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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 second issue of Volume 4 of Indore Management Journal. As in the past, this issue has the usual mix of viewpoints, scholarly articles, management case, perspectives and book reviews.

In the viewpoint section, Sashi Tharoor argues for the need to examine the concept of profit and enumerates the challenges for building a knowledge society and not just a knowledge economy. Robert S. Kaplan reflects on his 30 years of professional life. Through four examples he demonstrates the need and the joy of putting innovative ideas into action.

There are two scholarly articles in this issue. The first article discusses the issue of content delivery in classrooms and raises critical apprehensions towards the knowledge bowl available for delivery in management schools. Further it argues the need to elevate the contents delivered in the classroom to the status of science. The second article highlights the importance of case method as a powerful pedagogy in management education and argues for incorporating scenario analysis within the case method to make it more effective.

The management case takes up the challenge faced by a Project manager in regard to the timely completion of a refurbishing project. Given a timeline of seven months and the task of refurbishment of about 52,000 square meters of surface, the officer is wondering how to plan for the execution of the work. The commentaries analyze the case and discuss solutions towards the project management.

Based on literature, the perspective section explores two important issues prevalent in organizational context. The first one explores the role of trust and commitment in B2B relationship, whereas the second one explores the concept of depersonalization.

The present issue carries five book reviews. The reviews cover subjects such as the advertising campaign of Amul over a period of 50 years; the board processes and governance in the context of the future of boards; the incredible stories of Tata group in creating a timeless institution; the auto-biography of Kiran Bedi, and the learning from the recent financial crisis in improving the future financial market.

We look forward to your suggestions and hope as in the past this issue is of interesting read.

Editorial Team
Indore Management Journal (IMJ)

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Education and *Looking beyond Profit*[1]

Shashi Tharoor

Let me begin by saying how delighted I am to be amongst you today for the inaugural edition of the IIM World Conference with the theme "Emerging Issues in Management". Coming as I do from an academic background devoid of any formal education in management theory-unlike my senior colleague Pallam Raju, who actually has an MBA - but, given my seven years of professional experience managing the largest department of the United Nations Secretariat, with over 800 staff in 77 offices around the world, a shrinking budget and political pressure to prune overheads, the theme I have chosen for my remarks today - and one of the overarching themes being addressed at this conference - is "Looking Beyond Profit". I chose it because I think it represents a vital area where management theory meets the challenges of the real world and is forced to acknowledge both its internal limitations and external constraints. Given the experience of the developed world in the last half-decade or so (especially the recent backlash against the Anglo-American model of laissez faire capitalism, in the wake of the global recession and given the difficult choices we have had to make during our own six decades of experience as an independent nation and those we would need to make for the foreseeable future, I am sure you will all agree that it is a theme that is more relevant than ever for not just teachers and students of management, such as yourselves, but for all of us who care for India's present and future.

Before I proceed, let me compliment the Directors and faculty members of the IIMs who are part of the team that has conceived and organised this conference. In over six decades of their existence, Brand IIM has well and truly come into its own and is today synonymous with a world class management education with a distinctively Indian flavour. The story of the recent economic resurgence of India would be essentially incomplete without acknowledging the critical role collectively played by the IIMs in providing our country with an amazingly talented, highly motivated and highly successful group of managers who have gone on to transform every area of our society and economy with their exceptional leadership. I can't even begin to enumerate the extraordinary achievements of IIM Alumni and the difference they have made to India. I am proud to affirm that your alumni have more than realised the hopes and vision with which Pandit Jawaharlal Nehru first envisaged your existence. As in many other areas of our nation-building, we must pay homage to his farsightedness for recognising that, to meet its tryst with destiny, India would need world class leaders of business and industry.

I want to outline before you my view of the challenges we will face in the 21st century, and I put the proposition to you that how we think of profit must also change to reflect the ways in which we, as a society and a nation, will take on those challenges. We are dealing with two topics of long-standing controversy here: the role of profit in economic activity, and the role of government in economic activity. The former has seen much debate - and evolution - since Adam Smith's work on *The Wealth of Nations* was decried as promoting the "*worship of Mammon*". The latter, too, has seen its share of theorists and trials, be it the dominant Keynesian formulations of the 20th century, or India's own experiments with Nehruvian/Fabian socialism and a planned economy.

What we see evolving today, however, is a sophisticated and interconnected system which I like to think of as an emerging knowledge society. Note that I say knowledge *society*, and not merely the knowledge economy whose benefits, we are told, India stands to reap. A knowledge society is dedicated to the greater goals of development and integration in an atmosphere of enlightenment; the rules of the market economy

1 This keynote address was delivered by Shashi Tharoor at the IIM World Conference in Goa on 31st May, 2013.

certainly have their role to play, and indeed are of great benefit when applied in their proper place, but that is no invitation to apply the economics of the market-place indiscriminately to every field of human endeavour. After all, another long-running debate has been about whether rules of economic rationality also approximate rules of justice, fairness and morality. The jury is still out on this one - there is, for instance, Justice Richard Posner's persuasive writing in the USA regarding the economic efficiency of the Common Law - but suffice it to say that human rationality can factor in more variables than the traditional economic model would permit.

In this emerging (also, emergent) system, our concept of profit too must be reexamined, to align more closely to what is profitable in a knowledge society. Traditionally, profit (and its related concept, profitability) reflects simply an assessment of the extent of returns one can expect from any economic enterprise - in other words, how much one can expect to make over and above the amounts needed to cover the costs involved in that enterprise. Profitability is also a factor for assessing the merit of any enterprise. The rationale for such evaluation is elegant in its simplicity: the goal of any economic activity is to provide the greatest possible returns on the resources invested in it, presumably with each investor gaining a share proportionate to his/her contributions. A profitable endeavour can best provide such returns, thus succeeding in its prime goal. That is to say, barring any form of impropriety or diversion, shareholders can expect to get their share of profits, generated by enterprises in which they have invested.

This is, of course, an exaggeratedly simplified view of profit and business. The devil is in the details, or in this case, in the definition. We all know profit equals earnings less costs, but exploring that simple formulation in any detail opens a fair few cans of worms. What revenue qualifies as an earning, and what exactly does one account as a cost? What exactly does one do with whatever amount has been identified as profit, and what (if any) implications does that have for profitability? And on which of these does one have to pay taxes, as opposed to those on which one can safely claim an exemption? (Incidentally, it is by virtue of their mastery over this arcane knowledge that CA's, CFA's and tax lawyers remain such feared and respected figures in our community. This is an example of information arbitrage, and it is one of the traditional means of cornering profits which the 21st century knowledge society, with its tax submitting software, might well make increasingly obsolete).

The moment we delve into the definition of profit, some reservations can arise. One is fairly evident and well-explored: a pre-occupation with profit in the present too often translates into neglecting the sustainability of profit (or the enterprise, community or society itself) into the future. The practically universal adoption of Corporate Social Responsibility (CSR) norms and practices can be seen as one form of awareness of this shortcoming: businesses across the world now accept that their earnings, their profits, come from society, and as such they must take steps to ensure the health and vibrancy of society if they are to thrive. Further, as we are coming to realise, globalisation and a shrinking planet on which, more to follow-do not permit the commercial equivalent of slash and burn agriculture. Rather, a society or community must be cultivated with care and attention if it is to serve as a lasting asset. As the global financial crisis most recently established, anyone who erodes parts of the foundational linkages between economics and people anywhere in the world soon finds that he has undercut himself in the bargain. Regaining a steady footing from that position is proving a challenge for nations in two entire continents even today, and the measures those nations take in this effort continue to have implications for every one of us, even here in India. The changing profile of tourists visiting the lovely state of Goa and the nationalities of those purchasing property here is but one illustration of how financial instability, change and rebalancing in the economic centres of the West can be transmitted to our shores!

This idea - that profits ultimately stem from society - can be thought of in terms of Public Trust doctrine. Gandhiji had spoken of trusteeship this is a related idea. Simply put, we are given only temporary stewardship over the resources we use, which makes it our duty to pass on to our successors resources undiminished in quality or value, though they may be transmuted in form. (Environmentalists have long made this argument: an African proverb which - my former boss Kofi Annan often quoted - says the Earth is not ours, it is a treasure we are meant to safeguard for the next generation.) This leads to an entirely new understanding of profit - one which would restrict it largely to the benefit gained from "our" resources, without depleting the resources to which others, including future generations, are entitled. This is the exact opposite of the traditional view of using resources to generate profits, from where comes our concern with efficiency, i.e. reducing the extent of those resources wasted in this conversion. In this new conception, 100% efficiency is the minimum we demand, because trading off our resources for gains in the short term would be a loss. Applying gains to improving our stock of resources would be true profit. The implication is that the idea of profit must be reconsidered, to reflect not so much those who can best secure value for the resources they hold in trust, but rather those who can ensure that their resources will be maintained and even grow in value. Profit is inherently judged also in terms of the capacity to make future profits. I put it to you, then, that an understanding of profit suitable to the 21st century is this- profit is a measure of capacity building, and profitability is the ability to improve on existing assets.

In thinking of profit as capacity-building, we resolve many of the definitional conflicts to which I earlier alluded. For instance, when we speak of improvements on existing assets, this must take into account the extent to which our activities are consuming or degrading them in the first place. Evidently, profitability refers to net improvement. (I say this is evident, because if resources are held in trust by society at large, then distinctions between "my resources" and "someone else's resources" are rather artificial. If using my resources to generate a profit also causes the degradation of someone else's resources, then that is a loss, and a loss that must be taken into account before declaring a profit!).

Again, we have environmentalists to thank for drawing our attention to this concern. In the decades since Rachel Carson first wrote about the environmental costs of pollution, most nations have brought in legislation to ensure that firms are forced to take account of at least the most egregious of these implicit costs - paying taxes equivalent to the damage they cannot avoid, and liable to massive fines if they cause damage by negligence. Whether it is superfund legislation in the USA, methane taxes on livestock in New Zealand, international treaties to protect fish stocks under the Law of the Sea, or our own Supreme Court's 2009 judgment in the Vedanta/ Niyamgiri alumina mining case, we already have an understanding that costs are no less real merely because they are imposed on others. How else can one explain the outrage against clothing or sporting goods multinationals when their products were found to be the result of sweatshop labour, or the willingness of customers to pay a premium - a loss to them - for Fair Trade goods?

The challenges and opportunities that corporations and industries pose for business leaders, are posed for politicians by nations and governments. Despite the different habitats inhabited by the two apparently different species, I would suggest that the temperament, the intellectual ability and the qualities of endurance and patience that are required in a successful business leader are entirely the qualities that no self-respecting politician desiring recognition and seeking public office can do without. Owing to my own background, much of what I have to share with you about leadership today will be applicable to both business and politics in equal measure.

By now, most of you would have heard endless times that a new age is upon us. This is a banal and trivial truism if ever there was one, for new ages are always dawning upon the generations that live in them. The old order is always changing and yielding to the new, sometimes smoothly and sometimes in extremely disruptive and disorienting ways. What, then, makes this new age of our times so different from the new ages of the past? I believe it is the speed with which it has come into being. In the last 25 years or so, beginning with the fall of Communism in 1989, a paradigm shift has taken place in politics and business. But what characterizes the defining features of this shift, the changes that leaders must deal with today? What does this new age mean for you?

It means several things to me. As I see it, the salient features of this paradigm shift are - the spread of globalisation, the growth and success of democracy and universal ethical standards, and the occurrence of sudden systemic shocks both in politics and business. Related to these three prominent features are the no less significant changes caused by the spread of technology and environmental degradation.

The first challenge for leaders in our new age is of course globalisation. Now, more than ever, leaders must be able to grasp and balance the scales of a globalised world economy and society. "Globalisation" is a fairly new term. Professor Theodore Levitt, a marketing professor at the Harvard Business School, first employed it in a 1983 article in the Harvard Business Review. Globalisation became a buzzword following the end of the Cold War, but the phenomenon has long been a factor in the foreign relations of the United States and has deep roots in history. Globalisation is a complex, controversial, and synergistic process in which improvements in technology (especially in communications and transportation) combine with the deregulation of markets and open borders to bring about vastly expanded flows of people, money, goods, services and information. This process integrates people, businesses, nongovernmental organizations and nations into larger networks. Globalisation promotes convergence, harmonisation, efficiency, growth and, perhaps, democratisation and homogenisation.

But globalisation has a dark side too. It promotes convergence but also disruption the era of increasing globalisation is also an age of terrorism, religious intolerance and the so-called clash of civilisations. It produces economic and social dislocations and arouses public concerns over job security the distribution of economic gains and the impact of volatility on families, communities and nations. As a modern day leader one must learn how to handle the thorns that come with the roses. In the words of the distinguished Nobel laureate Amartya Sen, "We cannot reverse the economic predicament of the poor across the world by withholding from them the great advantages of contemporary technology, the well-established efficiency of international trade and exchange, and the social as well as economic merits of living in an open society. Rather, the main issue is how to make good use of the remarkable benefits of economic intercourse and technological progress in a way that pays adequate attention to the interests of the deprived and the underdog. The question is not just whether the poor, too, gain something from globalization, but whether they get a fair share and a fair opportunity." The assets of the 200 richest people in the world are more than the combined income of 41% of the world's people; this would be one indication that our ideas of profit and profitability have some disconnect from ground reality.

The second element of leadership in the new age is learning how to deal with black swans - especially the psychological bias that makes people individually and collectively blind to uncertainty and unaware of the massive role of rare events.

Black swans have existed throughout history, yet their shape has transformed. The Cretaceous-Palaeogene extinction event, almost 66 million years ago, wiped out the entire dinosaur population while closer home, one of the greatest financial crises of all times threatened to throw the Euro zone into darkness. Uncertainty affects decision making in many ways. For instance, if firms cannot predict future levels of effective demand or growth rates, how can they take a rational decision regarding investment? Similarly, how can banks lend to potential borrowers if they do not know whether they will be able to repay their loans, given the uncertain levels of effective demand in the future? Malcolm Gladwell's theory on uncertainty provides some valuable insights.

In his book *Blink*, Gladwell narrates the story of a statue dealer. A dealer brings a new statue to the Getty Museum, a Greek Kouros. The Museum is ecstatic, but first wants to check the statue's authenticity. The lawyers go first and find no problem with the paperwork. Next the Museum checks the stone to see if it came from the right quarries and if it had been out of the ground long enough. So far, so good. Getty's then decides to buy it, pays a huge amount of money ($10M) for it and invites an expert to see it. The expert takes one look at the statue and says it's a fake, but can't explain why. Another expert is called in; he too gives the same immediate response, but is unable to say why. The Museum takes the statue to Greece and unveils it to a huge audience of experts who then have the same response. When they get back, the lawyers call to say that there is now in fact a problem with the paperwork and the geologist calls to say that there is a problem with the age test. In the end, the data proves that it is indeed a fake, just like the experts thought it was. In the statue example the experts were doing a kind of complex pattern matching - taking a pattern they had in their head about real Kouros statues and matching it to the actual example in front of them. In military circles they talk about *coup d'oeil* - at a glance - the ability to see immediately what is needed. Building such deep levels of intuition requires great amounts of experience. Research suggests that a person needs 10,000 hours of experience to build the kind of knack we described.

One of the effects of globalisation and the knowledge society will be to give any person easier access to others who possess such expertise, and to reduce the opportunities for arbitrage based on unequal access to information (though opportunities for discretionary arbitrage will remain nonetheless). Despite that advantage, though, not everyone can be an expert, and even an expert can be wrong. In dealing with uncertainty, there will always be those who make the wrong bet; I put it to you that there is nothing wrong with this, unless (as with white swans) they persist in making the wrong bets by being repeatedly and predictably wrong. Failure is an important part of learning, and learning is at the core of adaptation and capacity building. To borrow the words of Rudyard Kipling, in his poem IF,

'If you can make one heap of all your winnings, and risk it on a turn of pitch-and-toss, and lose, and start again at your beginnings, and never breathe a word about your loss.'

- then you could still profit from your failure. There is a case to be made here, once again, for our traditional understanding of profit and loss to be re-examined.

The third and last element relevant in this new age that I would like to talk about is one that is often characterised by grey - ethics in business. The key difficulty surrounding business ethics is that ethics, by definition, goes beyond the merely legal- but how far beyond? No institutionalised rules exist defining an upper limit. Public opinion is not a very good guide. It is subject to change. Ask Ramalingam Raju! Then as leaders how do we judge what is right and what is wrong? A great philosopher who sought to establish ethical rules on the firmest possible foundation was Immanuel Kant. His deontological ethics principle puts forth a simple question

- *"What if everyone did that?"* When one is in doubt about a particular course of action, consider the impact if everyone does the same thing. If it will lead to greater harm to society - to a loss to everyone involved - then it is just as wrong for even a single person to do it. This is a simple Kantian insight, but I believe that this simple logic, except in some cases, works as an eloquent compass in times of moral dilemmas.

Ajit Balakrishnan began this morning by talking about corruption. Undoubtedly much of this stems from politics and politicians, from their ability to profit from the power to permit. When a business has to factor in what needs to be paid to obtain a licence to perform an economic activity or sometimes merely to expedite its processing - and especially if these are costs that cannot even be legally accounted for - it distorts not just ideas of profit and loss but even of the viability of the business. Indian politics has seen its fair share of scams and scandals in the recent past, and as a result lost not just domestic but also foreign investor confidence. Ethics in business and government has to be the anticlogging device that cleans the system every now and then, lest it burst from the pressures of greed and corruption. So, in a world mired with shaky souls and broken promises, we must each find the will to stick to the right path as leaders of not only a knowledge-driven but also a value- driven society. Only then will we see the positive economic connotations from the creation of trust, even as we see the negatives today. The experience will be an eloquent argument for appreciating the role of societal context in determining profit, and of ensuring that we do our part to protect and maintain that context in its most conducive state.

Before I wrap up, I'd like to end by quoting a few lines by Rabindranath Tagore who says that, "The highest education is that which does not merely give us information but makes our life in harmony with all existence." This is a wonderfully Indian idea- a Tagorean idea of harmony. I believe that the IIM World Conference is just such an event that creates this harmony for educators and business leaders alike. I thank you all for contributing to it so tunefully, and hope that I have been able to strike some modest chords of my own. I look forward to your comments and questions.

Shashi Tharoor is an elected Member of Parliament, former Minister of State for External Affairs and former Under-Secretary-General of the United Nations Dr. Shashi Tharoor is prize-winning author of thirteen books, both fiction and non-fiction, including the classic *The Great Indian Novel (1989)*, *India from Midnight to the Millennium (1997)*, *Nehru: The Invention of India (2003)* and most recently *Pax Indica: India & the World of the 21st Century (2012)*. A widely-published critic, commentator and columnist, Dr. Shashi Tharoor served the United Nations during a 29-year career in refugee work, peace-keeping, the Secretary-General's office and heading communications and public information. In 2006, he was India's candidate to succeed Kofi Annan as UN Secretary-General. He has won India's highest honour for Overseas Indians, the Pravasi Bharatiya Samman, and numerous literary awards, including the Commonwealth Writers' Prize.

Nothing so Practical as a Good Theory: Reflections on 30 Years of Putting Innovative Ideas into Action[1]

Robert S. Kaplan

Let me start my narrative in May 1980. At that time, I was 40 years old, married to Ellen, a wonderful woman, and with two young daughters. I had become a tenured full professor at Carnegie Mellon business school in my fifth year on the faculty, which I had joined after receiving a Ph. D. in operations research from Cornell University in 1968. In May 1980, I was in my third year as Dean of the Carnegie Mellon business school, which was ranked in the top-10 in the US and considered one of the most innovative at the time. I had already published 45 articles in top-tier academic accounting and management science journals.

In summary, my personal and professional lives were good, and would become even better once I finished my term as dean and could return to being a full professor, writing more academic articles, teaching MBA and executive students, and supervising doctoral students. About this time, in my role as Dean, I asked a senior vice- president of a local company, Westinghouse, to join the school's Board of Advisers. He accepted, though on a conditional basis. He asked me to come to his office at Westinghouse headquarters in downtown Pittsburgh to talk about his concerns. In advance of the meeting, he even sent me a reading assignment, Hayes and Abernathy, "Managing our way to economic decline", Harvard Business Review, which he insisted I read before coming down to speak with him. Remember, I was a top academic at the time, which meant that I read academic journals, nothing as crass or practical as the Harvard Business Review.

At the meeting, the executive told me that business schools were behind the time. They were missing important phenomena that he was seeing in his business. He had been going to Japan for 20 years, the first 17 years as a teacher, but the past 3 years as a student. The Japanese companies were teaching him about Total Quality Management and Just-in-Time inventory policies, which he proceeded to explain to me. Now my Ph. D. was in operations research, and my thesis studied how to optimize inventory levels with random arrival times and uncertain demand. As I was now being told, Japanese had decided not to "optimize" inventory levels; they were devising ways to eliminate the need for inventory altogether. This was the early days of just-in-time (JIT) production systems. He told me that US companies were starting to catch on to Total Quality Management (TQM) and JIT, but business schools were completely unaware and clueless about these innovations and their implications for business.

I am, at heart, an empiricist, so I decided to check out this incredible claim. I launched an executive program on TQM at CMU, but had to hire faculty from HBS to teach in it. I sat in on the program and attempted to learn from it. I challenged the executives who were attending by claiming "economists teach us about U-shaped cost curves; doing too much of anything - reducing defects, eliminating inventory - runs into diminishing returnswhere the additional improvements (in better quality and lower inventory) incurs disproportionately more costs (i.e., marginal costs exceed marginal benefits)". One executive replied, "I wish you were the CEO of one of my competitors; we would destroy you through better quality and lower costs." With this and other observational evidence, I concluded that the executives were correct - business knowledge had become 3-5 years ahead of academic knowledge and the gap widened each year. How could this be?

If true, these innovations fundamentally changed the way we should be teaching cost and management accounting; basically we were using cost accounting concepts that were fine as of 75 years ago when they had been developed in the scientific management movement for the mass production of standard products with high labor content. But the new Japanese management approach had caused the cost accounting,

1 This address was delivered by Robert S. Kaplan on November 09, 2012 on the occasion of his visit to New Delhi, to receive the Global Management Guru (GMG) Award, organized by FICCI-BIMTECH, New Delhi.

as we were teaching and doing research on in business schools, to be obsolete.

At this point, I did what any good academic would do: I wrote a paper for my academic colleagues, "Measuring Manufacturing Performance: A New Challenge for Management Accounting Research" and submitted it to the leading academic journal in my field, The Accounting Review. The first review I got back from a referee stated, "This paper is the worst I have ever read or reviewed; if the journal's editor ever sends me another paper like this, I will resign from the journal's editorial board and never review another paper for it again." Fortunately, the editor, knowing who I was, trusted me enough to override the negative review and publish it. Four years later, it won my professional association's "Outstanding Contributions to Accounting Literature Award," the most distinguished prize of the American Accounting Association.

I also decided to get out of the dean's job as quickly as I could so I could start to work on the management accounting implications of the new production paradigm. I joined the faculty of the Harvard Business School in 1984 to pursue my new research agenda.

I joined HBS because I had started to realize that often (not always) the most innovative ideas and thinking arise first in business, not in a university or business school. Business faces continual competitive challenges, and somewhere, within that big sector, there are brilliant ideas and innovations. I wanted to get to a business school that would put me close to business and learn how to identify and access the most innovative businesses in the world. Over the next 25 years, I completely redefined how I would conduct research as an academic in a professional school:

1. Identify a major problem that pervades business that is currently inadequately addressed by contemporary business school teaching and research (Why work on an unimportant problem whose solution no one really cares about? And why work on problems that many academics are already pursuing - the "red ocean" - rather than the "blue ocean" where no other academics are working on?).
2. Identify a plausible solution in business that seems to address this problem- if you want to find out where the herd will be going, locate the lead steer, don't randomly choose an animal in the middle of the pack.
3. Study the solution, write and teach it.
4. Return to industry to put the idea back into practice

Let's see how this worked out in four different applications:

1. Costing

The first project I performed upon coming to HBS was a field study - go to US companies that were the most innovative in applying TQM, JIT and CIM (computer-integrated (flexible) manufacturing - efficient production in batch sizes of 1). I hoped to learn what new cost accounting procedures they had implemented to reflect these production innovations and write this in a paper for a Manufacturing Colloquium, part of HBS 75th anniversary year. I came back depressed and discouragedfrom multiple trips to the companies I had visited. The innovative companies were using the same cost accounting as if they were still mass producing standard products for inventory, rather than for individual customer orders. I observed a complete disconnect between manufacturing and costing. I told the colloquium organizers that my paper idea had blown up. But then I decided, like Sherlock Holmes, that the most interesting aspect of my initial field research was like the Sherlock Holmes case about the Dog that did not Bark in the night. The interesting phenomenon was the resistance of cost accounting to change. That became the topic of my paper and soon the foundation for my first HBR article on "Yesterday's Accounting Undermines Production," which won one of two McKinsey Awards that year as a best paper.

