managers and the workers. For example, managers could be terminated easily on a short notice; however it is not possible to terminate any worker as they were the members of the union. According to the organizational reports there is a gradual increase in the number of managers as well as the number of temporary workers; whereas the number of permanent workers was almost constant. According to workers, with increasing automation, and increasing use of temporary workers, there was a fear of job loss. The situation was just the opposite for the employees in the management level. One manager opined that

One good thing about this company is that you will never lose your job (Manager 3).

Communication

The organization had well documented contact meetings. Workers claimed that the contact meetings were always unidirectional and dialogue never took place. Issues raised by workers for discussion were brushed aside for later discussions at the department level. The company

did not formally exchange information about technological developments with the workers. There was a huge gap between, what the managers say and what they actually do. The trust on the managers is very low among the workers. One of the union members stated that

The management wears a mask of a colleague to stab us at the back. They can not be trusted. Worker benefits are never a concern of the management. They are there to work and only work (Union member 2).

Training and Orientation

The company had elaborate policies and charters, like HSE Policy, Quality Policy, Code of ethics, Social charter, etc. According to the HR manager, the company invests a lot of resources for the development of its people. According to the Head (HR)

We thrust on training. We give training on many behavioral issues. At the managerial level workers' training is one of the Key Performance Indicators (KPIs) under the 'people development'.

The workers were of the opinion that workers' interests were completely ignored while designing these training programs. It seemed that only the discretion of the management prevailed. The annual increment of the management was related to workers' training. According to the members of the union, the purpose of the training was not people development but the KPI target fulfillment. Consistent to the above opinion, the Head (HSE) replied that,

In this company hypocrisy is rampant. We talk a lot about training, and do just the reverse. The training is given least priority in the company. I think the domestic companies are better than this MNC because unlike our organization at least they do what they say. For example they do not give importance to employee training and they admit it where as we do not admit.

Employee Participation and Creativity

The managers used to be involved in a lot of meetings. However, the workers were never involved in any meeting. Though creativity is one of the core values of the organization generally it is not encouraged. For example, there were no suggestion box or scheme in the

company where in the workers could exercise their mind to improve productivity. Efficiency was given more importance than nurturing people for continuous improvement. Further, as critical processes were automated, the workers were increasingly used as robots to follow the SOPs (Standard Operating Practices). Thus, gradually the distinction between skilled workers and semi-skilled workers was getting thinner. This view of workers about themselves emerged during several discussions. The managers seem to not believe in innovation and creativity of their employees. For example, the HoD (Quality) reported that though innovation is good for the department, workers needed to follow standardized procedures.

Though innovation is good for an organization we do not encourage innovation in our practices because we are a globally reputed company and we have certified processes (HoD: Quality).

According to the Head (Production)

We are very sensitive to our people's ideas. When some one proposes any new idea, we pick it up and try to see the other impacts and if possible we implement it.

However, employees argued that

We are no more interested in giving suggestions because no body listens to us. If someone listens then the credit of that idea goes to him (Workers in API Plant).

Socialization Process

As in other processes, there was a stark difference between the perceptions of management staff and the shop floor workers about the socialization process in the organization.

My experience is that most of the work depends on people skills. People are good, but the ways of handling them makes the difference. We have good relationship with our colleagues and try to increase the socialization process in this organization (Head, Engineering).

Workers perceived that there was no socialization process in the management.

We meet once in a year in the company premises. But I am sure it is just like a routine job to fill up their KPIs. The concern for the workers is never an interest for the managers (Worker 4).

Employees' perceptions about organizational practices are provided in Table 2.

Trust on the Management

Trust has been identified as an important yet under-recognized part of numerous leadership theories. Trust is a crucial element in leader-member exchange theory (Schriesheim, Castro, & Cogliser, 1999). In addition to its role in leadership theories, trust has been linked to positive job attitudes, organizational justice, psychological contracts, and organizational relationships. Trust is argued to be a belief or perception held by the follower and not just a property of the relationship or the leader. In this regard, trust may happen at multiple levels. In this paper we explore the trust of the employees on the management at two levels. One at the local unit level and the other at the corporate headquarter level. The workers shared that the top leaders of the organization at the corporate headquarters are not aware of these discriminations of the local managers, and were hopeful that these issues were temporary. The union leader replied that the prime task for him is to get their voice heard by the Country Head of the organization. They were exploring ways to communicate the happenings to the Country Managers. In fact the union leader claimed that for the first time in the history of the organization the union was seeking the Tribunals interference for the settlement of their wages. He argued that the aim was to highlight the issues, so that it would catch the top management's attention.

Employee Attachment

It was observed that employees had stronger attachment with their organization. According to the organizational records, there was consistent improvement in almost all the quality parameters as well as production. For example the quality (First time Quality, FTQ) of one unit increased from 75.40 in 2002 to above 95 in 2005. Even one production manager mentioned his people as his assets. These people were highly dependable in terms of their dedication to work. They used their workers to train the temporary workers. During our visit we noticed that in almost all the activities there were no managers and the entire activity was performed by permanent

workers. According to HoD (Engineering Department)

Our workers are the key assets of the organization. People are cooperative, respond positively to developmental activities and even some workers are better than the engineers.

Similar thoughts were shared by Head (Quality), who remarked that

Our workers are crucial in ensuring product quality.

One of the managers opined that the best part of their workers was that they respected their work. Even workers reported their concern for quality during the interview.

In the work stations we take our own decisions in the operation of the activities. We have a good experience of about 16 years and we are very much conscious about the quality of the product (3 Workers in Formulation Plant).

In the present policy of the organization, there is increase in earnings of the executives. But, we never mix these issues with quality output. Whatever the issue may be product quality is above that (Union Leader).

There was a feeling that the workers did not see the management as the representative of their organization. The union leader shared that

These management people can not be depended. Whatever facilities we have got, it is because of the MNC owners. Given a chance the local management would have curtailed all the facilities provided to us. The primary aim of the local management is to improve the bottom line of the company. So the axe is on workers.

It was evident that the workers did not see themselves as separate from their organization, and they have high trust on the corporate level senior managers. In fact they perceive that poor organizational practices as a temporary phase which could be rectified. The present case observes that in case of favorable image of the organization, employees do not consider the poor practices of the organization as the behavior of the organization. In other words, they do not consider the local managers as the representative of their organization. The case indicates that workers have high amount of

trust on the senior managers (Corporate Level) of the organization. The case suggested that the grudges of shop-floor workers with the local managers not necessarily reflect as the grievances with the overall organization. As a result, they consider it as temporary phenomena and try to indulge in voice behavior in order to rectify the discriminatory practices in the organization. By voice behavior they try to draw the attention of senior corporate level Managers with a hope that the discriminatory practices will be corrected. These observations are consistent with other studies which claim that loyal employees will choose to voice their concerns, instead of exiting in response to workplace problems (Luchak, 2003).

The literature is silent on what happens when the corporate level Managers do not pay attention to workers' voice or side with the local managers. In the second case study it was observed that corporate level Manager's response is crucial for workers' attachment to the organization and their behavior.

3.3 Study 2: The Vatva site of Sanzvik

Sanzvik (name withheld) was a well reputed MNC in stainless steel tube manufacturing industry, with one of its manufacturing units located in Vatva (name withheld), a place populated by many stainless tube companies in Gujarat. The plant was accredited with ISO certifications. The Vatva site of Sanzvik employed 147 (all male) permanent employees, 122 of which were at the worker level and 25 were at the management level. There were no female employees in the organization. In addition, there were temporary employees in the organization. The average age of the workers was about 36 to 37 years. The average work experience of most of the workers was more than 10 years. Most of the workers were Gujaratis. Getting a job near their village was a life time opportunity for them. Also, most of the workers agreed that their social status has increased after they have employed in Sanzvik. The educational qualification of permanent workers varied from below matriculation to ITI. All the workers in the company belonged to Gujarat. Data of interviews with 10 senior level managers, 5 junior level managers, and 18 workers were used for the present paper.

Organizational Image

Sanzvik was regarded in the business community as a quality producer. In Vatva, compared to other similar organizations, Sanzvik was considered a good pay master. Unlike other steel tube manufactures in the locality, it provided transport facility, canteen facility, and health insurance facility to its employees. It was a matter of respect for the employees to be a part of Sanzvik. Employees received the advances/ loans from banks and other financial institutions because of their association with the company. However, the organizational practices were not perceived well by the employees. In the following section we have described the organizational practices at the Vatva site of Sanzvik.

Organizational Practices

Apart from the above mentioned facilities, the working area on the shop-floor was provided with better illumination, air cooling facilities and fume exhaust systems. Apart from tea, workers were provided purified water in the shop floor. The organization arranged for annual picnic, family visits to plants etc. In the following section we have described the perception of employees about organizational practices.

Performance Evaluation

There were no promotion policies, performance appraisals and recognition for better work of the workers. Managers used to get all the above benefits.

Salary and Incentives

There was huge difference between the salary of workers and managers. Similarly there was difference in other allowances also like house rent, travel allowance, and leave travel facilities. The annual increment for the workers as well as managers was about 7%, but only managers used to get the annual bonus. The managers were eligible for monthly incentives depending on production, whereas workers had no incentive systems. The managers used to get other facilities like mobile phones, vehicles, etc. which workers were not considered eligible for. Moreover, managers could enter and leave the plant premises anytime, but this was not allowed

to the workers. Security check was done during employee departure from the plant premises. However, this was only for the workers.

Family Culture

The managers claimed that Sanzvik had a family culture with no difference as far as organizational treatment was concerned. According to the union leader,

A worker can not be an executive in his entire period of service in this organization.

The managers floated the scheme to upgrade workers to management level only if they agreed to dissociate themselves from the union. According to organization reports there was a gradual decrease in the number of permanent workers over the years (the worker strength gradually reduced from 174 (in 2002) to 122 (in 2005)). With increasing automation, hostile management and increasing use of temporary workers, there was a growing fear of job loss among the workers.

Communication

The interaction mostly took place in the monthly meetings. The nature of interactions was generally production target-oriented. The workers perceived such meetings as routine and did not seem to be very enthusiastic about them. The production targets were set by the management and conveyed to the workers. There was no worker participation in the target setting process.

Training and Orientation

The company forced training on its workers and all the trainings were related to multi-skilling. Training days per worker have declined gradually from 4.5 (in 2003) to 1.28 (in 2005). Managers were getting trained on management development areas like leadership, team building etc.

Employee Participation and Creativity

The managers were involved in a lot of meetings. However, the workers were never involved in any such meeting. Being a manufacturing organization, efficiency was considered important than innovation.

There is no encouragement for suggestions and no incentives for that. The only criteria for recognition are that one dissociates himself from the union (2 Workers).

Socialization Process

In spite of managers' claim that there was strong socialization process, workers' perception was just the opposite.

The annual picnic was all farce and it ended within a couple of years. We do not understand why the management is boastful about it. The concern for the workers is never an interest for the managers (4 Workers).

Employees' perceptions about organizational practices are provided in Table 2.

Employee Attachment

To observe workers' behavior, the researchers spent time with them and talked informally even in the retiring rooms during the breaks, joined them during lunch, travelled with them through company transport facilities. We were with them even during odd hours in the night shifts and in the evening shifts to observe and understand their perceptions and behaviors. This also helped in breaking their perception about us as 'management spy'. We noticed the presence of shift managers in every organizational activity. The workers were reluctant to do any extra work. During shift change, often workers shunned their work before the due time. There were several instances where the plant/ unit were shut down due to no manning in some sections.

I am working because there is no other job opportunity in the market and I need a job. If given a chance I will leave this organization without a second thought (worker 1).

I am working because it is near my home; but given a chance I will quit the organization (worker 2).

Company future is bright, but my future is uncertain because the intention of the management is unknown. When the management will bite I do not know (worker 3). We are living our life in utter uncertainty. We work to keep our job intact, nothing more nothing less (union leader).

The head of the unit opined that:

We have tried all means and presently we are convinced that they can not be moulded into organization's philosophy; so we are ignoring the workers. We are keeping these people like this and recruiting qualified people and temporary workers for our expansion and other works. All the management people know how to operate the machines and in shutdowns the plant is run by the managers to make up the production target.

Understanding Workers' Neglect Behavior

Initially the workers were enthusiastic to work in this organization. There were instances when the management promised to pay incentives on achievement of some targets which the management could not keep.

In spite of reduced manpower, there is increase in production over the years. All the record production was given to machines as if we do not have any contribution. The temporary security guards are used to check the workers behavior in the night hours and the sole work of the HR manager is to issue letters and cut salary, based on the report of these temporary employees. Do you think we have any status within the organization? It actually hurts; but the management is reluctant to this issue. (Union Leader)

As per the company records the top management from the corporate head quarter had visited the organization and during a discussion with the workers union, he categorically emphasized that the management was doing the best and the workers are needed to follow the management. Even during the interview the union leader reiterated the same thing. They were not sure of whom to trust. The local management was awarded for their efforts and all these messages were signaling the workers that the Senior Management was supporting the local managers. It was accepted that the organizational practices were not good.

The management is highly unpredictable and that is one of the reasons why we do not enjoy the work (worker 3).

The workers raised their voice for support from top management as they felt that the local managers do not represent the organization. However, when they found that the top managers supporting the local managers,

they understood that the whole organization was like that only. So the only way to continue, according to them, was to involve in neglect behavior.

The above case indicates that in case of favorable organizational image, employees' lack of trust on the corporate level Management leads them to believe that the poor practices in their work unit is the actual intent of the organization towards them. In other words, they lose hope of any betterment in the existing conditions. This leads employees to involve in neglect behavior towards their job and towards the organization.

Referents of Trust

Most of the research has used the term "trust in leader" without considering the variation in leadership roles. In order to effectively leverage the benefits of workplace trust, there needs to be a better understanding of which "referents" may be most relevant and important for eliciting employee attachment and performance.

Following norms of reciprocity, the social exchange perspective implies that followers will reciprocate benefits received, and that individuals will target their efforts to reciprocate toward the source of the benefit received. For example, trust in direct leader should be associated with reciprocation primarily aimed at that leader, as opposed to senior leadership (e.g., top management team). Likewise, efforts to reciprocate trust in senior leadership would be targeted toward senior management. Research reviewed by Bass (1990) indicates that supervisors tend to perform activities such as managing performance and day-to-day activities on the job. In contrast, senior executives perform more strategic functions such as setting strategic direction, allocating resources to various projects and departments, communicating to employees the goals of the organization, and so on. Given the distinction in the roles of the different leadership referents, reciprocating trust in one's immediate leader may be related to job-related outcomes such as increasing job performance. In contrast, trust in senior leadership may involve reciprocating to that referent with high commitment to the organization and its mission. The present article highlights two situations: one, the lack of trust on the local managers but high level of trust on corporate level

managers and second, lack of trust on both the local and the corporate level managers. The employee attachment to the organization in both the cases was found to be different. In case of lack of trust on local managers but high trust on corporate level managers, there was strong attachment of workers to their organization. But in case of lack of trust on both the local managers and corporate level managers, the attachment was low. In case of lack of trust on the local managers, the behavior of employees changes from voice to neglect behavior depending on their trust on corporate level managers.

4. Discussion

Based on the above two studies we noticed that when employees perceive favorably their organization's image and they trust the intent of the management, they do not take poor organizational practices to their hearts. They assume that these are temporary phases and ignore their own grievances by assuming that the top managers will take care of it. People having stronger attachment with the organization try to improve the organizational practices; thereby raise their voice so that top managers can catch the issue. When employees notice that top managers are not helping the organization, they lose hope. Because of favorable image of the organization they do not leave the organization rather involve themselves in neglect behavior.

This study has important implications for organizations as it indicates how organizational practices as well as management interferences can change workers' level of attachment with the organization and hence influence their behavior. Further research can be done to explore/reinforce the above findings in different settings. It is important for MNCs, in particular, to understand how the actions of managers at different levels are perceived differently by the workers and its consequence on their 'voice' or 'neglect' behavior. In other words, favorable image of these organizations seem to be detrimental for the workers, as it closes their exit option and poor organizational practices increases their neglect behavior.

Current literature talks about the effect of external image and organizational practices on employees' behavior. For example, in case of favorable external image and favorable organizational practices, employees strongly

attach themselves with the organization (Fuller et al., 2006). Employees' attachment with the organization leads to their loyalty behavior. There is some existing literature, which explores employee behavior in case of their stronger organizational practices but faltering external image. For example, in the study of employee behavior in Amway Corporation, Pratt (2000) argued that when organizational practices are strong, employees do not care about the unfavorable external image of the organization, rather they put effort to enhance the external image of their organization. Similarly in the context of University ranking, Elsbach and Bhattacharya (1996) observed that in case of lowering of ranking of a university, employees tried to regain/enhance the ranking of their university. The above studies hint that when organizational practice is strong, unfavorable organizational image does not influence employees' attachment to the organization and their consequent behaviors. Rather, they maintain strong attachment with the organization and try to maintain and improve organization's image in the eyes of the outsiders. However, studies that explore employee behavior when organizations image is favorable but organizational practices are poor are scant.

5. Conclusion

Based on the findings of two MNCs in India, the study proposes that workers' perception of favorable image of their organization and poor perception of their organizational practices do not dampen their organizational attachment; rather workers try to improve their organizational practices. When they have trust on the management, they try to indulge in voice behavior, to make the managers aware of the issue. But when they lose their trust on the management, they believe that the situation cannot be improved further and as a consequence they involve in neglect behavior. The study provides an important insight for managers in MNCs where there are different hierarchies in management. The present study indicates that distrust on the management at a particular level does not mean employees involve in neglect behavior; rather employees will try to reach out to the higher level of management, in a hope that the organizational practices can be

improved. The present study has opened up new dimensions to the issue of employee behavior by exploring the EVLN model from organizational attachment perspective.

Note

1. An earlier version of this manuscript was presented in the Indian Academy of Management Conference at XLRI held during December 28-30, 2009.
2. The company names have been withheld.

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TABLE 2
Perception of workers about organizational practices

Pharmaco	Sanzvik
The management wears a mask of a colleague to stab us at the back. They cannot be trusted. Worker benefits are never a concern of the management. They are there to work and only work (union member 2).	There is no encouragement for suggestions and no incentives for that. The only criteria for recognition are that one dissociates himself from the union (2 workers).
We meet once in a year in the company premises. But I am sure it is just like a routine job to fill up their KPIs. The concern for the workers is never an interest for the managers (worker 4).	The annual picnic was all farce and it ended within a couple of years. We do not understand why the management is boastful about it. The concern for the workers is never an interest for the managers (4 workers).
A worker is a worker. A worker cannot be an executive in his entire period of service in this organization (union member 1).	We are living our life in utter uncertainty. We work to keep our job intact, nothing more nothing less (union leader).
We are no more interested in giving suggestions because nobody listens to us. If someone listens then the credit of that idea goes to him (workers in API Plant).	Company future is bright, but my future is uncertain because the intention of the management is unknown. When the management will bite I do not know (worker 3).
These management people cannot be depended. Whatever facilities we have got, it is because of the MNC owners. Given a chance the local management would have curtailed all the facilities provided to us. The primary aim of the local management is to improve the bottom line of the company. So the axe is on workers (union leader).	In spite of reduced manpower, there is increase in production over the years. All the record production was given to machines as if we do not have any contribution. The temporary security guards are used to check the workers behavior in the night hours and the sole work of the HR manager is to issue letters and cut salary, based on the report of these temporary employees. Do you think we have any status within the organization? It actually hurts; but the management is reluctant to this issue. (union leader)
We meet once in a year in the company premises. But I am sure it is just like a routine job to fill up their KPIs. The concern for the workers is never an interest for the managers (worker 4)	The management is highly unpredictable and that is one of the reasons why we do not enjoy the work (worker 3).

Sushanta Kumar Mishra is a faculty in OB & HRM Area at Indian Institute of Management Indore. Some of his research has been published in Human Resource Management, Journal of World Business, and Research on Emotion in Organizations. He has presented papers in many conferences and one of his papers was adjudged as one of the best accepted papers in Academy of Management Meeting at Chicago.

Richa Saxena has worked as a Learning and Organization Development specialist at Reliance Infrastructure Ltd. She has done her Fellow Program in Management (FPM) from Indian Institute of Management Ahmedabad. Her research interests include cross-cultural issues in contemporary careers; career mobility & career success; gender issues in career management; change management; learning & organizational development; and leadership development. She has presented papers in esteemed national and international conferences and has published articles in refereed journals.

The Auditor¹

Mohan Gopinath, Edwin L Castelino, and P Janaki Ramudu

'If seven maids with seven mops
swept it for half a year,
Do you suppose,' the Walrus said,
'That they could get it clear?'
'I doubt it,' said the Carpenter,
And shed a bitter tear
The Walrus and the Carpenter
Through the Looking Glass, 1871
Lewis Carroll

The Setting

Taiwan International Bank (TIB) is one of the biggest international banks in existence. The bank is headquartered in Taiwan. The bank has its presence in over 70 countries and has marked a strong presence in South Asia, Europe and the United States. It has around 300,000 employees on its rolls. It is an amalgamation of many large and medium sized banks. Over the years all acquisitions made by TIB have proved both strategically important as well as profitable. The bank is now moving from its traditional core banking areas into insurance, broking, factoring, private banking etc. The main focus is on retail and the bank is planning for growth of 18% in the coming year.