Based on that paper, I co-authored my first trade book, *Relevance Lost*. This year (2012) we celebrate the 25th anniversary year of its publication. In 2007 my academic colleagues in the American Accounting Association recognized this book with the Seminal Contribution to Accounting Literature Award, an award made every 3-5 years, for the most influential paper or book, published at least 20 years earlier.

So my journey had been launched with step 1: identification of a systematic gap in management practice along two dimensions, obsolete and distorted costing, and reliance on financial control systems that ignored improvements in quality, inventory reductions and flexible manufacturing for customization.

Step 2 now required that I participate in solving these huge measurement gaps. Fortunately, after publication of the initial HBR article, and teaching about the measurement gap in several executive programs, senior managers in several companies approached me with their attempted solutions to the problems that I had been writing and teaching about. Now that I was at HBS, I could study their innovations with case studies (done with Robin Cooper) and teach about them in a new second year MBA elective that Robin Cooper and I designed and taught. The case studies at various manufacturing plants of Scovill Corporation, John Deere, Hewlett Packard, Siemens (Germany), and a Swedish wire producer (Kanthal) led to the development of what we now call Activity-Based Costing.

As these innovative companies had independently begun to implement a more accurate way of assigning their overhead to individual products, Cooper and I developed the theory behind why ABC worked better than traditional overhead costing systems which relied on percentage markups over direct labor hours or dollars. Our theory showed that the demand for much indirect and support resources arose from transactions - such as setups, purchase orders, shipments - that were unrelated to volume of items ordered, produced or shipped. Other demands came from product variety - design and development of individual products. So these costs could not possibly be assigned to the volume or quantity of product produced; they were attributable to product variety, not quantity.

Robin Cooper and I wrote articles about this costing innovation, and then were asked by companies to assist them in implementing the idea. We formed a little company that did training, software and consulting for these companies - General Motors, Chrysler, Perkin Elmer, Northern Telecom, Hughes Aircraft etc. We learned how to implement ABC in these companies, and that led to a new round of case studies and HBR articles on both theory and implementation. We had become, in less than 10 years, the world's experts and thought leaders on costing.

But we still had to make one further theoretical advance - that actually came from a series of debates with Eli Goldratt, author of *The Goal and advocate for Theory of Constraints*. Goldratt, a Ph. D. in theoretical physics, was a very smart fellow who argued that "operating expenses" were fixed and "the goal" for production was to maximize throughput processed by the company's bottleneck resource; i.e., eliminate all unused capacity in the bottleneck resource, as I would now explain it. In order to respond to Goldratt's claim that operating expenses were fixed, I had to develop the theory about how to make spending variable, especially as the demand for the resource decreased. This led to making the distinction between the cost of supplying resources (what gets measured by your financial system) and the cost of using resources (the role for ABC). The key insight was measuring the cost of unused capacity as shown in the following equation:

Cost of supplying resources = Cost of using resources + Cost of unused capacity

This simple but powerful explanation provided the foundational "theory" for ABC. As you reduce the quantity of demands on the organization's capacity-supplying resources - through process improvements and lean initiatives, by increasing batch sizes, reducing product variety, etc - you create unused capacity in these resources, which managers can then redeploy or eliminate. So my response to Goldratt became, "ain't no fixed costs, only inattentive managers." This theoretical breakthrough provided the solid foundation for all ABC work.

Cooper and I then proceeded to apply our insights to multiple companies and continued to write cases, teach them in MBA and executive programs, consult with companies, speak at conferences, collaborate with ABC software companies, and codify our knowledge in textbooks (*Design of Cost Management Systems*) and trade books (*Cost & Effect*). At some point, the ABC movement became self-sustaining without much additional work from us.

2. Performance Measurement/Strategy Execution

The development of the BSC went exactly the same way. From my book, *Relevance Lost*, I knew that reliance on financial performance measurement and control systems was inadequate. One company, Analog Devices, approached me to help them with their costing of silicon wafers and chips. I wrote a case about their situation, which included a "corporate scorecard" for quality. The corporate scorecard supplemented financial measures with measures of customer quality, manufacturing quality, and employee "quality" - turnover and absenteeism.

About that time in 1990, I agreed to serve as an academic consultant to a project of the Nolan, Norton, a leading IT strategy consulting company, on "Measuring Performance in the Organization of the Future." The CEO, Dave Norton, launched this project because he believed,"Current approaches to performance measurement are based on an obsolete organizational Methods and are interfering with companies' ability to move into the future."

I presented much of my recent work to the 12 companies participating in the project, which included AMD, Apple Computer, Cigna Insurance, DuPont, GE, HP and Shell. Of all the material, they focused on the new Analog Devices case as the most promising opportunity for improving performance measurement. Norton and I re-formulated the Analog Devices "quality scorecard" into a scorecard based on strategy, which we labeled a "Balanced Scorecard." We wrote an article, published in HBR in Jan 1992, and the rest, as we say is history. The "theory" underlying the Balanced Scorecard was that financial measurements were inadequate to measure a company's progress in creating long-term and sustainable value. The source of such sustainable value, in 1990 and subsequently, would come from a company's intangible assets, which included the following:

- Customer loyalty and willingness to recommend
- Innovative product and service pipeline
- High quality and responsive operating processes
- Employee capabilities and motivation
- Data bases and IT systems
- Culture, alignment

At the time, the book values of a company's physical and financial assets were only 20-30% of its market value. For example, today the Indian IT services company Infosys has only $6 billion in assets on its balance sheet but its market value is $35 billion.

Norton and I believed in the scientific principle, "If you can't measure it, you can't manage it." So we proposed a comprehensive structure for measurement that illustrated how improvements in a company's intangible assets drove future financial performance.

The practicality of this idea soon became apparent. Several companies approached us to help them implement the concept, which Dave - a management consultant - was obviously prepared to do. Based on experience with half-dozen companies, we wrote two more HBR articles and our first book, published in 1996, which has now sold about 1 million copies in English and 24 other languages. As Robin Cooper and I had done with ABC, Norton and I worked closely with companies in US and subsequently around the world, to implement our new idea. We also extended the concept out to nonprofits and public sector enterprises. As we did this work, we kept writing articles, cases and books about what we learned from working with all these enterprises and from the executives who spoke at our conferences about their experiences implementing the BSC concept. The big transformation occurred among the first six clients that Dave and I worked with, when we saw how they were using the BSC, not just for performance measurement - our initial objective, but for strategy execution, an entirely new application.

Shifting the focus from performance measurement to strategy execution was the big theoretical breakthrough. In 1990, we had no idea about the problems that almost all companies experienced in their strategy execution. But as Norton and I worked with and listened to the company executives who were implementing our approach, we learned that the most important challenge they currently face was strategy execution. We then adapted our measurement framework to solve that challenge. So just like how much I learned from the senior Westinghouse executive in 1980 about the challenges he was facing, Norton and I learned about the strategy execution challenges that executives were facing in the 1990s, and we developed a comprehensive approach for solving that challenge.

3. Risk Management

So now let's fast forward the story to 2007 and the onset of the global financial crisis. By September 2008, multiple companies in the US had failed - Bear Stearns, Merrill Lynch, Lehman Brothers, Citigroup (too big to have been allowed to fail), FNMA, Freddie Mac, and also GM and Chrysler. Additional companies failed in the UK, Ireland, Iceland and in Continental Europe as well. All triggered by a small (at the time) decline in US housing prices. How could this happen? How could solid companies allow themselves to become so vulnerable to a modest decline in the price of a single asset class - US residential homes?

Once again, for the third time, I had identified a major failure in companies' management systems - this time their risk management systems. As Yogi Berra once said, "It's déjà vu, all over again." By now, I already knew how to acquire the knowledge that might permit another theoretical breakthrough - find the few enterprises that operated in highly risky environments and study the risk management systems they used to protect themselves from failures. With another HBS colleague, Anette Mikes, we began to write cases on the best risk management systems we could find in diverse enterprises - sending unmanned missions to Mars, a large Canadian utility,and in the two Wall Street banks - Goldman Sachs, JP Morgan Chase, that had survived well the 2007/08 financial crisis. From this research, came an entirely new theoretical framework for thinking about risk - which we wrote about in a June 2012 HBR article, "Managing Risks: A New Framework." We continue to write cases about risk management systems and force ourselves to develop even better conceptual frameworks by teaching a new one - week HBS executive program on risk management that I created. This journey is still in its early days.

4. Health Care Value Framework

And the final evidence of the practicality of good theory is occurring in my other current project, a collaboration with strategy colleague, Michael Porter, on how to measure costs correctly in health care. The sound theoretical foundation of the newest variant of ABC, which I called time-driven ABC, enables us to measure costs of treating patients over a complete cycle of care, a measurement, that when combined with good outcome measures from the clinical treatment (Porter's contribution), should enable us to transform the delivery of health care. In this sector, any new costing system implemented must be able to withstand enormous quantities of skepticism, scrutiny and criticism. I am confident that the theory we have developed over the past 25 years will stand up to these challenges, and provide the basis for information that will enable health care systems around the world to improve the outcomes they deliver to patients while lowering their cost-to-serve.

Summary

All four of these work streams were inspired by problems that any of us could readily identify in practice. The advances, however, required an underlying belief by me that many management and societal problems, at the root, are caused by poor or inadequate measurements. Good measurements, grounded in micro-economic theory, provide a common platform that brings diverse stakeholders and perspectives to agree on the facts. People are entitled to their own opinions but they are not entitled to their own facts. The measurement innovations I have worked on during the past 30+ years strive to provide managers and employees with a "single version of the truth." Empowered by valid data, managers and employees can then work collaboratively to make better decisions, improve processes, create more value for customers, and, thereby, implement their strategies better. Activity-based costing, Balanced Scorecard, strategy maps and risk management are all solidly based in sound economic and organizational theory, and these concepts are proving immensely practical and valuable to enterprises around the world.

Thank you for the opportunity of sharing this 30 year journey with you.

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Abounding Haze around Accumulated "Knowledge": A Formidable Threat Staring at Management Educators

L V L N Sarma and L V Ramana

Abstract

Numerical growth of business schools has been significant since their inception in India as well as the world over. Different categories of business schools surfaced, exhibiting varied emphases on 'theory' and 'practice' in classroom lectures. 'Lawlessness' in functional areas of management led to laissez- faire and all kinds of people and teaching material started entering the MBA classroom; and all kinds of business schools started emerging on the scene. Formidable threat faced by management programmes and management educators, today the current 'knowledge bowl' available for delivery in classrooms is criticized as lacking the status of science. Leading institutes of management endowed with faculty resources are the appropriate places to generate revised and refined theories of management by establishing centres geared towards econophysics and psychophysics.

Keywords: Business Schools, Management Education, Classroom Delivery, Prospect Theory, Financial Economics Theories, Econophysics, Psychophysics.

1. Introduction

Management discipline and Business schools have entered the twenty-first century with justifiable pride generated from their prior performance. It does not mean that business schools did not have their share of hiccups and convulsions earlier. Many a time they had to bring in changes and adjustments to their focus, thrust, course duration, student catchment areas, curriculum, sequencing, syllabus, pedagogy (including approaches to course coverage) etc. Though some management experts preferred to label these occasions as "Management discipline at crossroads", "Business Schools: Can they survive the present crisis?", etc., in newspaper articles. Essentially what the business schools did on such occasions belonged to the area of reshuffling the contents of their "software" tool kit and variation of priorities and weights assigned to these contents. This is, more or less, a routine exercise in any branch of education. The real problem that business schools, on a very thorough self-evaluation, face today is the inadequacies in the quality of the "knowledge base" accumulated assiduously over decades; this accumulated knowledge is the "hardware" of management education and the failure of this “received hardware" to offer satisfactory "explanation" to some major global economic events of the last decade of the previous century and in the first decade of the present century, raised doubts on its capacity to guide "right action" and for prediction. Power of guiding towards right action, sound explanation and capacity for prediction are the qualities to be possessed by the contents delivered in the classroom. The power of sound "explanation" and "prediction" are the twin qualities of any branch of science. Is not, then, management discipline a "science"? Management "hardware" which is eligible to gain the status of science alone becomes relevant for delivery in classroom. (Are all business schools delivering always 'science' in the class rooms? "Management is an art" is an argument often advanced to cover up the omissions and commissions on this front). All functional areas of management, information technology and information systems require regular revisions as our understanding of "consumer behavior / choice" and the "Nature of Man" changes from time to time. (To understand and analyse human brain, for example, is very difficult. The present human brain's capacity is not adequate to analyse the present human brain; only a human brain with greater power can do that. Until then we continue to analyse the brain's outputs in trickles.) Prospect theory, for example, necessitates a thorough revision of the analysis of decision-making in all functional areas of management.[1]

1 Prospect theory advanced by Daniel Kahneman (Nobel laureate in Economics of 2002) has many applications. In finance it is applied in, for example, asset pricing. (See Enrico De Giorgi, Thorsten Hans and Janos Mayer, 2007).

The purpose of the present article is to bring to the fore the urgent need to develop a sound theoretical framework in each area of management discipline, based on 'data released' by real operations and activities, and to revise the existing theories developed on assumptions of an idealized world of economic agents and their behavior. This article also underlines that, approaches prescribed under 'Econophysics' and 'Psychophysics' are important for elevating management discipline to the level of 'empirical science'. It also lists a few current approaches of some Business Schools and Management Teachers which are not conducive for healthy growth of management education.

2. Origin of Business Schools of Today's Genre: A Brief Sketch

Business education programmes originally came up at centres or schools of 'Commerce' and 'Accounting' disciplines.[2] "Aula Do Commerce" was started in Lisbon (Portugal) in the year 1759 with focus on accounting. It was the forerunner of similar schools in other parts of Europe but it was closed down in the year 1844. The oldest business school surviving today, with campuses at Paris, London, Berlin, Torino and Madrid, is the "Ecole Superviere De Commerce De Paris" opened in Paris in 1819. The present Wharton School of Business (of the two-century old Pennsylvania University), which commenced operations in 1881, is the first Business School of the U.S. as well as the world's first collegiate Business School. Harvard Business School, started in 1908, is considered the first business school in the U.S. to have its name as 'Business School' right from its inception. In the U.K., Manchester School of Commerce, started in 1889, focused on commerce education and is the forerunner to the present Manchester Metropolitan University's Business School.

In India Business education got momentum a decade after the country became independent. Xavier Labour Research Institute (XLRI) started its operations in the fifties of the last century. Business education received a big fillip in 1960s with the establishment of Indian Institutes of Management (IIMs). With their present strength of thirteen (at the time of writing this article in January 2013), IIMs are regarded as major contributors of quality programmes turning out competent managerial manpower. The departments of commerce of almost all Indian universities added MBA programmes in addition to the M.Com. programmes. Various engineering colleges/ institutes have started MBA programmes. Indian Institute of Science (IISc) Bangalore started Master's programme in Management Studies. Older institutes among Indian Institutes of Technology (IITs) have either started MBA programmes or renamed their hitherto existing postgraduate programmes in management as MBAs. They started these programmes with separate Common Admission Test. MBA degree has become the most coveted post-graduate degree by degree holders in social sciences, sciences, literature, engineering, medicine, etc. There has been a phenomenal numerical growth of institutes offering MBA programmes in India.

3. Business Schools and Student Enrolment: Recent International and Indian Experience

Swings in student enrolment are quite common in the century-old international business schools and about a half century-old Indian business schools. But if it signals a trend, then it becomes an issue of concern. Over the last few years, since the commencement of economic meltdown in 2007, swings of different magnitudes have been witnessed among the business schools on the international and national scenes. After-effects of financial crises and economic slowdown could be the main factors responsible for these enrolment declines. U.S. business schools, for example, are experiencing lower enrolment of international students because, besides financial crisis and global economic slowdown, improvement of quality of programmes offered in countries outside the U.S., especially in Europe (Datar, Garvin and Cullen, 2010). In India also, of late, significant declines in MBA enrolment is visible. During the annual enrolment season (August to November), over the last few years, media have reported that thousands of MBA seats remain unfilled in scores of MBA departments / schools, and that scores of MBA departments are closing down in various states of the country (pronounced decline in student enrolment is noticed in business schools 'weak' in teacher quality; something must be done to enrich the quality of faculty in such places in

2. Information on Business Schools' origin is obtained from sources on internet.

an organized and sustainable basis. Business schools which are fortunate enough to have better quality faculty could adopt the sub-standard business schools / departments and train their faculty members.) Is ita scenario of unfilled seats evidencing Malthusian balancing process? Is the closure of management departments a reflection of Darwinian survival theory? While this scenario assigns a lot of credit to the eligible candidates who are keeping away from the sub-standard MBA programmes of 'also ran' business schools and management departments, it reveals the managements and teachers of these MBA programmes and the regulatory authorities of management education in the country in very poor light. The currently realized deficiency in the quality of the "knowledge bowl" of management discipline (and as mentioned earlier, this is management discipline's "hardware") would turn even those business schools currently rated "good" to the "sub-standard" category unless efforts are mounted soon by them to enrich the quality of the contents of "knowledge bowl" and to contain this threat that is advancing menacingly.

4. Categories of Business Schools

Based on the orientation adopted in the delivery of management knowledge to the students, business schools could be placed in the groups mentioned below. This 'orientation' is reflected in the weights assigned to 'theory' and 'practice' in the contents covered in curriculum and delivered in the classroom. Moreover, this 'orientation' could also be gauged directly from the claims some business schools publicise.

1. Business schools giving more emphasis on theory, quantitative and analytical tools and techniques. There are a good number of business schools coming under this category and they are rated as prestigious business schools. Their belief, and, therefore, their approach, are rooted in what Kurt Lewin stated, viz., "There is nothing more practical than a good theory." (Lewin, 1952).
2. Business schools giving more emphasis on 'practice' (some schools advertise that they offer only practice-related curricula right from day one). Their desire is to ensure that the student finds the job environment very homely right from day one of induction into the company. There are many reputed business schools in this category.
3. Business schools emphasizing a judicious mix of theory and practice in classroom discussions and lectures. They carry out periodic review of the appropriateness of the mix on considerations of developments in 'management theory' and 'management practice'.

   The motto of these business schools is: "Knowledge of theory to the exclusion of practice is stale; and exposure to practice sans theoretical framework is sterile."

   A good number of business schools of this category are contributing to the field of management education.
4. Business schools which do not have any policy towards 'theory', 'practice' or their mix in the contents for delivery and haphazardly oscillate between them with their own reason sometimes, and more often than not, without any reason. Some of them may be having the prescribed common curriculum, but it is not an index of quality since curriculum and content delivery in the classroom are two different things. According to some interested in management education, the number of Business schools in this category is on the rise.

Today, business schools under the first three categories are naturally elated because of their reputation and ratings. Now the question is: "How long can they stay in this blissful and blessed state?" Not for long. Unless the faculty members of these schools perceive in time the futility of trying to deliver the current knowledge inputs and get ready to revise the received theory, all the first three categories of business schools might fall to the level of the bottom category. That is the threat staring at all business schools today.

Revision of the received contents of the present "knowledge bowl" of management discipline requires people with the right orientation to teaching and with the right attitude towards handling of management subjects in the classroom. We come across practices followed by management teachers in many business schools which are not conducive for taking management disciplines to the level of 'science'. The authors list below the unhealthy practices and the associated analysis with a heavy heart and with malice towards none. The analyses and observations are based on their experiences working as management teachers in two to three countries. The experience of one of the authors, gained from five decades of association with management education is a major contribution to this analysis. It is also submitted here that the analysis is perhaps applicable to the authors too! The authors would be too happy if this analysis applies only to their limited observations and not a general scenario, and they wish very much that it is so.

5. Present Approaches and Practices Hindering Healthy Growth of Management Programmes in some Business Schools

5.1. 'Lawlessness; Laissez-faire and Free-For-All'

Management discipline, though it is known as management science, does not have many 'laws' in its armoury, which is the hallmark of any 'science' (laws in economics - the parent discipline of management - can be counted on fingers like Say's Law, Gresham's Law, Goodheart Law, etc.). This situation is enabling many to enter the MBA classroom and speak on many issues without indicating precisely the rules for decision-making. 'Lawlessness' is leading to a Laissez-faire and free-for-all situation. It is allowing many to take liberties with management teaching and management education.

5.2. Substance and Slogans

Most business schools appear to have a penchant for slogans rather than for material substance and critical evaluation of the same to determine its potential to offer solutions to managerial problems. Slogans drawn from a variety of writers and sources and delivered in the classrooms, do not enrich the toolkits of the students. Teachers of management and speakers on management should impose on themselves a self-discipline of delivering material that stands the test of time and when the material is new, to deliver the same when it survives the tests of critical evaluation. Classroom has a sanctity where the teachers and students make efforts to realize knowledge and it is not a place for froth and fun alone.

5.3. Everlasting Solid Scholarly Works and Soon-to-be-Soiled Slipshod Works

In the absence of a systematized body of knowledge, we find various grades of business schools co-existing and books of different qualities also co-existing, having been recommended by the faculty members. A faculty member (regular or visiting or guest) picks up a book titled, for instance, "Make Three Million Dollars in Thirty Days on Stock Market" at the book stall of an airport and recommends very strongly that every student must read it for acquiring ample knowledge. The students go through it,keeping aside the reprint of Markowitz's "Portfolio Selection" paper or give equal importance to both. Management teachers should strive to give "knowledge" rather than "information of all kinds". The latter can be accessed by the students themselves if it is of any worth. And discerning management teachers alone can impart that discriminating ability among students.

5.4. Euphoria followed by Insouciance

Whether it is a management practice of a company or a new management tool, business schools are euphoric about it at the beginning and start talking about it day-in and day-out and the bandwagon gets crowded in no time. Enron's diversification plans, for example, were appreciated by everyone and delivered with aplomb in classrooms till Enron's collapse; and after a slight break after Enron became broke, Enron's mad chase for market value (which was not its) and the eventual collapse were also elaborately delivered in the classroom. These two analyses of Enron are, of course, given to two different batches of students separated on time dimension! But the teacher is the same!! The elaboration attempted by teachers after Enron's end, should have been done at the time of analyzing Enron's diversification plan. That is the approach any 'science' would follow. Same euphoria was evident for tools, for example "Zero-Based Budgeting". Now not many discuss it seriously. This euphoria on successfully engulfing everyone will be followed by insouciance and very soon the tool or practice is forgotten. Critical evaluation is not done before making it a subject of delivery in the classroom.

5.5. "Direction-Chalking" and "Direction-Lacking"

Material and 'decision-making' framework delivered in the classroom should enable the participant to chalk out the direction for the company. Material lacking in direction guidelines becomes purposeless. Purposeless deliveries are plenty. Even today, management discipline does not defy precision, rather it requires a lot of effort on the part of the teacher in synthesizing the vast material.

5.6. Student's Survival in the Competitive Corporate World and Teacher's Survival in the Classroom

Management teachers should strive to deliver material that would enable the students to swim confidently in the competitive corporate world rather than try to make the lecture entertaining for the former's survival in the classroom. Teaching fraternity is like the bird kingdom - there are parrots and eagles; parrots talk sweetly for hours, but reaching heights is given to only eagles which do not talk much. A teacher should strive to be both an eagle and a parrot. If a choice must be made, it is better to be an eagle alone than to be a parrot alone. And when a management teacher becomes an eagle, there won't be a need or occasion to behave like a parrot.

5.7. Holistic Presentations and Hollow and Woolly Presentations.

Management discipline is an integrative one and also involves scholarly synthesis of inputs from various disciplines. Such presentations would yield a total substance far greater than the sum of the individual substances of the inputs. Such is the power of synthesis and integration imparted to the presentations by a scholar teacher. Hollow and woolly presentations impart nothing and achieve nothing; and the student acquires nothing.

The authors once again apologise if the above frank expressions, given in the interest of all the stakeholders of management discipline, have caused any discomfort to any stakeholder of management education.

6. Roadmap for Management Educators to Stay Away from the Above Pitfalls

6.1. Strengthening Design of Courses

It is essential to come up with an MBA curriculum involving a clear set of learning objectives and outcomes. These should be designed at the course level, and be linked to module- and session-level learning objectives and outcomes.

6.2. Understanding Delivery

"What is desirable may not be liked, and what is liked may not be desirable"

From the perspective of the management educator (teacher), it may be appropriate to deliver a set of inputs that are deemed to be desirable. From the perspective of the student, the same may not be liked. It is important to draw the student towards the desirable.

6.3. Innovations in Delivery

It is important for management educators to constantly strive for methods to keep the students engaged so that they would be in a position to receive and appreciate the inputs necessary for achieving learning objectives. These would include caselets, business news items of topical interest, simulations and role plays. This is because the human mind absorbs and retains material fed through various approaches rather than one pedagogy.

6.4. Target Audience Requirements

Garvin (2007) has reported that the requirements of senior executives are better met when specific frameworks and tools pertaining to their domain of operation are imparted to them so that they could use the same in solving their business problems. The management educator are expected to map their requirements, and match the same with theories evolved from empirical investigations (empiricism).

6.5. Grooming Management Teachers

It is important for established business schools to have a Faculty Development Programme (FDP) that is given as much importance as the regular MBA and research programmes. This will enable business schools with weak faculty to upgrade themselves on a continual basis, thus creating avenues for knowledge enrichment well after the event (FDP) is over. This will help in developing a Tier 2 structure for propagation of management education.

6.6. Learners in a New Age

It is well recognized that the students of the new age are different not only on the time dimension, but also in the process in which they receive education. While a majority of management teachers belong to the 'analog' age where reading physical books and writing on paper were largely in vogue, the students of today belong to the 'digital' era. The role of technology in imparting education has been phenomenal. As a result, they have to be provided with comprehensive frameworks to elaborate on the bits and pieces of information received through their conversant mode of digital access.

A "Knowledge Bowl" with material of 'science' grade is the need of the hour. Classroom presentations and discussions drawn from such a bowl alone would help learners in the preparation and execution of decision formulae and in the prediction of end results. All business schools and all management teachers should pool their efforts in carrying out this mammoth task. Those familiar with and practising the easy and soft options alone of 1 to 7 (mentioned above) can contribute meaningfully if they start opting for the hard and difficult options mentioned above and thus qualify themselves to join the mainstream teaching fraternity and contribute their mite in this task of improving the quality of "Knowledge Bowl" of management discipline.

7. Nature of New Threat to Business Schools Today

It has been mentioned earlier that the current "Knowledge Bowl" at the disposal of management teachers is deficient in quality, impeding the realization of the goal of management education. The goal is to enable the management student, on entry into the corporate world, to anticipate accurately the impact of his/her decisions on:

- the company and
- the economy

In other words, the twin objectives of the management knowledge imparted are to facilitate the realization of the desired results for the company and assess accurately its impact on the economy. Since the quality of life in a society is to a very great extent determined by corporate activities, managers should be able to identify the impact of their decisions on the economy (society). It is an important aspect of companies' obligation to discharge social responsibility.

Is the "knowledge" delivered in the classrooms of business schools today capable of realizing the twin objectives of management education? Any material which has the status of "science" would answer this in the affirmative. Unfortunately today, management discipline cannot do that. This aspect, which is the real problem staring at management educators, is narrated in this article with examples from one of the functional areas of management, viz. Financial Management with which the authors are more familiar. Same is the scenario with other functional areas of management.

Finance function of management is very closely related to economics. Drawing very liberally from economics, Financial Economics emerged to guide finance function. But in the process of generating financial economics much of the material of economics got revised for application in finance. In the early fifties of the last century, Professor David Durand (of MIT) said that much of the received material in economics needed revision before it could be applied to finance. For example, in investment decisions, economics speaks of 'interest rate' as the minimum required rate of return, whereas finance takes 'interest' as a reward for one of the sources of capital, viz. debt capital and talks of weighted average cost of capital as the minimum required rate of return. Similarly, production theory in economics recommends that when homogeneous resources (like raw material) are available from different suppliers, the relevant cost for the purchaser's analysis is the price charged by that supplier who quotes the lowest price. If this dictum of production theory of economics is applied to the finance function of companies, all capital required by the companies will have to be raised through debt capital alone since debt capital is cheaper than preference, and equity capital and quality of capital raised through debt is similar to that raised by either preference or equity capital. But debt to the extent of hundred percent of a company's total capital and its public limited company status cannot co-exist. So, financial economics speaks of 'finance mix' and 'optimum capital structure'. Required adjustments and revision to economics precede the formation of financial economics. But today's Financial Economics is an off-shoot of neo-classical economics and, therefore, has all its limitations (Behavioural Economics and Behavioural finance are not addressing all the deficiencies of Neo-classical Economics). These limitations are responsible for it not gaining the status of 'science'; and for the same reasons, Financial Economics is also denied the status of 'science'. Finance teachers are accused of delivering "non-science" in classrooms! The teachers of other functional areas of management are also in the same boat!! We are citing below a couple of factors responsible for the present state of Financial Economics. These are highlighted by lengthy narrations by Daniel Kahneman and others like Sergio M Focardi, Frank J Fabozzi, M C Findlay, E E Williams etc.

Let us start with some comments made against some important current theories of Financial Economics (and those of Economics in general):

"Is Beta Dead Again?" (reference is to Betas of CAPM - Capital Asset Pricing Model)

- Grinold R (1993)

"If Financial Economics were a true empirical science, CAPM would have simply been rejected."

- Focardi and Fabozzi (2012)

"It is hard to judge where financial theory comes down today regarding EMH (Efficient Market Hypothesis), but there are so many holes in the research that only the most dogmatic Professors still accept what was commonly taken as absolute "truths" 20 years ago."

- Findlay and Williams (2008 - 2009)

"My economist colleagues worked in the building next door, but I have not appreciated the profound difference between our intellectual worlds. To a psychologist, it is self-evident that people are neither fully rational nor completely selfish, and their tastes are anything but stable. Our two disciplines (Economics and psychology) seemed to be studying different species, which the behavioural economist Richard Thaler later dubbed Econs and Humans."

- Daniel Kahneman (2011)

(Daniel Kahneman starts the above comment after quoting Bruno Frey, a Swiss economist who wrote: "The agent of economic theory is rational, selfish, and his tastes do not change". This reflects the basis for neo-classical economics and hence for Financial Economics too.)[3]

The statements quoted above indicate that the theories currently in vogue cannot explain reality (since they are developed on the basis of an idealized world), and, therefore, cannot guide decision-making. It is so because of two unrealistic assumptions - that the economic agent is rational (the agent is an ECON not HUMAN) and the future is certain since the probabilities of possible events (characteristic of risky future) are taken as infallible.[4] But it is common knowledge that "nothing is certain in business except uncertainty!" (Future can be in the domain of certainty, risk, uncertainty, partial ignorance and complete ignorance). It is very frequently commented today, with the advent of behavioural economics and behavioural finance, that many of today's theories are developed on wrong premises and hence are unable to be operationally useful and are failures in prediction. In short, they lack the essential qualifications to be parked in the zone of "science". Econophysics and Psychophysics are emerging as alternatives to the present day economics (and financial economics). These disciplines enable present day economics to develop theories based on real world data and not on rationality assumption, and achieve the status of empirical science. This is the task Business Schools should address without any loss of time. Those management educators having full grip

3 Readers interested in this area may go through the works of Kahneman, Focardi and Fabozzi, and Findlay and Williams referred to in this article.

4 Expected utility theory has been the bedrock of theories explaining consumer choice and behavior. Limitations of this theory as applicable to 'humans' are driving economists to search for alternatives. See Chris Starmer (2000)

over the theoretical framework of today's contents of our "Knowledge Bowl" and not having, what Kahneman calls, "theory-induced blindness" are the right people to take the initiative (There are other tools and approaches to realize this but Econophysics gives a systematised understanding).[5] If Financial Economics and other functional areas of management commence the journey and reach the stage of empirical science, Management Science would become, it is hoped, eligible for inclusion in the disciplines for Bank of Sweden Prize in memory of Alfred Nobel or equivalent other prize (It is also hoped that as and when Bank of Sweden decides to add one more social science, besides the present Economic Sciences subject, it will be Management Science). Management educators should strive towards this end.

Conclusion

The immediate task staring at Business schools and Management educators is to elevate the contents delivered in the classroom to the status of science. Science has the capacity to explain the phenomena in the real world and, therefore, the capacity to predict the consequences of the decisions taken based on its prescriptions. At present the material in management discipline is based on the assumption of rationality. Critics suggest that it is time for managerial theories to be developed on "real world data" rather than on the rationality assumption. Leading Business schools would be better-off by commissioning Centres of research in Econophysics. Material coming out of these research centres would be of relevance to the corporate world. That is real practice-orientation. In the absence of that, Business schools claiming to be practice-oriented continue to roll out rules, regulations and procedures which alone cannot guide decision-making. The output of these research centres should be the right and rightful content of the "Knowledge Bowl" to be drawn by management teachers while delivering, igniting the students and stimulating discussions in the classrooms and corridors of Business schools.

5 Econophysics uses tools and techniques not only from statistics and econometrics but also from Random Graphs, Random Matrix Theory, Statistical Physics, Information Theory, Theory of Complex Systems, etc.

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Managing Uncertainty: The Case for Scenario Planning in Management Education

Shiva Kumar Srinivasan

Abstract

What does it mean to manage uncertainty in firms? What are the pedagogical tools that can be used to teach students to manage uncertainty in the business school classroom? How can the case method of instruction, for instance, be deployed both in firms and in classrooms to further the modalities of scenario planning? What will a 'strategic approach to the case method' itself make possible in business schools? These are some of the important questions that are addressed in this essay. The main contention here is that while the case method continues to be a 'necessary tool' of management education, it is not a 'sufficient tool' in environments that are characterized by uncertainty. This is because the main assumptions about causality in the case method are based on the notion of linearity. That is why it is necessary to supplement the case method of instruction with scenario planning to make sense of uncertainty. It is also important to note that there are four levels of uncertainty in strategic theory. The linear assumptions in the traditional approaches to the case method of education therefore have to be supplemented with the 'many-worlds' or non-linear approaches that scenario-planning makes available for us in the classroom to handle these higher levels of uncertainty. Incorporating scenario analysis within the case method will not only re-vitalize the case method, but also make a strong case for it as a tool of instruction in business schools. It is therefore important to integrate scenario analysis within the structure of the case method. This will help to re-enforce the locus of the pedagogical authority that is needed to teach in business schools, by making the case method of instruction as dynamic as possible. Reciprocally, the case method can also be 'exported to scenario-planners' in firms who find that they are not allowed to assume the pedagogical authority needed to teach their corporate boards, but are forced to function within their strategic planning units. What strategic planners can do instead is to use indirect forms of pedagogy like the case method to get the board to make the right inferences about what the future might be like, or what it means to 'fold the future in', without making the obvious mistake of asserting that they (i.e. the scenario planners), in fact, know what the future holds. The most effective way of learning to manage uncertainty in the classroom and the boardroom then is by working-out a 'win-win' relationship of theoretical reciprocity between these forms of case analysis.

Keywords: Case Method; Disruptive Innovation; Learning; Resistance; Scenario Planning; Transitional Object; Transitional Space; Uncertainty.

1. Introduction

While management educators may not always invoke the same notion of uncertainty, they will, no doubt, agree that uncertainty has become an integral aspect of both the internal and external environments that business firms are increasingly confronted with in many parts of the world. There is also the danger that globalization will increase, and not decrease, these levels of political and socio-economic uncertainty. Any attemptto prepare students of management to come to terms with the endemic uncertainty of the world in which they will come of age must ask what pedagogical method is most suitable for this task given, that conventional notions of planning have become 'futile' (Drucker, 1992). Can the case method - which has proved useful across a range of socio-economic contexts - again do the trick? If yes, what are the supplementary techniques that must be introduced in the management classroom to facilitate the development of such techniques? This essay will argue that if the technique of scenario planning is used to supplement traditional approaches to the case method, it will prove to be of immense help in preparing students to manage both internal and external forms of uncertainty post-placement. In order to make this possible, what we need is a strategic approach to the case method (Srinivasan, 2010). This simply means is that the insights of strategic theory in areas like change, uncertainty, linearity and complexity must be dynamically incorporated within the pedagogical theory and practice of the case method. This essay sets out a series of hints on how this can be done without pretending to have exhausted the problem. It is structured instead as an invitation to scholars, interested in the intersections between the areas enumerated above, to think further on the role that the case method of management education can play in this process.

2. The HBS Case Report

It is best to begin by setting out the elementary structure of a case report, and analyze its presuppositions about the nature of decision-making in firms. While management cases - especially of the Harvard Business School variety - are indeed complex artifacts that weigh heavy with data in the form of numerous annexures, veterans of the case method know that case analysis is not an attempt to make sense of all the data available in a case. Instead, it attempts to start with a situation analysis in response to the assignment question. There is a huge difference between having an open-ended discussion on what a particular case is all about and attempting to have a more focused discussion on what a suitable answer to the assignment question might be.

Situation analysis is an attempt at managing complexity in case analysis: open-ended discussions are invariably complex and will generate huge centrifugal forces. Analyzing a case in response to the assignment question is a more pragmatic response on the part of the case instructor and the students enrolled in a course because it recognizes an important methodological principle. That principle states that any well-written HBS case can be taught repeatedly (year-after-year) as though it were a new case by merely changing the assignment question. Ergo, it does not make much sense to analyze every conceivable aspect of the case; it makes more sense to have a 'focused discussion' on the decision-making challenges in a given case, and ensure that students submit their case reports on time. What is at stake theoretically in reducing a case analysis to a situation analysis is in itself a technique that teaches students to manage complexity, understand the theoretical relationship between the linear and the non-linear elements in language (hence the need to manage centrifugal forces that emerge in discursive contexts), and manage uncertainty by making timely interventions. And, in addition, since students also have to work out the 'plan of action' and a 'contingency plan', they are introduced to techniques for managing uncertainty both at the strategic and operational levels of analysis and action. However, given the persistent and problematic nature of uncertainty in the context of environmental analysisin recent years, a number of companies have introduced scenario analysis as a technique to envision the range of futures that they may be confronted with in their strategic planning units. It is therefore the contention of this essay that the case method must incorporate theory, practice, insights and the rationale of scenario planning within the ambit of the case method if we, as management educators, are really serious about preparing our students to think sensibly about the future. Thinking sensibly means, to think from the locus of desire rather than from the locus of fear. Understanding how anxieties generated by desire and fear affect a decision-maker's attempt at attaining rationality in the process of making strategic choicesis one of the most important insights from strategic theory that we must incorporate into our attempt to 'supplement' the traditional approaches to the case method.

Given that the inherent structure of a well-written HBS case is open-ended, case instructors have to take upon themselves the onerous responsibility of ensuring that case analysis does not lose 'coherence' by remaining focused on the assignment question and the thematic concerns listed in the course outline. This serves as an internal check on the discursive propensity to lose the point of the discussion when students tug simultaneously in different directions. The instructor must also resist the temptation of invoking too many analogues unless there are relevant precedents (like in a discussion of a case in business law) that will warrant the invocation. There is however an important difference between managing uncertainty as a 'pedagogical outcome' and managing uncertainty that emerges 'thematically' within the structure of a case analysis. The former is endemic to the case method of instruction as such, but the latter has emerged from within the literature of strategy in recent years. This problem is accentuated by the fact that uncertainty - like most theoretical terms - is subject to the 'over-determination' of meaning. This means that there are many types of uncertainty. What is understood to be an effective strategy or a strategic intervention depends on which of the four levels of uncertainty is at stakein the locus of action. These four levels include a clear enough future, alternate futures, a range of futures and true ambiguity. The strategic tools recommended for these are not the same. Likewise it is worth asking whether pedagogical tools within the case method can remain the same, and whether they should also differ. And, if yes, what is the supplementary role that can be played through scenario planning or scenario analysis?The answer is that, except at the first level where traditional strategy tools might just about suffice, all the remaining levels (2 to 4) will require some form of scenario analysis. How sophisticated that analysis would be depends on the extent to which scenario planning and analysis are admissible in firms and business schools (Courtney et al, 1997).

The main implication of the Courtney argument is that we have to move beyond a simple situation analysis for levels 2-4, and invoke, in addition, the insights, methods, and practices that constitute the modalities of scenario planning. This is because we want to be able to discuss cases within a horizon of uncertainty rather than that of 'business-as-usual'. We have defined a situation as a strategic-subset of the data given in a case that is relevant in the context of an assignment question. We can now define a scenario as an 'imaginative story about the future…as it could develop from the present moment into the future' (De Geus, 1997, 1999, p. 57). De Geus's invocation of scenario planning that is cited above is actually inspired by the work of the futurist Herman Kahn who was affiliated to the Rand Corporation and the Hudson Institute. It stems from the recognition that linear planning is not adequate to the challenges of the future, and the ability to envisage and prepare simultaneously for 'multiple futures' is becoming increasingly necessary in large firms. Planning for the future is also difficult insofar as there are no control groups completely outside historical time that can serve as a yardstick for comparison. Preparing for the future both affects, and may, ironically, bring about a particular kind of future. So it is not the case that scenario planners are just waiting for the future to happen to determine if they were right in their predictions, but rather that the process of strategic planning is self-reflexively implicated in the kind of futures that are possible, necessary, or even desirable in any given instance. The strategic agility required to think with a proliferation of variables - any or a number of which can function as determining causes of particular scenarios - is a part of the complexity involved in thinking through and applying scenario planning to prepare for the future in a given firm. Addressing a scenario, or a set of scenarios, in addition to the usual situation analysis, represents a concentration of the possibilities inherent in the idea of 'planning as learning' (De Geus, 1988).

3. Scenario Planning

The notion of scenario planning becomes important because it makes an additional demand on the participants in a case analysis. It demands that they participate in hypothetical discussions which take the form of a 'What if?' analysis. The main thrust of such an analysis is to tweak the variables to determine if the implicit notion of causality at play in the scenario-based discussion(s) will change, and if so, in what way. If there is room for change, then a firm will have to rehearse scenarios and possible responses or outcomes. While none of these particular scenarios might be realized historically, what is actually of consequence is the cognitive agility that such exercises enable in participants (Kleiner, 2008; Schwartz 1991, 1996; Schwartz, 2011; Van der Heijden et al, 2002). While such forms of scenario planning are *de rigeur* for the armed forces in their staff colleges, there is still some resistance to doing this in boardrooms and classrooms where participants feel pressed for time, and are also worried about the socio-political implications of speaking out in the contexts of scenario planning. In fact, it was from the armed forces that scenario planning was imported into the corporate sector and into strategic theory (Darling et al, 2005). If we take the argument for scenario planning seriously, we find that what is at stake is nothing less than the problem of 'corporate longevity'. There is nothing less than an ethical insistence in De Geus's work that it is the responsibility of a firm and its board to envisage and prepare for the future through rigorous scenario planning, and not just muddle along and hope for the best (De Geus, 1997, passim). The theoretical significance of scenario planning will be obvious to philosophers of language who have worked their way through theories of 'sense' and 'reference'. The main contention here is whether language is structured as a set of internal differences or as a set of external references. Opinion varies between these extremes depending on whether these philosophers are invoking a theory of description (Russell, 1917,1951) or a theory of designation (Kripke, 1980). Another way of putting this problem across to readers who are not acquainted with the philosophy of language is to ask whether the main function of language is to help us make sense of language or whether it is to refer to objects in the world. These questions are the main preoccupations of those who work in the area of modal logic.

While those who do not have a prior exposure to modal logic may find these arguments a little difficult to follow, the resistance that they might put up to its invocation in this context is no different from what comes from those in the board who resist scenario planning. What both these approaches have in common is captured in Kripke's resonant phrase 'all possible worlds'. This is tantamount to asking - if we apply the notion of all possible worlds in scenario planning - which elements of our present business model is a 'constant' that will apply in 'all possible scenarios' and which are the 'contingent' factors. If corporate boardrooms take De Geus's advice to think through alternate scenarios to manage uncertainty in the future, they are doing the corporate equivalent of modal logic albeit in the form of scenarios without necessarily invoking the technical terms that constitute the discussions between philosophers along the lines of the Russell-Kripke debate. De Geus is at pains to emphasize that such a debate is not a waste of time or resources in the corporate boardroom. On the contrary, it would be irresponsible not to have it. 'Our exploration into this area is not a luxury. We understand that the only competitive advantage the company of the future will have is its managers' ability to learn faster than their competitors. So the companies that succeed will be those that continually nudge their managers towards revising their views of the world. The challenge for the planners are considerable. So are the rewards (De Geus, 1988, pp.64-65). De Geus's work is of significance not only because of the high mortality figures for the larger corporations that he cites in his studies of corporate longevity, but also because of his ability to link scenario planning with the challenges of organizational learning. It is this link that makes his work of equal interest to those who work in strategy, and those who would like to apply strategic insights in the context of organizational studies. My intent in this essay, needless to say, is to apply the theoretical links between scenario planning and organizational learning in the context of the theory and practice of the case method, and then spell out the implications of doing so for an audience of business school educators.

4. Planning as Learning

Let us start by examining the main thesis in contention in the notion of 'planning as learning'. The challenges of learning is what is common to planning and teaching; it is the term that helps us to relate the behavior of the boardroom with the behavior of the business school classroom. What makes this commonality even more interesting is the fact that De Geus is not exceedingly optimistic as we might at first imagine. He finds that the process of teaching is much more problematic than commonly understood since it is related to the problem of 'pedagogical authority'. The success of teaching as a method of learning will only work if the teacher has the authority to teach. To appreciate this idea of authority, De Geus invokes a situation where, say, the planners in a strategy planning unit might want to pass on a few insights to the board. What the planners will realize quickly enough is that while the board may find their views interesting, they will not be granted the authority to teach the board (De Geus, 1988, p.57). This disappearance of pedagogical authority makes direct forms of teaching problematic in corporate scenarios. It is much more likely that the board will be responsive to indirect forms of learning; this is where scenario planning, that is only moderated or facilitated by the planners, comes in useful. If done well, it will help planners to reach all the right conclusions without the feeling that any particular interpretation of a scenario is being imposed from the outside. This problem of pedagogical authority, and the ease with which it disappears, is also endemic to business school faculty; hence the need to continually shore up this authority through relentless research, forays in consulting and work experience. The link between planning and learning should be obvious: both planners and teachers basically need impressive learning abilities and learning strategies to set a good example.

Before proceeding further, we must ask what sort of pedagogy is presupposed in De Geus's argument. Is it the case method or the lecture method? Will identifying the method in question make a material difference to his argument? If it is indeed the lecture method (which requires a higher level of pedagogical authority than facilitation in the context of the case method), we have an opportunity to 'revitalize' the case method by introducing scenario planning as a necessary supplement to go forward. Doing so will make it possible to reorient the case method in a more strategic direction than is presently the case in our business schools. The case method is not just a tool for teaching strategic decision making; it is equally important to give a strategic direction to the case method as such. In order to do so, we must list the arguments that De Geus marshals against the conventional notion of teaching. To list the arguments, however, we must identify the relevant pedagogical questions: What must we do to develop a better model of learning to teach and teaching to learn? What are the differences between individual and institutional forms of learning? What is the role played by the pace of learning? And, finally, how can scenario planning accelerate learning in firms? These four questions are a good start and will help us to ask more effective questions to spell out the details (as and when required in any particular instance of scenario planning or class room teaching using the case method). The main goal is to see if the case method can help overcome the limitations of the conventional 'chalk-and-talk' model of learning given its inapplicability in the corporate boardroom, and in making corporates more adaptable, and open to learning the logic of alternate futures as envisaged in scenario planning.

The main contention in these arguments - not only in the work of De Geus, but also in much of learning theory as applied to organizations - is that learning is the necessary precondition for adaptability to the changing contexts in which a firm operates. In the absence of such learning, it will not be possible for a firm to come to terms with socio-economic dislocations or strategic disruptions in its immediate or extended environment. This might lead to loss of competitive advantage and make it much more difficult for a firm to sustain a high level of adaptability. It is important to remember that these forms of strategic disruption or 'disruptive innovation' are not rare events, but increasingly endemic across a range of contemporary industries; hence the importance of organizational learning through scenarios to anticipate and domesticate the possibility of disruptive innovation. The source of disruptive innovation could be either an immediate or even a peripheral competitor (Christensen 1997, 2005; Christensen and Raynor, 2003; Christensen et al, 2004). While the term 'adaptation' relates to a mechanism in evolutionary biology that captures an organism's ability to find sustainable niches for itself, what is in contention here is also the pace at which these developments play out in time. No firm can afford to go into an inertial stupor in a competitive situation since disruptive innovations on the part of the competition can render a niche completely obsolete or substantially reduce the rate of returns from it. The pace of development may not be even (i.e. linear) but could well proceed in 'fits-and-starts' following a model of 'punctuated equilibrium' (Gould, 2007). The systematic application of Jay Gould's evolutionary theories to the history of innovation, the history of disruptive technologies, and in markets characterized by 'time pacing' rather than 'event pacing' will then give us an opportunity to invoke evolutionary biology not just as an evocative metaphor, but as a potential set of scenarios that De Geus and his associates pioneered as necessary tools in the formulation of strategy (Bower and Christensen, 1995; Eisenhardt and Brown, 1998).