The executives in TIB fall into two cadres - international officers and regional officers. The international officers are recruited from reputed universities and are subjected to intensive training program. Being international officers, they are rotated across the countries in every 2 years. The regional officers are mainly recruited to serve in a specific country. Usually they are the graduates from reputed universities of the country. However, they may be cross posted to different countries if and when a requirement arises; these postings would be for periods of two to three years.

Initially, international officers were recruited from the UK, but this trend has been gradually changing. The bank now recruits international officers based on intake procedures from other countries in which it has a presence. The practice of the bank to have only international officers to head a region, is gradually changing.

The Chief Executive Officer

In India, TIB has been a player for over 140 years. Initially, the bank had three independent entities under different names, but in 1980, all of them merged as TIB. It is now one of the largest international banks in India and is headed by a Chief Executive Officer (CEO) who is based in Mumbai. The four regional heads in Delhi, Kolkata, Chennai and Mumbai report to the CEO directly. David Turner, the CEO was a tough, no nonsense, extremely intelligent banker with around 25 years of international experience behind him. He was highly respected in the banking community. Because of his initials, he was also known as 'Difficult Turner' especially to those lesser bankers who had crossed his path.

Turner was an expert in both foreign exchange dealings and credit, which was an unusual combination. From a practical point of view this meant that he could independently hold his own with almost anyone without having the support of aides. The four regional managers were believed to be petrified if they receive a call from Turner as invariably he would pick relevant holes in the proposals they had sent to him for approval.

Turner had been in the position for slightly over two years. Prior to his Indian posting, he had served in almost all the major countries in which the bank operates. He had left behind an extremely good impression in all the countries. His resemblance to Stewart Whitman, the Hollywood actor stood him in good stead in the cocktail circuit.

1. This case was prepared by Dr Mohan Gopinath, Professor Edwin L Castelino and Dr P Janaki Ramudu of Alliance Business School, Bangalore, and is intended to be used for class discussion rather than to illustrate either effective or ineffective handling of the situation.

A man of strict principles, upright, and with the bank's best interests always in mind, he was one of the best CEOs the bank had sent to India. For him the quality of work delivered is of paramount importance; and personal equations are secondary.

TIB's global operations were controlled out of Head Office by the Department of Overseas Operations, later renamed as International department. This department was run by three General Managers who monitor the global operations and were completely accountable, including the profitability. A General Manager in International Departments a much sought after post as it commands a lot of respect and wields plenty of clout.

The norm was that after serving as the CEO for India, the next posting would be the General Manager in International Department? In most cases, this would be the last posting for the officer as he would have reached the age of retirement. There were only two levels above a General Manager; Deputy Chairman or the Chairman of the TIB Group.

Turner's equations with his regional managers and other senior officers were at times troubled because of the way he treated them. He could not stand slipshod work and made it a point to rub it in if he came across any type of slackness. He used to say often, that he was not doing the job to win a popularity contest.

Perhaps because of this abrasive side of his character, he was sent as Assistant General Manager - Group Audit in Taiwan after his stint as the CEO for India. This was the highest position in the audit function globally, but fell short of being a General Manager. This move surprised quite a few in the bank as Turner was a 'natural choice' for taking over as a General Manager. If Turner felt anything about the move, he did not reveal it to anyone in the bank; at least no one had heard of any reaction from him.

Because of his intellectual and functional skills, Turner was an ideal choice for the audit job. He soon got rid of the deadwood in the section and brought in young, highly qualified people. Till then audit had been a parking lot for the unwanted, and this image was hurting the function. Within six months under Turner's

leadership, all this had changed and Group Audit became a destination for all the young and ambitious bankers in TIB.

TIB had earlier termed the department as 'fuddy duddies'; this image was cleaned up as they were either eased off, or wherever possible, relocated to back office functions. Most of them were glad to go as they knew that working under Turner would not be an easy task. He would have driven them hard and it was possible that he would have made them put in their papers if they did not perform up to his standards.

Turner's second in command in Group Audit was WS (Willie) Allen. Allen had also served a stint in India in Mumbai and could therefore relate to Turner at a personal as well as professional level. Allen, a hardnosed Scottish, usually gives attention to details. Although short tempered and known for his outbursts, he was hardly vindictive. According to legend, he could be heard two floors below, but this was perhaps an exaggeration. Allen made a superb auditor being meticulous with details and along with Turner, perpetrated the new image of Group Audit.

Group audit transformed from being avoided by new recruits, to be the most challenging function. Now it has to pick and choose from the large pool of applicants who showed a preference for this function. Apart from being considered to be among the chosen few, the audit function also gave a steep learning curve to its staff and they quickly obtained an international perspective of the bank.

Mobile Inspection Teams

In countries where TIB had more than 20 branches, the bank maintained a team of auditors within the country, which was called the Mobile Inspection Team. In India, the Mobile Inspection Team was based out of Hyderabad and had 40 audit staff to cater to the needs of its 25 branches. Hyderabad was chosen because of its central location.

The auditors were essentially bank officers with 10 to 15 years of banking experience and possessed the ability to independently handle various banking functions; this

made them efficient and effective in the audit work. Being a sensitive function, the members of the audit team, based out of India were chosen with great care; they were people of integrity and high ethical standards. They were posted on a fixed tenure for three years and on completion of their term they were reverted to the parent branch from where they were drawn. They were rewarded with a posting of choice and given priority in promotion.

Deployment of the Mobile Team

In order to preserve objectivity, an officer would be deployed for audit to all the branches in the country except his parent branch. This naturally ensured that the auditor maintained his independence and did not come under any undue influence or pressure from the branch managers under audit.

Such a system of drawing auditors from within the country was cost effective but the disadvantage was that, at times, the India based audit staff would succumb under pressure or the influence of the local branch manager. Most often, the branch manager would be a very senior person compared to the India based auditor and hence becomes vulnerable. So, the audit team was invariably run by a lead auditor who came from the Group Head Office (GHO) in Taiwan and was senior to the branch managers of various stations in India.

The Audit Function - a few key points

A bank in India is subject to a variety of audits, both internal and external. The external audits are conducted by the Reserve Bank of India (Department of Banking Supervision) and external auditors, the latter for certifying the annual accounts. Internal audits are from various functions - IT, Credit etc. The most important audit for an international bank (including TIB) would be the operations audit conducted by GHO.

While a bad audit report was a blot on the branch and its staff, one from a GHO audit could mean the end of a career for those indicted. Many officers broke down completely when their departments received a bad audit report.

A Typical Audit of a Branch

The Audit Headquarters based in Taiwan would draw up the annual inspection calendar and also nominate the lead auditor for each branch. Allen was designated as the lead auditor to inspect the Mumbai branch and as per the usual practice he picked up a supporting team of four to five auditors out of the India based mobile inspection staff.

One of the auditors chosen by Allen for the Mumbai branch audit was A. Ramakrishna. He was with the Hyderabad branch and had been with the Mobile Inspection Team for quite some time. He was looking forward to his repatriation back to Hyderabad as he had almost come to the end of his three year tenure. Ramakrishna had initially worked as a clerk in the Chennai office for a period of five years and was promoted as an officer about 10 years back and posted to the Hyderabad branch.

Ramakrishna was a hardworking, diligent and ambitious individual. He was in his late 30s and was looking forward to a steady upward climb in the bank. His superiors and other officers were quite impressed with the quality of his work. In fact, during the inspection of the Hyderabad branch, a couple of years back, Allen had observed how diligent and methodical Ramakrishna was in his work and he had encouraged him to join the Mobile Inspection Team.

The audit team from Taiwan took care of their hotel bookings and travel arrangements, themselves. The branch would only get to know about the audit when the team - usually about six people for a large branch such as the one in Mumbai - came and announced its arrival to the manager. A branch of the size of the Mumbai branch, could take nearly a month to audit. The audit report, once finalized, would arrive in the audited branch within three weeks of completion. The arrival of the reports would have a significant bearing.

When it comes to the theoretical perspectives under which the auditor works, independence will be the chief trait. Independence will ensure that the internal auditor functions objectively; without bias, he evaluates controls, operations, and the overall condition of the function

being audited, and the bank. This critical attitude or disposition of independence can be impaired and even destroyed if:²

- The auditor allows himself or herself to become involved in making management decisions or become part of the operations of the bank.
- Management requires that the auditor makes management decisions or become part of bank operations.
- Management edits the contents of the audit reports requiring the auditor to make deletions or alterations favorable to management.
- The auditor reports to someone in management rather than reporting to the Board by means of the Audit Committee.
- The Audit Committee does not support the audit function or fails to adequately supervise it.

In June 1999, the Board of Directors of the Institute of Internal Auditors approved the following definition of internal audit:

'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.'

In addition to generally accepted auditing standards, the internal auditor also determines compliance with internal guidelines - board approved policies, procedures established by management to implement the board approved policies, and systems of internal control, and external guidelines - national or state banking laws, federal banking regulations, and sound fiduciary policies.

In short, the audit is one of the most important functions in a bank.

Audit of Mumbai Branch

To go back to TIB, a team of GHO auditors led by Allen, arrived at 11.00 am on a Monday morning in early December, 2005. The Manager of the main branch was

Simon Wong, originally from Hong Kong but now settled down in Taiwan. He had been in the branch for slightly over two years. Wong was considered by most of his colleagues as a conscientious banker. His only weakness was that he tended to over delegate; this was essentially because he expected his colleagues to have the same commitment as he himself had. This tendency seemed to backfire at times.

His Head of Operations was Ajitabh Bannerjee who had over a year ago moved into the position as a lateral hire from one of the private banks. He had been in the job for around a year and had been a banker for 12 years. He was a product of one of the lesser known B schools. He had also brought with him a junior, V. Warriar, who had worked with him in a private bank. Warriar functioned as his unofficial news gatherer, or to put it bluntly, his spy in the organization.

Bannerjee was not a popular person as he had the habit of carrying tales to his superiors, especially about his junior officers. He also put down people who were potential threats to him; this was done in a very circumspect way but everyone soon came to know about Bannerjee. He just did not fit into the culture of TIB which was characterized by support and friendliness. There were rumors that Bannerjee was not averse to bending or breaking the rules of the bank if it so suited him. Though nothing had been proved against him, some of whom he had offended were trying their hardest to get some evidence to nail him down.

One of his favorite statement was if a complaint was made against me or my area, 'I deflect it, deny it or delay it.' He used to call this his 3D approach to problems. This was totally against the culture of TIB where officers acknowledged mistakes, and took efforts to see that they were rectified. They also ensured that systems were in place to avoid repetition of the mistakes.

Unfortunately, Bannerjee had not bothered to understand the new values or the ethical culture in which he was now working. He particularly did not know that an audit team from GHO was sacrosanct and consisted of men and women who were dedicated, incorruptible and had a passion for their work-a value shared by all the auditors of TIB.

² Source: <http://www.bankaudit.net/Internal%20Audit/IA-Role.html>

This was Bannerjee's first GHO audit. Wong received the team and introduced them to Bannerjee who was asked to co-ordinate the entire audit. Wong had already been acquainted with some of the members of the audit team. In fact, one of the pleasures of the GHO audit function was one gets an opportunity to meet old colleagues in the most unlikely places. Bannerjee appeared shaken when the team walked into his office, but soon appeared to regain his composure. He immediately called his second in command in Operations (Warrior), and started drawing up a schedule for the auditors. Meanwhile, one of the auditors had 'hit' Cash Department, and two others had started counting Travelers cheques and revenue stamps on hand. This was standard operation procedure and no staff of the bank could leave for the day until all these had balanced.

It was a long day at TIB's Mumbai branch and it was close to 10:00 pm when the auditors were ready to leave. Allen was completely at home as he had worked in the very branch and personally knew most of the staff. He spent quite a bit of time talking to them and catching up since the last time he had met with them.

The Audit Findings

The next day Allen and his team started the full audit of the various departments in the bank. He started to go through the Register of Clearing Cheques, which contained details of all the cheques deposited by customers. The register hardly bore any significance. Typically an auditor would not devote more than 15 to 20 minutes for scrutinizing and signing it. What attracted Ramakrishna's attention was a clearing cheque value of Rs 6 crores. It was deposited in favor of Vijay Trading Company, one of the customers of the Mumbai branch. The fact that it was an exact rounded amount, a high value cheque, and was deposited for clearing on the very day the audit commenced made Ramakrishna suspicious. A round amount was a rarity in business transactions.

Ramakrishna walked up to Bannerjee and casually asked him, "What is the business of Vijay Trading?" Instead of answering, Bannerjee responded with a question "Why do you ask?" Ramakrishna replied: "I was going through the clearing cheques register and I happened to see a

cheque deposit of Rs 6 crores. They must be VIP customers of yours and therefore I would like to know something more about them. Can I see their account please?" Ramakrishna could see Bannerjee getting distinctly uncomfortable.

It was well into the fourth day of audit and Bannerjee by then had quietly dug some personal details of each of the auditors. Bannerjee had discovered through his contacts that Ramakrishna was from the Hyderabad branch and that he was quite ambitious and wanted to be on the right side of his superiors. Bannerjee also knew that he was due for repatriation to his parent branch in two months' time and that he was looking forward to a good posting.

In terms of hierarchy, Bannerjee was much senior to Ramakrishna and decided to order him around. Bannerjee said, "Listen, Ramakrishna. I know you are due for repatriation to Hyderabad branch in two months' time. I shall not only expedite that; I shall also ensure that you get a posting of your choice in the Credit Department. Alok Mukherjee, the Manager of Hyderabad branch is my close relative. He is my maternal uncle and I can fix things for you. In return, I want you to forget that you ever saw the clearing register and not to discuss this question with Allen."

Ramakrishna was an ambitious person. He was tempted. He did not want to let go of an opportunity to get a posting in the Credit Department although it meant a compromise on his part. A posting in the Credit Department was all that was necessary for a fast track move in the bank. The price to pay- was to turn a blind eye, about the clearing cheque. Bannerjee "won" the deal and Ramakrishna went back to his desk to continue with his audit work.

Ramakrishna was however disturbed and uneasy, as in his entire career, he had always done the right thing. By keeping quiet about the clearing cheque, he had compromised on his values. That day Ramakrishna did not sleep well. He knew that he had to put the institution before himself. He decided that he would report this incident to Allen the first thing next morning.

Ramakrishna briefed Allen about the whole incident not withholding the "offer" that Bannerjee had made him. He also apologized for not reporting the incident earlier.

Allen was shocked. His first impulse was to confront Bannerjee immediately. But he thought it through and decided that the best course of action was to ring up his superior David Turner in Taiwan and apprise him of what he had discovered. He caught Turner in the office, just as he was about to step out for lunch. Turner recognized the urgency in Allen's voice and gave him a hearing immediately.

'Bannerjee's been squirreling,' said Allen without preamble. 'One of our auditors, while making a scrutiny of the clearing cheques, came across a high value deposit in a customer account on the day the audit commenced. What attracted his attention was that the cheque was for a round amount of Rs 6 crores, which he thought was very unusual.' Allen then recounted the conversation between Ramakrishna and Bannerjee.

Allen further reported that the scrutiny of the account revealed huge excess drawings that were not reported to the Area Office. The account was brought to credit balance just to hoodwink the audit team by depositing a high value cheque on the day the audit team landed. This cheque naturally bounced but Bannerjee managed to physically retrieve the returned instrument from the Clearing Department, through Warriar. The customer account was therefore not debited. Neither was an entry passed into Clearing Suspense Account.

'As it is a clear intent to hide something,' Allen mentioned to Turner, 'I have called for a meeting tomorrow morning at 7: 00 am with Simon and my team. Obviously, the account of Vijay Trading Company is closely linked to Bannerjee.'

'I want that..... nailed to the wall,' was Turner's immediate reaction. In moments of stress his language was quite colorful. 'I will be telling this to the Chairman and the General Manager responsible for India. I want you to call me in the morning immediately after your meeting. I want our reaction to this to be a lesson to all our branches. In fact, I plan to tell the Chairman right now.' Turner asked a few more questions and hung up but Allen could sense the anger in his voice.

The Reactions

The meeting the next day commenced sharply at 7: 00 am. Allen narrated the findings to Simon Wong who was

outraged. 'This has put my branch in a fix and has shown me in a poor light,' he said. 'Firstly the unauthorized withdrawals went unnoticed, and secondly a senior officer has compounded this by trying to influence an auditor. I am more concerned about the branch than what happens to me. Willie, can we go and meet Bannerjee?'

Allen agreed and the two of them went directly to Bannerjee's office. Bannerjee's face paled when he saw the two senior bankers walking into his office. 'Good morning,' he managed to say but his voice shook. 'Is the audit going on plan?' Bannerjee's first reaction on seeing his superiors was to recall his earlier conversation with Ramakrishna. He took comfort in the fact that Ramakrishna had agreed to his suggestion.

'No, it is not,' snapped Allen. 'I too would like a posting in the Credit Department in Hyderabad branch, along with Ramakrishna. Could you fix it up for me?'

Bannerjee realized that Allen and Wong were privy to the entire conversation he had with Ramakrishna. He made a last ditch attempt, 'Gentlemen, we are men of the world and I am sure we can find a way out..... Why don't we have a quiet talk?'

Wong's reaction was immediate. He turned to Allen and said, 'This chap is offering us a bribe to hush things up. I have just about had enough. I shall warn the security people to see to it that he and his friend Warriar do not leave the premises. Let's lodge a complaint with the police. I will also have to meet the Reserve Bank of India on this and God knows who else. This is one unholy mess and will take months to clear up.'

'Right, Simon. You get things rolling and I will investigate further on our friend. I will keep David informed of the latest - I am sure he will come down today or tomorrow. And the audit is indefinitely extended; though it will really throw a spanner into our schedule for the rest of the year. But we realize this is priority.'

TIB Audit team walked away with another feather to their cap.

Note

An earlier version of the case was presented at the International Case Conference, November 2010, Goa, India.

Mohan Gopinath holds a BA (Hons) degree and a Masters degree in English from St. Stephen's College – Delhi University, where he later joined as a faculty. After a two years stint in the college, Dr. Gopinath joined the Hongkong and Shanghai Banking Corporation, and worked as a senior level banker for over 20 years in India, UK and Hong Kong. Subsequently he left the industry and worked for a Ph.D. degree which he obtained from Omani University. He has worked as a management consultant in India, Middle East and as a lead consultant for a World Bank funded Institutional Development Study conducted for the Andhra Pradesh Forest Department. Currently Dr. Gopinath is working at Alliance Business School, Bangalore, as the Registrar and Professor in the Department of Human Resources. He has presented and published papers in national and international conferences in his areas of specialization as well as on Indian dance and music.

Edwin L. Castelino has completed his PGDM from IIM Ahmedabad and an advanced management program from the Wharton Business School, University of Pennsylvania. He has over 25 years of work experience in the area of Financial Markets, Mutual Funds, and Derivatives. Prof. Edwin has worked with SBI Capital Markets, SBI Mutual Funds, SBI New York and the India Magnum Fund, a joint venture of Morgan Stanley Asset Management, USA. Prof. Edwin has worked as a consultant to Inter Commercial Bank Ltd, Trinidad. Prior to joining ALLIANCE, Prof. Edwin was Professor of Finance at St. Joseph's College of Business Administration, Bangalore for a period of 10 years which included a term of 4 years as Dean Academics.

P. Janaki Ramudu is a doctorate in finance, a post-graduate in Management and a graduate in commerce from Sri Venkateswara University, Tirupati. He has seventeen years of experience in teaching, research and administration in the field of Management Education. Dr. Ramudu has served as the chairman and member on academic boards of many Universities such as Madras University, Periyar University and Bharathiar University. Dr. Ramudu is the life member of AIMA, NHRDN, Research Development Association (RDA), ISTD and Consultancy Development Cell. Dr. Ramudu also served as the secretary of NHRDN-Hosur Chapter for a period of three years and rendered yeomen services to the same. Dr. Ramudu also conducts Management/Executive Development Programmes for various organizations. Dr. Ramudu strength lies in continuous rapport and interaction with the industry and bringing the same to class room discussions for effective and practically oriented learning process.

IDE Nepal: Developing Smallholder Ecosystem¹

Sourav Mukherji and P D Jose

Evolution of IDE Nepal

International Development Enterprise (IDE) is a development organization that operates in eleven countries worldwide with the aim of creating income opportunities for poor rural households in developing countries. Established in 1981 by a group of North American social entrepreneurs, IDE provides the rural poor in Asian and African countries with low-cost access to water for agricultural use and links them to markets so that their agricultural products can be sold profitably. In its 28 years of operation, IDE has worked with 3.8 million households, increasing their aggregate income by over one billion dollars; thereby enabling 19 million poor people to improve their economic status significantly².

IDE Nepal is an affiliate of IDE, registered with the Social Welfare Council of Nepal Government. It was established in 1992 with the aim of developing low-cost irrigation technologies suitable for smallholders³ in rural Nepal. More than 80% people in Nepal are engaged in agriculture and a significant number of them have smallholdings⁴. Typically smallholder farmers are economically impoverished and often belong to disadvantaged classes in the society. IDE intends to increase farm productivity of poor farmers by providing them with low-cost irrigation technologies, which in turn would increase their income. This would also have the secondary effect of empowering the marginalized group such as women and farmers from lower castes and bring them into the mainstream of economic activities.

In its initial days, IDE in Nepal experimented with

rower pumps. Subsequently, IDE Nepal developed low-cost human operated treadle pumps suitable for irrigation in the Terai⁵ region of Nepal. This was followed by the development of low-cost drip irrigation system in 1995. Subsequently, IDE developed micro-sprinkler systems which, along with drip systems were given to farmers in the middle mountains of Nepal. IDE also developed low-cost water-storage tanks, designed and promoted Multiple-Use Water Systems (MUS) so that water, a scarce resource in the hilly regions could be stored and used efficiently for both domestic and agricultural purposes. Very often, such MUS are used in conjunction with low-cost irrigation systems to cultivate high value crops such as off season vegetables in the hilly areas.

2003 was an inflection point in IDE Nepal's evolution when it realized that supply side interventions such as technology for irrigation and water storage needed to be coupled with demand side interventions so that farmers could be linked to markets. This would enable farmers to sell farm products profitably, resulting in increased income. Thus, IDE developed a comprehensive framework of developmental intervention at the input, process and output stages of the agricultural value-chain targeted towards improving lives and livelihood of smallholder farmers and disadvantaged groups. Today, IDE Nepal operates in 22 districts in Nepal (Refer to figure 1 that depicts the districts where IDE operates), having reached more than 1.4 million poor farmers in 240,000 households in rural Nepal. Their programmes have resulted in the sale of 200,000 treadle pumps and 40,000 drip irrigation systems in rural Nepal. It is estimated that IDE interventions have generated an additional income of US\$150 per year for each of the 240,000 households whom they have reached.

1 This case was prepared by S Mukherji & P D Jose of the Indian Institute of Management Bangalore and is intended to be used for class discussion rather than to illustrate either effective or ineffective handling of the situation.

2 Source: www.ideorg.org/OurStory accessed on 17th October, 2009

3 While definitions vary, "smallholders" are defined as farmers who own less than half hectare of land

4 Source: An Overview of Micro Irrigation in Nepal, K K Bhattarai (2009), Department of Agriculture (Unpublished report). According to Agricultural Census 1991, 44.7% of Nepalese families involved in agriculture have smallholdings, which together comprises 11.3% of the total cultivable area in Nepal.

5 The country of Nepal can be roughly divided into three horizontal areas, namely the northern high mountains, the middle mountains or Siwalik and the southern plains, the Terai.

IDE's Mode of Operation

A large number of farmers in Nepal are smallholders while there are several others, mainly from the disadvantaged castes, who are landless. These farmers are usually engaged in growing limited amount of cereals using water that is available during the rainy season. Since their farm income is not enough for their livelihood they supplement their income by working as daily wage labourers or migrate to cities and even to the neighboring country, India in search of work⁶. IDE realized that small holdings of these poor farmers can be effectively utilized for growing vegetables, if the farmers were provided with suitable technology for irrigation and water management and knowledge inputs for managing the vegetable farming process. With proper linkages to markets, farmers would be able to sell these vegetables profitably, leading to substantial increase in income and thereby improvement in their quality of life.

IDE intended to leverage the comparative advantage of smallholders in order to engage them in profitable farming activities. Smallholders often have advantage in labour intensive farming activities because agricultural labour suffers from a 'moral hazard' problem in case of organized farming that employs wage labour. It is difficult to assess or monitor the quality of labour inputs because the output of such labour can only be measured on longer time horizons, usually when the crop or commodity is harvested or sold. A smallholding that is typically owned and managed by members of a family will not face such 'agency problems' and are thus better off in labour intensive production processes that require careful monitoring. IDE thus identified cultivation of vegetables as an activity that is ideally suited for smallholders because vegetable farming is labour intensive, has a relatively simple production

process and does not require a high level of skills. Moreover, Nepal is deficient in vegetable production and a significant part of its vegetables are imported from India. Thus, if farmers in Nepal are able to grow vegetables, they will find a ready market close to their homes, thereby obviating the need for developing complex storage, distribution and logistics infrastructure for taking their products to distant markets.

IDE started off in Nepal by developing and refining micro-irrigation technologies (MITs) that are low-cost and appropriate for smallholders. Such technologies are rarely developed by organizations operating in the private sector because it is difficult for the private sector to enforce patents and thereby recover the investment that they make in research and development of technologies that are targeted at the smallholders who are poor and cannot pay high prices. IDE therefore invested in design and initial promotion of MITs. Once the design was stabilized and markets for such equipment were identified, it was possible for private entrepreneurs to start manufacturing and selling MITs as a sustainable commercial venture. The case of Thapa Mould and Die described in later section is one such example. Apart from MITs, IDE has also developed appropriate agricultural equipment for coffee processing, oil distillation from Non Traditional Forest Products and other high-value agricultural products.

IDE, in its early days received support from MISEREOR for development of MITs such as drip systems, micro sprinklers, treadle pumps and water storage and distribution systems. IDE bids for project grants from donor organizations, often in partnership with other development organizations, as and when it identifies an opportunity that can lead to improvement in the economic conditions of the rural poor. IDE has received significant financial support from USAID for their Smallholder Irrigation Market Initiative (SIMI) and Education for Income Generation (EIG) projects in partnership with Winrock International. Their Rural Prosperity Initiative (RPI) is supported by Bill and Melinda Gates Foundation. Other organizations and institutions from where they have received financial support include MISEREOR, DFID, the Manitoba State Government (Canada) and the Dutch Government while

6 According to World Food Programme's Comprehensive Food Security and Vulnerability Analysis (September 2005) migration is widespread in Nepal involving 25% of adult male population. Even during the harvesting period, 44% of the households have one or more members away to pursue labour opportunities. Migration is a common livelihood strategy for those living in poor Terai communities as well as in Far and Mid Western Hills and Mountains. The most popular destination for labour migration is India (40%) followed by Nepal (30%) and other countries (22%). While migration has economic benefits in terms of poverty reduction, it had significant negative consequences such as severe health risk, widespread violation of human and labour rights and disruption in family lives (Passage to India: WFP Publication, November 2008)

they have had partnerships with CEAPRED, SAPPROS, AEC and the government of Nepal in implementing their various projects. A partial list of recent IDE projects, the budget and the impact of such projects is provided in table 1.

Developing Agricultural Value-Chain Suitable for Smallholders

IDE figured out that in order to enable the smallholder and landless farmers become profitable vegetable growers, they needed support that went beyond micro-irrigation technologies or superior water management systems. The farmers needed to be linked with several other players such as suppliers of agricultural inputs (e.g., seeds), technologies (e.g. those needed for irrigation, water management) and distributors and sellers of agricultural output. Farmers also needed to be provided timely information about the demand supply conditions existing in the markets, which in turn can determine when and what kind of products they should be cultivating in their farms to maximize their returns on efforts and investment. With this in mind, IDE created an integrated framework named Poverty Reduction through Irrigation and Smallholder Markets (PRISM) and adopted it in Nepal to develop agriculture value-chain suited to the needs of smallholders with an overall objective of increasing farm income, thereby improving the economic conditions of the poor and marginal farmers.

As part of this programme, IDE aimed to create networks of small enterprises that would provide agricultural supplies needed by farmers and link farmers to markets so that they can get the best possible price for farm output. While IDE would continue to work with the farmers and provide them with knowledge inputs for farm management and productivity improvement, IDE's role was to become an enabler of a self-sustaining system that would continue on its own even after IDE completed its specific projects. Explains Luke Colavito, Country Director of IDE Nepal, "What is unique about the value-chain approach is its focus on all enterprises and stakeholders involved in production, processing and marketing of a commodity. It identifies points of market failures and constraints in availability of appropriate

inputs, processing and access to markets and designs interventions to overcome these constraints. These interventions include building capacity of enterprises and service providers, establishing linkages between enterprises and institutions, developing and introducing appropriate technologies and working with the government for investing in public goods. Above all, we want to ensure that all services and input providers are profitable and sustainable by themselves - that is the only way in which we can create sustainable livelihood opportunities for smallholders and poor farmers".

Thus, IDE works with manufacturers of micro irrigation technologies, retailers and distributors of technology and other farm inputs as well as with masons who provide installation and maintenance services of basic farm infrastructure. IDE provides initial support in terms of technology design to entrepreneurs who manufacture farm equipment such as drip irrigation systems or treadle pumps so that these equipments are suited to the specific needs of the smallholders. IDE also provides continuous support in terms of quality control, design improvement and links these manufacturers with distributors and retailers. IDE keeps an informal control over the prices that these manufacturers and retailers charge the end customer which ensures that the products are affordable. At the same time, IDE also balances the profitability needs of the various actors in the supply chain so that the business remains attractive and sustainable for the entrepreneurs. IDE's various interventions with manufacturers are explained in a later section in a greater details through the case of Thapa Molds and Dies.

IDE works closely with 'agrovets' - entrepreneurs who supply agricultural inputs such as seeds or saplings to the farmers. IDE trains the input suppliers so that along with sale of inputs they can offer information on planting methods and timing, pest management and production of different crop varieties⁷. Such technical knowledge needs to be offered as embedded services since the farmers have limited access to other means of getting information that is critical for managing the crop production process. Mr. Narayan Prasad Adhikary is the proprietor of Adhikary Agrovet in the town of Kohalpur, Nepalgunj. Twelve years ago he started his business with NR⁸ 3200. Today his shop has an annual

turnover of NR 5-6 million from sale of seeds, saplings and embedded services to vegetable farmers who have benefitted from IDE's interventions. "When I started, I had very little knowledge of agriculture. IDE gave me training about various varieties of high quality seeds, planting and farming methods, as well as how to build a nursery that enables me to provide essential services to the farmers", says Narayan Prasad. "With IDE's help, I have also created a document that lays down best practices in vegetable cultivation. Till date I have sold about 1000 copies of the document", he proclaims proudly, indicating the high demand for knowledge inputs from the farmers.

IDE's on-farm or process interventions include providing information to the farmers about the right kind of crops and the timing of cultivation, enabling multilevel cropping and crop diversification to spread and reduce risks as well as providing knowledge inputs about the right technology for farming and irrigation. Over a period of time, the farmers start receiving such knowledge either from the input suppliers or from the traders with whom IDE links the farmers. IDE also provides training to some of the farmers so that they in turn can become trainers and disseminate the necessary knowledge within the farmer community. However, IDE field workers keep in constant touch with the farmers informally monitoring their progress as well as helping them in case of some unexpected problems. The field personnel also act as important linkages between project sites and IDE head office, both in terms of providing project information as well as seeking help if necessary.

In order to aggregate farm output, IDE organizes the smallholders into communities called Marketing and Planning Committees (MPCs). MPCs help farmers to coordinate their production process, participate in joint training, benefit from the knowledge being imparted to them by IDE and input suppliers as well as produce output suited to market specification. The downstream processes of transportation and investment in marketing infrastructure derive scale economies from such

aggregation and enables communities to have better terms from transporters, traders, and retailers. Such aggregation also reduces the need for multiple brokers in the value-chain. Sooner or later, such communities mature into self-help groups empowering the rural poor to collectively bargain for their interests and rights. Today, IDE has started linking these communities with financial institutions and is in the process of enabling a credit model where the community can jointly provide guarantee to loans made to the individual member.

Social Mobilization

From 2003, social mobilization became a critical part of IDE's activities targeted towards developing the agricultural value-chain for the smallholders. The poor farmers, IDE's target group, are either owners of small lands or are landless, earning their livelihood through daily wage labour. Using micro-irrigation (drip and sprinkler irrigation) to cultivate vegetables is a new concept for the Nepalese farmers, who for centuries have been accustomed to cultivating rice through conventional methods of irrigation. However, IDE assessed that the poor and marginalized farmer, many of who have access to small landholdings, can earn significant returns by growing seasonal vegetables and micro irrigation techniques are most suitable for their small plots of land. There is a large demand for vegetables in Nepal, a significant part of which is met through imports from India. If the farmers are given proper inputs and information about market conditions, it will be possible for them not only to meet local demand, but also export their vegetables to India by taking advantage of seasonal shortfalls⁹. However, it is a challenging task to identify these marginalized farmers and convince them about the utility of growing a nontraditional product such as vegetables or fish using nontraditional techniques of irrigation.

Before IDE starts any intervention, it conducts a survey or a feasibility study to identify a suitable location and communities that can be engaged in those locations. The required data is sometimes obtained from district officials or other agencies like the United Nations that have experience of working in these areas through programmes such as the World Food Programme. After

7 IDE offers training to various players in different modules. An illustrative list and cost of such training is provided in Table 2. IDE does not charge the participants for such training. The training cost is recovered from project budgets. IDE trains approximately 10000-12000 persons every year.

8 NR stands for Nepalese Rupee, the national currency of the Republic of Nepal. 1 US\$ ~ 75 NR

choosing community and deciding on a suitable intervention, be it vegetable farming or fishery in micro ponds, IDE identifies opinion makers and influencers of these communities and conducts a series of discussions with them, explaining to them the proposed intervention and the possible benefits that can accrue to the marginalized members of community as a result. Often such opinion makers are not poor farmers themselves. However, discussions with them enable IDE personnel to understand the social situation and the concerns of various stakeholders.

Once IDE is able to convince the opinion makers, it takes their help to identify the disadvantaged members - the poor, the landless and those belonging to backward caste. IDE members hold a series of discussions, explaining to them about the proposed programme, its benefits and the part that the members need to play to make it a success. It is from this point when IDE encourages the community to develop norms of governance among themselves that includes identifying sub groups, team leaders and laying down rules of engagement in collaborative efforts. The focus is on making these communities as much self-sufficient as possible with IDE taking the role of providing them necessary technical inputs as well as linking the community with input providers, traders and government institutions. IDE also identifies local resource person from the communities who are provided further training so that they in turn can train other members of the communities on a continuous basis. The communities and local resource persons are assisted by IDE field personnel who are competent to provide technical support to these communities. IDE field personnel also keep a watch on the development and progress of the community and are able to ask for assistance from IDE when the community needs such assistance. As a result IDE field personnel develop deep relationships with the communities, relate to their context, understand their specific problems and provide the essential continuity in IDE interventions even as IDE transits from one development programme such as SIMI to another such as EIG¹⁰.

When farmers are formed into communities, it enables them to get credits from the suppliers because in the absence of any collateral from individual farmers, the suppliers are willing to trust the commitment of the collective towards repayment of loans. IDE has introduced the concept of revolving credit among different communities where community pressures ensure efficient utilization and faster repayment of loans.

Marketing and Planning Committee (MPC) at Gulariya

IDE realized that it was very important to establish collection centres for aggregating vegetable production so that smallholders can be linked to traders and regional markets. It therefore enabled farmer communities to setup Marketing and Planning Committees (MPCs). MPCs select traders who act as agents for the producers as well as provide supporting services to the farmers such as sale of agricultural inputs, credit, technical assistance, crop planning for marketing opportunities and representing farmers to government and development institutions. Table 3 gives an indicative list of MPCs that were created as part of three IDE projects.

Ms. Prema Kumari is the local service provider at Gulariya MPC at Bardiya district. She also belongs to the executive body of the MPC that was established in January, 2005. IDE setup this MPC in order to create cooperation among the local farmers, provide them with training necessary for crop planning, growing and selling vegetables as well as linking the farmer to traders so that they can get the best price by selling their products at opportune moments to the best buyer. Prior to IDE intervention, most farmers in this area were involved in growing paddy that provided them with an annual income of not more than NR 3000. They needed to supplement this with daily wage labour, often migrating to distant places, even to India in search of employment. With training and inputs received from IDE (under the SIMI project), an average farmer in Gulariya started to produce 10 quintals of vegetables, such as chilies, lady's finger and pointed bottle gourd, per year and earned NR 45000. This improved their economic conditions

⁹ Because of differences in climatic conditions, seasonal vegetables in Nepal can become off-season vegetables for India.

¹⁰ Education for Income Generation. Refer to Table 1 for timelines and objectives of these various programmes.

substantially. "Now we can send our children to good schools, have highly nutritious food, and use cellular phones to communicate," says Prema Kkumari who recently purchased a motorcycle and is learning to drive the same. "The best impact of this additional income is peace at the household. When there is no money, there is tension every day. Now people can do what they want and we, the womenfolk, get a lot more say in household matters". While six years ago it was almost unthinkable for women to take a lead in community activities, today Gulariya MPC has almost equal representation of women in its apex decision making body. Mr. Dinanath who was actively involved in the governance of the MPC since its inception says, "Today we have 315 farmers as members of this cooperative, making it one of the largest in the district, with an average vegetable collection of 2 Metric Tonnes¹¹ per day. It is our aim to bring all farmers within our fold - this results in price stabilization in the market. Farmers have the assurance that there would be buyers for their produce and customers are assured of good product at a fair price. Most importantly, MPC has given a voice to the farmer. We have convinced the district agricultural office to invest NR 600,000 in basic infrastructure necessary for running this collection centre. We realize how much we can gain by working as a collective - there has been a social change of some sort".

Micro Fish Ponds

At Tepri, another small village under Gulariya municipality, IDE, as part of the Education for Income Generation (EIG) programme, created 105 fish ponds and helped the local villagers, most of who were landless, to have a viable source of livelihood. Based on advice from their fisheries expert, IDE provided technical support for constructing the pond while the United Nations World Food Programme provided food to the villagers (~ 100 MT of rice)¹² who were involved in the excavation and pond construction. Land for the site was leased from the local municipality @NR 700/pond / year that also provided shallow boring pumps necessary for the construction. The villagers spent NR 500 in purchasing the fingerlings (three or more varieties of carp) and some chemicals that are necessary for

maintaining water quality. After 8-9 months, each of these ponds is expected to yield 25 kg of fish that can be sold at NR 150 per kg. IDE also tied up with fish traders who agreed to purchase the output. Prior to the creation of fish ponds, these villagers were primarily involved in daily wage labour. Since fish maintenance takes not more than two hours per day and little or no expenses, income from these ponds would double or triple the household income resulting in considerable improvement in their economic condition. IDE trained a few of these villagers with techniques of fish production, pond management, maintaining water quality and control of diseases. While there have been successful fish maintenance programmes elsewhere, most of these involved constructions of larger ponds. At Tepri and nearby locations, IDE created smaller ponds such that every household has a pond for itself and results so far indicate that micro-pond model is viable and well suited to the local context. "Farmers will cooperate when there is compelling need to do so - and nothing can be more compelling than economic benefit. However, there is administrative simplicity in keeping the production process individualistic and decentralized, wherever possible. The advantages of centralization are best felt at the market and input stages," says Luke. With the construction of nearly 2000 fish ponds, IDE runs the largest fisheries project in Nepal.

Partnering with the Government: GO-NGO relationships

IDE works closely with government to leverage resources such as finance, infrastructure and field personnel. IDE believes that the government is in the best position to deploy IDE's interventions on a large scale. Therefore it actively seeks opportunities where its initiatives can be aligned with social objectives of the government. In the process, it also provides training and knowledge inputs to government staff members so that IDE and government employees can work as a team. This has resulted in a trust based relationship of interdependence between IDE and Nepal government, which is quite remarkable given the usual perception of bureaucracy

¹² Under the WFP, 1120 kilograms of rice is provided to villagers for constructing a 300 square metre of fish pond at the rate of 4kg per day per person. It is assumed that each pond will take a group of 7 villagers construct a pond in 40 days. This rice is valued at approximately NR 30 / kg in the market.

¹¹ 1000 kilograms

that is associated with government institutions. Dr. B K P Shaha, Secretary in the Ministry of Agriculture and Cooperatives (MOAC), says, "The root cause of political turmoil in Nepal is social inequity and poor condition of many of our farmers. We can significantly improve the situation if we can generate employment and increase income of the poor farmers. And IDE initiatives help to address this fundamental issue. We need rural transformation in Nepal and we see institutions like IDE as important enablers of government efforts to increase farm income and reduce rural poverty". Social mobilization, development of market linkages and ensuring continuity are the key reasons that have endeared IDE to the Nepal government and resulted in successful implementation of programmes in a partnership model between the government and IDE.

"The government and INGOs have complementary skills. With IDE partnerships, the result has been to get the best of both", says Dr. P P Mainali, Joint Secretary in the Planning Division of Ministry of Agriculture, Government of Nepal. "The government can provide funds for developing infrastructure; the government has a team of officials in the field who can implement various initiatives. However we are not good at social mobilization, neither are our skills and expertise updated so that they can be used to address field level concerns on a dynamic basis. This is where IDE is good. They supplement our resources, provide training and education to our personnel and increase our effectiveness. Above all, they are able to create vibrant communities out of the marginalized farmer groups. Lot of INGO's operate on a project mode. They employ external consultants, who do important work during the project. However, they move on as soon as the projects get over resulting in discontinuity of their initiatives - very soon, all the good work that they did are undone. However, with IDE, there is continuity even across their programmes".

Mr. Kamal K Jha is the Senior Agricultural Development Officer in Banke district and has been closely associated with IDE projects since 2004. He feels that IDE's approach has brought about changes in the thought process of policy makers. "Earlier, our efforts (in the department of Agriculture) were only focused on production. IDE

introduced us to the concept of value-chain, which is to look at the entire set of activities, i.e., inputs for agriculture, water management, irrigation, farm processing and marketing. With this approach, the economic conditions of poor farmers improved significantly, because not only are we helping them to produce, we are ensuring that they are able to sell their produce and get the best possible price. With increased income, the farmers are able to build assets, get better quality nutrition, and have access to healthcare. We can see the transformation happening very fast, even though its full impact might take several years to unravel. Programmes like SIMI have thus created the base on which the government can build its efforts. Unlike other training programmes in government organizations, the training that IDE provided to our department was focused on addressing the specific needs of the farmer". Mr. Jha is so impressed with the benefits that the IDE-government partnership has achieved that very soon he is planning to hold a workshop with the various development organizations operating in his district to explore how his department can work with them in solving problems of smallholders and poor farmers.