5. The Learning Gap

If learning is a necessary precondition then why should teaching be a problematic practice? Would it not suffice if we merely made teaching popular without worrying too much about the different methods available? Surely, most would argue, that method is only a means to an end (i.e. learning) and not an end in itself unless we happen to find ourselves in a course on methods. De Geus argues that it does not make sense to think of teaching without addressing the methods that are most appropriate to the learning process, especially if we want to 'scale-up learning' in learning organizations through exercises in scenario planning. What De Geus is skeptical about is the efficacy of moving knowledge from the mind of the teacher to the mind of the learners in the classroom since that model of instruction will not account for any form of experiential learning. He is affected both by empirical studies on the inefficacy of traditional forms of teaching and by concerns about the problem of pedagogical authority. What is being discovered here is another version of the Freudian distinction between what the analyst knows and what the analysand knows during psychoanalysis. It is not the analyst's knowledge of the patient's symptom that is therapeutic. The notion of a 'cure' in the analytic situation is predicated on the analysand's knowledge of his own symptom. The analyst can at best nudge the analysand in the right direction, and facilitate a transferential environment where the analysand feels safe to pursue this knowledge. It is therefore important for an analyst to time the interpretation carefully: neither too soon nor too late, but precisely when the analysand himself is on the verge of the right interpretation. Sharing a premature diagnosis will provide a nominal sense of relief to the analysand, but not be really curative since all that the analysand now has is a technical term to name his illness though not the insights needed to cope with the condition. The analyst cannot short-circuit the process of cure without letting the analysand do his share of working-through. If he tries to hasten the pace, it might lead to acting out by the analysand; hence the need to proceed with caution and circumspection and relate the structure of the analysand's symptom to the state of the positive transference (Miller, 1986).To summarize this analogy: the gap between the analyst's knowledge and the analysand's knowledge is not just an epistemological distinction that is used to interpret the transference, but is an ontological distinction as well which cannot bridged by an act of interpretation.

It is not too difficult to understand the gap between the teacher's knowledge and the student's knowledge and the analogous need to ask the relevant questions on therapeutic and pedagogical authority. If the analysand denies this authority, of locating the analyst in the locus of 'the subject presumed to know', the analysis will not proceed further. Likewise, in the situation where the strategic planners are not allowed to engage too strongly with the board, they are being denied the privilege of being in the locus of the 'subjects presumed to know'. The impossibility of teaching in such a situation where the speaker is denied the locus of authority is the main transferential dynamic that De Geus wants to highlight in his argument. The psychoanalytic term for this condition is 'resistance' (Laplanche and Pontalis, 1988). What De Geus discovers in his turn is that something akin to resistance is at play in the process of learning that is not unlike the process of analysis. Resistance can also be defined more colloquially as that which emerges in the analytic situation, and which is related to the state of the transference, that makes it difficult to make the kind of regular and systematic progress that medical insurers are looking for (Evans, 1996; Nobus, 1997; Fink, 1997; Fink, 2007).The unconscious, as analysts argue, is indifferent to bourgeois concerns with linear notions of progress; it is not preoccupied with knowledge as a source of liberation but, as with Eros whether that takes the form of narcissism, or imaginary rivalry with the analyst. This imaginary rivalry, if not handled carefully, can take on the form of a negative (i.e. a persecutory transference) prompting the analysand to vary in his responses from the simpler forms of resistance to more complex forms of acting out repressed conflicts in order to spite the analyst's therapeutic authority.

What all these forms of negativity have in common is the fantasy of denying the analyst the traditional authority that is invested in the discourse of the clinic. The analysis will then come to a standstill or even be broken off at this point unless the analyst and the analysand are able to completely work-through the affects generated. Though admittedly there is no formal invocation of Freudian psychoanalysis in De Geus, the basic anxiety in matters pertaining to pedagogical authority is the most important problem in the Freudian clinic since it relates to the notion of the '*sujet supposé savior*' (Felman, 1989; Srinivasan, 2011).

6. The Transitional Object

This is not an unreasonable assumption since de Geus, in his turn, invokes the notion of the 'transitional object' - an important innovation in child psychiatry by Donald Winnicott - as a symbolic figure to understand the role of the consultant in helping the participants in a scenario-planning exercise to work-through the relationship between their inner states and external reality. The transitional object is usually a soft toy that a child clings on to as a substitute for the maternal breast in the aftermath of weaning (Winnicott, 1953, 1958; Phillips, 1988; Rodman, 2003). The function of the transitional object is however not reducible to the act of weaning. It symbolically represents any object that can suture an emotional gap between a child and his caregiver, or even represent a locus from which a consultant might want to make an intervention in an organization. The consultant, for instance, takeson the form of a transitional object to help a firm make a transition from a given state of affairs to another state of affairs, and helps to clear a 'transitional space' within which it becomes possible to reinvent the future (Kets de Vries, 2009). The invocation of a transitional object is a way of reducing resistance to learning during transitional moments. It is an idea that is used in management development programmes to open up a transitional space of learning that is outside the ambit of regular performance appraisals in firms in order to help executives forge a new sense of professional identity: this transitional space is also known as a 'holding environment'. The goal in creating such transitional spaces and holding environments is to open up psychic space for something new in these executives in the hope that such an opening will enable them to envisage alternate futures for themselves and their firms (Kets de Vries, 2001; Kets de Vries, 2004; Kets de Vries and Korotov, 2006; Kets de Vries and Korotov, 2007). The success of scenario planning depends on whether or not such a space can be opened up both in the psyche of the executives and in the firms to which they belong. The notion of transitional space or a holding environment that can be used for scenario planning and analyses is the pivot on which De Geus places his argument.As the references given above indicate, there is an emerging literature on different forms of transitionality from scholars in organizational psychology who have taken it even further in their attempt to envision a more authentic future for organizations.

7. De-supposition of Knowledge

Finally, we must ask if firms and organizations can overcome the resistances that even individuals struggle with in the analytic situation. Why do we suppose that firms and organizations can overcome the resistance that plagues their attempts at re-inventing the future? The answer is quite simply the fact that the case method helps us as business academics and as consultants in the scenario-planning process to overcome the resistancethrough a technique that is invoked at the end of an analysis. This technique is known as the de-supposition of knowledge in the analyst. (Pape, 1995-96). While the supposition of knowledge in the analyst is the motor-force of analysis, it is accompanied by its opposite where the analysand de-supposes the analyst as the necessary occupant of this exalted locus, and prefers to treat the analysis as an important psychic adventure, but chooses not to get too fixated on the person of the analyst. Analysts prefer analysands who don't get too fixated on them and just get on with their lives at the end of analysis. So, while it is not clear whether all residues of the positive transference can be worked-through in its entirety, there is good reason to believe that those portions which were not worked-through will be sublimated through the process of psychic displacement. A good example of this is an analysand picking up an interest in the discourse of psychoanalysis rather than dwell endlessly within the space of an erotic transference. Likewise, it is not any particular scenario of the future or any particular consultant who mediates the approach to the future that ultimately matters, but the willingness to endlessly transform a concern with the future into scenarios that will help firms and organizations to sublimate the anxiety, fear, and desire that are its necessary accompaniments. Learning to think the future actively with as few symptomatic impediments as possible is the goal of scenario-planning.Insofar as the case method helps us to suture the gap between the learning subject and the desiring subject, it will become a necessary pedagogy. Not only will the case method of learning further the goals of scenario planning, but it will, in turn, self-reflexively re-vitalize itself by invoking scenario planning techniques as a crucial supplement.

Another way of putting this idea across is to say that what De Geus seeks is not the truth about the future (which nobody can accurately predict), but the 'set of determinants' under which the future is desired rather than feared. The relationship between desire/fear of the future is actually a structural element (in case we have forgotten) of strategic theory. The formula that strategists invoke in this context is to 'fold the future in' (Prahalad and Krishnan, 2008, p.248). The desire to fold the future in is also the primary index of how the subject is oriented to learning since their main message is: 'Do not extrapolate the past or the current state of affairs in your industry. What you know and how you work will not get us to the future' (Prahalad and Krishnan, 2008, p.248). We can conclude by saying that a scenario in the context of the case method - in addition to being an opportunity to envisage the future - is also an ethical insistence that both individuals and firms situate their desire in relation to time itself (Lacan 1945, 1988; Fink 1988; Forrester, 1990; Srinivasan, 2010). It is the temporal unfolding of desire that excites the subject of desire in the act of learning. This unfolding however is marked with uncertainty. What the subject must manage then is the unfolding of desire in time that manifests itself as change, as a gap, as a vacillation, and, finally as uncertainty. It is in this gap that the unconscious manifests itself in the unfolding of the subject's desire (Lacan, 1977). What is it that the learning subject is ultimately uncertain about? It is not just the future that is uncertain, but more significantly, the manner in which the desiring subject must come to terms with the learning subject. This insistence is no doubt the existential moment in De Geus's theory of scenario-planning. It is also an attempt to situate the interdependence between the desiring subject and the learning subject since, as psychoanalysis teaches us; the subject's ability to desire depends on its ability to learn the truth of its desire. The truth of this desire is however not reducible to anything but the self-reflexivity of desire itself. Hence just as the desiring subject must endlessly rehearse the fantasy scenarios in which it finds itself enmeshed; so must, as de Geus teaches us, firms and organizations.

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MANAGEMENT CASE

Main Building Refurbishing Project at NIM[1]

Hasmukh Gajjar

On a Christmas evening of the year 2012, the Director of Narmada Institute of Management (NIM) reviewed the progress of Main Building Refurbishing Project (MBRP) that had been recently awarded to a contractor. He was concerned about the timely completion of this project after observing the slow pace of work and limited resource deployment by the contractor. Timely completion of this project was critical as this major work is to be completed in classroom blocks of the main building before the beginning of the next academic term in July 2013.

About NIM[2]

Established in 1996, Narmada Institute of Management (NIM) is a part of the family of nationally important management institutes. The institute was located in Indore to give an impetus to management education in Central India and had ever since been acting as the pioneer in the field of management, interfacing with the industry, government sectors and PSUs. Institute started in 1996, with a batch of 45 students in its flagship management programme and increased the batch size to ten fold in the year 2010. NIM offers various programmes to cater the requirement of the different groups. Currently, NIM has more than a thousand fulltime students on campus during any day of the academic calendar.

Situated atop a scenic hillock, NIM is spread over 193-acre land. In the recent five years, Institute had put up massive infrastructure ranging from hostels, classrooms, residential houses and sports complex in order to cater the needs of the student population and faculty on campus. NIM's accomplishments in such a short span of time can be attributed to its innovative spirit, its will to excel, and, to a great extent, to the relationship it has developed with Indore community.

Main Building Refurbishing Project (MBRP)

NIM had put up its first building (now called as Main building) in the year 2003. Main building was an asthetic design on the hillock in a circular geometry. It comprised of 3 faculty blocks (FB-1, FB-2 and FB-3), 2 administrative blocks (AB-1 and AB-2) and 4 classroom blocks (CB-1, CB-2, CB-3 and CB-4) located tangentially on the circular geometry (see Figure-1). Main building's external surface was clad with popular sand stones of light pinkish shade. With increasing age of the building, these stones started falling (on the ground) after losing their bond with the external surface of the building. This posed a great risk to the safety of the main building users. Hence, NIM decided to remove them and refurbish the main building to enhance its strength and appearance.

The various activities of the project along-with their precedent relationships, and total work content are shown in Exhibit-1.

This project was awarded to Mid-India Construction Company (MICC) after a due tendering process on November 21, 2012 with a tendered cost of Rupees Three crores. As per the tender's terms and conditions, MICC had to finish the project within eight months from the award date of the contract. The major milestones of the project in tender are shown in Exhibit-2.

About MICC

MICC is a private firm set-up in November 2004. It had executed many building renovation projects of small to medium scale since its inception. MICC had gradually acquired technical skills to deliver quality work but it still lacked project management skills for timely completion of the project. MICC's project planning was very ad-hoc and often resulted in delay in projects completion.

1 Dr. Hasmukh Gajjar, Indian Institute of Management Indore prepared this case solely as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. Data have been disguised for purposes of confidentiality.

2 Source: NIM's website

Project Planning by MICC for MBRP

MICC planned the main building refurbishing project at the time of bidding and adopted the following strategy to complete the entire work. The external surface of the building had a total of 28,000 square meter (sq. m) area that was divided in to 14 fronts of 2,000 sq. m each. MICC planned to complete two such fronts every month so that it could complete the entire work in 7 months. Similarly internal surface of 24,400 sq. m was also divided into 14 fronts and targets were set accordingly. Exhibit-3 shows MICC planning for MBRP including direct material and labor costs. MICC also identified two kinds of direct overhead costs for a work front of 2,000 sq. m: (i) Direct supervision cost of Rs.19,285. (ii) Scaffolding cost of Rs.2,70,000. However, scaffolding cost for subsequent work fronts could be avoided if same scaffolding would be used.

Project Execution

MICC mobilized the resources and commenced the work on November 27, 2012. Worried about the slow progress of the work after a month, the Director of NIM telephoned Mr. Rao, Project Manager at NIM, to assess the situation and suggested to him to come up with a plan for timely completion of the project. Rao immediately asked Sharma, a Project Manager of MICC, to have a discussion in his office as early as possible.

Next day morning, Rao called a site engineer in his office and asked him to report back by afternoon with actual progress of the project, details of the resources assigned by MICC etc. Site engineer collected required information as shown in Exhibit-4 and submitted it to Rao. Looking at the progress report, Rao realized that MICC had not deployed adequate resources.

In afternoon meeting, Rao had a detailed discussion with Sharma and both agreed to work out a plan for timely completion of the project. Sharma immediately agreed to deploy more resources and promised to start the painting activities too. Rao suggested to Sharma that MICC could run many parallel work-fronts of 2000 square-meters each due to easy access to and less dependability between work-fronts. Sharma thought that deploying more direct labor and material would not be a problem, but MICC would have to invest into additional scaffolding.

Sharma left Rao's office with a note of promise to chalk-out the plan for timely completion of the project but he was not sure as how to proceed further. Several questions came to his mind. What did I miss in the initial plan? How quickly can one complete a work-front of 2000 square-meter? How many teams have to be deployed for various activities? What would be the implications to MICC if it would go for many parallel work-fronts by investing in additional scaffolding? Would MICC's proprietor agree to such an investment? How many such parallel work-fronts are to be opened?

Rao also left for a day from office thinking about how to prepare plan that can ensure timely completion of MBRP. He thought that MICC could easily run four parallel work-fronts of 2000 square-meter each and finish the project in about 3 months. He had to respond to the Director, NIM with a concrete project plan as soon as possible.

Figure-1: Arial view of Main Building, NIM

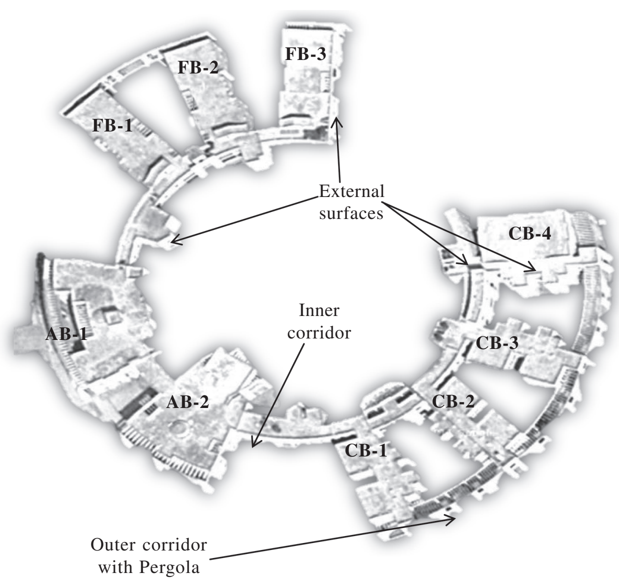

Exhibit-1: Summary of Various Activities of Main Building Refurbishing Project

Activity	Description	Predecessor	Work Content (Square Meter)
A	Erection of scaffolding	-	28000
B	Stone removal	A	28000
C	Plaster removal	B	28000
D	Hacking off plaster	C	2800
E	Plaster meshing	D	2800
F	First coat of plastering	E	28000
G	Final coat of plastering	F	28000
H	Removal of scaffolding	G	28000
I	Preparation for exterior painting	G	28000
J	Priming coat of exterior painting	I	28000
K	First coat of exterior painting	J	28000
L	Final coat of exterior painting	K	28000
M	Preparation for interior painting	-	24400
N	Priming coat of interior painting	M	24400
O	First coat of interior painting	N	24400
P	Final coat of interior painting	O	24400

Note: Activity-I can be started only after fourteen-day curing period from the completion of activity-G.

Source: Project documents

Exhibit-2: Milestones of Main Building Re-furbishing Project

Sr. No.	Description	Time allowed In months from day of award of contract (months)	Amount to be withheld by NIM in case of non-achievement of milestone (lakhs)
1	Completion of 40% work	4	2
2	Completion of 60% work	6	2
3	Completion of 80% work	7	2
4	Final completion	8	4

Source: Project documents

Exhibit-3: Project Planning for Two Thousand Square Meter Work-front

Activity	Predecessor	Work Content (Sqm)	Work rate* (sqm/team/day)	Planned Resources (No. of teams)	Cost** (Rs./sqm)
A	-	2000	250.00	4	33.00
B	A	2000	36.36	11	85.00
C	B	2000	36.36	11	75.00
D	C	200	40.00	1	93.00
E	D	200	40.00	1	95.00
F	E	2000	41.67	8	207.00
G	F	2000	41.67	8	188.00
H	G	2000	400.00	5	19.00
I	G	2000	33.33	12	19.50
J	I	2000	62.50	6	37.00
K	J	2000	62.50	6	66.00
L	K	2000	40.00	10	66.00
M	-	1743	41.50	7	22.00
N	M	1743	51.26	5	22.00
O	N	1743	51.26	5	53.00
P	O	1743	41.50	6	53.00

* Work rate is known to MICC based on the past experience in the relevant activity.

** Includes direct labor and material cost.

Source: Project documents

Exhibit-4: Progress Report as on December 26, 2012

Activity	Available Resources (No. of teams)	Amount of work executed (sq. m)	Activity	Available Resources (No. of teams)	Amount of work executed (sq. m)
A	2	3000	I	-	Not Started
B	6	1500	J	-	Not started
C	5	1500	K	-	Not started
D	1	150	L	-	Not started
E	1	150	M	-	Not started
F	4	1500	N	-	Not started
G	4	1500	O	-	Not started
H	2	1000	P	-	Not started

Source: Project documents

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CASE COMMENTARY

Main Building Refurbishing Project at NIM

Bhavin J. Shah

This case is about ad-hoc planning and its merits and demerits for project execution especially for the projects with no rewards for early completion. It gives an opportunity to look at project execution from multiple dimensions as various stakeholders are involved with it. It provides an insight for using some project techniques like Gantt chart and also estimation of certain costs.

Issue at the Core

Director of National Institute of Management (NIM) is worried about slow progression of Main Building Refurbishing Project (MBRP) awarded to Mid-India Construction Company (MICC). MBRP was awarded to MICC through a competitive tendering process on 21st November 2012 for a project cost of Rs. 3 crores to be completed within 8 months. This project is being reviewed by the Director of NIM in December 2012 and he seems to be worried about the slow progress and a possible delay in completion that will have its own consequences on various stakeholders.

MICC's Ad-hoc Planning

Let us look at MICC's planning for the project.

As per Exhibit-1, MBRP consisted of refurbishing work that consists of 28,000 square meter (sqm) of external surface area and 24,400 square meter of internal surface area. MICC has divided this work into 14 equivalent work-fronts each comprising 2000 sqm of external surface area and 1743 sqm of internal surface area. One month has already gone by and there is little information about the completion of work in that month. MICC has plans to complete entire project in next 7 months (210 days) by setting a target of completing 2 work-fronts every month.

Feasibility of Ad-hoc Planning: Time

Detailed study of Exhibit-1 and Exhibit-2 reveals that with one scaffolding (sufficient enough to serve one work-front of 2000 sqm), project will complete in 68*7 = 476 days with two scaffolding as per plan. However, this will not be a correct estimate. Activity H - removal of scaffolding precedes activity I - preparation for exterior painting. Refurbishing work for external surface is totally independent of internal surface work. Hence both can run simultaneously. One can remove scaffolding after 8th day of work and it takes 2 days to remove scaffolding for a 2000 sqm work-front. However, at the same point of time erection of scaffolding (Activity A) for the next work-front can commence immediately on 9th day or 10th day. Conservatively, we may consider that scaffolding is required for 10 days on a particular work-front and then it is available for the next work-front. Considering this fact, it will take 160 days (10 days * 14 + 20 days) to complete entire project against the availability of 210 days from today. This is well within the realm of project completion conditions.

Feasibility of Ad-hoc Planning:Cost vs. Benefit

Let us also look at the economic feasibility of this project for MICC.

Following table (Table-1) gives broad estimate of the project cast and benefit to MICC. It turns out to be approximately 10 % margin for MICC from this project excluding cost of initial capital.

Adding More Scaffoldings

Scaffolding for 2000sqm work-front incurs onetime cost of Rs. 270,000.If we add more scaffolding, it remains to be seen as to what would be its impact on working capital requirement, and project completion time. If we start with 2 scaffolding, entire project will get over in 90 days with an incremental cost of Rs. 270,000 and a stretched cash-flow. It would approximately require Rs. 90 lakhs as a one-time monthly working capital infusion as compared to Rs. 45 lakhs in case of 160 days as originally planned. Rest of the fund requirements will be taken care by monthly payment cycle as given in Exhibit-2 of the case. More than 2 scaffolding will not be feasible economically if this project has to be funded by internal accruals of the project itself.

For the sake of simplicity, we have assumed zero scrap value of the scaffolding. One should also explore the possibility of taking scaffolding on rent.

Motivation for Fast Track Execution

- **MICC**

  i. If MICC can earn 10 percent profit on the tendered project well within the tendered duration of 7 months from today (8 months - original plan), why would it like to expedite? There is clearly no motivation for MICC for early completion even though it can complete it in 160 days against planned 210 days as it is a government tendered project. At best, it can negotiate fast payment terms in absence of any rewards for putting it on fast track.

  ii. Looking at the other angle, if MICC has other viable projects in its portfolio it can think of completing this project early to free up resources. Theoretically, if it is a cash rich company that can deploy Rs. 3 crores in one go in one month, it has an opportunity of earning 10 % return in one

Table-1

Activity	Work (sqm)	No. of Teams	Work rate (sqm/team /day)	No. of Days	Direct Cost: Labour +Material Rs./sqm	Total Direct Cost (rupees)
	(1)	(2)	(3)	(4) = (1)/(2*3)	(5)	(6) =(1*5)
A	2000	4	250	2.00	33	66,000
B	2000	11	36.36	5.00	85	1,70,000
C	2000	11	36.36	5.00	75	1,50,000
D	200	1	40	5.00	93	18,600
E	200	1	40	5.00	95	19,000
F	2000	8	41.67	6.00	207	4,14,000
G	2000	8	41.67	6.00	188	3,76,000
H	2000	5	400	1.00	19	38,000
I	2000	12	33.33	6.00	19.5	39,000
J	2000	6	62.5	6.40	37	74,000
K	2000	6	62.5	6.40	66	1,32,000
L	2000	10	40	6.25	66	1,32,000
M	1743	7	41.5	4.20	22	38,346
N	1743	5	51.26	6.80	22	38,346
O	1743	5	51.26	6.80	53	92,379
P	1743	6	41.5	7.00	53	92,379
Direct Labour and Material Cost/work-front (7)						18,90,050
Direct Supervision Cost (8)- given in the case						19,283
Scaffolding Cost (9) - given in the case						2,70,000
Total Cost for a typical work-front(10) = (7) + (8) + (9)						21,79,333
Total (11) = 14*{(7) + (8)} + (9)						2,70,00,663
Project Revenue						3,00,00,000
Profit						29,99,339
Profit Margin						10.02 %

month itself as compared to deploying Rs. 50 lakhs over next 6 months and earns 10% on it with a smooth cash flow. Assuming that resources are available, this will add some pressure to the supervision cost and logistical requirements on the field but looking at the arch structure of the building it is quite possible. Even if it is funding this project with borrowed capital, let's say 1 - 1.5 % p.m., it can still earn a return of 8.5 - 9 % in a month. Withholding cost given in Exihibit-2 of the case does not deter any contractor for a slow execution. Clearly, there is no motivation for MICC to put project on fast-track in the present scenario unless it has a better opportunity somewhere else.

iii. MICC can definitely earn a goodwill that may help it for future participation in tenders.