Thapa Mould & Die: Drip irrigation systems manufacturer

IDE works closely with entrepreneurs who manufacture micro-irrigation equipment that is an essential input for developing the value chain. Thapa Mould and Die, located in Lalitpur at the outskirts of Kathmandu is owned and run by Mr. Chandu Thapa, who proudly calls himself a "Die Specialist". And he has every reason to be proud because the constant innovations that he makes with his dies, machines and equipments on his factory shop floor have made IDE Nepal appoint him the exclusive manufacturer of drip irrigation systems.

Chandu started working with IDE around 1998 and today manufactures close to 7000 drip irrigation systems annually, of which more than 70% is implemented in IDE projects. Drip irrigation systems come in five different sizes, ranging from coverage of 90 square meters costing NR 1600 to 1000 square meters costing NR 6750. Since IDE works mostly with smallholders, 90% of the demand is for the smallest system. At a price of NR 1600, Chandu provides 10-15% retailer margin, spends 4-5% in transportation cost and is

left with a margin of 10%. "We manufacture the entire annual demand in three months flat so that we can concentrate on other jobs for the rest of the year. The margins are not very high, but I do this for the sake of reputation. It helps to be associated with IDE and the projects that they do," says Chandu. IDE provides constant support to Chandu, starting from the finance needed to setup his manufacturing facility, investing in moulds and dies, to providing training necessary for consistent quality in output. IDE had fixed the upper limit of prices that Chandu can charge his customer - however, IDE is open to considering impact of increasing costs and investments so that Thapa Mould and Die remains profitable. After working with two other assemblers in Pokhran and Surkhet, IDE decided to have Thapa Mould and Die as their only manufacturer and assembler. This, they analyzed will reduce costs and increase consistency in output. It will also ensure faster delivery of systems to the farmers because unlike Thapa Moulds, the assemblers were unwilling to stock products, which used to result in delays in supply. Since the crops that IDE encourages smallholders to cultivate have short crop cycles, such delays can result in loss of critical opportunities. As the two assemblers are also distributors for IDE, they were comfortable with the new arrangement. This might also reduce the final price because of the economies of scale that Thapa Mould will gain.

IDE's design team works with Thapa Moulds for product innovation. Recently they evaluated flat tubes of larger volumes (12mm to 20 mm in diameter) being used by IDE India in their drip irrigation system, which had the advantage of being customized for the use of the farmer. However, these tubes were made of LLDPE¹³, which were cheaper but made the tubes cumbersome. IDE decided to create such flat tubes with PVC¹⁴, which they had been using for manufacturing smaller (8 mm) round pipes. Chandu experimented on his shop floor and invented a unique way of using his existing machines to produce the 16mm flat tubes even though these machines were originally designed to produce only 8 mm round tubes. IDE design engineers were pleasantly surprised because this, coupled with other innovations that they have introduced can result in significant cost savings. While the field tests for the new product are continuing, initial results are very encouraging. IDE engineers expect that

if their combined efforts are successful, these flat tubes can reduce the overall cost for larger drip irrigation systems by 20%.

Unlike drip irrigation systems, IDE has five manufacturers for treadle pumps. Treadle pumps are technologically much simpler to manufacture and IDE has evaluated that a decentralized system of assembly by multiple suppliers is more suitable for their operations.

Financial Assistance

One of the key challenges for IDE in implementing its programmes is to raise finance. While IDE receives significant support from donor agencies such as USAID and other developmental organizations such as the United Nations' World Food Programme (WFP), such funds are never enough to meet all the necessities of the poor farmer. Funds from donor agencies are received for specific periods¹⁵, which create problems for sustaining the interventions. Likewise, aid agencies have their own objectives, which might not completely converge with that of IDE. For example, IDE has been able to run successful partnership with UN's WFP, which is a very mobile organization focusing on areas suffering from acute food shortages and unlike IDE, does not have income generation for the farmers, as its primary goal. However, WFP acknowledges that linking the "food for work" programme with IDE's programmes of income generation, as in the case of micro-ponds, would lead to long term improvement in economic conditions of the target population, over and above helping them to tide over a crisis situation.

Thus, IDE makes constant efforts to tap sources that can provide financial assistance to the poor farmers and smallholders so that they can buy products (e.g., seeds, irrigation equipment) and build infrastructure (e.g., collection centre for storage and sales of farm products) that is necessary for farming and taking the farm outputs to the markets. The banking sector does not provide loans to small farmers because of high transactions costs¹⁶ and lack of any guarantee that the poor can provide. Microfinance institutions are not well developed in

¹³ Commercial plastic derived from Linear low-density copolymer of ethylene

¹⁴ Commercial plastic derived from Polyvinyl Chloride polymer of ethylene

Nepal; neither is the microfinance model suited for agricultural loans¹⁷. Therefore, IDE has been working with the government at various levels such that block development and other grants can be used to provide finance to the farmers. "Vegetable farming with the right set of input and marketing information results in significant profits for the farmers - our model has shown this time and again. The paradox of the situation is despite the potential for such profitability, the farmer today is starved for funds. With financing he can buy more of good quality seeds, get better agricultural equipment and cultivate greater areas. But there is nobody who is willing to lend him the initial capital", laments Luke.

Of late, IDE has identified a potential solution to this problem, once again leveraging their good relationship with the government and the efforts that they have put in to develop communities among the poor farmers. The government of Nepal launched Youth Self Employment Fund (YSEF) Programme where commercial banks need to allocate one-third of their 3% deprived loan portfolio for providing loans to young entrepreneurs at 10-12% rates of interest without collaterals¹⁸. Those seeking loans need to get certified skills training from institutions such as the Federation of Nepal Chamber of Commerce and Industries (FNCCI) and put forth a proposal before the bank about their venture that is based on their acquired skills. IDE has signed a memorandum of understanding with the ministry of finance and commercial banks that it will provide skills training to poor farmers and certify successful completion of such training which the farmers can then use to get loans. IDE is helping the farmers to write business plans for procuring loans that can be used to finance purchase, installation and usage of MITs and MUS. Under instruction from the Central Bank of Nepal, nearly NR

3 billion has been kept aside by the commercial banks for financing this initiative and till date there have been close to 700,000 loan applications. Dealing with such large numbers and screening the loan applications is a big challenge for the banks, which are quite apprehensive of making these loans without collaterals.

However, given IDE's record of working successfully with poor farmers, the banks seem to have a lot of faith on candidates who have been trained by IDE and whom IDE has helped to write the proposals. To minimize the perception of risk, IDE has encouraged the farmers to apply in groups such that the MPC's can provide some kind of guarantee to the banks about the authenticity of the endeavor. IDE has also provided adequate information to the bank officials about their projects and taken them for field visits so that the bank officials can see first-hand where and how the money that they are lending will be put to use. "Till date, there has hardly been any linkage between the MPC's and the financial service providers. We are hoping to use this programme to build such linkages. Our target is to get loans for about 600 farmers who are involved in our projects. We are already receiving very positive signals from the banks about their comfort with our candidates", says Dr. M Pariyar, who has been looking after the financing initiative from IDE.

Challenges Ahead

With a per capita GNP of US\$ 238, Nepal is one of the least developed and poorest nations in the world. While agriculture contributes to about 38% of Nepal's GDP, close to 81% of Nepalese population is involved in agriculture. However, the annual rate of agricultural growth over the past decade has been less than Nepal's population growth, resulting in Nepal importing food grains. There are several constraints working against agricultural growth in Nepal, primarily because it is a mountainous country; only 18% of Nepal's total land is cultivated, of which only 44% is irrigated¹⁹. Moreover, agriculture in Nepal has remained traditional, with limited diversification or commercialization, resulting in low farm income and close

15 USAID fund for SIMI was initially planned for two years, beyond which it was renewed three times. Despite the significant positive impact of the programme, further renewal was against USAID policy and therefore SIMI programme had to be terminated

16 High transaction costs arise because the loan amounts needed by poor farmers are small and they do not possess any assets that can be provided as collaterals. Therefore, lending institutions have to spend additional efforts in evaluation, monitoring and verification of the credit worthiness and how the loaned amount is being utilized. This additional effort needed for servicing small amounts of loan makes lending financially unviable for commercial banks. Microfinance institutes specialize in lending small amounts. However, the high transaction costs that they incur result in very high interest charges, ranging from 24-32%.

17 Typical microfinance models involve weekly collections with loan repayments starting from one week after the loan has been disbursed. Thus, they are suitable for activities that generate constant cash flows, rather than for agriculture where cash inflow is lumpy and happens towards the end of harvesting season

18 The government will provide 60% subsidy on interests charged if the loans are repaid on time

to 40% of people is living below poverty line²⁰. Political uncertainty has further contributed to poor economic development, with Nepal receiving insignificant amount of Foreign Direct Investment²¹.

Therefore, IDE Nepal's interventions in providing agricultural technology to smallholders as means of increasing income and reducing poverty are ideally suited for the Nepalese economy. Nepal's economic development will have to be rooted in agricultural productivity improvement that would involve conservation and better usage of scarce resources such as water, implementation of technology suitable for smallholders, crop diversification and establishing linkages with markets for commercialization. However, several challenges remain. Given its lack of infrastructure especially in rural areas, the transaction costs of any business activity in Nepal, be it financial services or supply chain of farm outputs is very high. Thus, IDE needs to continuously work with the government and other institutions in order to improve access of poor farmers to complementary services such as micro-credit, insurance, post harvest facilities, transportation and timely information about demand and prices. Only then would the potential of rural Nepal be fully realized. Nepal is a small country with open borders. This implies that it is unlikely to have tight control over prices of its agricultural output. At relatively small levels of production, the farmers can take opportunities of local variations in demand supply conditions and command good prices in the market. However, with substantial increase in farm output, Nepalese farmers need to compete

in global markets, implying the necessity for creating some kind of competitive differentiation. Else, the small farmers will remain 'price takers' subjected to the vicissitudes of global commodity pricings, rendering the linkages between farm productivity and increased income tenuous.

Finally, convincing international donors and raising finance for their interventions remains IDE's continuous challenge. Different donor agencies have different policies and expectations, which do not always suit the kind of intervention that IDE intends to bring about. "Some donor agencies have grown short term these days. While they have their governance reasons for keeping the project durations short, it does not work well for agricultural projects. It makes planning difficult and increases project uncertainty. Projects need to be of minimum five years duration in order to make and sustain the impact", says Luke. The quantifiable as well as the non-quantifiable impact of IDE's work so far provide ample proof of how IDE has been able to sustain continuity in their interventions despite termination of projects and change in donor agencies.

IDE thus presents an ideal model of intervention by a development organization, which if replicated by other institutions and organizations holds the promise of bringing about large scale economic and social transformation among economically impoverished communities and nations.

Note: An earlier version of this case was presented at International Case Conference, November 2010, Goa, India.

19 Source: Agricultural Development in Nepal, C Pokharel, in "Agricultural Diversification and Smallholders in South Asia", P K Joshi, A Gulati & R W Cummings (eds.), Academic Foundation, N Delhi pp: 271-295, 2007.

20 As estimated in Nepal's 10th Five Year Plan (2002-2006)

21 FDI in Nepal has been respectively US\$ 7, 0, 2 and -7 million between 2003 and 2006, according to Least Developed Countries Report 2008. Unofficial estimates suggest that FDI in 2008 was US\$ 6 million while international aid was close to US\$ 1 billion.

Figure 1: Districts where IDE operates in Nepal

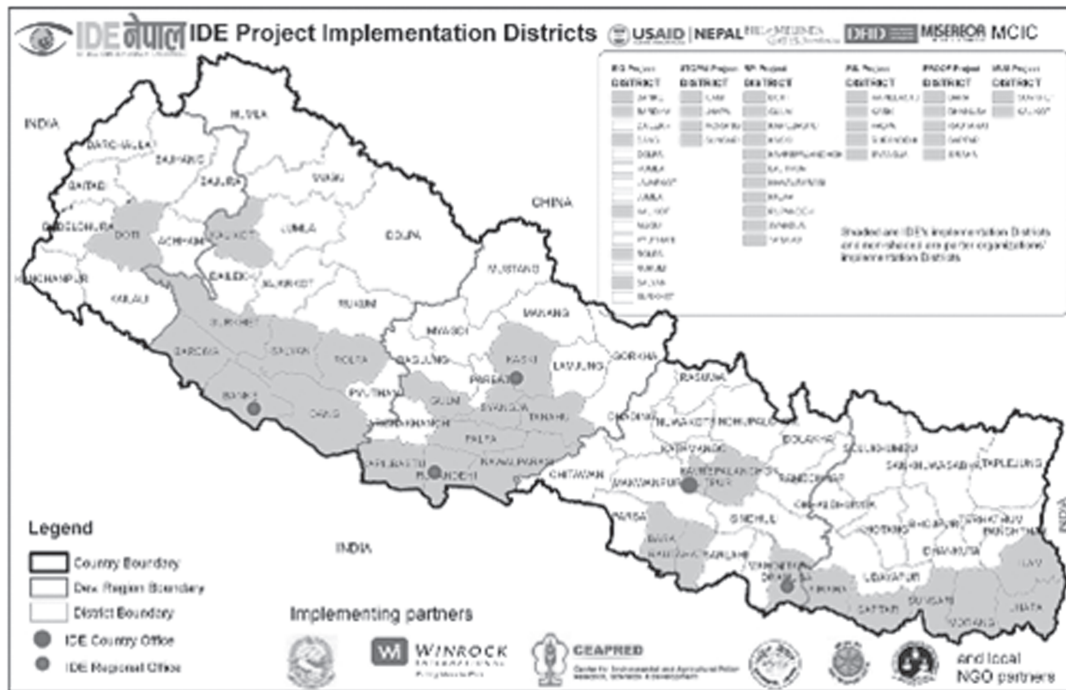


Figure 2: IDE Nepal's Organization Structure

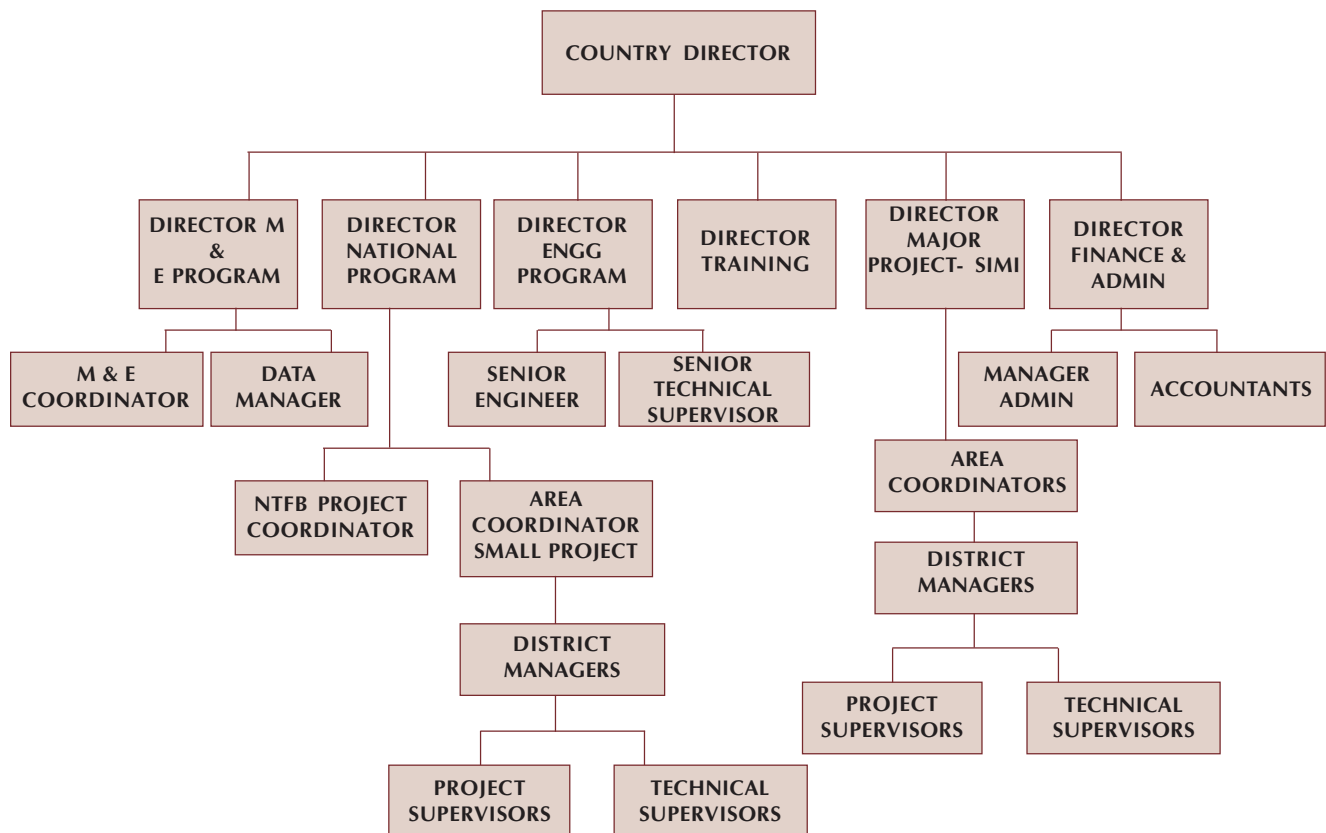


Table 1: Select Current and Recent projects Implemented by IDE

PROJECT	YEARS	DONOR/PARTNER	DONATION AMOUNT	DESCRIPTION	IMPACT
Rural Prosperity Initiative (RPI)	2006-10	Gates Foundation	\$1,013,638	Support the development of water control and micro irrigation technologies to increase income	7,763 households registered. 7,800 MIT adopted. 405 Farmer Groups formed. 24 MPCs formed. 4 Districts and 43 VDCs are covered.
Smallholder Irrigation Market Initiative (SIMI)	2003-09	USAID/ Winrock (Prime)	Total project budget : \$ 9,026,038 (IDE portion: \$ 3,723,078)	Promotion of micro-irrigation supply chains for equipment and inputs.	85,659 households (3,713 farmer groups) increased their income on average by \$ 271 covering 28 of Nepal's 75 districts.
Research into Use (RIU)	2008-10	NRI International/ DFID	£186,769	Enable smallholder producers to access markets, working with MPCs created through RPI and SIMI programs	5,206 households covered. 288 Farmer groups and 20 MPCs benefited. 5 District and 46 VDCs covered. Around 200-400 kg additional collection of vegetables increased. 164 additional traders have started collection from Collection Centers.
Education for Income Generation (EIG)	2008 -13	USAID/ Winrock (prime)	\$836,170 (IDE Part only)	Micro-irrigation for off season vegetables to generate income, developing training packages for institutional impact	17,138 households covered which includes 81% of female. 15 Districts are covered. 451 MIT promoted.
PROOF	2006-09	MISEREOR	• 236,000	Developing farmer led organizations for agricultural development	9,172 households, 227 Farmer Groups, Micro Finance Loan Rs. 16,225,000 was disbursed to 1,047 project households.
Business Development Services - Marketing & product Services (BDS-MaPs)	2004-07	USAID/ IDE (prime) with Winrock	\$3,639,155	Commercialization of non timbre forest products such as oils, herbs and spices for exports	BDS MaPs directly and indirectly reached 27,083 households. It directly increased incomes of 10536 households by an average of US\$132.6.
Tea & Coffee Global Development Alliance (TC-GDA)	2004-07	USAID/ Winrock (prime)	Total Project Budget: \$ 350,000 (IDE Portion: \$ 70,000)	Public private partnership programme for tea and coffee industry development. Branding of Nepal Tea, establishment of Tea Code of Conduct	Increased incomes of 20,880 households, currently producing coffee and tea, by 94%. Facilitated new production by 8,680 smallholders. Established specialty coffee industry with exports of US\$500,000 in 2007. International recognition for Nepal Tea.
Ujyalo (Light)	2005-07	USAID/ SAVE (prime)	\$945,452 IDE Part only	Peace building linked with income generation to address root cause of conflict	Increased income of 13,955 households (721 farmer groups) by \$ 171. (WI/IDE were responsible for meeting the goal of IR 8.1: enhanced opportunities for sustainable incomes in conflict-affected areas).

Table 2: Training Expenses for IDE Nepal for Different Modules

Description	Cost to IDE per person in Nepali Rupees
Mobile Training	700
One day residential	1500- 2000
Two to three days residential	15000 - 21000
Five days residential	35,000 - 50,000
Thirty five days	22,000

Source: IDE Nepal

Table 3: Number of Marketing and Planning Committees (MPCs) created for an Illustrative List of IDE Projects

Project Description	Number of MPCs Formed
SIMI	91
RPI	25
EIG	19

Source: IDE Nepal

Sourav Mukherji is an Associate Professor at the Indian Institute of Management Bangalore. He teaches post graduate and doctoral level courses on Organization Design, Inclusive Business Models, Strategy Process and Organization Learning. Sourav did his Bachelors in Technology from IIT Kharagpur (1993) and obtained his doctorate from IIM Bangalore (2002). After completing his engineering, Sourav had worked with information technology firms such as IBM and Oracle in various product management functions (1993-1998). After his PhD, Sourav worked for the Boston Consulting Group as a strategy consultant (2002-2003).

P D Jose is an Associate Professor at the Indian Institute of Management Bangalore. He is a Fellow in Management from IIM Ahmedabad. His research areas include Strategy Formulation and implementation; Crisis Management; Organisational Renewal; Competitive implications of environmental regulations; Business and society linkages. He has many publications to his credit.

Winds of Change at Oracle Financial Services Software Ltd¹

Gowri N Kishore and Sreeram Ramakrishnan

"Rock-a-bye baby on the tree top
When the Wind blows, the Cradle will rock...
When the bough breaks the cradle will fall,
Down will come baby, cradle and all!"

It was with turmoil of mixed feelings that K. Moorthy drove out of the parking lot of Oracle Financial Services Software Ltd. (OFSS) that evening. After being with the company from its formation, he resigned from his post as Vice President that morning. 'If you occupy a position of responsibility, there is no point hanging onto it if you can't really make a difference.' This thought was what had driven his decision. As he drove through the heavy evening traffic, he reflected back on all the changes that had happened at OFSS in the past five odd years which had finally led him to this drastic decision.

History

In 1991, Citicorp (now, Citigroup) had a wholly owned subsidiary called Citicorp Overseas Software Ltd. (COSL) to cater to its internal IT needs. Ravi Apte was its Founder CEO. Once it was realized that other banking clients also had a growing requirement for IT services, Citicorp Information Technologies Industries Ltd. (CITIL) was carved out of COSL to become a revenue centre by garnering as its clients, major banks other than Citi as its clients. CITIL was headed by its visionary leader Rajesh Hukku.

The first major product of CITIL was MicroBanker, a universal banking product created in the early 90s which achieved great success in countries like South Africa. In mid-90s, Flexcube, a comprehensive banking software product, was developed at their Bangalore location and this went on to become the flagship offering.

CITIL's major clients were BFSIs other than Citibank. But the name CITIL seemed to be a deterrent to these

prospective banking clients, because it indicated a close association with Citi, their competitor. Clients were apprehensive about the confidentiality of the information they would need to share with CITIL. Hence, the company's name was changed to i-flex Solutions Ltd. as a tribute to their most successful product "Flexcube". Besides being the promoter, Citigroup continued to be a main customer and one of the primary revenue drivers for i-flex till October 2006 when it sold its stake to Oracle.

The company which began as a software products creator slowly ventured into IT services in 1995 to counterbalance the volatility of revenue in the products space. By 2008, nearly half its employee strength was in the services division. In 1994-95, i-flex pioneered in the use of IT in CMM Level 4 certifications. In an interview with Real CIO World in 2007, the CEO N. R. K. Raman said,

"[We] were the only banking software solutions provider to get a CMM level 4 at that time and the second company after Motorola to get a level 4 assessment. Subsequently, we had level 5 assessments. Today, there are many companies who have followed that model and been very successful."

Strategic Investment by Oracle Corporation

Oracle Corporation headed by Founder-CEO Larry Ellison, is a multi-national enterprise, software products provider, worth US\$60 billion. For a long time, the business goal of Oracle has been to become the world leader in all IT verticals. It has increased its share of the software market through organic growth and through a number of high-profile acquisitions of companies such as PeopleSoft, Sun Microsystems and Siebel Systems. By 2007 Oracle had the third-largest software revenue in the world after Microsoft and IBM. Larry Ellison, the Founder CEO is hailed as the face of Oracle Corp. Known for his aggressive and results-driven managerial style, he became the world's top-paid CEO in 2008.

¹ This case was prepared by Gowri N Kishore and Sreeram Ramakrishnan, student managers at Institute of Management Technology (IMT) Nagpur. The case is intended to be used for class discussion rather than to illustrate either effective or ineffective handling of the situation. Names have been changed/left unmentioned to protect the identity of the concerned persons.

In August 2005, Oracle Corporation started to invest in i-flex as part of its strategy of expanding its database offerings portfolio by acquiring companies with leading applications. Majority of OFSS's clients were using Oracle's database and hence the acquisition was synergistic.

I-flex too had reached a career plateau by 2005 with a strong foothold in its domain but was seeking further avenues for growth. According to K. Moorthy,

"At that time, we had a great relationship with Tier II and Tier III banks, but though we were doing small business with Tier I banks, we could not manage to get their large projects. A Tier I bank would not hand over a \$100 million project to a service provider whose turnover was only \$200 million. So though we had the capability to handle and deliver such large projects, we needed the backing of a bigger brand name to gain access to such large clients. Oracle was expected to give us just that."

Oracle enlisted a series of purchases, first buying Citigroup's 44% stake for US\$909 million, an additional 7.52% stake in 2006, and another 3.2 per cent in an open-market purchase in mid-April 2006. On January 12, 2007, after an open offer price to minority shareholders, Oracle increased its stake in i-flex to around 81%. On April 4, 2008, the Board of Directors of i-flex solutions approved a proposal to change the name of the company to Oracle Financial Services Software Limited (OFSS), subject to regulatory and shareholder approvals. A press release issued by the company said,

"The proposed new name reflects the company's close strategic and operational alignment with its parent, Oracle Corporation, which owns 81 percent of the company."

It added that the current management team under N.R.K. Raman, CEO and Managing Director, would continue to run the operations of the company. Today, OFSS is a majority-owned subsidiary of Oracle Corporation and forms a part of Oracle's Financial Services Global Business Unit (FSGBU).

The name change was followed by an extensive re-branding exercise to align OFSS with its parent company.

The measures taken included the re-naming of i-flex's successful software products to Oracle Flexcube, Oracle Mantas, Oracle Daybreak, Oracle Reveleusetc., and the re-structuring of the company's official website. Oracle also announced the intention to resell i-flex's top selling products such as Reveleus, Basel II and Flexcube.

Internal changes

In a press conference on January 2006, Krishan Dhawan, Managing Director of Oracle India said,

"At present, we have no intention to merge the operations of both the companies, even though we will look at going to market together. We will look at jointly marketing our products and expanding customer and product bases. The Mumbai-headquartered i-flex will function as an independent company and will have Oracle members on its board."

Yet, numerous procedural and policy-level changes took place at i-flex. I-flex had had a close-knit family-like culture for the past 25 years. The top management consisted of only Indians, despite being an MNC; there was a definite Indian thrust to its management with the Corporate Headquarters situated in Mumbai. I-flex was the baby of Rajesh Hukku who had headed it right from the time it was created out of COSL. He along with R. Ravishankar (affectionately known as Shanx) encouraged this close-knit culture between employees and were extremely approachable to any employee at any level. Oracle on the other hand, had a centralized administration and a very professional work environment. There was a definite thrust on employee performance and the practice of internal competition to deliver results was encouraged. The organisation structure of OFSS is provided in Exhibit 1.

Oracle primarily being a product-oriented company tended to focus more on OFSS's Products division. As a result the IT services division was particularly affected. All procedures for decision-making, corporate communication and client interaction had to change to match those of Oracle. For instance, the i-flex philosophy according to Govilkar was 'Customer is King', and many a time, work on renewed contracts with old clients would begin even before the documentation and legal

formalities were completed. But now, to renew an existing contract with a client, the pertinent documents had to be routed to the legal advisors at Oracle for review and approval, delaying the process by as much as three months. This caused the souring of many client relationships. The revenue of OFSS over the year is provided in Exhibit 2.

I-flex also firmly believed in limiting its technological expertise within its employees. Hence, to solve important client issues or meet crucial, sizeable requirement changes, i-flex officials would often travel abroad to their client site. These frequent and rewarding on-site opportunities were a major attraction for young engineers joining the company. Oracle started to question the need for such extensive travel and preferred the alternative of transferring the required functional know-how directly to the client. This was not received well by many employees.

I-flex executives felt that it went against the work policies they had upheld so far.

According to a senior manager who resigned in September 2010,

"Acquisitions are not just about buying the right company it is also about knowing what to do with it. I'd say that i-flex was the right choice for Oracle but our work philosophies are different. Oracle is at heart, a database company-it has a go-sell-walkout business model. It has no need to build and maintain relationships with clients-.most of it works through licensing and maintenance-i-flex is not like that- we are an application services provider- the policies and processes that work for us are different-and Oracle can't or won't understand it. So they have invested billions in us and still not seen an ROI in five years! And we have not really got as much out of the deal as we had hoped for."

While there were efforts at standardizing the processes at i-flex, the pay scale revision was not addressed. There was a vast difference in the pay scales of employees of Oracle Corp. and those of OFSS. For instance, a fresher who joins oracle corp. as a Software Engineer would have a starting salary 2.6 times that of a fresh SE joining OFSS. This stark contrast started to create dissatisfaction among the OFSS employees.

The downturn of 2008

In 2008, the collapse of the enormous global housing bubble led to a plummet in the value of securities tied to real-estate. This triggered a chain of events including a liquidity crunch for major financial institutions, bailout of many banks by the Government and stock markets crash resulting in a global financial crisis. OFSS had already been struggling with the recent structural and cultural changes for nearly two years and before it could fully come to terms with it, the downturn struck.

OFSS was affected adversely by this crisis, especially since their clients were global banking institutions. The number and size of projects coming in started to decrease. This necessitated some severe cost-cutting measures to be taken. True to Oracle culture, performance and results-delivery were re-emphasized and more stringent evaluation measures were enforced throughout the organization to ensure that all the employees were revenue centres and not cost centres. Many existing employees were shifted to part-time mode with a salary half of their previous one. Annual pay hike for all employees across Oracle was stopped in 2008. Employees were also made to undergo International Knowledge Measurement (IKM) tests, a set of online assessment tests for pre-testing job applicants, assessing training effectiveness, evaluating employees etc. Those who did not clear these tests were put on a performance improvement plan for additional training and skills development. Many who showed no improvement were terminated.

Such rigorous performance measures were so far unheard of. Employees started to feel the pressure badly, while at the same time, they had nothing to look forward to as rewards for good performance. Many even started leaving the organization fearing job insecurity.

2009 and later:

The Prime Sourcing division of OFSS historically offers financial domain expertise and targets an elite clientele who pay a premium for services rendered. But with the arrival of other competitors like TCS and Wipro with their low-priced offerings, OFSS started facing stiff competition on the professional front. Since 2008,

Temenos' product T24 has outperformed Flexcube (leader for four consecutive years) in terms of new customer acquisitions. [Exhibit 3] Moreover, domestic players, TCS (Bancs) and Infosys (Finacle), have started gaining traction in the banking products space and have been registering higher growth than OFSS. Furthermore, Forrester awarded higher points to Infosys (Finacle), Temenos (T24) and TCS (Bancs), compared with OFSSL (Flexcube) in its 1Q CY09 report, citing lack of flexibility in selection of application infrastructure and lack of integrated banking solutions.

Despite its expectations of broadening its clientele after the Oracle association, OFSS' growth was half that of the Indian IT services industry over FY06-09 owing to the slowdown in growth of revenue from Citigroup, especially since the acquisition by Oracle. [Exhibit 4]

Besides, OFSS had constraints imposed on it by Oracle in matters related to bids and contracts. According to an Associate Consultant who resigned from OFSS in April 2010,

"Our products are too expensive for the Indian markets and not functionally potent enough to give strong global competition...I've spent far too much of my time here doing pre-sales activity- but very little of it actually materializes into a real deal. We need some serious leadership re-structuring to get things back on track."

Top Management Restructuring

In May 2010, a flurry of new changes took place at OFSS. Rajesh Hukku and Ravishankar resigned from the Board of Directors of OFSS and took over as Chief Strategy Officer and Chief Operating Officer respectively for Oracle's FSGBU. Frank Brienzi, a 25-year veteran of the financial services industry took over as Sr. Vice President and General Manager of OFSS. A degree-holder in mathematics and MIS from the University of Northern Colorado, Brienzi had previously worked with EDS and Accenture.

In an open house meeting with the employees conducted at a regional office of OFSS in the presence of others Hukku, explain that OFSS had historically catered to an elite clientele and charged them premiums and the slackness in business was because those very clients had

not yet recovered. A plan for the next 18 months detailing OFSS' way forward to get back on the growth trajectory would soon be drawn up. He emphasized the need for a change in strategy and pointed out that Brienzi with his vast experience in financial services would be an ideal person to pioneer such a change.

Brienzi then greeted the employees, upholding Hukku's mention of a change in strategy and adding that OFSS must adopt Oracle's best practices. He reiterated that competing on cost and cutting down to single digit margins was not the way ahead and a re-focus on products was the need of the hour. He advocated a product-centric approach for OFSS in future as different from the traditional PrSG and PrimeSourcing approaches. OFSS would henceforth meet the clients with the best domain expertise and value propositions.

"What we do in PrimeSourcing is customize our products as per the clients' requirements. Why shouldn't we then use that intellectual capital to create new products?"

The session was followed by a Q&A round where a question was raised about possible lay-offs due to the prospective strategy-change. To this, Hukku responded that with all the developments and plans for the coming year, lay-offs seemed to be the last thing on the agenda. He quipped that OFSS may even need more resources in the near future. To a question on why no pay hikes had been announced yet, Hukku responded that the issue had been routed to Ellison and Charles Philips (then President, Oracle) and was being constantly reminded by K. Moorthy. He added that since Oracle had registered an increase in profitability from last year, there was no reason to believe that a hike would not happen. But neither he nor Brienzi committed to an actual time-frame or figure and this did not go unnoticed by the employees.

As the meeting dispersed, there were a lot of apprehensions in the air-both voiced and unvoiced. What did the resignation of the two visionary leaders from OFSS' BoD spell? How effective would Brienzi be in heading OFSS which so far had been a largely Indian BU? Would he champion the cause of OFSS as Hukku and Shanx had? Would Oracle's ultra-Product-centric

approach spell lay-offs despite Hukku's reassurances? Would there be shifting of employees from PrimeSourcing to Products? What would the future of PrimeSourcing be? When would the promised hikes materialize, if at all? There were a lot of questions left unanswered.

The Aftermath

In late July 2010, Oracle announced a 30% hike in salary for all its employees. But the same did not apply to OFSS. A round of hikes was announced for a small number of middle-level managers at OFSS but it did not extend to the majority of the employees. This caused a lot of dissatisfaction amongst the employees and many software engineers from the bottom tiers and quite a few managers holding key positions resigned. There was a general feeling that office politics played a greater role in getting rewards and recognition rather than merit or tenure of service. As a number of familiar faces started moving out, others started to follow suit. In the words of some ex-employees of OFSS,

"[OFSS gives] a very, very, very poor salary...[there is a] lack of new business especially at PrimeSourcing and no control in the hands of i-flex management post oracle takeover... the senior management needs to control the mass attrition levels by once and for all giving out good salaries to bring all at parity!"

"[At i-flex, there have been] no increments lately and very little bonus... a lot of people have left the organization and the clients are not happy because of the iterations...."

"[At i-flex, there have been] no hikes since many years and no promotions. We can't believe the senior management. Every time, [there are only] false commitments by Sr. Management.... [There is] no clarity about hikes, nobody knows when we will get action letters...and after Oracle has taken over i-flex its situation is at the worst. Seniors having 3 years of experience are still waiting for salary hike so we can't even hope such kind of things...."

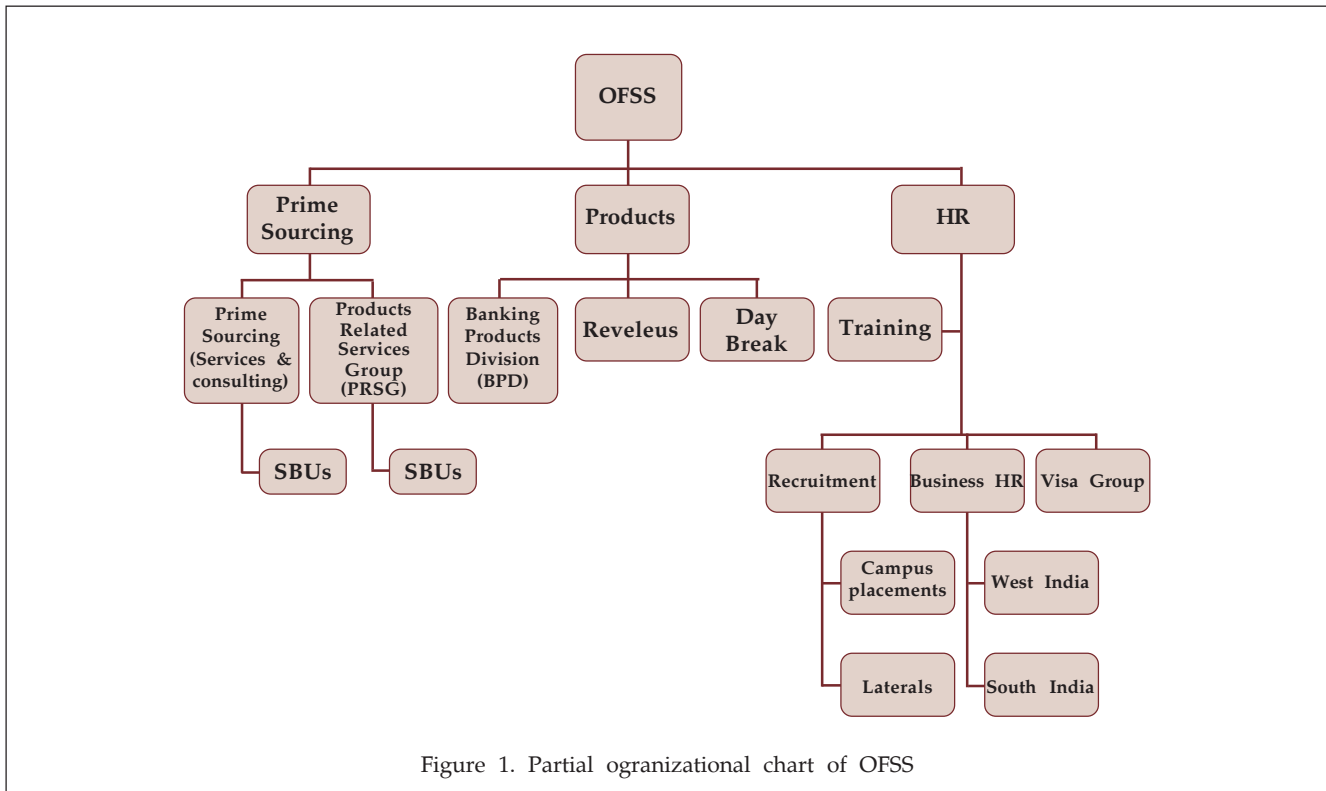
By the end of August, K. Moorthy also handed in his notice of resignation, closely followed by Rajesh Hukku, Ravishankar and N R K Raman. For Moorthy, it was a tough decision to make, but one that was imminent. By the time this news spread through the industry, he already had four job offers. Nevertheless he wondered about the future of OFSS. He felt that it all depended on what Brienzi could accomplish with the Oracle management in the next two years.

Note

The earlier version of this case was presented at International Case Conference, November 2010, Goa, India.

Exhibit 1

Organizational structure of OFSS



1. PrimeSourcing and Products are Global Business Units (GBUs) of OFSS.
2. HR is a major support function. Others include Finance, IT, Administration etc which are not shown in the diagram. Housekeeping and security are outsourced.
3. SBU stands for Strategic Business Unit.