- **NIM**

i. Non-availability of classroom blocks at the com mencement of the academic year does not augur well. It will entail additional cost of alternate arrangements for NIM along with erosion of goodwill.

ii. Even for student fraternity, it will be difficult situation if this work gets delayed as it involves safety risk during progression of the work and also it may disturb some academic activities.

However, none of these leads to any tangible benefit for early completion to MICC.

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Main Building Refurbishing Project at NIM

Hasmukh Gajjar

Introduction

This Case describes a project situation wherein the contractor (Mid-India Construction Company, MICC) has to decide about rapid completion of the project i.e. Main Building Refurbishing Project and its consequences (both financial and non-financial) to his firm and to other stakeholders. The client i.e. Narmada Institute of Management (NIM) has recently awarded a contract to MICC and the Director of the institute has found very little progress after a month of award of the contract. Therefore, the Director has expressed his concerns to the project manager and asked him to act on this situation. Timely completion of this project is very important for NIM as major work to be completed in the four classroom blocks of the main building before the beginning of the next academic term in July 2013.

This case provides an opportunity to get insights into fast track projects and its advantages to various stakeholders. It also depicts the consequences of ad-hoc planning approach of the contractor on project execution. Case provides the students an opportunity to apply project management techniques such as Gantt chart to prepare a project plan.

Analysis

Narmada Institute of Management (NIM) awarded the Main Building Refurbishing Project (MBRP) to Mid-India Construction Company (MICC) after due tendering process on November 21, 2012 with a tender cost of Rupees three crores. As per the tender conditions, MICC had to finish the project within eight months from the day of award of contract i.e. November 21, 2012. However, after over a month, the Director of NIM observed slow pace of work on the project. He was concerned about it because the work had to be completed for four classroom blocks before the beginning of next academic year in July-2013.

Exhibit-4 of the case describes the delay in the progress of the project in last one month and it is way behind the schedule. Slow progress of the project could mainly be attributed to ad-hoc planning approach followed by the contractor, MICC. The contractor neither planned in a detailed manner nor deployed sufficient resources on the project. Such ad-hoc planning may lead to poor execution and affect project in a big-way, which was not realized by the contractor. The other reasons behind the slow progress could be the productivity of assigned people, loose monitoring and proper control mechanisms.

Consequences of Project delay to various stakeholders

Project delay could lead to following consequences to various stakeholders:

1. **For NIM**
   a. Non-availability of classroom blocks in next academic year
   b. Avoiding additional cost of alternate arrangement
   c. Loss of goodwill
2. **For MICC**
   a. Loss of goodwill and reputation
   b. Penalty and retention of the money from project bills
   c. More overheads
   d. Less profit margin
   e. Loosing opportunity to start lined-up projects quickly
3. **For Main Building Users**
   a. More risk and hassle in using main building for longer duration

Planning for 2000 Square Meter (sq. m.) Work Front

MICC divided the entire project (i.e. external surface area of 28000 sq.m. and internal surface area of 24, 400 sq. m.) in to 14 equal work-fronts and planned to complete entire project in seven months, i.e. MICC has to complete two work-fronts every month.

Based on the data available in case exhibits 1 and 3, thirty days are required to complete different activities in a typical work-front of 2000 sq. m. external surface and 1743 sq. m. of internal surface areas. One can prepare the Gantt chart of the same, i.e., MICC has to plan two such parallel work-fronts with additional set of resources in order to complete MBRP in seven months. It can be seen based on the cost data that MICC would have approximately ten percent profit margin after completion of the project.

In order to put the project on fast track and completing it rapidly MICC needs to carefully plan the activities and assign its resources. It can be seen that scaffolding is a critical resource in this project because a set of scaffoldings for a typical work front were required for activities A to H, i.e. scaffolding set would be occupied for about 10 days in a 30-day completion schedule of a typical work front. However, one can come up with a schedule with detailed planning wherein the project can be completed in 160 days (= 13 fronts X 10 days/ front+30 days for last front) with the use of a single set of scaffolding.

Opening Parallel Fronts and its Impacts to Various Stakeholders

However, MICC has opportunity to open several work-fronts but then more sets of scaffolding would be required based on number of parallel work fronts. Table-1 shows the summary of few alternatives of executing more parallel work-fronts along with project cost and duration. It can be seen that opening a parallel work-front will lead to saving in project duration but will have more project cost and less profit margin to MICC.

It can be seen from Table-1, project duration is reduced as we move from alternative 1 to 7 but project cost shoots up. It means MICC has to sacrifice on profit margins if it wants to reduce the project duration. However, there are various benefits that could be realized by various stakeholders including MICC from early completion of the project.

At this moment, MICC has to seriously think about the possible benefits and motivations for completing the project early. MICC can also think about the other possibility of reducing the cost of additional scaffolding i.e. Rent option. There is no possibility of negotiating with NIM about additional bonus or incentives after the award of the contract. However, NIM could possibly agree for the faster payment to MICC if the project brought on fast track. MICC also has to look at the operational challenges of running parallel work fronts.

Table-1: Project Duration and Cost for Executing Work by Parallel Work-fronts

Activity	No. of Parallel work-fronts	Project Completion time# (days)	Project Cost* (in Rs.)
1	NIL	160	2,70,00,662
2	2	90	2,72,70,662
3	3	70	2,75,40,662
4	4	60	2,78,10,662
5	5	50	2,80,80,662
6	7	40	2,86,20,662
7	14	30	3,05,10,662

Scaffolding for the next dependent front can be available only after 10 days.

* Direct labor and material and direct supervisor cost is same for all alternatives. There is an additional scaffolding cost of Rs.2, 70, 000 for every parallel fronts.

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Main Building Refurbishing Project at NIM

Omkar D. Palsule-Desai

The case titled Main Building Refurbishing Project (MBRP) at Narmada Institute of Management (NIM) essentially provides a context to the reader to examine the implications of operational uncertainty for managerial decision-making within a framework of project management. The case exhibits an important trade-off between cost and timing of completion of a project and the role of resource planning and resource management in achieving the targets set by a company on these two parameters. Moreover, it also demonstrates the importance of selecting an appropriate project evaluation mechanism to monitor timely completion of the project. To highlight a variety of related issues and opportunities available, to mitigate the effects of unplanned and unexpected deviations in a set of activities from the schedule developed originally in a specific context, the author describes a decision-making environment involving a critical project undertaken by a construction company at NIM, a well-known institute of management.

NIM had awarded the project of refurbishing of the main building on its campus to Mid-India Construction Company (MICC). While awarding the project, the management of the institute had ensured that MICC provided a detailed schedule of activities involved in successful completion of the project. The desired time of completion of the project was suggested by the institute. In response, the company had specified its project-plan reflecting (i) the sequence of activities, (ii) activity-wise work content, (iii) the number of resource-teams to be engaged, and (iv) the cost of completion of each of the activities. To ensure the timely completion of the project in view of the number of activities to be performed in sequence, MICC suggested partitioning of the entire surface area of the building to be refurbished into a number of work-fronts of equal dimensions by which parallel activities with fewer resources on repetitive basis could be performed. Moreover, it also suggested segregating the building surface area as external and internal in order to take advantage of the curing period necessary between a set of activities. The management of NIM adopted a milestone mechanism based approach to evaluate timely progress of the project and to incentivize MICC to achieve the targets. This mechanism involved retention money which is like the disbursement of amount according to the percentage completion of the project. While the milestone mechanism was well-designed and well-described, it particularly failed to monitor the timely progress in linking the MICC's approach of refurbishing the building front-by-front with the percentage completion of the project. In this regard, the project assessment perspectives adopted by both NIM and MICC were distinct. For instance, 40 percent completion of the project for NIM was not necessarily the same as 40 percent completion of a number of work-fronts created by MICC. This instance in the case essentially provides an opportunity for the reader to recognize the importance of adopting an assessment tool to evaluate project completion that is in sync with the actual implementation of the project, either in parts or in aggregate. Moreover, it also highlights the need of an appropriate monitoring mechanism ensuring that the number of resources used were the same as what was planned initially. In the absence of the latter, MICC had missed its schedule significantly that required re-planning of resources and re-assessment of the project.

As described in the case, in the event of operational uncertainties and consequently lagging behind the original project completion schedule, it is critical for the management of a construction company to modify its schedule in the middle of project execution in order to achieve its timely targets. While any delay and/or alteration in the schedule of project execution has implications for the cost of completion of the project, when faced with operational uncertainties the management of the company needs to make an important and necessary trade-off between cost and time of completion of the project. This case describes the trade-off the management of MICC was facing more than a month after the commencement of the project. MICC was required to determine the number of teams required and its cost implications so that the timely targets on the remaining project were met. In this regard, developing a variety of options to derive benefits from parallel execution of activities was also critical for the company. For instance, the company could have begun refurbishing multiple fronts of the building simultaneously and/or it could have begun refurbishing both external and internal surfaces of the building in parallel. In either of the alternatives, the resources required were more than those planned earlier, and clearly had undesirable cost implications. On account of this, the case provides enough details to develop various alternatives involving resource planning and resource management and to assess the cost implications of each of the alternatives.

An Illustration

What follows below is an illustration of the scope of operational decision-making within the framework of the problem context described in this case. Various alternatives to address the issues faced by both NIM and MICC are provided below.

MICC planned to complete the entire work - both internal and external refurbishing of the building - by dividing the total surface area into 14 work-fronts of 2,000 sq.m. each for the external surface and 1,473 sq.m. each for the internal surface. It also planned to complete two fronts on each of the surfaces in each month. From Exhibit 3 given in the case, the number of Team-Days required for each work-front as described in Table 1 are provided below.

Table 1: Resources Required for Each Work-front

Activity	Work Content (sqm)	Work Rate (sqm/ team/ day)	Team-Days Required	Sum Total of Team-Days Required
A	2000	250.00	8.00	
B	2000	36.36	55.01	
C	2000	36.36	55.01	
D	2000!	40.00	50.00	314.00
E	2000!	40.00	50.00	
F	2000	41.67	48.00	
G	2000	41.67	48.00	
H	2000	400.00	5.00	5.00
I	2000	33.33	60.01	
J	2000	62.50	32.00	174.01
K	2000	62.50	32.00	
L	2000	40.00	50.00	
M	1743	41.50	42.00	
N	1743	51.26	34.00	152.01
O	1743	51.26	34.00	
P	1743	41.50	42.00	
				645.02

! While analyzing the case the work content for activities D and E are considered as 2000 sq.m. and not 200 sq.m. as reported in the case. One may analyze the problem using the latter as the actual work content, if necessary.

From Exhibit 1 given in the case, it is evident that activities from A to G were required to be completed in sequence. Similarly, activities from I to L were required to be completed in sequence, and so were the activities from M to P. While activity I could began not before activity G was completed and so was the case with activity H, there was no such restriction on activity M. Thereby, the set of activities (i) H, (ii) I to L, and (iii) M to P could be completed in parallel. As mentioned in the case, a 14-day curing period was necessary between activities G and I, and hence, in a 30-day month MICC effectively had only 16 working days. It may be noted that among the three sets of parallel activities, I to L required the maximum number of Team-Days. It is assumed that all the teams were equi-skilled such that they could complete any of the activities from A to P in an identical manner. It is also assumed that a resource team hired once was retained during completion of the entire project. Thereby, by completing the set of activities from A to G and from I to L for each work-front within 16 days was sufficient to ensure completion of the entire project in seven months.

From Table 1, the minimum number of teams required for completing the activities from A to G and from I to L was found to be 31 . Activities from A to G would be completed in the first 10 days of the month that would be followed by the 14-day curing period. During the remaining 6 days, activities from I to L would be completed. To minimize the number of teams, MICC could complete activities from M to P any time during the month, and activity H could be completed any time during the last 20 days of the month. Thereby, MICC could minimize the number of teams by completing these two sets of activities during the curing period by engaging with the same 31-team-resource used in completing the activities from A to G. It would take approximately five days for them to complete the two sets of activities . Likewise, the minimum number of teams required for completing each work-front was 31. To complete two such work-fronts in each month, and hence, the entire project in seven months, MICC required 62 teams.

From Exhibit 3, it may be noted that the cost of completing each of the activities did not depend on the number of teams engaged, nor did it depend on duration of each activity. The same was valid for the direct supervision cost. Moreover, by completing each of the work-fronts in sequence would have ensured that only one scaffold was sufficient during the entire project. Thereby, the number of teams required for completing the project with the minimum operating cost was the same as the minimum number of teams required for completing the project in seven months, and that was equal to 62. Likewise, Exhibit 3 demonstrates ad-hoc practices adopted by MICC during the resource planning stage.

As described in the case, MICC was lagging behind the schedule of completing two work-fronts during the month after the commencement of the project (Exhibit 4). It may be noted that this delay had no implications for the resources required for completing the remaining work-fronts had. Recall that each of the two sets of 31-team-resource drawn each month to complete a work-front was not engaged for approximately nine days during the curing time of the respective work-front. Likewise, 54 working days of 31-team-resource were available over the remaining six months. MICC could utilize one set of 31-team-resource to complete one incomplete work-front that would require approximately 21 working days as described above. Thereby, without engaging any more resource teams and engaging the existing teams during the curing periods of the subsequent work-fronts over the remaining six months, MICC could complete the two work-fronts that were lagging behind the schedule during the month of December, 2012.

Alternatives

The present analytical approach based on the case facts demonstrates that the cost implications of the number of teams engaged in the project were quite insignificant. Nevertheless, the operational strategy of completing two work-fronts in each month brings out the suboptimal planning practices adopted by MICC. In particular, one can easily reduce the number of teams required for completing the entire project by scheduling 14 work-fronts over the seven-month period, contrary to two work-fronts in each of the seven months, such that the set of activities A to G for the following work-front are completed during the curing period of the previous work-front. Nevertheless, the cost implications of such parallel processing of work-fronts in the setting described in the case were negligible for MICC as the project costs were independent of the number of teams and duration of completion of each of the activities.

To develop effective monitoring mechanism and incentivizing MICC, the milestone mechanism designed by NIM could have been in sync with the progress on each of the work-fronts, rather than linking it with the progress on the entire project as done presently.

While this case provides many interesting perspectives in managerial decision-making, it lacks in a variety specifications necessary in decision-making. For instance, the activity based costs that involve direct labor cost and material cost appear to be independent of the number of resources and duration of each activity. The decision on the number of resources that could be engaged for timely completion of the project had clearly no implications for the cost of the project; this aspect is far from reality. The necessary trade-off between cost and time of project completion can be insightful and realistic if the number of resources utilized, and consequently, duration of each activity are reflected in the cost implications of the managerial decisions. While in a project management context, costs already incurred are typically sunk costs, the next course of action depends on the opportunity cost associated with the remaining project. The case can be enriched by providing additional information on costs associated with the incomplete project at the time of decision making. Moreover, by providing further details on the cost implications of surpassing the target completion time, one may evaluate the implications for the remaining project by appropriately choosing either the targeted completion time or the targeted project cost as the basis for decision making. One can also examine the implications of the MICC's strategy of creating 14 work-fronts to complete the entire project. In view of the supervision cost and scaffolding cost that are described on the basis of the number of work-fronts, it would be interesting to endogenously determine the optimal number of work-fronts for both internal and external surfaces of the building.

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"Don't equate activity with efficiency. You are paying your key people to see the big picture. Don't let them get bogged down in a lot of meaningless meetings and paper shuffling. Announce a Friday afternoon off once in a while. Cancel a Monday morning meeting or two. Tell the cast of characters you'd like them to spend the amount of time normally spent preparing for attending the meeting at their desks, simply thinking about an original idea."

– Harvey MacKay

Main Building Refurbishing Project at NIM

Shripad Kulkarni

The Issue

The approach of Mid-India Construction Company (MICC) in the case of Main Building Refurbishing Project (MBRP) at NIM is an example of "failing to plan is planning to fail". The MICC was well aware of the project completion deadline while bagging the contract. While planning the execution, MICC proposed the resources as given in exhibit 3 of the case. If we try to analyse the planning made by MICC then we will get the following results.

Table 1

Activity	Work Content (Sqm)	Work rate (sqm/ team/ day)	Planned Resources (No. of teams)	No. of days required to complete the activity
A	2000	250	4	2
B	2000	36.36	11	5
C	2000	36.36	11	5
D	200	40	1	5
E	200	40	1	5
F	2000	41.67	8	6
G	2000	41.67	8	6
H	2000	400	5	1
I	2000	33.33	12	5
J	2000	62.5	6	5
K	2000	62.5	6	6
L	2000	40	10	5
M	1743	41.5	7	6
N	1743	51.26	5	7
O	1743	51.26	5	7
P	1743	41.5	6	7

The Exhibit 1 of the case gives us the manner in which activities can be performed. Activity A to G should be performed sequentially. From the table above, as per the MICC's original plan, activities A to G will require 34 days to get over. MICC desires to finish two fronts of 2000 Sqm each, every month but with above planning, MICC may require up to 70 (= 34 days for activities A to G, 1 day for activity H, 14 days for curing, 21 days for external painting) days for one front! This gives us the clear picture of what MICC wanted to achieve and what exactly it had planned for. Exhibit 4 is the evidence of delays in almost all activities. The number of teams employed is even less than those were planned suggesting serious lapses in execution. This suggests that execution will take more than 70 days for one single front to be complete.

The worry of NIM Director regarding slow pace of MBRP is thus fully justified. This was conveyed by the Director to Rao who eventually brought it to the notice of Sharma. In order to ensure the timely completion of MBRP, Rao came up with an idea of Parallel execution instead of serial execution as planned initially by the MICC.

The Parallel Execution Plan

Rao suggested that MICC should start working on 4 different fronts parallel instead of completing one front after the other. Since any two 2000 Sqm fronts were practically independent of each other, parallel execution is feasible. All that MICC requires to run activities parallel in four different fronts are four sets of scaffolding. As given in the case one set of scaffolding will cost MICC Rs. 2,70,000. Thus additional 3 sets will cost MICC additional Rs. 8,10,000. Sharma should realise this quickly and he should convince his superiors at MICC to make the additional scaffolding available. The cost benefit analysis for MICC is given in Table 2.

There is direct labour and direct material cost for one front of 2000 Sqm of external work plus one front of 1743 Sqm of internal fronts. Since there are 14 such fronts hence this will be multiplied by 14 giving Rs. 2,64,60,700. Adding to this will be the indirect cost (Supervision Rs. 19285 per front, hence 2,69,990 for 14 fronts plus 2,70,000 for at least one scaffolding) of Rs. 5,39,990 will make the final cost for MICC as per the original planning as Rs. 2,70,00,690.

Table 2

Activity	Work Content (Sqm)	Cost (Rs./sqm)	Cost per Activity (rupees)
A	2000	33	66000
B	2000	85	170000
C	2000	75	150000
D	200	93	18600
E	200	95	19000
F	2000	207	414000
G	2000	188	376000
H	2000	19	38000
I	2000	19.5	39000
J	2000	37	74000
K	2000	66	132000
L	2000	66	132000
M	1743	22	38346
N	1743	22	38346
O	1743	53	92379
P	1743	53	92379
Total Cost			1890050

By buying 3 more scaffoldings worth Rs. 8,10,000 will make MICC total cost for the project as Rs. 2,78,10,690 which will be still below the contract amount of Rs. 3 crore. This suggests that buying 3 more scaffolding will not cause overall loss for the MICC and hence it's a viable suggestion.Also note that, as per exhibit 2 of the case NIM can withheld a total amount of Rs. 10,00,000 due to non timely completion by the MICC. With the current approach of sequential execution, MICC can't meet any of these deadlines for the MBRP thus incurring this penalty. It eventually makes a wise choice to buy 3 more scaffoldings at a cost of Rs. 8,10,000 to avoid a penalty of Rs 10 Lakhs! Not only can it save some money for MICC but also save its face for future contracts.

Future Course of Action for Sharma

With the above discussion, Sharma should realise that the initial idea to finish two fronts per months was feasible only with proper planning which went completely out of track with MICC's original plan. The time required for 2000 Sqm front (including 1743 Sqm internal front) is 67 days. (Few activities such as A and H can be done along with activities B to G). Almost one front work is done by 26 Dec 2012 so with remaining 7 months, 13 fronts to be completed. Thus available time is nearly 210 days with four parallel fronts execution each of 67 days can be met with some smart efforts. Curing period of 14 days should be utilized to move the scaffolding and start a new front. This will enable MICC to meet the phase wise as well as overall deadlines without penalty and loss of reputation. Table 3 gives the required teams for each activity for 4 parallel external fronts and 2 parallel internal fronts.

Table 3

Activity	Work Content (Sqm)	Planned Resources (No. of teams)
A	2000	16
B	2000	44
C	2000	44
D	200	4
E	200	4
F	2000	32
G	2000	32
H	2000	20
I	2000	48
J	2000	24
K	2000	24
L	2000	40
M	1743	14
N	1743	10
O	1743	10
P	1743	12

It should be noted here that by increasing the teams in a construction work will actually not affect the labour cost. The labour cost will be the same in sequential execution as well as in parallel execution. Hence Sharma should convince his superiors at MICC to deploy 3 more sets of scaffolding, multifold labour teams as given in table 3 and achieve the completion of MBRP in due time profitably.

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Main Building Refurbishing Project at NIM

Alok Kumar Singh

Case Background

NIM is planning to refurbish both the exterior and interior of its main building because of the safety issues in the earlier construction. The contract has been given to a company specialized in this type of construction work. The scheduled time of completion of the project is 8 months; however the first monthly review of the project shows that the progress of the work is slow. This is a cause of concern for the NIM authorities. NIM authorities ask project engineer of the company to chalk out a plan so that the work could be completed within the stipulated time of the project. The rescheduling of the project requires extra resources and the project engineer is not sure whether his company will allow him to use these extra resources. The non compliance to the scheduled activities imposes a penalty on the contractor.

Case Analysis

The analysis of the exhibit 3 concludes that the use of scaffolding for a given site is for 35 days. As mentioned, there will be 2 scaffolding and there will be parallel work at two fronts. So, for completing the whole project work, the same scaffolding is to be used 7 times. This means that the use of scaffolding in the last 2 fronts will be over after 7*35 days i.e. 245 days which is 5 days more than the scheduled target. In my view the project manager missed the activity H. The completion of activity H will ensure the starting of activity A at the next front. The activity I, after removal of the scaffolding could only be started after 14 days of the completion of H. Hence to complete a site fully will take another 35 days after completion of activity G. Hence, under the current situation, the last two sites will be over after almost 280 days of the start of the project and hence the total project will get delayed by almost 40 days.

The internal painting is not a problem as the total time required to finish one site is 27 days. So, if they work in parallel on two sites the work will get completed in 7*27 days = 189 days. Therefore even if the internal painting work has not started yet, it can be completed well within the stipulated time if they start the work from now onwards.

The exhibit 4 clearly indicates that the work is not running simultaneously at two sites as proposed by the project engineer of MICC. The erection of scaffolding is done only at 3000 sq. Feet area which is less the area of two sites. One thing is clear from the exhibits is that the resources used currently for the project is not as it was proposed by the contractor at the beginning. The completion of one site totally will take almost 68.67 days. So, even if the contractor will work at two sites, he is not going to complete the project on time.

Recommendation

As it is clear from the exhibits that even if the project engineer sticks to the proposed work schedule, the project is going to be delayed. There are two ways to complete the project on time. Either one more scaffolding is brought and a new front is opened or more resources are put in the activities from A to G so that the work at a single site could be completed early and the activities after G could be started as early as possible. The activity G at the last two sites must be completed before 205 days of start of the project, so that the project will get complete within the stipulated time. To complete the activity G at all the sites in 205 days from start, a single site work must be completed in almost 29 days. The selection of activity for putting more resources should start from the activity which will cost less i.e. from A, C, B and so on. The trade off here is the cost which will occur for putting more resources against the cost of new scaffolding and other cost that will be incurred in starting the new site. However, Sharma must also be thinking of the penalty cost that will be imposed if the project is delayed.

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Main Building Refurbishing Project at NIM

Shirsendu Nandi

The case under discussion describes a situation where an ongoing project is evaluated after a month from its beginning of execution and there is a risk of delay for the completion of the project arising out of deployment of less number of resources compared to the planned deployment of resources. The case then revolves around to design a suitable plan by evaluating different alternatives for timely completion of the project. At the time of redesigning the project execution plan, the project manager is in a confusion to determine if there was anything which he missed out in the initial phase of the planning, the number of resources (teams) to be deployed for different activities, the earliest time possible time to finish the work and if an investment for additional scaffolding towards implementing parallel work fronts is justified.