Exhibit 2

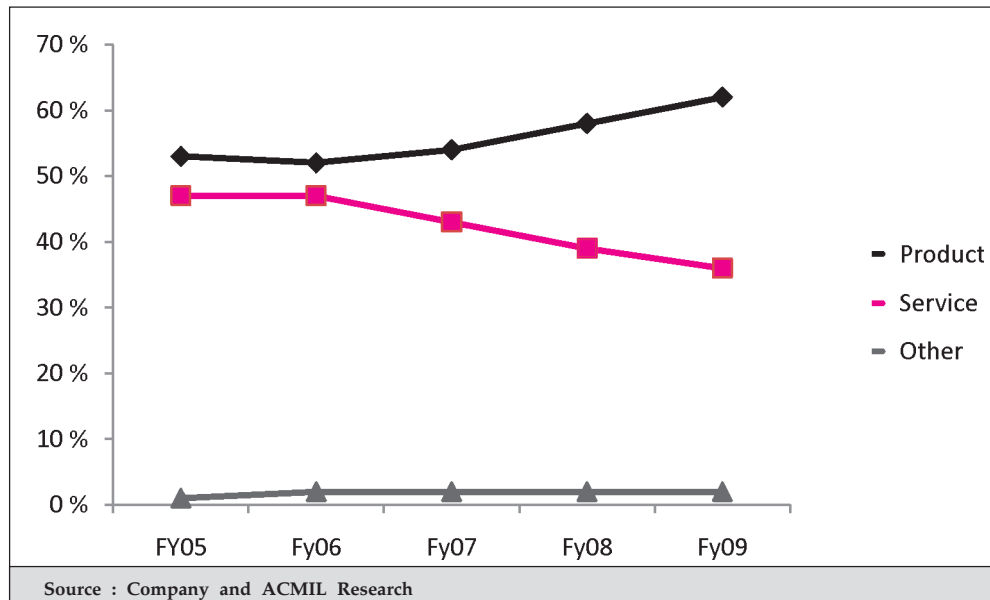


Figure 2. Revenue backup of OFSS for the last five years

Exhibit 3

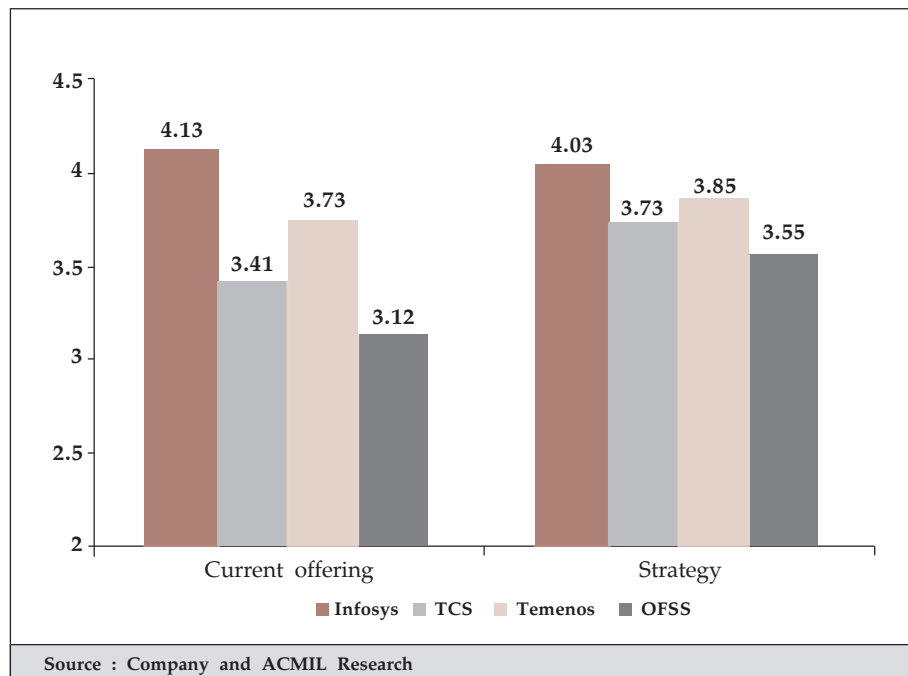


Figure 3. Forrester ranking for CY09

Exhibit 4

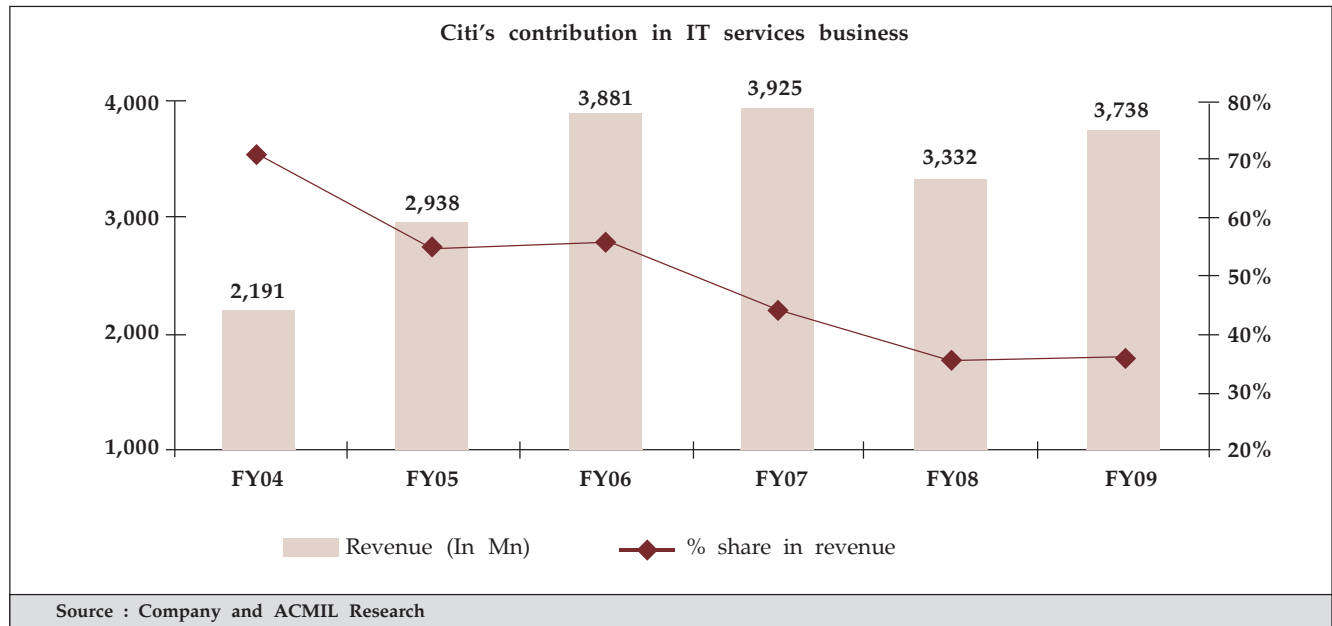


Figure 4A. Revenue contributions from Citigroup over last five years

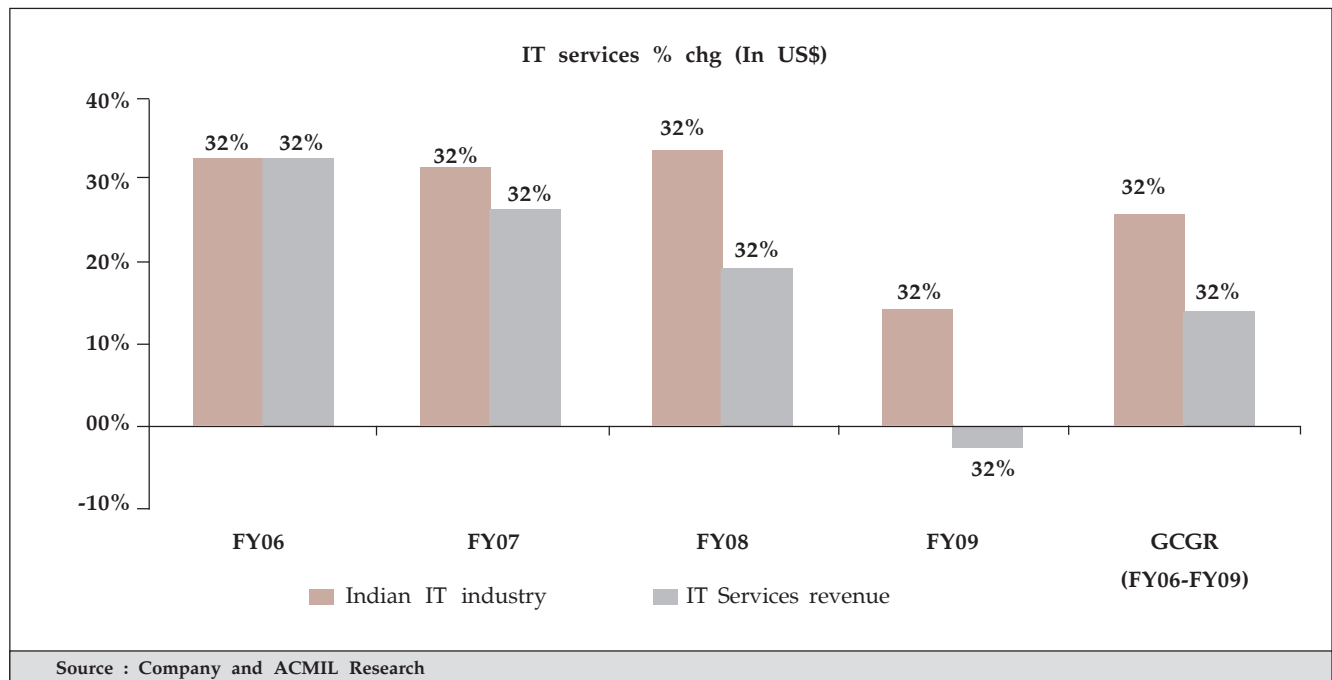


Figure 4B. Revenue Growth of OFSS' services segment over last four years

Exhibit 5 - Snapshot of OFSS' Financials from 2000 to 2011

31st March of	1999-00*	2000-01*	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
# of Employees	790	1017	1590	2032	2327	2974	4747	6858	9068	11006	11386	10451
Operating Revenue	1,971.24	3,038.55	4,157.18	6,141.21	7,881.29	11,385.93	14,823.00	20,609.38	23,802.36	29,276.20	28,764.90	29,969.32
Other Income	91.45	172.66	138.09	97.93	136.58	259.28	290.54	367.28	631.16	1,763.89	1668.26	-856.15
Total Revenue	2,062.69	3,211.21	4,295.27	6,239.14	8,017.87	11,645.21	15,113.54	20,976.66	24,433.52	31,040.09	30,433.16	29,113.17
Total Expenses	1,312.30	2,016.85	2,991.95	4,277.53	5,703.26	8,693.82	12,176.60	16,837.91	19,835.95	22,839.30	18,947.38	19,157.16
EBT	750.39	1,194.36	1,303.32	1,961.61	2,314.61	2,951.39	2,936.94	4,138.75	4,597.57	8,200.79	11,485.78	9,956.01
Tax	57.66	94.15	150.33	252.73	526.75	627.06	560.42	415.96	441.69	835.36	1,197.70	1,370.00
EAT	692.73	1,100.21	1,152.99	1,708.88	1,787.86	2,324.33	2,376.53	3,722.80	4,155.89	7,365.43	10,288.08	8,586.01
EPS	8.27	13.13	13.76	20.40	21.34	27.75	28.37	44.44	49.61	87.93	92.33	132.45

* All Values in INR '000s

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Gowri N Kishore is an alumnus of IMT Nagpur and her specialization is Marketing & Human Resources Management. She is currently working with EmPower Research as a Social Media Consultant.

Sreeram Ramakrishnan is currently working with Zee Learn as the Regional Marketing Manager (Karnataka) for Kidzee preschools. He was previously working with UST Global as a software engineer. He is an alumnus of IMT Nagpur and majored in Marketing & Finance.

Business Ethics in India

Ashok R. Garde

'Most businesses in India act ethically most of the times' is a fact that most people do not realise most of the times! It is a common perception that a business can not be run ethically under current conditions and so most businessmen would be essentially unethical.

A major reason for such misperception by the common man about ethics in business is the vagueness regarding the meaning of the word ethics itself. 'Your ethics are different from mine'; 'What ethics is depends on the view point you take.'; 'Are we talking about ethics or morals?' are the refrains we hear in the society, in small and medium businesses and also in the board rooms of large corporations. We need to define ethics clearly, understand how it is different from morals, and also know its relationship with laws before we proceed to judge whether the Indian businesses today are ethical or not.

On Ethics and Morals

Students of management and practicing managers are no different from the enlightened citizens of India when it comes to the usage of the words ethics and morals. These words are often used interchangeably and both are almost invariably considered as subjective judgments that can differ from person to person. Even the vast literature on this subject, including books on management, seems to shy away from defining the terms ethics and morals. Fortunately, these have been defined recently. These definitions are not only easy to understand but can be put in practice for judging any action.

Ethics Defined

Both ethics and morals refer to the 'do's' and 'don'ts' in human society. So, we will constrain our discussion on ethics as behavioural guidelines amongst human beings. As a human being, each of us does any action essentially for one's own happiness. The actions belong to two distinct categories: those that affect other person(s) and

those that do not (directly) affect other person(s).

1. Let us consider an action X taken by a person A, which affects another person B, to make himself happy. If the person B were to take the same action X that affects A similarly, would A continue to be happy? If YES, then the action X is ethical. If NO, then the action X is not ethical.
2. In this definition, B can be a group of persons or even the society as a whole. Also, if the action X affects another person(s) C, then an interchange of A with C must also be taken into account while deciding the ethicality of action X.

Let us take a concrete example for 1. : If A steals Rs 1000 (action X) from B, A is happy. But if B steals from A the same Rs 1000, A becomes unhappy. Therefore, 'stealing' is unethical.

Consider an example for 2.: If a chemical production unit A pays the Pollution control Inspector (B) a bribe to get a clearance without having done adequate effluent treatment (action X), both A and B would be happy even after B takes the place of A. But what about the farmers nearby (C) whose crop yield goes down owing to contaminated water? Here, A interchanging with C will make A, unhappy. Therefore, not treating the effluent properly is unethical.

We thus see that ethics is applicable universally amongst all human beings. It can not be different between different societies and over long periods of time.

In short, *Ethics is universal.*

Morals

Morals are those edicts of do's and don'ts that are instilled in a person from childhood onwards by the society. These get communicated and imbibed via the mother, the family, the schools and the local norms of behaviour. The religion to which the family happens to belong plays a large role in this process of instilling norms of

thinking and behaviour. These norms are imbibed by each of us without any intervention from the intellect, until such a time that the adult starts thinking about the why (and why not) of moral tenets.

We need to realise that intelligence based acceptance does not necessarily lead to a behavioural change even when desired by the individual. A strictly brought up Jain person may accept intellectually that meat eating is not bad, and can supply good proteins etc, but will not be able, therefore, to start eating meat the next day. Even the act of questioning an ingrained moral tenet is difficult because strong emotions are involved.

This societal origin of morals tells us clearly that morals are culture specific; therefore, these can differ between persons, families, communities and religions. We know for certain that the morals have changed considerably over time periods.

In short, *Morals are culture specific.*

Laws

Laws also tell us what to do or not to do. When a society wants certain moral/ethical tenets to be enforced, whereby those who violate it can be punished, we term these edicts or rules as laws. Even primitive societies have their unwritten laws, and organisations have many rules to govern the behaviour of employees.

Laws, therefore, are not only culture specific, but are also location specific. These can be different at the national, state, city and even the village level.

In short, *Laws are culture and location specific.*

Any human action can be classified into the seven distinct classes formed by this EML Venn diagramme. Table 1 shows examples of actions classified in this manner.

Every action is either acceptable, or rejection worthy or neutral with respect to ethics, morals and laws. You would note that the examples chosen are such that strong

Table 1: Classification of Actions, with examples

Class	Denoted by	Example	M E L
1. Only Moral	M	A Hindu eating beef	R N N
2. Only Ethical	E	Homosexual relationship between adults	R A D
3. Only Legal	L	Driving on the left (right) side of the road	N N A
4. Moral and Ethical	ME	Covet not thy neighbour's wife	A A D
5. Moral and Legal	ML	Wife burning herself in husband's pyre (sati)	A R D
6. Ethical and Legal	EL	Prostitution by willing adults	R A D
7. Moral, Ethical and Legal	MEL	Stealing other's property	R R R
A= Acceptable	R= Rejection worthy	N= Neutral	D= Depends*

* Depends on country/state/ time period etc

emotions are associated with most of them. We, especially as managers, must learn to keep our emotions at bay when classifying any action in this manner. These examples also serve to illustrate how conventionally accepted moral tenets can be tested against ethics. Only those tenets or edicts found acceptable or neutral by the ethics test need to be considered for 'action'. Here, the

choice is entirely up to the individual; whatever the decision, it needs to be respected by others even if it is found 'disagreeable' in their personal moral views.

Practicing Ethics: Society

What should the society do about those moral tenets that are found unacceptable by the ethics test? These

should be seen in the context of their impact in terms of severity and spread in the society. Table 2 shows this classification along with an example for each class.

The classifications given in this illustrative table are somewhat arbitrary, but it is known that when a group of 6-8 persons comes to a consensus on such matters, the agreement between groups is good. Obviously, those

Table 2 Proiritisation for Societal Actions on Ethically Unacceptable Tenets

Spread-> Severity	Small <10%	Medium 11-40%	Large >40%
Negligible	Concocting stories for self importance	Skin colour prejudice	Telling white lies
Small	Divorce is a sin 1	Superiority of own caste 2	Men superior to women 3
Medium	Employing only own caste/religion persons 4	Women's place is only at home 5	Bias against employing women at work 6
Large	Birth control is a sin 7	Practicing untouchability 8	Practice of sati- wife burning herself on husband's pyre 9

with negligible impact may be tolerated even when they occur on a large scale.

The priority for action for the society would be the highest for cells 6, 8, 9; somewhat less for cells 3, 5, 7; and much less for cells 1, 2, 4. Laws may be needed to eliminate bad practices like untouchability (8), sati (9) and bias against women (6).

Practicing Ethics: Managers

The question of prioritisation just does not arise for an individual, especially for a manager. Who must change his/her behaviour away from ethically unacceptable actions. A manager must understand the compelling reasons why he/she should be clearly aware of the ethical implications - for self and for others - of every intended action. He/She must then choose only those actions for implementation that are ethically sound.

Each manager needs to behave ethically all the time because of the vital need--

- " To win the trust of his/her juniors, colleagues and also of seniors. Even negligible deviations from ethical practices destroy trust.
- " To ensure that none of his/her actions are in his/her self-interest at the cost of the organisation. Even a minor slip makes him/her vulnerable to undue pressures from opponents/labour unions, especially

while taking tough but fair actions for the good of the organisation

- " To behave in a fair manner without prejudice of sex, caste, religion etc so as to motivate employees to give their best for the set organizational goals
- " To avoid the temptation of taking unethical short cuts for short term gains, and to work for the long term survival and growth of the organisation.

This advice sounds good in theory, but what about its practice in the current Indian business scenario? Are the Indian businesses ethical enough for all managers to adhere to ethics without any adverse effect on their career growth?

Ethics in Business: India 2010

The present business environment in India is characterised by four important socio-economical and political parameters. India has

1. A functioning democracy, with independent judiciary and a free press
2. A free market, globalised economy with an active private sector
3. Ease of entry and exit for businesses
4. A large number of NGOs -voluntary non-government organisations for social causes -are active

Though India needs to make several improvements in each of these parameters to become a top class nation, the situation today is much better than the era before 1991-1995. This is evidenced by the high rate of growth of GDP in the range of 8.0 to 9.0 percent for the past several years. Given this business environment, all businesses -production, trade, and services - need to survive and grow in fiercely competitive globalised markets. Can any business really afford to be unethical?

Let us examine the behaviour of any business with respect to each stakeholder that supports its existence and growth.

Customers-A grocer who cheats by giving home delivery of less than billed weight of the items will soon find that he has to close his business. The same logic holds good for any business giving less value for its customer's money. Unethical behaviour with customers is a sure route to bankruptcy.

Employees-Pay less to employees compared to other similar occupations, bring in nepotism, be unfair in promotion practices, be callous in looking after the hygiene, safety and personal needs of employees and discover that your business can neither recruit good persons nor retain them.

Unethical practices hurt in the short, the medium as well as the long term!

Vendors-Treating the suppliers (raw materials to equipment) in an arbitrary manner, engaging in nepotism, seeking underhand commission etc invariably hurt. These result in lowered average quality, more defectives or higher prices. These hurt the profitability of the business in the medium term, if not immediately, and make survival difficult.

Banks-Those who provide finances for capital expenses and for the working capital has to be sure that the management is worthy of their trust. The banks need to have faith not only in the technical capability of the management, but also need to have an assurance that the financial dealings of the business are proper. Even a small slip on the wrong side of ethics makes this trust disappear overnight! No business can survive when deprived of the needed funding.

Shareholders-Since the 'share' holders themselves manage the micro, small and medium enterprises, no conflict of interest exists between the two. But in public limited companies and in the cooperative societies, the small shareholders from the public/interest group can get a less than fair return on their investment. The top management can take an unduly large share of profits for themselves, show less profits, and make money 'on the side' for themselves at the cost of the organisation.

Such unethical practices make survival precarious and the scope for raising capital through enlarging the equity disappears.

Society-The public pressure on the business is increasing: the business is not only asked not to harm the environment but also expected to accept some social responsibility. Autonomous bodies like SEBI and the government strengthen this demand through codes of conduct and laws. Public Interest Litigations ensure that the collusion between the polluters and the pollution controllers is reduced. The large scale businesses are accepting and acting on their Corporate Social Responsibility. A large part of the funding to the NGOs of all kinds comes from the charitable donations/support from the small and medium scale businesses.

We thus see that every business in the competitive markets of today and tomorrow is, in fact, behaving ethically with all its stakeholders simply because it needs to survive and grow. Unethical practices with stakeholders lead invariably to the extinction of the business, sooner or later. Therefore, the statement (made in the beginning of this article) that most businesses behave ethically most of the times is indeed valid in India today.

But then, why do most people feel that the Indian businesses are mostly unethical?

Business Unethical

The one stakeholder that is invariably present in each business but is lost sight of is the 'government'. The stakeholder Society is benefitted when its government governs well and provides infrastructural facilities like water supply, health, education, roads etc. Only because the government does all of this and maintains law and

order, an enterprise is able to establish itself, to survive and to grow through fulfilling the felt needs of the society. Little thought is needed to realise that almost all of the unethical behaviour of the businesses in India are in the area of their interface with the government administration at all levels; nation, state, city and village.

Tax Evasion-Tax evasion and corrupt practices are literally rampant on the Indian scene today, both at the level of individual citizens and of businesses of all kinds and scale.

Worldwide experience shows that when the rates of taxation are high, the proportion of persons/businesses evading taxes is very large. The rates of income tax in India were rather high during the period of socialistic slogans of "garibi hatao" and so were the different slew of taxes at the central, state and city level high.

The complexity of rules with different rates of taxation on different classes of goods gave a lot of discretion to the tax collectors. This led to tax evasion through collusion between the tax payer and the tax collector. Subsequently, after about 1992-5, the tax regime has been improved considerably to bring the rates down and to make the rules simpler. The total tax collection has been increasing year by year demonstrating that better rules lead to better compliance.

Even as the first decade of the 21st century ends, the habit of tax evasion formed in the earlier periods has not reduced to any negligible level; tax evasion continues to be rampant at the personal as well as the business levels. The fact that any tax evasion is indeed a theft has not taken root like the moral tenet "Do not steal". Good, religious and otherwise law abiding morally upright individuals do not hesitate to evade tax! Apparently, no religion has given a commandment like "Thou shalt pay thy taxes fully to the government". But if the same government falls short on providing infrastructure or law and order, both vital to the individual and the business to survive and to grow, all get morally indignant.

A substantial proportion of professionals, traders, small scale manufacturers and even medium scale businesses avoid paying due taxes fully. They resort to showing less income or less of taxable activities of all kinds. Getting the tax collectors to classify the product in a

lower tax category and reducing the tax burden is also done. Even several medium and large scale businesses are known to have avoided paying some taxes long due. We are familiar with the estimates of black economy generated from tax avoidance. This illegal black money is expected to be of the order of 40% of the nation's economy. The loss to the nation from tax evasion is indeed colossal.

Corruption-World experience again shows that nations where undue restrictions on business are high, the scale of corruption is also high. The more the number of impractical or restrictive laws/rules the more is the discretionary power in the hands of the bureaucrats and the politicians, and the more is the corruption at the interface of the public services and the citizen. In spite of the progress made by India post 1991 in dismantling the restrictions, our environment is still not business friendly as in Malaysia, leave aside in Europe, Japan or the USA. The common man as well as the businessman is subjected to many conditions that make them resort to corrupt practices.

The avenues for corruption are literally innumerable, but corruption takes place only in six different ways: speed money, nuisance value, underhand commission, nepotism, avoiding legal punishment and bending/breaking laws/rules. The common citizen has to pay speed money to secure legitimate service due to him. He also resorts to 'saving money' by bribing the policemen when caught for a traffic offence.

The businessman, however, has to succumb to all six forms of corruption. The inspector has to be kept 'happy' so that he does not create nuisance through spurious allegations etc. Underhand commission and nepotism, which existed on a large scale before 1991 in the private sector, have almost disappeared because of the competition and the freedom to close the business! But in the government, both flourish on a large scale. The modus operandi for managing pollution is to bribe and to escape legal punishment. Examples of laws/rules/procedures being conveniently bent/changed/broken to suit specific business parties are rampant.

As a nation, we lose tremendously due to rampant corruption. The poor are hit the maximum; they have

to shell out a substantial percentage of their meager income in order to survive. They also are deprived of the welfare measures that government could undertake from the tax money and from savings that accrue when corruption is absent. The businesses feel compelled to pay speed money and nuisance value.

Transparency International, which collects reliable data on corruption in about 175 countries, has some startling statistics to reveal. India has been roughly in the middle of all countries from 1995 to 2009. But this is no satisfaction! The measure of corruption is the Corruption Perception Index. The CPI ranges from 0 to 10, where 10 means absence of corruption. India was at a low of 2.7-2.9 during 1995 -2004, and has risen to 3.6 or so after 2005. We have a long way to go to become well-governed least corrupted countries like Canada, Sweden, and Switzerland who score above 9.0 consistently.

Vested interests in politics and in beurocracy make the rate of progress towards a a relatively corruption free society rather slow. Public pressure through NGOs (Non-government organisations devoted to societal causes) has lead to laws such as the Right to Information Act. India's independent judiciary has provided a good tool in the form of Public Interest Litigation. Continuous public pressure through NGOs and the free press towards exposing corruption and changing laws; overthrowing corrupt governments at election time and businesses deciding to abjure corrupt practices are the only feasible ways of helping India to become corruption free. This is a long term prescription?

Practicing Ethics in Business

In the 21st century India, *all businesses can afford to pay all due taxes and avoid corrupt practices while still making good profits needed for survival and growth.* This is a fact that has to be understood clearly by all. They have a large number of good examples of successful and ethical businesses in India to emulate; and their number is increasing due to the changed expectations of multinational corporations from their Indian vendors and partners. Only a firm resolve by the top management can make it possible for a business organisation to behave ethically in its interface with the government. The top alone can decide not to evade taxes and simultaneously

find ethically right ways of making the business grow.

What can businesses do right away so as not to succumb to corrupt practices by the public servants? Analysis of India data by Transparency International show that businesses can manage to get their due rights without being compelled to use the three main routes of corruption: namely, speed money, nuisance value and underhand commission. The TI data brings out that the most corrupt areas in India are the police and the legal system. Even in these, a demand for bribe is made only about 40-60 % of times; and only about half of these are actually paid. This is very bad by international standard of near zero demand for bribes, but tells us that the assumptions of 'every one is corrupt' and 'one must pay' to get each due service are quite wrong.

Individuals and businesses can manage to get their due rights without bribing if they opt for so doing. A substantial number of small, medium and large businesses in India avoid such corrupt practices today by simply adhering to the rules and regulations correctly. Thereby they make themselves non-vulnerable to undue pressures from government functionaries.

Resorting to higher authorities when a person at the desk level seeks gratification, produces desired results most of the times. (Even a corrupt boss has to maintain a clean image!) Once regulations are properly read, understood and followed, the need to escape legal punishment does not arise. However, 'not breaking laws' needs strong ethical conviction at the top management level. The more the violations of this kind are caught and punished; the better will be the compliance. Top bosses have realised that their prestige in the society and the goodwill for their business are dependent on their adhering to ethical standards.

Use of information technology has made it possible to bring in great transparency in systems and has eliminated corruption at many levels. India is marching internally towards better democracy, improved governance, fewer unduly restrictive laws and simplified tax regime. Externally, India is getting increasingly integrated with the businesses and institutions from the advanced countries that are far ahead in ethical behaviour in business.

The external as well as the internal pressure for businesses to behave ethically also in their interface with the government are increasing. Many more of the younger generation entrepreneurs are willing to adhere to ethical standards. Given all these trends, we hope to see a substantial reduction in tax evasion and in the use of corrupt practices by business.

The management students as well as the young managers of today have to take these trends into account and build their careers by following the right path-the path of right.

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Ashok R. Garde joined ATIRA-Ahmedabad Textile Industry's Research Association in 1957, after graduating in textile technology. He worked on applied research in spinning and as consultant and trainer in technology and management. He was the CEO of the institute from 1990 to 1997 and along with his colleagues successfully turnaround the institute. He continued to foster sound ethical practices at ATIRA, the foundation for which was laid by Dr. Vikram Sarabhai. He has published over 270 papers and 5 books and has contributed to 12 other books.

Hostage at the Table: How Leaders can Overcome Conflict, Influence others, and Raise Performance

Nisha Nair

George Kohlrieser (2006). *Hostage at the table: How leaders can overcome conflict, influence others, and raise performance*, Jossey-bass. Price: Rs. 1451; Pages 272, hardbound, ISBN: 9780787985646.

Introduction of the Author: George Kohlrieser has multiple streams to his credit. He is an organizational and clinical psychologist, a hostage negotiator, professor of leadership and organizational behavior at the International Institute for Management Development and a consultant to global organizations around the world.

An overview of the book: The book, as diverse as the author, captures the rich and varied experiences of the veteran hostage negotiator. He has delved deep into the minefield of the resource of his profession and has created veritable nuggets of insights on leadership and everyday living. The buy-in from the reader is ensured because of real time examples.

The book is a repository of very telling personal experiences and high drama of how Kohlrieser handled emotion packed hostage-negotiations. On this framework the author weaves the tapestry of the entire book bringing in aspects of effective conflict resolution bonding, and dialogue. The author whisks the readers on a journey as an empowering leader and guides our minds to be in a shackle free state. The book is a protective shield against the traps of being a 'hostage'.

The compelling stories of real life hostage situations, introduce the seemingly simple concepts in the passing; but they become powerful and profound in their impact when practiced and understood. A Warren Bennis book, part of a series, *Hostage at the Table* lives up every bit to the promise it holds, and is devoted exclusively to new and exemplary contributions to management thought and practice.

Review: The book comprises nine chapters. Chapter one examines the postulate that one is being held hostage without one's knowledge. 'Mind's eye' a component that focuses on finding one's freedom forms chapter two. While Chapter three explores the potential of the bonding cycle, 'Secure base' is introduced in the fourth chapter with a discussion on the art of conflict management in the fifth chapter.

Chapters six and seven examine effective dialogue and the power of negotiation. Mastering one's emotions becomes the focal point in the chapter eight and the book concludes with a final chapter on living with a hostage-free state of mind.

Every new concept in the chapter is introduced against a hostage situation or a snippet of real-world experience thus setting the context. The practical situations add a dash of reality to the concepts and make them more appealing and relevant.

The chapters conclude with a snapshot, summing up the learning points. A numbered section of key points helps us have a quick recap of the sum and substance of the chapter. This strategy not just nudges the memory but also makes a quick review possible. An in-depth study with such a crisp gist at the end of each chapter positions the book as a good read, midway between academicians and students of the subject; be it a layman or a serious reader, the book sustains interest levels.

The first chapter points out that in everyday life we are 'being taken hostage'. It clarifies that we are not victims of circumstances and that we all have the power to choose and act. The author culls out illustrations within

a specific hostage environment and as well as real life scenarios, where people allow themselves to be taken hostage, inadvertently.

The chapter further elaborates on the Stockholm syndrome, and the fight or flight mechanism to which our brains are tuned. Kohlrrieser argues in favor of controlling our brains and practicing greater awareness of our emotional reactions in order to overcome powerlessness and helplessness which would create a hostage mindset. Calling for efforts to override the instinctual reaction of the brain to escape danger and pain, the author explores the notion of acting with personal power, in pursuit of a hostage-free state.

The second chapter focuses on the mind's eye as a means to influence inner and outer states. Successful athletes such as Lance Armstrong and Ben Lecomte, overcame insurmountable odds by choosing to focus on the possibilities and not on obstacles. They achieved exemplary results in their respective fields with the power of being in the right state and looking through the mind's eye. The power of visualization to hold a mental imagery of the desired future state, and the effect it can have on making that state a self fulfilling prophecy is delineated both at the individual level for ensuring successful performance and at the level of a leader to goad a collective towards the realization of a shared vision.

The bonding cycle runs us through a gamut of reasons which invite a hostage state. Being stuck in the state of separation or grief, or inability to establish bonds and the consequences of broken or ruptured bonding is illustrated by walking readers through the bonding cycle. The importance of forming, maintaining and renewing bonds even when confronted with differences or situations of conflict form the basis of a powerful tool. This helps one to understand motivation both in self and that of others.

The process of grief, the different stages of grieving and the implications of suppressed or blocked emotions in engendering a hostage mentality is also discussed, in the light of what other scholars on the subject have stated. Emerging manifestations of broken bonding in the form

of psychosomatic illness, violence and aggression, addiction of various forms, depression, burnout and stress reactions are all seen as succumbing to hostage states.

An important facilitator for focusing on the mind's eye and overcoming the hostage mindset would be what the author terms as a secure base. The definition of a secure base would be people, goals, or things to which people bond in a special way drawing on them for protection, comfort and a sense of security. Secure bases affect one's self esteem and facilitate bonding.

Kohlrrieser discusses the primacy of establishing bonding and the need for the hostage negotiator to become a secure base to the hostage taker, in order to establish trust. In organizations then, the focus is on the leader to become the secure base for winning the trust of people in the organization. Various types of secure bases, such as important people in one's life who provide comfort and security, goals that guide behavior, and even the threat of fear and success are discussed.

Conflict is a part of our everyday human behavior that stems from a basic fight-or-flight instinct. Too often, however, we believe that conflict is something that must be avoided at all costs; this tendency to suppress conflict can spark a cascade of negative emotions that eventually derail managers, leaders, and organizations.

The section on conflict management and negotiation, examines the causes of conflict with emphasis on various types of losses, such as loss of attachment, loss of identity, loss of meaning and loss of control. The concept of conflict is layered and is taken further to examine the sources of broken bonding which may trigger conflict.

The root cause analysis of conflict and violence especially in a hostage situation is seen as broken bonding and failure to deal with loss. Kohlrrieser speaks of the resolution of conflict in terms of creating and maintaining a bond with the other party even in the presence of differences. Avoiding conflict is seen as being taken hostage to the fear of conflict.

An interesting analogy that is offered is that of putting the fish on the table; just as someone has to do the dirty

work of cleaning the fish first in order to enjoy the benefits of making a meal of it, so also conflict and its surrounding issues need to be put on the table for discussion and dialogue. Otherwise the conflict would fester and raise more concerns in the long run. Some valuable insights for resolving conflict are offered, by way of attending to needs, interests, and emotions.

Before introducing the concept of negotiation, Kohlrrieser elaborates on effective dialogue. It is introduced as a precursor to effective negotiation and is differentiated from mere talking; the body, emotions, intellect and spirit are being engaged in the process of dialogue. The power of dialogue to foster a deeper exchange even when parties are in major disagreement is depicted.

Certain common blocks to effective dialogue and the means to remove these blocks are offered. In discussing the power of negotiation, real world hostage situations are illustrated to draw insights for effectively engaging in dialogue, forming bonds, identifying needs, wants and interests of the other party, and finding options and bargaining for mutual benefit. Using influence and persuasion, the value of concession making and applying the law of reciprocity are considered as ways to move the dialogue forward for effective negotiation.

The book also incorporates a section on managing emotions. An analogy of hostage situations charged with emotions has a direct bearing to a large part of leadership which revolves around channelizing and harnessing the emotions of people in the organization. The process of how emotions work and the stages and patterns of emotions are discussed in detail. In dealing with emotions, the neuro-psychological framework of the buildup of emotions and successive hijack of the thinking part of our brain is depicted and explained.

Means to de-escalate emotions are also discussed at length. Awareness and cognizing around emotions are suggested ways to maintain power over emotions and avoid becoming hostages to them. Living with a hostage-free state of mind is summarized as finding freedom through exercising choice, building self-esteem and practice of humility. The experience of flow or a state of mind of complete immersion is seen as a continuous

lifelong learning. Kohlrrieser asserts that the decision of living life hostage-free is a choice that one can make to retain power and control and train the mind's eye to focus on the intended goal.

Throughout the book, the hostage metaphor assumes a larger meaning and signifies not only situations where one feels powerless in a physical sense, but also, and more so, psychologically - when we give in to despair and relinquish our own personal power to face predicaments and make choices that can free us of the shackles that bind us. In that sense, *Hostage at the Table* is an inspiring book, to look within for the contours of what may be limiting us and what keeps us back from achieving our full potential.

Extremely well written and tightly packaged, the book is likely to appeal to a wide audience who may or may not be exposed to the literature on conflict, negotiations, leadership and that of emotions. However, in some places, one wishes that there was a little more explanation of the terms used providing for further conceptual clarity. The section on negotiation and conflict come to mind as a case in point. Interestingly, Kohlrrieser calls it the 'art' of conflict management and not the 'skill' or 'science', alluding to the subtleties involved in managing conflict and engaging in negotiations. Perhaps, the author has wisely shied away from discussing the various strategies of conflict management and negotiation, which otherwise find mention in any book on the subject.

An intriguing context is set by invoking the hostage situation and drawing lessons from it, for understanding conflict, negotiation processes, leadership and the underlying psycho-dynamics. The treatment and execution have been done quite artfully..The use of personal anecdotes and real word experiences that become starting points for the discussion in each chapter make the arguments more compelling and increase the capacity of readers to resonate with the content. *Hostage at the Table* is a must-read and effectively translates arcane and obtuse concepts into simple easy-to-understand insights. The sheer skill of the author has elevated a dry academic discourse to an engaging and fascinating read.

George concludes: "Take time to reclaim yourself and decide to be who you want to be. Live life as an adventure, a journey, and view it as an opportunity to learn, to contribute, to grow every minute, every hour, every

day. Accept the tremendous power that is within you, and, with humility, make the choices that you want in order to enable your life to be fulfilling with a hostage-free state of mind".

Nisha Nair is an Assistant Professor in Organizational Behavior and Human Resource Management at the Indian Institute of Management Indore. She received her doctoral degree as a Fellow of the Indian Institute of Management Ahmedabad (IIMA) with specialization in Organizational Behavior. Her research interests are in the areas of work alienation, workplace deviant behavior, organizational development, and emotions and conflict.

The Potter's Poison

M. Ashraf Rizvi

S. K. E. Haider (2011). *The Potter's Poison*, (Mumbai: Leadstart Publication Pvt Ltd), pp. 160, \$10, ISBN: 9789381115213.

Introduction of the Author: Dr Haider has been living in the UAE since 1993. He used to work at Sharjah College (now Troy University) as a senior lecturer before moving to Al Ghurair University and then to Abu Dhabi University as assistant professor. He joined Preston University in 2004 as a Professor and Head of the Department of English.

An overview of the book: The Potter's Poison is a book based on fantasy, irony, tragedy and some dark humor and spins a fascinating yarn about the pitfalls of rigidity. The book explores various aspects of life in very interesting ways. The genre cannot be pegged down as it is part fantasy, part farcical with ample shades of romance spewed intermittently.

The book starts with the caprices of Mehar and ends on a serious note, where the old potter willingly embraces death by sinking into the sands of Yamuna-his penance for having poisoned Gunjaan and its vicinity with the wrath of his revenge. It's a story about a post-independent imaginary Indian village, Gunjaan situated at the banks of holy river, Yamuna.

Review: One of the best ways to provide key management and leadership insight is using stories or cases and so there are several novels that are used by management teachers to teach management because a few teachers use literature to teach leadership. For example, one of the most popular elective in one of the IIMs is a course on "Leadership through Literature".

In this context, Dr. S K E Haider's book, *The Potter's Poison* published by Leadstart Publication Pvt. Limited can be an excellent resource used to teach contemporary concepts pertaining to leadership in group, organizational, and societal settings. Some of the key aspects of the book and the characterization in the novel may be used for understanding leadership in different settings.

Firstly, the novel can be used to sensitize the participants about a very important component of leadership, the process of experiencing truth in its various facets. The effort for searching meaning and seriousness in the absurd and grotesque way of villagers' life constitutes a great interest in the book on the journey of truth. The purpose of life and the keen interest in bringing out the shades of truth have been discoursed well.

At one of the places the author deals with the process of finding meaning in life: The purpose of life for all is to find out truth or at least to experience it, to work for truth; but truth that is shelled by ego and whim is not truth, it is established as mere pleasure. The reader is warned that if one gives away something to someone and is lost in the pride of being a giver, the reader would have flinched away from the course which could have led him to the doorway of truth. One has failed to contribute and has travelled half way and traversed the route impeded by the conscious ego. "The consciousness kept you away from truth. That's it." (Page 111-112)

The book has a unique way of showcasing human character in its different forms. It doesn't delineate a traditional hero. It makes an attempt to show man with all his gray shades -- a fine blend of right and wrong. The author seems to have broken free from the ideology of stereotypical heroism.

"No man can be right thoroughly. A good man's deeds may not always be right, and a bad man's deeds may not always be wrong. Dedrego is an evil character but his intention is not ignoble; situation propels him to do only what he thinks doable, and under the context of circumstances, he can't do otherwise: adaptability and feasibility for survival must be learnt, until the present is sound and one is not in a position to fit himself in time, mere information of the past would be no guidance." (Page 125)

Leadership is not a linear thought of being obsessed with the idea of being right nor in proving others wrong. This is clearly established through its characters. For instance, the artist, Baiju, by and large, could have been treated as the hero but his obsession to remain always right and true, is dismissed as a great flaw in him. "The flaw... pushes him back to be a wooden character: and this obsession about truth, about projecting himself true, precipitated his tragedy." (Page 94)

The novel explores the dimensions of human life and delves deeper into the layers of serious issues like 'love', 'revenge' and 'truth'. The author's treatment of these classical emotions is astute, amusingly deftly and critically demanding. A weird act sets the context for a revolutionary change in the mind of an ordinary potter...Dedreg's buttock is brushed by a python and he turns out to be a man of ideas followed by excitement tickling over the back of his head. The ideas pave way to wealth, honor and fame for him. The python seems to have blessed him mystically.

What the writer implies is that success pursued through wrong means ultimately ends in repentance. And a larger chunk of Dedreg's life- time is spent in regret: "fretful, he dashed his head against the mansion's old window-wall in an effort to catch hold of the window-rod, which was placed very high on the wall." (Page 78)

Sophia's character is the product of a modern outlook. Matter-of-factness is the hallmark of her mental make-up. She believes that pragmatism eventually dominates philosophy and ideology. Sophia is a lot like her father when she invalidates ideology. Her strong affirmation to pragmatism seems to serve as a guide to Baiju. The human quirk that even a person who professes to be pragmatic, practical and a realist, cannot escape from the throes of love unfolds well in the book. The author seems to campaign that no ideology can make a charismatic change in an individual other than love. If there is anything wholly true, it's an individual's love. True love apparently faces a lot of setbacks but wins finally.

Sophia's character symbolizes an individual's stand for change and forcefully advocates the standpoint. Dynamism is her strength and flexibility in her approach harbingers prosperity and a strong appeal for peace constitutes her essential personality. Sophia decries rigidity of mental make-up, as she blames it as the cause for all clashes. With her arrival in Gunjaan, everything is changed and the old potter brimming with poison in him begs Yamuna to accept him in the dark abyss of eternal sleep. Sophia's arrival is the turning point to the plot and she is the dawn of change who will sweep away all the poisons silted for long in Gunjaan.