The case begins by stating that the project called Main Building Refurbishing Project (MBRP) aiming at removing the sand stones at main building's external surface and refurbishing it had been awarded to Mid-India Construction Company (MICC) at a tendered cost of Rs. three crores on November 21, 2012 with a time limit of 8 months to complete the project. Timely completion of the project was critical since it involved work in the classroom blocks needed to be operational from the subsequent academic term to be started from July, 2013. The project would also involve work in 3 faculty blocks and 2 academic blocks apart from 4 classroom blocks. As per the information stated in the case, even though MICC gained expertise in technical skills and gathered experience in executing many building renovation projects, it lacked requisite project management skills which resulted in delay in some projects undertaken by the company.

The case also narrates how Narmada Institute of Management (NIM) has assumed a leadership role in spreading management education in central India by achieving a phenomenal growth in terms of building huge infrastructure to cater to different groups of participants enrolled in various management programmes within a very short span of time by virtue of its willingness to innovate and excel.

Since MICC has to deliver the project within a stipulated period of 8 months, it chalked out an initial plan to finish the project with 1 month to spare. It divided the total work content of 28000 square meter (sqm) into 14 equal work fronts of 2000 sqm each. Accordingly, it made a planning of deploying required number of resources (teams) for each activity so that the work for 2 work fronts can be finished in 1 month keeping in view the work rates for different activities as experienced from past projects. It is rational to make this assumption in the context of the case that MICC must have done proper cost benefit analysis keeping in view various cost components (direct labour, material cost and other costs) associated with various activities and the clause of possible financial losses for non achievement of different milestones within stipulated time period prior to coming up with the plan regarding deployment of workforce.

After being asked by the Director of NIM, Rao, the project manager at NIM held a meeting with Sharma, a project manager at MICC to get a report regarding the current status of advancement of the project and found that the project was running at a slow pace because of insufficient deployment of work force. Sharma, after analysing the situation with Rao, agreed upon engaging more work force and promised to start the painting activities simultaneously. It was also suggested by Rao to work on many work fronts parallelly to expedite the project. Rao thought himself that working on 4 work fronts simultaneously would result in completion of the project in three months.

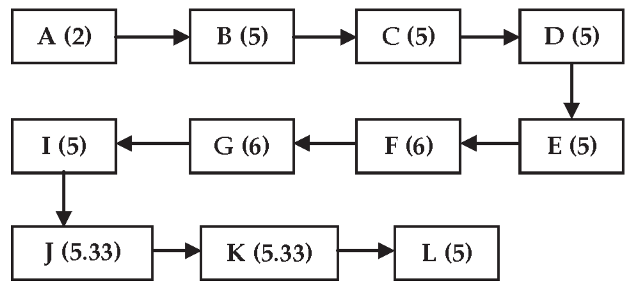
The information provided in the case along with relevant data creates a potential for discussing the problem. The case invokes concepts such as CPM (critical path method). From the point of view of MICC, the case also leaves a scope of discussion for designing a minimum-cost schedule so that it can achieve timely completion of the project by adhering to the time limit for each milestone. The company should also explore the possibility to expedite all or some activities in order to lessen the time required to complete each work front and estimate the cost per day for the same. The company as well as Rao may carry out a what if analysis by considering all the possibilities (Running different no. of parallel work fronts) and the implications of all these alternatives by determining the estimated time of completion of the project for each alternative and the associated cost with all these alternatives. Then both MICC and NIM may agree to go with one such alternative acceptable to both of them.

The project described in the case is consisted of 16 activities (From A to P). Analysing the interdependence of the activities, one can come up with the following critical path for a single work front of the aforesaid project.

Table 1: Calculation for no. of Days Required for Each Activity for a Single Work Front

Activity	Work rate* (sqm/ team/ day)	Work Content (Sqm)	Planned Resources (No. of teams)	No. of days required
A	250.00	2000	4	2
B	36.36	2000	11	5
C	36.36	2000	11	5
D	40.00	200	1	5
E	40.00	200	1	5
F	41.67	2000	8	6
G	41.67	2000	8	6
H	400.00	2000	5	1
I	33.33	2000	12	5
J	62.50	2000	6	5.33
K	62.50	2000	6	5.33
L	40.00	2000	10	5
M	41.50	1743	7	6
N	51.26	1743	5	6.8
O	51.26	1743	5	6.8
P	41.50	1743	6	7

Referring to Exhibit 3 of the case and Table 1, given below is the critical path and its length.



Therefore, the length of the critical path for a single work front is 54.66+14=68.66 (since, "Activity-I can be started only after fourteen-day curing period from the completion of activity-G"). It may be observed that M, N, O and P do not fall on the critical path and they form a different path. Hence, these activities can be started simultaneously following their internal independence. Therefore, Sharma's decision to start painting activities simultaneously is absolutely justified. But it can be proved that with the above critical path, the initial plan of MICC to finish the work for 2 work fronts in a month was not justified, because it would have taken much longer time with the planned set of resources. All the available alternatives (any possible number of parallel work fonts) can be evaluated with respect to the above critical path and a conclusion may be reached.

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Main Building Refurbishing Project at NIM

Sudhir Ambekar

Case Summary

The case is related to incorrect project planning which has resulted into a delay in completion of Main Building Refurbishing Project of a nationally important management institute. Timely completion of the project is essential aspect of the project management as it might result in losses to both the client and the project executer. For clients of construction project, delay in work is critical and disturbing factor as it may cause delay in the scheduled activities. For project executer, delay in project leads to loss of goodwill and financial penalties as per the contracts.

Delay in project may be either due to unavoidable factors like rains or due to poor project management activities. In the present case the delay is due to second factor, due to poor project planning and execution done by the construction firm.

Analysis

Causes for Project delay

In the present case, delay in the project can be attributed to incorrect project planning and insufficient resources deployment.

Incorrect project planning

Analysis of the data given in Exhibit-3 of the case shows that the project will take at least 60 days to complete a two thousand square meter work-front with planned resources (see table one). But the project plan anticipated two of the 2000 square meter work-front to be completed in one month. This shows that the project management team has miscalculated the time required to complete the project. The subsequent implementation is also based on same planning leading to delay in project.

Insufficient resources deployment

Table 1 show that with current resources it will take at least sixty days to complete 2000 square meter work front. Considering the eight month time frame to complete the project, Mid India Construction Company (MICC) should have worked with parallel work fronts. There is need of at least four parallel work fronts to complete the project. This can be worked out by deploying additional scaffolding for parallel work. Moreover, parallel work is easily possible as the work fronts are independent of each other.

Table 1

Activity	No. of days required to complete the work with present resources#	Possible start day	Expected end day
A	2	1	3
B	5	3	8
C	5	8	13
D	5	13	18
E	5	18	23
F	6	23	29
G	6	29	35
H	1	35	36
I	5	39	44
J	5	44	49
K	5	49	55
L	5	55	60
M	6	1	7
N	7	7	14
O	7	14	21
P	7	21	28

calculated based on no of teams employed and work rate per team

Project costing

Based on data in Exhibit-3 of the case, the total cost of each 2000 square meter front is worked out to be Rs. 1928620.71. This results in expected profit of Rs. 2999310.06 to MICC from the project. But as project is going to be delayed with the present planning, MICC has to pay penalty cost of Rs. 10 lakhs as they will not be able to meet any of the deadlines as given in Exhibit-2. This results in reduction in profit to Rs. 1999310.06.

Recommendation

MICC should work with four parallel work fronts with additional deployment of scaffolding. These additional scaffoldings need funds of Rs. 810000. With additional teams, remaining work can be completed in around 193 days. They will also meet the all deadlines as given in Exhibit-2. The expected profit from the new plan would be Rs. 2189310.

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Antecedents and Consequences of Trust and Commitment in B2B Relationship: A Review of Literature

Partha P. Chowdhury

Abstract

Literature on relationship marketing suggests trust and commitment as two key drivers for developing effective long-term relationship but surprisingly a comprehensive model detailing all major antecedents and consequences of trust and commitment is not available in the current body of knowledge. This study tries to fill this gap in literature by integrating the antecedents and consequences of trust and commitment. The study is based on review of literature on trust, commitment, business to business (B2B) relationship, relationship marketing in the time period from 1987 to 2011. It argues the importance of trust and commitment as the key drivers of long-term relationship and suggests that business managers need to develop high levels of trust and commitment for developing long-term relationship for achieving sustainable competitive advantage.

Keywords: Trust, Commitment, B2B relationship.

1. Introduction and Background

Relationship marketing has been called a 'new paradigm' (Gronroos, 1994) within marketing discipline and is highly effective for understanding the needs and requirements of the market. Developing and maintaining successful long-term relationship in business-to-business exchanges is very important for any manufacturer/supplier, for creating sustainable competitive advantage. Management researchers have discussed inter-organisational relationship in terms of four perspectives. These are commitment-trust; dependence; transaction cost economics; and relational norms (Palmatier et al., 2007). Morgan and Hunt (1994) suggested that commitment and trust, not power or dependence, are the key focal constructs for understanding B2B relationship performance.

Further Morgan and Hunt suggested that commitment is the critical precursor in order to improve financial performance whereas commitment and trust are both important for building strong relationships and are "key" to promoting efficiency, productivity, and effectiveness in B2B exchanges. Palmatier et al. (2007) suggested that commitment and trust have direct and positive effects on financial and relational outcomes.

Trust plays a basic role in developing and maintaining successful B2B relationship (Kingshott, 2006; Narayandas and Rangan 2004; cited by Lohtia et al., 2009). The study of Ling-yee (2007) suggested that commitment is important for performance in long-term relational exchanges. Given the importance of trust and commitment, the present study focuses on identifying their antecedents and consequences in the context of B2B relationship.

2. Rationale and Objective of the Study

In the changing, chaotic, unstable and highly competitive global marketplace (Trout and Ries, 1972; Hamel and Prahalad, 1989; Hamel, 1996; Day and Montgomery, 1999; Porter, 1996) the importance of ongoing relationships between marketing channels is widely recognized (Denize and Young, 2007).

Researchers have recognized several critical success factors for developing and maintaining relationship in an exchange context (Seppanen et al., 2007). The study on B2B relationship pointed out that it is difficult and costly to duplicate long-term, committed, trusting, value-creating associations with the exchange partners. Hence firms in the chaotic marketplace could use B2B relationship as a differentiator in order to gain sustainable competitive advantage (Ulaga and Eggert, 2006).

The focus of the marketing practitioners now is not only to generate sales but to develop and maintain a long-term relationship with the exchange partner (Gounaris, 2005). A key objective of relationship marketing is to identify the key drivers of the relationship and their outcomes (Hennig-Thurau et al., 2002). Trust has been conceptualised both as a feature or aspect of relationship quality and as a determinant of relationship quality (Moorman et al., 1992, 1993; Anderson and Narus, 1984, 1990). Relationship commitment is a vital element of effective long-term B2B relationship (Gundlach et al., 1995). The contribution of trust and commitment for developing effective long-term relationship is widely recognized (Anderson and Narus, 1984, 1990; Dwyer et al., 1987; Anderson and Weitz, 1989, 1992; Moorman et al., 1992, 93; Morgan and Hunt, 1994; Ganesan, 1994; Gounaris, 2005; Svensson, 2005; Palmatier et al., 2006, 2007; Laaksonen et al,. 2008; Frasquet et al., 2008).

It seen that there is a mounting literature on B2B relationship, trust and commitment.

Some researches focused on dimensions of trust only; some focused on commitment; some focused on a few drivers of trust or commitment; some focused on one, two or a few specific outcomes of trust or commitment. But a limited number of researches/literature reviews were conducted to identify all the possible key antecedents and consequences of trust and commitment. The purpose of this study is to address this gap in literature by identifying the key antecedents and consequences of trust and commitment in B2B relationship.

3. Methodology and Structure of the Study

As per the objective of the study, with a view to identify the antecedents and consequences of trust and commitment in B2B relationship, prior empirical studies, which are relevant to trust and commitment, B2B relationship and relationship marketing, that were published between the years 1987 to 2011 are reviewed. Based on the review a conceptual model has been developed. Finally, in the discussion section managerial implications, limitations and suggestions for future research are discussed.

4. Literature Review

4.1 Trust, Commitment and Relationship between Trust and Commitment

4.1.1 Trust: The foundation for research on trust in an exchange context was started during late 80's and early 90's (e.g. Dwyer et al., 1987; Anderson and Narus, 1990; Moorman et al., 1992; Morgan and Hunt, 1994; McAllister, 1995), but researchers used different concepts and indicators for measuring trust (Morgan and Hunt, 1994). The dimensions used to measure or define trust are benevolence and credibility (e.g. Zand, 1972; Ganesan, 1994; Doney and Canon, 1997); integrity (e.g. Zand, 1972; Morgan and Hunt, 1994; Kenning, 2002, 2008); reliability (e.g. Morgan and Hunt, 1994; Zaheer et al., 1998; Svensson, 2005); predictability, fairness (e.g. Zaheer et al., 1998); honesty, competence, goodwill, constancy (e.g. Kenning, 2002;, 2008). Ganesan (1994) defined trust as the willingness to rely on a partner engaged in the exchange in which one has confidence. Zaheer et al., (1998) defined trust as - 'Expectation that an actor can be relied on to fulfil obligations, will behave in a predictable manner and will act fairly when the possibility for opportunism is present'. Trust is defined as a belief by one partner in a relationship exchange that the other partner will not act against their interests, where this belief is held without undue doubt or suspicion and in the absence of detailed information about the actions of the other partner (Laaksonen et al., 2008).

4.1.2 Commitment: Commitment is defined as a desire to develop a stable relationship, a willingness to make short-term sacrifices to maintain the relationship, a confidence in the stability of the relationship, and investments in the relationship (e.g. Dwyer et al., 1987; Anderson and Weitz, 1992; Gounaris, 2005; Stanko et al., 2007). Commitment is defined as the belief of a firm in a dyadic exchange that the existing relationship with another firm is very important and hence it deserves maximum efforts to maintain it for long-term period (e.g. Moorman et al., 1992; Morgan and Hunt, 1994).

4.1.3 Relationship between trust and commitment: The literature on B2B relationship has given a strong emphasis on developing commitment through trust.

The parties engaged in a trusted relationship evaluate the relationship as highly valued and are willing to commit themselves to such relationships. Morgan and Hunt (1994) suggested that commitment entails vulnerability and hence firms will commit only to trustworthy partners. In order to develop commitment, the buyer should have belief that the seller does not have any negative intentions and its present and/or past experiences are believed to be a strong predictor of future intentions. Moreover the firm should believe that the partner firm will act with credibility and benevolence in future exchanges as well (Sindhav and Lusch, 2008). The study (e.g. Moorman et al., 1992; Morgan and Hunt, 1994; Gounaris, 2005; Palmatier et al., 2007; Frasquet et al., 2008) suggested that trust is an antecedent of commitment, as when a company perceives its partner is trustworthy, it will be willing to commit to the relationship.

4.2 Antecedents of Trust and Commitment

The study on B2B relationship suggested that key antecedents of trust are interdependence, shared values, relational norm, relationship specific investment (RSIs), seller expertise, communication, opportunism, market orientation and bonding strategies whereas the antecedents of commitment are company reputation, cultural sensitivity, relationship benefits, relationship termination costs, interdependence, emotional intensity, shared values, relational norm, relationship specific investment (RSIs), bonding strategies and seller expertise.

4.2.1 Shared values: Exchange partners' common belief about what behaviours, goals and policies are important or unimportant, appropriate or inappropriate, right or wrong (Morgan and Hunt, 1994) is termed as shared values. To define shared values, Heide and John (1992) used the term 'appropriate actions'. Shared values are relational contracts that work in the exploration phase of relationship development and act as guidelines for future exchange (Dwyer et al., 1987).

When exchange partners share common goals, they are capable of allocating roles between themselves in case of any functional necessities (Fox, 1974; cited by Dwyer et al., 1987). People's attitudes and behaviours are the outcomes of having the same values as another person or group which is also termed as 'internalization" (Kelman, 1961; cited by Morgan and Hunt 1994). Hence shared values are valuable precursors of both trust and commitment (Dwyer et al., 1987; Morgan and Hunt, 1994).

4.2.2 Communication: Communication is defined as the formal and/or informal sharing of meaningful and timely information (Anderson and Narus, 1984, 1990), amount, frequency, and quality of information (Palmatier et al., 2006) between organisations engaged. Mohr and Nevin (1990; cited by Morgan and Hunt, 1994) described communication as a glue holding the firms together. Morgan and Hunt (1994) pointed out that past communication is a precursor of trust, which in turn develops better communication. Collaborative communication develops identification, which in turn develops trust (Sindhav and Lusch, 2008). The study of Moorman et al. (1993) pointed out that timely communication resolves disputes and aligns perceptions and expectations and thereby expedites trust. Communication develops confidence and hence trust as confidence is one dimension of trust (Anderson and Weitz, 1989, 1992; Anderson and Narus, 90; Dwyer et al., 1987). Information sharing develops relationship learning which in turn develops commitment (Ling-Yee, 2007).

Research has consistently found that communication is directly and positively linked to trust (Mohr and Nevin 1990; cited by Moorman et al., 1993; Anderson and Weitz, 1989; Anderson and Narus, 90; Morgan and Hunt, 1994; Doney and Cannon, 1997; Sindhav and Lusch, 2008), has strong positive effect on both trust and commitment (Palmatier et al, 2006), not very significant for building commitment (Palmatier et al., 2007; Anderson and Weitz, 1992). Relational exchange develops trust (Macneil, 1980; cited by Sheng et al., 2005). Studies have highlighted that trust could be developed by personal relations in the exchange. Both instrumental communication (i.e., transfer of information about current and future tasks) and social communications are positively and directly related with interpersonal trust. Quality interaction, which share more strategic insights or provides more information and better direction, has strong and significant relationship with trust (Moorman et al., 1993).

4.2.3 Opportunism: Firms in a relationship, sometimes take a course of action that is not only self-serving, but also harmful to the partner firm. Such behaviour is called opportunism in B2B relations (Hawkins et al., 2009). Opportunity is defined as 'making false or empty, that is, self-disbelieved, threats and promises in the expectation that individual advantage will thereby be realized' (Williamson,1975, p-26) and as 'self-interest seeking with guile' (Williamson, 1985, p- 30,47); aggressive selfishness and disregard for the impact of the firm's actions on partner firms (Lai, et al., 2009). Opportunity consists of activities like stealing, cheating, breach of contract, dishonesty, distorting data, obfuscating issues, confusing transactions, false threats and promises, cutting corners, cover ups, disguising attributes or preferences, withholding information, deception, and misrepresentation.

Opportunism, which plays a key role in the exchange process, is not ubiquitous but not unusual (Morgan and Hunt, 1994; Hawkins et al., 2008). Buyer firm that perceives the seller taking advantage of its exchange partner whenever the opportunity comes is likely to consider seeking alternative supply sources in order to dissolving, rather than expanding, the existing relationship (Skarmeas, 2006). Dwyer et al., (1987) suggested opportunism as an explanatory variable to measure trust. The study of opportunism suggested that opportunism has negative relationship with trust (Morgan and Hunt, 1994; Smith and Barclay, 1997).

4.2.4 Relationship specific investment (RSIs): The idiosyncratic investment of exchange partners for a specific business relationship, which is irrecoverable, is termed as Relationship-specific investments (Ganesan, 1994; Anderson and Weitz, 1992). Buying firms trust selling firms that invest in that specific relationship (Palmatier et al., 2006; Palmatier et al., 2007) as seller RSIs send positive signal to the customer that by providing tangible evidence the supplier is 'believed' and 'cares' about the relationship (Ganesan, 1994). Premise that buyer's RSIs are not significantly related to commitment (Palmatier et al., 2007) is not in line with the findings of the study of Skarmeas et al. (2002) that buyer's RSIs are positively and strongly linked with the buyer commitment to the relationship.

Idiosyncratic investments are very difficult to be transferred (Heide and John, 1988; Skarmeas et al., 2002) and have little salvage value in another exchange context (Williamson, 1981; cited by Ganesan, 1994) and hence switching cost is high; so when a party in an exchange relationship employs RSIs then the party shows commitment to the exchange relationship and the other party shows greater confidence in that party (Anderson and Weitz, 1992). An exchange partner's RSIs create barriers to exit (Anderson and Weitz, 1989, 1992; Ganesan, 1994) the existing relationship with the other partner and make the investor more dependent and hence committed on the other partner (Ganesan, 1994). RSIs create a locked-in condition (Heide, 1994; cited by Skarmeas et al., 2002). Hence relationship specific investment is a valuable precursor of both trust and commitment.

4.2.5 Relational norm: Macneil (1980; cited by Gundlach et al., 1995) defined relational norms as 'shared expectations regarding behaviour' and relational norms are displayed in an exchange context when both partners look intently at bilaterally committed strategies, goals and longer-term orientation. Relational norms, which contribute to exchange partners' strategic ability to develop long-term, committed, trusting, value-creating associations that are difficult and costly to imitate, have direct positive impact on exchange performance (Cannon et al., 2000). The study of Palmatier et al. (2007) pointed out that fair play is assured by relational norms which in turn encourage exchange partners for Relative Specific Investment (RSIs) even by sacrificing return in the short run and relational norms have direct and significant effects on all exchange outcomes and relational norms' effects on outcomes are fully mediated in the commitment-trust perspective. The study of Gundlach et al. (1995) pointed out that relational norms generate social safeguards which promote more commitment.

4.2.6 Seller expertise: Seller expertise is defined as knowledge, experience, and overall competency of seller (Palmatier et al., 2006). Skills and knowledge are the basic units of exchange and are highly important value creating attributes (Vargo and Lusch, 2004; Palmatier et al., 2006) have direct and positive effect in developing both trust and commitment in exchange relationship (Palmatier et al., 2006). When customers want to be involved with a competent seller, more value is gained and hence the exchange partners provide more effort to develop and maintain the relationship (Crosby et al., 1990; Palmatier et al., 2006). Hence the study suggested that seller expertise has strong association with building both trust and commitment (Palmatier et al., 2006).

4.2.7 Company reputation: Channel members can receive their counterpart's level of commitment by observing their history in other exchange relationship. Manufacturers develop reputation for fairness by showing their concerns and by making sacrifices for their channel members (Anderson and Weitz, 1992). Company builds reputation for fairness over time by providing reliable and consistent behaviour and as this reputation for fairness is linked with firm's credibility, which is a major dimension of trust. Hence trust is developed but the relationship is not very significant (Ganesan, 1994) and the relationship between Company/ seller reputation and distributor's commitment is strongly significant (Anderson and Weitz, 1992).

4.2.8 Market orientation: Market orientation consists of customer orientation, competitor orientation, and cross-functional coordination where customer orientation measures the degree to which firms satisfy their target customers; competitor orientation measures the degree to which firms understand their competitors' behaviour, while cross-functional coordination measures the degree to which firms integrate the resource to create value for customers (Kohli and Jaworski, 1990; Lai et al., 2009).

Studies (Lai et al., 2009; Lohtia et al., 2009; Bolton et al., 2008; Frasquet et al., 2008; Chung et al., 2007; Penttinen and Palmer, 2007; Ulaga and Eggert, 2006; Gounaris, 2005) have suggested that the variables that impact market orientation are product/service quality product differentiation, product modification, complete offerings, after-sale service and price. Faisal et al. (2006) focused on customer sensitivity to satisfy the demand for customised products and services with quicker delivery time and fast response to sudden changes in terms of order quantity and specifications.

In order to meet specific requirements of any market selling, the firm might need to go for idiosyncratic investments for specialised equipment or adaptation of production process. Because of this idiosyncratic investments, seller firms do not engage in opportunism as this type of behaviour threatens the long-term relationship (Williamson, 1985) and the value of these idiosyncratic investments could be reduced by a substantial amount if relationship is not continued (Anderson and Weitz, 1992). Seller with idiosyncratic investments can be believed as caring and willing to make sacrifices (Ganesan, 1994) and willing to cooperate (Doney and Canon, 1997). Hence buyer will perceive a seller firm more trustworthy if the firm is market oriented.

4.2.9 Bonding strategies: Ttrust as behaviour reflects a reliance on an exchange partner which involves vulnerability and uncertainty (Coleman, 1990; cited by Moorman et al., 1993) and hence some guarantees are required to develop trust (Gounaris, 2005). Bonding strategies are critical in order to reduce the uncertainties of the consequences of relationship exchange (Cross and Smith, 1996, p. 54; cited by Gounaris, 2005). Bonds are classified as structural and social bonds (Wilson and Mummalaneni, 1986; cited by Gounaris, 2005). Structural bonds are corporate level ties (Gounaris, 2005) resulting from economic, technical, time-based, knowledge or other similar reasons (Paliwoda and Thomson, 1988; cited by Gounaris, 2005) whereas social bonds are the inevitable by-product of any business exchange (Wilson, 1990; cited by Gounaris, 2005) which includes feelings of likeness, acceptance, friendship, social interactivity, etc. (Gounaris, 2005). The relationship between contact persons of firms enhances communication and information exchange and hence is important (Wilson & Mummalaneni, 1986; cited by Gounaris, 2005). Gounaris (2005) pointed out that bonding strategies have positive effect on developing trust.