The author has driven home his message by carefully weaving around the tapestry of Indian myth on the Yamuna, Ganga and Lord Krishna. Yamuna carries the writer's message and serves as a suitable metaphorical context for the plot. Yamuna is personified as passion while Ganga, represents wisdom and reasoning. The geographical truth that Yamuna dries up in summer is suggestive of the ebb and flow of passion in the society. The transience of passions and the ever-lasting qualities of reasoning and wisdom are juxtaposed well.

'A weak man's revenge is more dangerous than a rich man's animosity,' for he has the ability to disguise--the potter has kept himself disguised throughout his life as a holy priest to shroud his beastly thoughts under the priestly image! Unlike the animosity of a rich person, which is out in the open for all to see, a poor man's revenge keeps popping at odd and unexpected intervals, snapping at the bond of the connecting threads of relationship, thereby gnawing at the very fabric of the social structure. The poor potter nurtures revenge and in order to meet his end, he exhibits chameleon-like colors in different forms and finally faces an ignominious death by drowning himself in Yamuna.

Thus, *The Potter's Poison* by Dr. S K E Haider is a must-read, for several reasons. It just doesn't raise pertinent questions about various aspects of life but provides with satisfactory answers. Additional reasons being: an engaging style, striking illustrations and a powerful and

expressive narration .Dr. Haider is quite successful in his missions of conveying what is atop his mind. He uses a poetic style and has a lyrical approach. The choice of vocabulary is apt and pungent where required. The writer often doesn't state explicitly, perhaps with a view of leaving room for readers to deduce and interpret. The varying mood of prose is rhythmical and lends

effectiveness to the language. Over all, the effort is good and praiseworthy.

I would like to certainly recommend the book to students as well as teachers of management as it is not only a good read but offers insight to help us understand the dimensions of character and leadership.

M. Ashraf Rizvi a faculty in General Management Area at Indian Institute of Management Indore. He has taught courses on business communication, negotiation, leadership and general management in the Institute's PGP, EPGP, and executive programs. Prof. Rizvi's research focuses on communication and professional effectiveness, and his work has been published in national and international journals. He has also written ten books on these topics. Moreover, he has been consultant and trainer with several organizations, and has designed and conducted a large number of executive education courses.

In Search of Change Maestros

Wallace Jacob

Pritam Singh, Asha Bhandarker (2011). *In Search of Change Maestros*. SAGE Response Business Books, New Delhi Price: 850; Pages xxxv + 481, ISBN: 9788132105862.

Introduction of the Authors: Dr. Pritam Singh did his Masters in Commerce from the famous Banaras Hindu University; did his MBA from United States; and subsequently did his Ph.Ed from Banaras Hindu University.

Dr Bhandarker has an M.A. in Psychology and PhD in Business Management from Osmania University Hyderabad, India. She has undergone advanced training for trainers in behavioral sciences from schools such as NTL at Bethel Maine, USA; Tavistock Institute of Human Relations in the UK; and the Centre for Transpersonal Psychology, at London, UK.

An overview of the book: People who change with the change may succeed, But the people who cause change may lead.

It may not be an exaggeration to say that whenever leaders have tried to execute or implement a change they had to encounter resistance to change. Nevertheless leaders like G. D. Birla. M. K. Gandhi, Gorbachev, Abraham Lincoln, Nelson Mandela, J. R. D. Tata, Akio Morita have been successful in their attempts to overcome the seemingly insurmountable obstacles and thereby etched their names in indelible ink on the pages of the history of this world.

The book under review culls out the lessons which can be learnt from the lives and grind of a few towering change makers. It explains how a few visionaries have moved in several orbits of excellence. Indeed these trailblazing icons have created history by snatching victory from the jaws of defeat. At the same time the book is the outcome of a rigorous empirical research. The superlative tome contains ten delectable chapters.

Review: The first chapter charts the path which some intellectual giants and eminent personalities followed to reach the zenith of leadership and become change maestros. The chapter also meticulously explains the research design which the authors have used assiduously for carrying out their painstaking research and writing the book.

Chapter two to eight have a consistent approach. Each chapter begins with a captivating, sensational and eye-opening anecdote, contains a brief profile sketch of the business, then examines the action, architecture, and the cultural landscape of the chosen business icon and his/her organization; it also contains appendices which explain the honors conferred, milestones, analysis of the questionnaire data, and the profile and persona of the business magnate.

The second chapter is devoted to Kumar Mangalam Birla who took over the reins of Aditya Birla Group Empire in 1995. The group today has operations spread over twenty-five countries; chief credit goes to the philosophy of K. M. Birla- looking within, looking around and looking beyond. The chapter offers classic insights into K. M. Birla's forays into textiles, aluminum, chemicals, cement, numerous other businesses, his benchmarks, value system and vision. A reading of the chapter brings forth the fact that abiding by the law on issues like labor, environmental pollution, rural development, and the like have been the forces which have provided impetus to the enterprise.

The third chapter is devoted to turnaround master, who goes by the name of Maleveetil Damodaran who belongs to one of the most exalted services of India - the Indian Administrative Service. The chapter provides a riveting account of the problems which had besieged two giant companies: UTI and IDBI and how M. Damodaran revitalized the ailing organizations and brought them around.

The fourth chapter is devoted to the iconic leadership and determination of Sajjan Jindal of the JSW group; the group has heavyweight businesses like JSW Energy, JSW Steel Limited, JSW Port, Jindal Praxair Oxygen Company Limited, JSoft under its umbrella. The chapter sheds light on management concepts such as performance appraisal, linking performance with reward, career planning, talent identification and management.

The fifth chapter unravels the transformational leadership of K. V. Kamath who made ICICI into a financial powerhouse through his conceptual and design skills. The chapter meticulously analyzes K. V. Kamath's telescopic vision of the emerging future, his techno-centric work-culture, contribution-centric meritocracy and his endeavors towards making ICICI into a truly agile organization.

The sixth chapter delineates the telecom giant Bharti Airtel and explores the leadership of Sunil Bharti Mittal. The business model devised by Airtel has challenged the conventional wisdom in the telecom centre. The early part of the chapter dispels the five myths which were stifling the growth of telecom industry in our country. The latter part of the chapter describes how S. B. Mittal has been able to transform Airtel into a nimble-footed organization which breeds an atmosphere which may best be described with terms like "positive disquiet", "creative dissatisfaction", and "restlessness". Bharti Foundation - the philanthropic arm of the Bharti Group has set up 236 Satya Bharti Primary Schools across the country; the Bharti School of Telecommunication Technology and Management at IIT Delhi and Bharti Centre of Communication in partnership with IIT Bombay are other such ventures.

The seventh chapter is devoted to Anil Manibhai Naik of Larsen & Toubro. A. M. Naik launched "Lakshya" and "Project Blue Chip" which have brought about a revolutionary change in the L & T group. The chapter explains how esoteric concepts of dissonance, mild anxiety and data mining and data sharing help in shaping an organization.

The eighth chapter is devoted to Biocon and the legendary action heroine Kiran Mazumdar Shaw who charged into a formerly male bastion and started a venture in Brewery. The chapter portrays the bold decisions which have been made by K. M. Shaw which have brought sweeping changes and brought them to the helm of limelight.

The ninth chapter offers a company-wise comparative picture of the organizational culture and the tenth chapter focuses on aspects which are common and unique to the change masters discussed in the book under review.

Overall impact of the book: The book also examines the philosophy, the outlook, and contributions of several luminaries such as H. P. Nanda (founder of Escorts Ltd.), Henry Ford (the founder of Ford Motor company), Joseph Wilson (founder of Xerox Corporation), Bill Gates (cofounder of Microsoft), Ren Jian Xin (founder of ChemChina), Dhirubhai Ambani (founder of the Reliance group of industries), Soichiro Honda (the founder of Honda Motor Co.), L. N. Mittal, Steve Jobs, Nelson Mandela, Franklin Roosevelt and several other such iconic tycoons. The book sounds like a who's who of the business planet. The names have a tale behind them and each contributes to understanding the progress of journey in the field of business.

The book is definitely a treasure trove of knowledge and ideal for entrepreneurs, researchers, and the champions of innovation, motivation, leadership, corporate social responsibility, strategic management and organizational development. It's the big book of values and dwells on a number of pertinent aspects such as: the leaders' obsession with contextual sensitivity, people connect, speed, creative destruction, organic and inorganic growth, the driving and restraining forces in an organization.

The book factors in the steps that the Government of India has taken to revive the flailing and shattered economy of the country. The story-telling style of the authors ensures that the contents of the book can be understood by people of all domains such as engineering, economics, law, finance, fine arts, medicines, etc. It focuses on leadership and corporate culture in the present context. A need for this book is warranted because there are very few books which focus on change makers in India.

Wallace Jacob is an M. Phil. in Management. He is presently working as a Senior Assistant Professor at Tolani Maritime Institute, Pune, where he teaches Principles of Management and Project Management. His book reviews have been published in journals published by IIM Lucknow, IIM Indore, IMI New Delhi, Bharathidasan Institute of Management Tiruchirappalli. He has also presented papers in various conferences.

New Media: A Critical Introduction

Plavini Punyatoya

Martin Lister, Jon Dovey, Seth Giddings, Iain Grant, and Kieran Kelly (2010). New Media: A Critical Introduction. London: Routledge Publication, pp. 446, Rs. 2350, ISBN 9780415431613.

Introduction of the Authors: Martin Lister is a Professor of Visual Culture in the Department of Culture, Media and Drama, at UWE, Bristol. He has written widely on photography, visual culture, and new media technologies and is a curator and media producer.

Jon Dovey is a Professor of Screen Media in the Faculty of Creative Arts, UWE, Bristol. He is a writer, lecturer and a producer.

Seth Giddings is a Senior Lecturer in Digital Media and Critical Theory in the Department of Culture, Media and Drama at UWE, Bristol.

Iain Grant is the Head of Field in Philosophy at UWE, where he specializes in Metaphysics, Contemporary French Philosophy, the Philosophy of Technology and the Philosophy of Nature.

Kieran Kelly is a Senior Lecturer in Cultural Studies at UWE where he teaches media theory. He started working in public sector computing over 20 years ago.

An overview of the book: The media world has passed through many developments in the past years and the book titled "New Media: A Critical Introduction" addresses all the key issues which have arisen due to emergence of new media technologies. Five colleagues came together to present the reader an excellent book boosted with historical developments, case studies, photographs and diagrams.

The book targets especially students with some background in media studies, by giving them conceptual frameworks for thinking about the development of the new media in the last two decades. The book talks about the methods and social practices of communication, representation and expression, which have developed using the digital, multimedia, networked computer. The book emphasises on the process of computerisation or digitisation that has impacted other media in twentieth century: the whole gamut- from books to movies, from telephones to televisions.

Review: In spite of dedicating each chapter to a separate new media form, the book is divided into five major sections discussing different set of critical issues, alongside more detailed discussion of particular media form as required.

The book covers the media, communication and new technological developments in depth by using numerous case studies, arguments and using stand-alone boxes with additional explanations. Writing about new media is a challenging task, because constant technological and media changes make some media old and out dated, which could have been new at the time of writing. But the authors rightfully have addressed the issue and have focussed not only on cyber-culture, but have laid down many historical and contemporary facts that have a bearing on the present situation.

The first part of the book covers the string of reasons for the rise of New media, its characteristics, and historical background. The panorama includes: digital, interactive, hyper-textual, networked, virtual, and simulated media and are discussed in great detail. The authors have clearly differentiated analogue and digital media in this section and have named the audience of new media as 'user' rather than 'viewer' as they can actively intervene while viewing or reading.

An important concept in the cultural study of media technology-'technological imaginary' is introduced. This explains the way media projects dissatisfaction with social reality, and the desire for a better society, through technologies as a complete and effective of delivery is possible.

The first section recognises the previous work by Marshall McLuhan- who said that technology is an extension of man. He felt media and technology are not separate. All new media remediate or adapt previously existing media, for example World Wide Web remediates magazine, computer games remEDIATE cinema etc.

The second part of the book discusses how new visual media and imaging technologies are bringing about contemporary changes in visual culture. The authors trace the history of virtual reality, immersive media and digital cinema and explain that in new media or digital culture, the virtual is equivalent to the simulated one. Virtual realities and virtual environments are produced by simulation technologies, principally: computer graphics software and telecommunication networks.

The authors state that main issues in theories of photography, film and cinema are their realism and nature of visual representation. In the world of new media simulations, computer generated animations; special effects and digital camera are used for showing the presence of virtual reality. In this section numerous examples of movies, like *Cyberworld 3D*, *Toy Story*, *Antz*, *Sin City* etc. are quoted thus making it interesting and easy to relate.

The next section of the book demonstrates the need to understand the relationships between human creativity, technological potential and possibilities offered by the market. The authors define internet as the collection of networks that link computers and servers together. This rapid spread of networked communication through PCs and servers has attracted enormous quantities of popular excitement, critical attention and commercial interest. In reality, growth of internet since the invention of World Wide Web is a remarkable cultural achievement. The internet has led to Computer Mediated Communication (CMC).

As per the remediation effect, the existing media, e.g. TV, film or photography find new distribution channels online and change their cultural form. Even hybrid forms of new media emerge by interaction between existing media and the new distribution technologies of the net. The web allows people to express themselves by putting up their own sites on social networks, blogs, YouTube posts, etc.

The authors more specifically examine the way in which network based businesses have been subject to the boom and bust cycle, emphasising on dotcom crash of 2000-2002. Examples of music industry, which are affected

by network practices and technologies and the subsequent gaining of importance of intellectual property rights, are provided. The tension between economic determination and media culture is explained by 'Long Tail' theory of economics. The model helps to unlock new possibilities for users and producers and leads to new business practices of viral marketing, community management and web advertising.

The fourth section is more interesting and talks about the presence of new media in everyday life- our personal spaces, family and home. This section describes the cultural phenomena that occur when children and adults experience new media like videogames and mobile phones. Many concepts have been drawn from new media studies, such as science and technology, game and cyber-cultural studies. They put forth explanations that bring changes in human life due to the presence of new media.

The fifth and the last section of the book explains the part played by technology's sheer physical form in shaping history and culture. There are apparently three periods in the history of technology: mechanical, steam and cybernetics. All of them affect the culture around them. The concept of 'Cyber-culture' is discussed in detail in this section. The authors argue that nature, culture and technologies cannot be separated from each other. Focusing on the concept of causality the section concludes with the kind of realism necessary to understand technology in culture.

The book talks about many critical issues related to culture, technology and media; but the authors have presented them in a lighter tone by citing examples from movies, video games, paintings etc. As the book's main targets are students, the authors have tried very hard and are also reasonably successful in their attempt at keeping a light tone, through case studies and lucid representation of thoughts.

However, the book has given more attention to cultural studies than other areas like sociology, philosophy etc. This shows the authors' areas of interest and leaves space for further improvement. All aspects of new media are

not given equal attention and a few are emphasised more throughout the book.

A student interested in reading a particular new media may not find the book helpful; had they discussed all the new media in any one of the five sections, in detail, that would have solved the problem. But overall the

book is a must read for people interested in the area of media studies. This is especially helpful for teachers and students who want to know about new media and its related fields. The book gives excellent perspective on the theory and practice of new media and its relation to nature, culture and our everyday life.

Plavini Punyatoya is a participant of Fellow Programme in Management in marketing area at Indian Institute of Management Indore. She has done her Bachelor of Technology and Master of Technology from Indian Institute of Technology Delhi. Her area of interests are Brand management, New product branding, Integrated marketing communication, Market research, Green marketing, Internet marketing and Mobile advertising.

Repositioning: Marketing in an Era of Competition, Change and Crisis

Payal S. Kapoor

Jack Trout, and Steve Rivkin (2009). Repositioning: Marketing in an era of Competition, Change and Crisis. New Delhi: Tata McGraw-hill Education Private Limited, pp. 224, ISBN: 978-0-07-163559-2.

Author's profile: Jack Trout apparently is a personal tutor for every young marketer. He is one of the world's chief marketing strategists and his first book was published long back in the late 1960's. He has popularized many marketing concepts, which subsequently became the building blocks of those subjects. The concept of positioning is one such example; it started its journey as an article, written by Jack Trout titled "Positioning is a game people play in today's me-too marketplace."

Steve Rivkin is the founder of Rivkin & Associates LLC, a marketing and communications consultancy in Glen Rock, New Jersey. He is a naming expert with Trout & Partners and Coauthor of three books with Jack Trout.

An overview of the Book: The subject matter is intriguing, as these concepts are so extensively used in the real world. The reader can get influenced by the way the author intends to relate the concepts with current marketing environment. Right in the book Trout mentions how heavily these concepts are used in practice and a simple Google search of these concepts resulted in 37163 citations in the year 2008.

Repositioning is the third book coauthored by Jack Trout under the "positioning" concept. The concept of Repositioning was introduced for the first time in that book, more as a strategy to cope with competition. His second book "New Positioning" was an updated version of his original work and the concept of Repositioning as a competitive strategy, was illustrated at length with case studies.

The concept of repositioning is the focus in the present book. The concept of repositioning has been extended beyond the strategy to combat competition. As mentioned in the book "Repositioning is how organizations adjust perceptions, whether those perceptions are about the competition or the organization itself."

Review: The book is based on the premise that corporate environment has drastically changed and that the competition is becoming fierce. While the consumers are becoming savvier and the communication is getting faster, repositioning as a concept will win over competition, change and crisis. The book is divided into the following sections:

Competition: The underlying concept of repositioning against competition as discussed in this section is "hanging a negative" on competitors' brands. A brand gains "share of mind" by pointing out the similarity between its competitors and clearing out a distinctive positive space for itself. This section iterates the considerations that the marketers must ponder upon before going for repositioning.

Many examples have been cited, the most interesting one is about two Chinese brands of herbal tea. Through the discussions, the authors point out how one of the brands hangs a negative of being "unnatural" on the other brand to eat more market share.

Change: This section talks about the rapid changes that are happening in technology and its impact on established organizations. With the help of appropriate examples, the authors have cited some tricks for repositioning in the changing environment. The authors also point out how the size of an organization (if large) works as a detriment to repositioning/evolution. The authors also point out when not to evolve.

Crisis: The authors stress that the world is going beyond the unpredictable to the unthinkable. It suffers from micro and macro crisis. They claim long term planning to be a passé as the world is full of wrong predictions about the future. They also iterate the ways to combat crisis.

They support the ideas by quoting examples of Wal-Mart, Southwest airlines, Charles Schwab, and the PC market. This section also lists out the strategies to be followed by the organizations dealing with luxury brands to adapt to the economic slowdown. One of the example quotes the case of C.F Martin & Co, a guitar making company. In the event of slowdown the company was unable to sell their expensive guitars which made them to revive their 1930's guitar to a no frill guitar called "1 Series", which became a hit.

Repositioning takes Time: This is the final section of the book. This section starts off by explaining what repositioning is all about. According to the authors, repositioning is the readjustment of people's perception and not changing those perceptions. Therefore the whole process is time consuming and the authors list out the steps to be followed while going for repositioning. Finally, the authors explain the role of leadership during repositioning.

The book, despite having heavily drawn many flavors from the previous books, is relevant to current scenarios. The vanilla concepts have been aptly molded to make them usable by the marketers facing stiff competition or for coping with change. The Book clearly iterates the dos and don'ts associated with repositioning.

This book is a unique piece, as it brings forth the concept of repositioning and its usability in the present context. This concept is often cited in many research papers and articles. A small search highlighted how often the concept is used in research papers. Some noteworthy papers are given below:

Effects of brand name : Suggestiveness on Recall Advertising -KL Keller, SE Heckler - Journal of Marketing, 1998 -This paper uses the concept of repositioning as a strategy to increase advertising recall

of a brand in the event of changing consumer needs, competitive actions, or any other changes in the marketing environment over time. They suggest that managers may need to reposition their brands through new marketing communication campaigns.

Should you brand where the action is? - DA Aaker - Harvard Business Review, 1997-The article is essentially on the vertical extension of brands in the context of stiff market competition and declining brands. The author suggests repositioning the entire brand as a strategy if launching a new brand is not an option; managers need to consider ways to leverage the power of their existing brand.

Brand origin: conceptualization and review, Mrugank V. Thakor, Chiranjeev S. Kohli-Journal of Consumer Marketing, 1996-This paper questions whether transplanted products or products from different origins should build association of the brand with its place of origin. Here too the authors have used the concept of repositioning to strengthen their points.

Other books written on the subject do not bring out the conceptual clarity in a general context. Some books use the concept of repositioning in a broad framework. For example: while talking about repositioning in Asia, Philip Kartajaya, highlights the understanding of the transformation of Asia's economies and enterprises. Similarly, in Cyber Space & Repositioning of Corporation, S. Shiva Ramu provides an overview of the changing scenario of technology and its impact on restructuring.

The concept of reposition is not only relevant but also critical in today's scenario. This book is certainly worth reading at least by the marketers to sustain their competitive advantage.

Payal S. Kapoor is a participant of Fellow Program in Management (Doctoral Degree) in marketing area at Indian Institute of Management Indore. She has done her Masters in Advertising and Communications from Symbiosis Institute of Business Management, Pune. She has more than 6 years of industry experience in Sales and Marketing function.

Guidelines for Author(s)

Research Papers should

- Have a clear statement of purpose.
- Have a clear statement of importance; why the paper was written and what it contributes to the body of knowledge.
- Be well written and readable.
- Present reliable and valid conclusions appropriate to the methodology employed.

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- The manuscript should follow British English spellings.
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Indian Institute of Management Indore

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Phone - (0731) - 2439 581

Email- imj@iimidr.ac.in

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