4.2.10 Relationship termination costs: Relationship termination costs are defined as all expected losses from termination of any relationship, which might be due to the perceived lack of comparable potential alternative partners, relationship dissolution expenses, and/or switching costs (Morgan and Hunt, 1994). This relationship termination costs are an important precursor for commitment as high termination costs lead to generate more commitment towards a relationship (Dwyer et al., 1987; Morgan and Hunt, 1994).

4.2.11 Relationship benefits: Relationship benefits are characterised by benefits received, including time saving, convenience, companionship and improved decision making (Palmatier et al., 2006). In this chaotic marketplace (Trout and Ries, 1972) marketers are always willing to acquire superior products in order to add values to their own offerings and hence the buyers will be trying to develop and maintain long term relationship with the supplier giving more benefits; so relationship benefits have strong positive impact on commitment (Morgan and Hunt, 1994; Palmatier et al., 2006).

4.2.12 Interdependence: B2B relationship and hence performance is determined by the exchange dependence structure (Bucklin and Sengupta, 1993; Hibbard, Kumar, and Stern 2001; cited by Palmatier et al., 2007). Palmatier et al. (2007) suggested that partners' interdependence usually affects performance positively because partners work to maintain their relationship and avoid destructive actions, whereas dependence asymmetry undermines the relationship through fewer structural barriers to the use of coercive power. The study of Herna´ ndez-Espallardo and Arcas-Lario (2008) suggested that high dependence on the source affects negatively the impact of both outcome-based control and behaviour-based control on the relationship's contribution to the target's performance where a target is highly dependent on the source when equivalent (or better) alternative trading partners are scarce or simply unavailable, locking the target into its relationship with the source (Anderson and Narus, 1990).

Chung et al. (2007) suggested that buyers' dependence on the supplier has a positive influence on the economic satisfaction of the buyers. The consequences of dependence change in the case of the context and are not always certain to occur (Morgan and Hunt, 1994). As Interdependence has positive effect on exchange partners' relationship specific investment (RSI) and as interdependence reduce opportunism, interdependence is directly and positively associated with both trust and commitment (Palmatier et al., 2006; Palmatier et al., 2007; Laaksonen et al., 2008).

4.2.13 Emotional intensity: Emotional intensity is defined as 'the degree to which partners have feelings for each other beyond the economic transaction' (Stanko et al., 2007). Gilliland and Bello (2002) suggested that emotional intensity is positively associated with the use of social contracts for governing relationships and the key of these social contracts is the development of deep-rooted norms for honesty, fairness and equity. Emotional attachment has strong effect on member participation, co-production and extra role behaviours (Gruen et al., 2000; MacKenzie et al., 1998; cited by Stanko et al., 2007) and emotionally attached members give something of themselves for the benefit of the organisations and the relationship between emotional intensity and commitment is highly significant (Stanko et al., 2007).

4.2.14 Cultural sensitivity: Beugelsdijk et al. (2009) suggested that organisational differences along with cultural differences have a stronger role during the early stage of business relationship due to lack of personal experience to evaluate trustworthiness. In case of international business, relationship between exchange partners depends on how the both parties take initiatives to dissolve issues regarding cultural differences. Day (1999, cited by Skarmeas et al., 2002) suggested that exporting firms should develop market driven strategies so that specific needs and requirements of customers can be served. Skarmeas et al. (2002) pointed out that importer's commitment is related to the foreign partner's understanding of the business culture. Moreover a local partner/importer is more willing to commit if its foreign counter-part offers its product offerings as per the requirements of the local market only.

Table 1: Key Antecedents of Trust

Antecedents	Direction of Relationships with Trust	Source
Shared values	Positive	Dwyer et al., 1987; Heide and John, 1992; Morgan and Hunt, 1994.
Communication	Positive	Anderson and Weitz, 1989, 92; Anderson and Narus, 1990; Moorman et al., 1993; Morgan and Hunt, 1994; Doney and Canon, 1997; Palmatier et al., 2006; Sindhav and Lusch, 2008.
Opportunism	Negative	Williamson, 1975; Williamson, 1985; Dwyer et al., 1987; Morgan and Hunt, 1994; Smith and Barclay, 1997; Skarmeas et al., 2002; Skarmeas, 2006; Hawkins et al., 2008; Hawkins et al., 2009; Lai et al., 2009.
Market orientation	Positive	Anderson and Weitz, 1992; Ganesan, 1994; Doney and Canon, 1997; Gounaris, 2005; Ulaga and Eggert, 2006; Faisal et al., 2006; Chung et al., 2007; Penttinen and Palmer, 2007; Bolton et al., 2008; Frasquet et al., 2008; Lohtia et al., 2009; Lai et al., 2009.
Relationship specific investment (RSIs)	Positive	Anderson and Weitz, 1989, 92; Ganesan, 1994; Skarmeas et al., 2002; Palmatier et al., 2006; Palmatier et al., 2007.
Relational norm	Positive	Gundlach et al., 1995; Cannon et al., 2000; Palmatier et al., 2007.
Seller expertise	Positive	Crosby et al., 1990; Vargo and Lusch, 2004; Palmatier et al., 2006.
Bonding strategies	Positive	Moorman et al., 1993; Gounaris, 2005.
Interdependence	Positive	Anderson and Narus, 1990; Morgan and Hunt, 1994; Palmatier et al., 2006; Chung et al., 2007; Palmatier et al., 2007; Laaksonen et al., 2008; Herna´ ndez-Espallardo and Arcas-Lario, 2008.

Table 2: Key Antecedents of Commitment

Antecedents	Direction of Relationships with Commitment	Source
Trust	Positive	Moorman et al., 1992; Morgan and Hunt, 1994; Gounaris, 2005; Palmatier et al., 2007; Frasquet et al., 2008.
Shared values	Positive	Dwyer et al., 1987; Heide and John, 1992; Morgan and Hunt, 1994.
Relationship specific investment (RSIs)	Positive	Anderson and Weitz, 1989, 92; Ganesan, 1994; Skarmeas et al., 2002; Palmatier et al., 2006.
Relational norm	Positive	Gundlach et al., 1995; Cannon et al., 2000; Palmatier et al., 2007.
Seller Expertise	Positive	Crosby et al., 1990; Vargo and Lusch, 2004; Palmatier et al., 2006.
Company reputation	Positive	Anderson and Weitz, 1992; Ganesan, 1994.
Relationship Termination Costs	Positive	Dwyer et al., 1987; Morgan and Hunt, 1994.
Relationship Benefits	Positive	Morgan and Hunt, 1994; Palmatier et al., 2006.
Interdependence	Positive	Anderson and Narus, 1990; Morgan and Hunt, 1994; Palmatier et al., 2006; Chung et al., 2007; Palmatier et al., 2007; Laaksonen et al., 2008; Herna´ ndez-Espallardo and Arcas-Lario, 2008.
Emotional Intensity	Positive	Stanko et al., 2007; Gilliland and Bello, 2002.
Cultural Sensitivity	Positive	Beugelsdijk et al., 2009; Skarmeas et al., 2002.
Bonding strategies	Positive	Moorman et al., 1993; Gounaris, 2005.

4.3 Consequences of Trust and Commitment

The study on B2B relationship pointed out that the key outcomes of trust are cooperation, conflict, loyalty, word of mouth, uncertainty whereas the outcomes of commitment are expectation of continuity, acquiescence, relationship performance, cooperation, conflict, loyalty, word of mouth and coordination.

4.3.1 Conflict: Conflict is defined as overall level of disagreement between exchange partners (Palmatier et al., 2006; Dwyer et al., 1987). Anderson and Narus (1984, 1990) described trust as a determinant of functionality of conflict and pointed out that the relationship between trust and conflict is strong and negative. Interorganizational Trust develops confidence between two exchange partners, which in turn helps them to be open with each other because they know that no party will use information shared against the other party and this openness in turn reduces conflict (Zaheer et al., 1998). Conflict is increased by lack of confidence on the exchange partner's for long-term orientation (Anderson and Weitz, 1992). Confidence is a major dimension of trust. Hence conflict is influenced by both commitment and trust (Palmatier et al., 2007) and could be managed by trust (Creed and Miles, 1996).

4.3.2 Cooperation: Cooperation is defined as the situations in which exchange partners work together in order to accomplish common goals (Anderson and Narus,1990), coordinated and complementary actions between exchange partners to achieve mutual goals (Palmatier et al., 2006). Morgan and Hunt (1994) defined cooperation as the situation where exchange partners work together in order to achieve mutual goals. Whenever one party exchanges something with its exchange partner, the first party must have sufficient trust on the second party or in the relationship to wait for receiving future reciprocation (Palmatier et al., 2006).

Anderson and Narus (1984, 1990) described trust as a determinant of cooperation. Cooperation is proactive and promotes relationship marketing success (Morgan and Hunt, 1994) and is the only outcome which is influenced by both commitment and trust (Palmatier et al., 2007; Morgan and Hunt, 1994; Anderson and Narus, 1990).

4.3.3 Loyalty: The study suggests that customer loyalty has been operationalised differently by the researchers. Oliver (1997) defined loyalty as '. . . a deeply held commitment to re-buy or repatronise a preferred product consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behaviours'. Loyalty is defined as composite or multidimensional construct combining different groupings of intentions, attitudes, and seller performance indicators, and hence is influenced by both commitment and trust (Palmatier et al., 2006). Specific trust influences positively buying behaviour like repeat purchase (Kenning, 2008). Gounaris (2005) pointed out that commitment has strong positive association with customer retention. Trust develops satisfaction (Anderson & Narus, 1990) which in turn develops loyalty (Lewin, 2009; Helgesen, 2006; Joseph et al., 2005; Bloemer and Ruyter, 1999). Commitment develops loyalty (Pritchard, et al., 1999; cited by Hennig-Thurau et al., 2002).

4.3.4 Word of mouth: Word of mouth is described as viral marketing (Macmillan et al., 1997) and is defined as likelihood of a buyer positively referring the seller to another potential buyer (Palmatier et al., 2006). Whenever a party/buyer has trust on a firm then the party will be committed to the other party and will spread positive word of mouth about the exchange partner. Hence word of mouth is influenced by both trust and commitment (Palmatier et al., 2006); commitment (Hennig-Thurau et al., 2002).

4.3.5 Acquiescence: Morgan and Hunt (1994) defined acquiescence as the degree to which a firm accepts to exchange partner's requests and policies. If the party is committed to any relationship, then that party will accept partner's request, otherwise will reject. Acquiescence is influenced by the relationship commitment, not by trust directly (Morgan and Hunt, 1994; Kumar et al., 1992).

4.3.6 Expectation of continuity: Expectation of continuity is defined as firm's willingness to maintain the relationship in the future, which captures the likelihood of continued purchases from the seller firm ((Palmatier et al., 2006). It is the opposite of the propensity to leave which is defined as the perceived likelihood that a firm will terminate the relationship in the short future (Bluedorn, 1982; cited by Morgan and Hunt, 1994). Commitment generates buyer's willingness to maintain a valued relationship and hence is positively related (Morgan and Hunt, 1994; Palmatier et al., 2006).

4.3.7 Relationship performance: Relationship performance is characterised by actual seller performance enhancements including sales, share of wallet, profit performance, and other measurable changes to the seller's business (Palmatier et al., 2006). Trust develops collaborative innovation (Miles et al., 2000). Palmatier et al. (2007) pointed out that the effect of commitment on sales growth and overall financial performance is strong but direct impact of trust on sales growth and overall financial performance is not significant. Though the study of Beugelsdijk et al. (2009) suggested that relationship performance is related with trust, most researchers pointed out that relationship performance has positive relation with commitment not with trust (Palmatier et al., 2006; Palmatier et al., 2007; Skarmeas et al., 2002).

4.3.8 Uncertainty: Achrol & Stern (1988; cited by Morgan and Hunt, 1994) pointed out that if any party has enough information to take any decision, can foresee the outcomes of the decisions and has confidence in those decisions, then there will be no uncertainty. Uncertainty is related to necessary information for making any decision, consequences and confidence of that decision, which could be reduced by developing trust (Morgan and Hunt, 1994; Moorman et al., 1993).

4.3.9 Coordination: Coordination between two exchange partners is output of interest (Sindhav and Lusch, 2008). There are four components of coordination: to identify goals, to map activities to goals, to map activities to the relevant person (actor) and to manage interdependencies (Zalesny et al., 1995; cited by Sindhav and Lusch, 2008). Committed parties do not think about short- term gains but are more willing to cooperate with their exchange partner. The study of Sindhav and Lusch (2008) suggested that buyer's/retailer's trust on seller/supplier develops buyer's commitment to supplier which in turn develops buyer's coordination with supplier. (Table 3)

5. Discussions and Managerial Implications

The purpose of the study was to highlight the antecedents and consequences of trust and commitment in B2B relationship. The important role of trust and commitment for developing and maintaining long-term relationship with the exchange partners is universally recognized. This literature review suggests that key antecedents of trust are interdependence (positive), shared values (positive), relational norm (positive), relationship specific investment (RSIs) (positive), seller expertise (positive), communication (positive), opportunism (negative), market orientation (positive) and bonding strategies (positive). The major antecedents of commitment are company reputation (positive), cultural sensitivity (positive), relationship benefits (positive), relationship termination costs (positive), interdependence (positive), emotional intensity (positive), shared values (positive), relational norm (positive), relationship specific investment (RSIs) (positive), and seller expertise (positive).

The key outcomes of trust are cooperation (positive), conflict (negative), loyalty (positive), word of mouth (positive), uncertainty (negative), whereas the outcomes of commitment are expectation of continuity (positive) , acquiescence (positive), relationship performance (positive), cooperation (positive), conflict (negative), loyalty (positive), word of mouth (positive) and coordination (positive).

It is increasingly believed, as mentioned earlier, that the marketing practitioners' prime objective is not only to generate sales now but also to develop and maintain a long-term relationship with the exchange partner (Gounaris, 2005). The present study provides a comprehensive understanding of the antecedents and consequences of trust and commitment that need to be focused towards developing and maintaining effective long-term relationship in an exchange context.

- Develop trust and commitment for long-term relationship.
- Develop trust to achieve higher levels of cooperation, loyalty, word of mouth, and lower levels of uncertainty and conflict.

Table 3: Relevant Key Findings Regarding Consequences of Trust

Author	Relationship	Relevant Key Findings
Anderson and Narus (1990)	Trust - Co-operation, Trust - Conflict, Trust - Satisfaction	The association of trust with co-operation (+), conflict (-), and satisfaction (+) is significant.
Moorman et al. (1992)	Trust -Commitment, Trust -Relationship	Positive association between trust & commitment is strong but direct association between trust and relationship is weak.
Morgan and Hunt (1994)	Trust - Commitment, Trust - Co-operation, Trust - Functional conflict, Trust - Uncertainty.	The association of trust with Commitment (+), co-operation (+), & uncertainty (-) is strong.
Ganesan (1994)	Trust-Buyer seller relationship.	Positive association.
Creed and Miles (1996)	Trust- Organisational performance	Trust ensures communication, information sharing and conflict management.
Zaheer et al. (1998)	Trust- Negotiation, Trust - Conflict, Trust - Performance	Inter-organisational trust is strongly associated with lowered costs of negotiation, conflict, and performance.
Miles et al. (2000)	Trust - Long range planning	Trust enhances collaborative innovation.
Svensson (2005)	Trust - Relationship	Trust develops fruitful relationship.
Gounaris (2005)	Trust - Commitment	Direct positive association exists.
Palmatier et al. (2006)	Trust - Expectation of continuity, Trust - Word of mouth, Trust - loyalty, Trust - Seller Objective performance, Trust - Co-operation.	The positive association of trust with co-operation and customer loyalty is very strong.
Palmatier et al. (2007)	Trust - Commitment, Trust-Co-operation, Trust - conflict, Trust - Sales growth, Trust - Overall financial performance.	The association of trust with Commitment (+), co-operation (+), and conflict (-) is strong.
Seppanen et al. (2007)	Literature Review on Trust	Inconsistencies in conceptualisation, operationalisation and measurement of trust exist.
Arnott (2007)	Literature Review on Trust	High-trust business relationships lead to more profits, buyer satisfaction, flexibility.
Kenning (2008)	Trust - Buying behaviour	Specific trust has a positive influence on buying behaviour like repeated purchase, size of shopping basket etc
Frasquet et al. (2008)	Trust - Commitment	Strongly co-related.
Laaksonen et al. (2008)	Trust - Inter firm relationship	Inter-organisational trust enhances the valuable resources of a buyer-seller relationship.
Beugelsdijk et al. (2009)	Trust -Relationship performance	Significant.

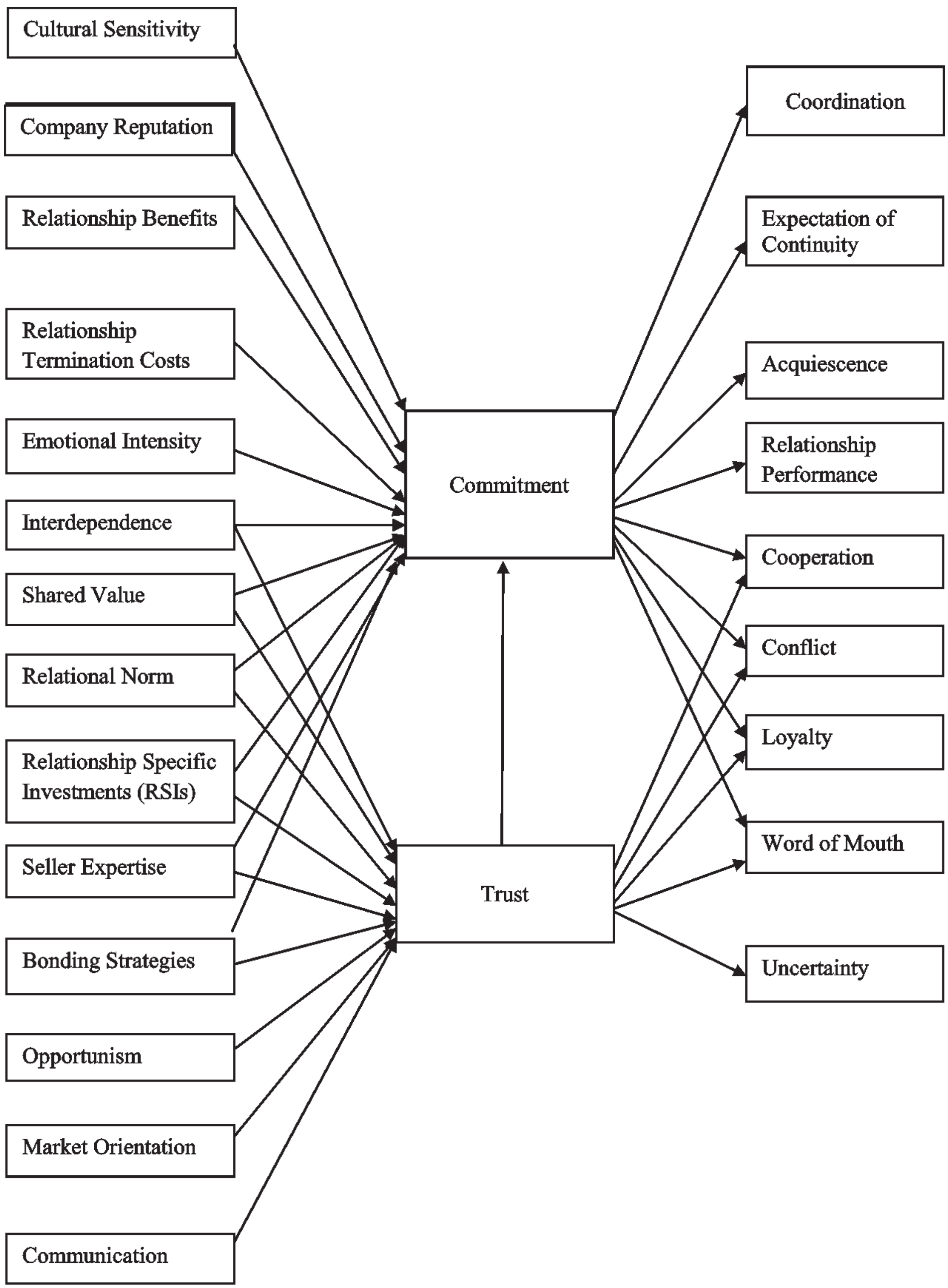
Note: '+' sign indicates positive relationship and '-' sign indicates negative relationship.

Table-4: Relevant Key Findings Regarding Consequences of Commitment

Author	Relationship	Relevant Key Findings
Moorman et al. (1992)	Commitment - Relationship	The association between commitment and relationship is strongly positive.
Anderson and Weitz (1992)	Commitment in distribution channels	The association of commitment with co-operation (+), satisfaction (+), conflict (-) and long-term relationship (+) is significant.
Morgan and Hunt (1994)	Commitment - Acquiescence, Commitment - Propensity to leave, Commitment - Co-operation	The association of commitment with acquiescence (+), co-operation (+), and propensity to leave (-) is strong.
Gundlach et al. (1995)	Commitment - Long term relationship	Significant positive association.
Skarmeas et al. (2002)	Commitment - Relationship performance	Significant positive association.
Gounaris (2005)	Commitment - Customer retention	Significantly positive.
Palmatier et al. (2006) Conflict	Commitment - Expectation of continuity, Commitment - Word of mouth, Commitment - Customer loyalty, Commitment - Seller objective performance, Commitment - Co-operation	The positive association of commitment with expectation of continuity, co-operation and customer loyalty is very strong.
Palmatier et al. (2007)	Commitment - Sales growth, Commitment - Co-operation, Commitment - Conflict, Commitment - Overall financial performance.	Commitment has strong positive association with all four outcomes.
Stanko et al. (2007)	Commitment - Buyer purchase behaviour.	The relationship is positive and highly significant.
Sindhav and Lusch (2008)	Commitment - Coordination	Coordination has a positive and significant relationship with commitment.

Note: '+' sign indicates positive relationship and '-' sign indicates negative relationship.

Figure 1: Key Antecedents and Consequences of Trust and Commitment in B2B Relationship



- Develop commitment to achieve higher levels of expectation of continuity, acquiescence, relationship performance, cooperation, loyalty, word of mouth, coordination and lower levels of conflict.
- Focus on higher levels of interdependence, shared values, relational norm, relationship specific investment (RSIs), seller expertise, communication, market orientation, bonding strategies and lower levels of opportunism to achieve higher levels of trust.
- Focus on higher levels of company reputation, cultural sensitivity, relationship benefits, relationship termination costs, interdependence, emotional intensity, shared values, relational norm, relationship specific investment (RSIs), and seller expertise to achieve higher levels of commitment.

Day and Montgomery (1999), Morgan and Strong (1997) suggested that firms could achieve sustainable competitive advantage and superior performance by better anticipating changing market conditions and responding to the current and prospective markets. Strong relationship between firms could be effective for better understanding of business buyers' needs and requirements. Marketers are very much concerned about how to increase productivity and effectiveness. Effective relationship offers significant opportunities to provide dynamic capability of a firm.

6. Limitations and Suggestions for Future Research

This study suffers from several limitations which should also be considered. The study outlines the importance of trust and commitment, and their antecedents and consequences in developing long-term relationship. It has been seen that influences of different antecedents on trust and commitment and the mediators on the consequences vary. But in this literature review it has not been discussed.

Trust differes by country and industry (Seppanen et al., 2007), and on the specific relationship marketing strategy and the exchange context (Palmatier et al., 2006) and the significance of inter-organisational relationship varies between companies and markets (Athanassopoulou, 2006). This literature review is based on prior empirical studies majority of which were based on the USA market; some are based on Netherlands, United Kingdom, Canada, China, however these are very much limited in other parts of the world (Seppanen et al., 2007). Therefore, the antecedents and consequences of trust and commitment which are highlighted in this study might be more effective in the Western context and might not be directly generalisable in developing countries.

The model developed here is based on the articles/ empirical studies that the author managed to collect or download. List of the articles used to do this study are mentioned later. Though a good number of articles were reviewed, this is not the exclusive list. There may be some other important studies which were overlooked and hence not reviewed. Hence further review based on more in-depth analysis might further develop the findings about antecedents and consequences of trust and commitment. Further research should identify some other antecedents and commitments. So Further research is recommended to confirm the findings of the study and the model developed.

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An Overview of Depersonalization in the Organizational Context

Abhishek K. Totawar and Ranjeet Nambudiri

Abstract

Little research exists on the concept of depersonalization in non-clinical and organizational settings. Since its origin, the concept has been mainly studied as a 'disorder' in clinical population. It was described as a state in which an individual experiences feelings, thoughts, memories, or bodily sensations as not belonging to oneself. Gradually, researchers from non-clinical domains also borrowed the concept. In organizational context, depersonalization is studied as a reaction to stress, wherein, individuals limit their involvement with others and distance themselves psychologically. This article reviews the available literature on depersonalization and provides an understanding of the concept in the organizational context. This paper presents origin of the concept, definitional issues, and a conceptual model showing antecedents and consequences of depersonalization. It is expected that this paper will encourage further research in the domain and provide pointers to practising managers who generally face problems relating to depersonalization.

Keywords: depersonalization, burnout, emotional exhaustion.

1. Introduction

The concept of job burnout is one of the widely studied topics among clinical, health and organizational behavior researchers. Job burnout is a state of physical and mental exhaustion, which occurs when employees are subjected to prolonged periods of stress within their work environment (Alarcon, Eschleman, & Bowling, 2009). Burnout is related with major organizational and individual level outcomes like absenteeism, performance, organizational citizenship behaviors, and turnover (Halbesleben & Buckley, 2004; Lee & Ashforth, 1996; Taris, 2009).Cordesand Dougherty (1993) suggested that service workers are more prone to the state of burnout when "they perceive that client demands cannot or will not be met by the organization" (p. 644). Singh, Goolsby and Rhoads (1994) suggested that service sector jobs become extremely stressful as employees are consistently expected to fulfill multiple requests from a diverse set of customers. In addition, employees often have to balance the conflicting expectations of customers and those of the organization (Mulki, Lassk, & Jaramillo, 2008). Dealing constantly with such diverse and conflicting demands causes service workers to experience stress, and finally face burnout.Burnout is characterized by emotional exhaustion, depersonalization and diminished personal accomplishment (Cordes & Dougherty, 1993; Maslach & Jackson, 1981; Schaufeli & Buunk, 2004). Among these three characteristics of burnout, depersonalization remains relatively less understood (Haudebert, Mulki, & Fornier, 2011).

Depersonalization is described as a defensive coping strategy, where an individual limits one's own involvement with others and creates a psychological distance. Through such response the individual tries to create an emotional buffer between oneself and the imposed job demand (Cordes & Dougherty, 1993). It is also characterized as a negative, cynical or excessively detached response to other organizational members; it, thus represents the interpersonal component of burnout (Shirom, 2003). Empirical evidence has shown that depersonalization has significant dysfunctional ramifications, which implies substantial costs for both the organization and its members. For instance, it leads to absenteeism (Maslach & Jackson, 1981), reduced job satisfaction (Lee, et al., 2011), reduced commitment and turnover intentions (Halbesleben& Buckley, 2004; Lee &Ashforth 1996; Lee, Lim, Yang, & Lee, 2011; Low et al., 2001).

Although the concept of depersonalization has been presented in medical literature for over hundred years (Jacobs &Bovasso, 1992), little research has attempted to understand the concept in the organizational context. It was not until the early 1980s that systematic empirical studies on depersonalization in non-clinical population were conducted and published (Trueman, 1984). Prior to this the concept was mainly researched on clinical population or as a component of the burnout process. Specifically, only a couple of studies have focused on depersonalization as a primary variable in the context of organization and its members (Cheuk & Wong, 1998; Williams, Lawrence, Campbell, & Spiehler, 2009).

Thus, it seems necessary to develop a clear understating of the concept of depersonalization in the organizational context as this may enable effective coping strategies.The purpose of this article is to review extant literature and provide an understanding of the construct of depersonalization in the organizational context. This review comprises a brief history on depersonalization, the definitional view-points, measurement, antecedents and consequences. It highlights studies that investigated work-related antecedents and consequences of depersonalization. A complete understanding of various antecedents and consequences of depersonalization at both the organizational and individual level would help us develop certain intervention measures. These interventions will not only help at post depersonalization stage but also at prevention stage.

2. Emergence of the concept of Depersonalization

The study of depersonalization in organizational context is a relatively new development. The term first emerged as one of the twelve phases of the burnout process. Herbert Freudenberger (1974), considered as the founding father of the burnout syndrome, in his influential paper on "staff burn-out" set the stage for the introduction of the concept (Schaufeli, & Buunk, 2003). Burnout is a state of fatigue or frustration brought about by devotion to a cause, way of life, or relationship that has failed to produce the expected reward (Wessells, 1989). Further, in the process of understanding the burnout phenomenon, Maslach and colleagues (1982) suggested three components of burnout, namely, emotional exhaustion, depersonalization, low personal accomplishment (Jackson, Schwab, & Schuler, 1986; Maslach &Jackson, 1981b). Subsequently, Maslach & colleagues (2001) modified the latter two dimensions. Depersonalization was replaced by cynicism, which referred to negative attitudes involving frustration from disillusionment and distrust of organizations, persons, groups, or objects (Andersson & Bateman, 1997). Personal accomplishment was replaced by reduced efficacy or ineffectiveness, which includes self-assessment of low self-efficacy, lack of accomplishment, lack of productivity and incompetence (Leiter & Maslach, 2001). Recently a four-dimensional model of burnout has been proposed (Salanova, et al., 2005) which contains cynicism, depersonalization, exhaustion and professional efficacy as dimensions of burnout. Unlike Maslach's (1981b) and Jackson's (1986) conceptualization, this multi-group factor analytic study suggests that depersonalization and cynicism are two different psychological constructs.

The original conceptualization of depersonalization is borrowed from clinical psychology, as the literature suggests that the term was first coined in 1889 (Sierra & Berrios, 1997). The concept has existed in medical literature for over hundred years (Jacobs & Bovasso, 1992). Therefore it would be logical to first understand the definitions of depersonalization given in these areas.

The term depersonalization became subsumed under the category of dissociative disorders. It was then a new kind of disorder and was defined as resulting from pathological changes in the sensory system, memory, affect, body image and self-experience (Sierra & Berrios, 1997). The American Psychiatric Association's Diagnostic and Statistical Manual of Mental Disorders (DSM-IV-TR, 2004) defines depersonalization as a malfunction or anomaly of the mechanism by which an individual has self-awareness. It is a feeling of watching oneself act, while having no control over a situation (APA, 2004).

In medical terms the concept is defined as the symptoms of an individual who no longer acknowledges himself/herself as a personality and for whom the outer world has lost its character of reality (Mayer, 1935). Depersonalization is a subjective experience of unreality in one's sense of self (Radovic & Radovic, 2002).

3. Concept: Definition, Nature, Antecedents and Consequences

Depersonalization is a state in which an individual experiences that his/her feelings, thoughts, memories, or bodily sensations do not belong to him/her. It is exemplified in terms of 'a feeling of strangeness', a feeling of 'not being me', or a sense of unreality of oneself (Trueman, 1984: 107). Depersonalization is the possibility, if people's actions are treated by others as less significant; they can experience themselves as not present in the world of ordinary, everyday life and may lose their sense of agency (Harre & Lamb, 1983).

The concept of depersonalization is distinguished from the concept of derealization (Fleiss, Gurland & Goldberg, 1975), where the former is a non-delusional belief that one's physical self is no longer intact and latter is a non-delusional belief that one's surroundings are no longer intact. Jacobs and Bovasso (1992) highlighted five different types of depersonalization namely (i) 'inauthenticity' -loss of genuineness or sense of authenticity in experiencing the self and interaction with others, (ii) self-negation or denial that one is performing certain actions or that one is witnessing certain events occurring in the environment which (Myers & Grant, 1972) is referred to as a loss of recognition of personal identity, (iii) self-objectification -a profound sense of disorientation in which the world is experienced as rapidly changing and basic distinctions between self and objects are blurred, and (iv) derealization - alterations in the perception of people and objects, and body detachment - involves the sense of one's body as strange, unfamiliar, or not belonging to the owner.

Depersonalization is a component of burnout, as suggested in the three component model of job burnout by Maslach and Jackson (1981a, b). The other two components are emotional exhaustion and diminished personal accomplishments. Here emotional exhaustion is defined as 'draining out' of an individual's emotional resources due to excessive work demands; and diminished personal accomplishments as a sense of inadequacy in terms of an individual's ability to relate to people and to perform their jobs (Maslach, 1978). Yet another conceptualization of the burnout process by Golembiewski and Munzenrider (1981, 1984) and Golembiewski (1989) hypothesized that significant depersonalization is necessary to diminish feelings of personal accomplishment, and significant reductions in personal accomplishment are necessary to result in high levels of emotional exhaustion. A feeling of reduced personal accomplishment is characterized by a tendency to evaluate oneself negatively (Cordes & Dougherty, 1993).

In addition to the three-component model of burnout, some researchers have also found support for a two-component model (Brookings, Bolton, Brown, &McEvoy, 1985), with emotional exhaustion and depersonalization as the two components. However, empirical evidence supports the idea that emotional exhaustion, depersonalization, and personal accomplishment are conceptually distinct components (Iwanicki & Schwab, 1981; Maslach & Jackson, 1981b). Still other studies have found high correlations between emotional exhaustion and depersonalization (Koeske & Koeske, 1989; Lee & Ashforth, 1996; Leiter, 1989; Wolpin, Burke, & Greenglass, 1991). Taris and colleagues (2005) attempted to explore the causal relationships among these components on the basis of longitudinal data and suggested that higher levels of depersonalization results in increase of emotional exhaustion and reduction of personal accomplishment.Thus we can infer that depersonalization is one of the prime components of job-burnout and therefore it can be broadly labeled as an outcome of job stress. Subsequently as delineated, depersonalization is also related to emotional exhaustion and personal accomplishment. However, in the organizational context, literature stands mute on the cause and effect relation of depersonalization with emotional exhaustion and diminished personal accomplishment. One such study has highlighted this gap and pointed out that these three components of burnout are related but are loosely coupled reactions to a job (Jackson, Schwab, & Schuler, 1986: 630). Given the nature of these three states, namely depersonalization, emotional exhaustion and diminished personal accomplishment, we contend that there is a hierarchical arrangement of the order of these factors/states. In this arrangement, when an individual faces job stress, it causes emotional exhaustion.This in turn leads to depersonalization, which further gives rise to diminished personal accomplishment.

Proposition 1a: Emotional exhaustion arising out of job stress will cause depersonalization.

Proposition 1b: Depersonalization, a cause of emotional exhaustion, will further cause diminished personal accomplishment.

Depersonalization is a stress reaction; it is assumed to be unique to individuals working in human service occupations and is a distinctly new construct which is less explored in the traditional job stress literature (Jackson, Schwab & Schuler, 1986). Cordes and Dougherty (1993) have used the term dehumanization as synonymous to depersonalization, which is marked by the treatment of clients as objects rather than people. In this state, the workers may display a detached and an emotional callousness, and they may be cynical toward co-workers, clients, and the organization. Visible symptoms include the use of derogatory or abstract language, strict compartmentalization of professional lives, intellectualization of the situation, withdrawal through longer breaks or extended conversations with co-workers, and extensive use of jargons(Maslach & Pines, 1977). Thus, depersonalization may minimize potentially intense emotional arousal that could interfere with functioning during crisis situations (Jackson, et al., 1986).

Proposition 2: Depersonalization will be more for employees in service sector as compared to those working in non-service or production sector.

As antecedents to depersonalization, it is reported that in an organizational context role conflict (Jawahar, Stone, & Kisamore, 2007) and perceived role ambiguity for an employee contributes to significant amount of variance in depersonalization (Schwab & Iwanicki, 1982). A study among air-medical health care professionals indicates that, certain workplace stressors namely risk perceptions, worries, and patient-care barriers jointly account for significant variance in depersonalization (Day, Sibley, Scott, Tallon, & Ackroyd-Stolarz, 2009). Political skill and perceived organizational support are found to be negatively related with depersonalization (Jawahar, et al., 2007). Political skill and perceived organizational support were also found to moderate the relationship between perceived role conflict and depersonalization, such that an individual with high political skills and with high perceived organizational support will experience less depersonalization (Jawahar, et al., 2007). On the basis of experimental evidences (Prooijen & Knippenberg, 2000), it was found that personal status affects the extent to which individuals have a depersonalized perception of the self, that is, perceived themselves in terms of their group membership rather than individual characteristics. It was observed that individuals with low personal status displayed more depersonalization than individuals with high personal status. A meta-analytic study indicated that, over-involvement has significant negative correlation with depersonalization (Lee, et al., 2011). A recent work by Le Blanc and colleagues (2008) highlighted the concept of presenteeism, the phenomenon to stay at work even when employee is physically or mentally sick. They demonstrated in a longitudinal analysis that presenteeism leads to depersonalization over time. Depersonalization also develops as a coping response due to some organizational level factors like work overload (Jackson, et al., 1986) and rigid and controlling administrative practices (Savicki & Cooley, 1983).

Proposition 3: Individual and organizational level factors influence depersonalization in an organizational context.

Proposition 3a: Organizational context role conflict, an organizational level factor, will be negatively related with depersonalization.

Proposition 3b: Perceived role ambiguity, an organizational level factor, will be negatively related with depersonalization.

Proposition 3c: Work place stress, an organizational level factor, will be negatively related with depersonalization.

Proposition 3d: Individuals' political skills, an organizational level factor, will be positively related with depersonalization.

Proposition 3e: Perceived organizational support, an organizational level factor, will be positively related with depersonalization.

Proposition 3: Individual's personal status in the organization, an organizational level factor, will be positively related with depersonalization.

Studies also report that, the experience of depersonalization differs due to the nature of job and gender difference (Pretty, McCarthy, & Catano, 1992). They found that women experienced more depersonalization if they were non-managers, whereas men experienced more depersonalization if they were managers. Personal support and organizational support are found to be negatively related to depersonalization (Leiter, 1989). Work experience is also observed as negatively associated with depersonalization (Anderson & Iwanicki, 1984). Psychological strain and helplessness are reported to be associated with higher levels of depersonalization (Lee & Ashforth, 1990).

Proposition 4: Female non-managerial and male managerial level employees experience more depersonalization as compared to their male counterparts.

Job satisfaction (Arabaci, 2010), turnover intentions and reduced commitment are found to be associated as consequences of depersonalization (Firth & Britton, 1989; Halbesleben& Buckley 2004; Lee &Ashforth 1996; Lee, Lim, Yang, & Lee, 2011; Low et al. 2001; Lee, et al., 2011). Absenteeism was positively correlated with depersonalization(Maslach & Jackson, 1981b).

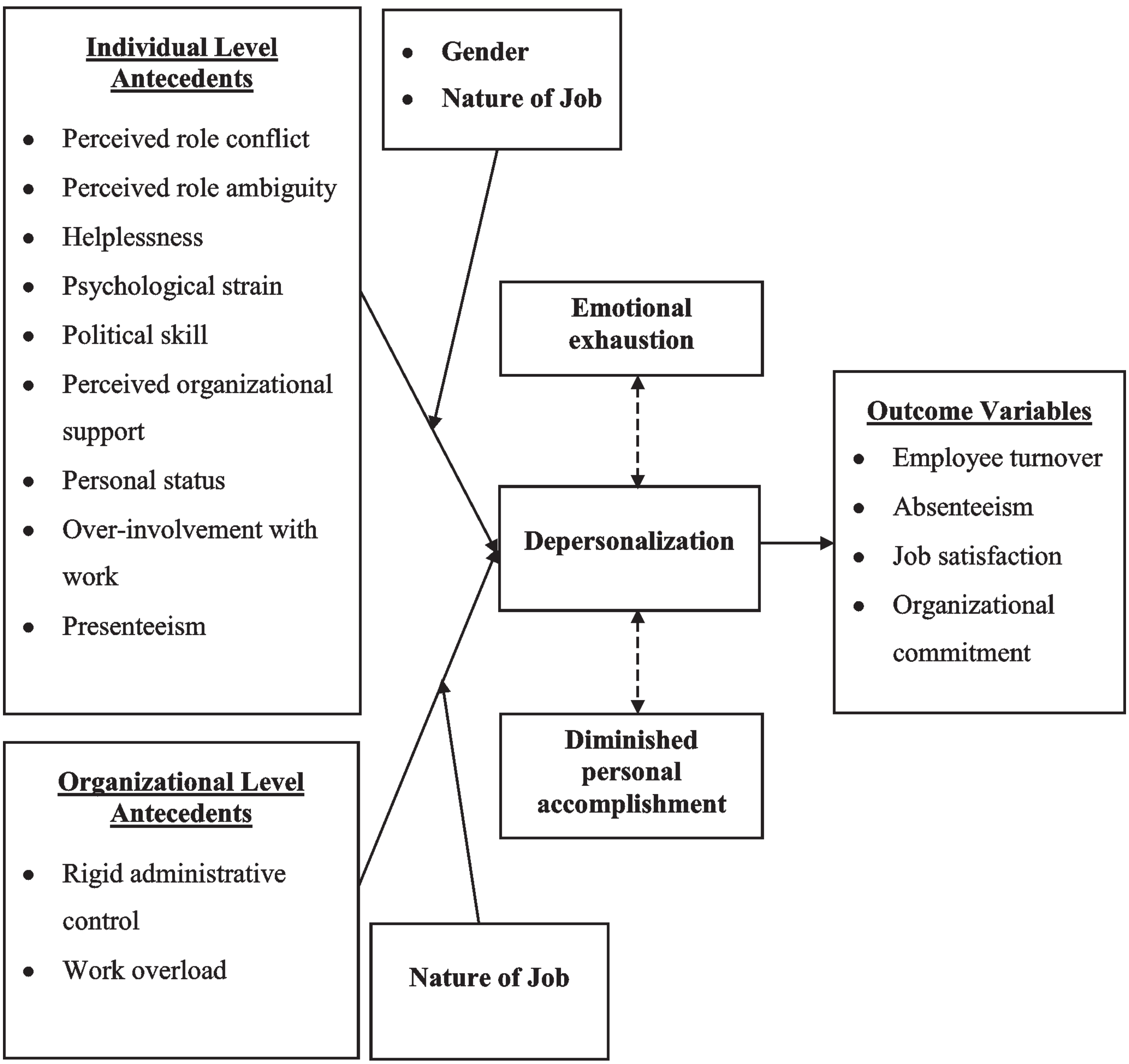
As a consequence of depersonalization, there is a loss of feeling of personal accomplishment (Leiter, 1989). Diestel and Schmidt (2010), on the basis of a longitudinal study suggested that depersonalization might act as a moderator between emotional exhaustion and loss of feeling of personal accomplishment and this relationship needs to be further explored (Diestel & Schmidt, 2010). Job control and team efficacy are found to be moderators in the relationship between job stressors (risk perception, worries, and patient-care barriers) and depersonalization (Day, et al., 2009). Inauthenticity, the most frequent and pervasive form of depersonalization was best predicted by a cognitive style featuring intense, critical examination of self and others. Self-objectification, another form of depersonalization was best predicted by thought disorganization and perceptual disorientation. Four forms of depersonalization, namely, self-objectification, self-negation, derealization, and body detachment were associated with depression (Jacobs & Bovasso, 1992).

On the basis of the above mentioned literature a conceptual model showing the antecedents and consequences of depersonalization is presented (Figure 1). The antecedents are classified into individual level and organizational level variables. The bold lines in the model represent the relationship drawn from the literature and the dotted lines represent a relationship that, although exists , the direction of the same is difficult to be inferred from the literature. The moderators in the relationship between depersonalization and its antecedents are also highlighted in the model.

4. Implications and Conclusion

The primary objective of paper was to examine the nature, antecedents and consequences of depersonalization in the organizational context. Depersonalization connotes an individual's frigid and indifferent attitude towards the job and organization largely (Schaufeli, Salanova, González-romá, & Bakker, 2002). In contrast to positive actions in the organization, depersonalization is labeled as an antisocial and deviant behavior. On basis of a thorough literature survey, this study identifies major organizational antecedents and consequences of depersonalization. This study also calls for future research and we contend that the phenomenon of depersonalization deserves enhanced attention by the organizational researchers; a similar contention has been drawn by other researchers (Hollet-Haudebert, Mulki, & Fournier, 2011). Depersonalization appears to be a prime component of the burnout process and it is conceptually distinct from the other two components, emotional exhaustion and diminished personal accomplishment. Notwithstanding, there exists no clear consensus in the literature about the relationship between the three components; in this direction we identify that, the other two components would be significantly correlated with depersonalization, however, an empirical test of this contention is warranted.

Figure 1. A Conceptual Model Showing Antecedents and Consequences of Depersonalization in an Organizational Context



As stated earlier, depersonalization has a negative influence on employees' performance; further this relation becomes more significant in case of service sector firms because employees form boundary, spanning units who interface with the environment. Also, in the current volatile business environment, teamwork plays a crucial role in success of organizations and individuals thus become dependent on proportionate deliverable from the coworkers as well. This collectively requires that the employees be engaged with the organization and have amicable relationships with their coworkers. Any display of depersonalization will orchestrate detrimental outcomes on the employees' performance effectiveness; such a situation may have manifold influence on the coworkers and therefore on the overall organizational performance. The organization can mitigate and avoid these negativities in the environment by providing absolved guidelines andby reducing role conflict in the work environment.

As one of the most standard interventions to address depersonalization, organizations can act proactively to address job stress. In doing so, organizational structure should be the most basic attribute; further in this endeavor managers can act as significant catalysts. For instance, managers can address this by clarifying the organizational and job roles for their employees'. In a service industry, this becomes even more critical because often there exists a difference between what the employee does on the job and what is expected of him (Hollet-Haudebert, Mulki, &Fournier, 2011), i.e., the deliverables are not clear enough in description. This discrepancy between the delivered and expected deliverables would cause a significant deal of job stress, as the employee might not be able to fulfill the role performance expectations at certain instances. Managers by being specific in their communication of role expectation can play a proactive role to counter job stress, and thereby help to mitigate probable conditionsleading to depersonalization. Similarly employees in service sector also face huge pressure in meeting customer demands and following organizational mandates (Simon, Menguc, &Stefani, 2004). An individual employee might find himself/herself stuck in this dilemma, and therefore may not be able to deliver the needed solution to the customer, even when he or she is capable of the same. In such conditions managers should intervene by providing greater autonomy in decision making, thereby allowing for improved organizational performance and also promoting an environment of mutual trust between the organization and the employee.

This paper also identifies that depersonalization will negatively influence desirable organizational outcomes such as job satisfaction and organizational commitment. These propositions are in line with theory, but, shall require empirical validation.

Depersonalization can be measured in various fashions and researchers have used different methods to measure the construct. Although a developing literature on depersonalization has providedpreliminary clarification of the construct in the network of individual and organizational variables, enhanced research is solicited to build proactive (preventive) measures instead of reactive (curative) measures. This article is an attempt in the direction to provide necessary structural and conceptual clarity to aid in future research efforts.

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Amul's India: Based on 50 Years of Amul Advertising

Rahul Swami

Several Contributors (2012). Amul's India: Based on 50 Years of Amul Advertising, Harper Collins India, Price Rs. 299, Pages 224, ISSN: 9789350291498.

The little girl in polka dotted dress in the much anticipated Amul butter hoardings has been the toast of the nation for over 50 years and the cover photo of the lovable lassie immediately draws the reader towards this book. Based on 50 years of Amul Advertising by DaCunha Communications, the affordable paperback tribute, happily accessible to a large audience, is conceptualized, designed and co-ordinated by DY Works and published by Harper Collins India. In line with Amul ideologies, proceeds from the sale of this book are used to honour deserving Class X and XII students of India under the Amul Vidyashree and Amul Vidyabhushan Award schemes.

Positioned as a "celebration that would be of enormous interest to an observer of contemporary India, be it a brand manager, a management student or a fan of Amul or just somebody who wants a rollicking good time", the book delivers a surprisingly heavy punch. This laudable effort captures many different essences, aspects and viewpoints deeply enmeshed and integrated in the wide scenario of India's fascinating post-independence journey, quirky advertising word, Amul products, gritty corporate details and the adorable little cartoon girl. The title of the book and the cover photo of the pony tail in the all too familiar polka dotted bow clearly signifies what the book intended to deliver originally, a tribute to India's most iconic brand ambassador in the famous Amul campaigns and India through eyes of the moppet. Refreshingly, several celebrities and famous personalities contributed by adding their personal favourites, moments and utterly butterly delicious Amul experiences along with the story behind the birth of Amul and its moppet, and the analysis of the popularity of the campaigns. A brainchild of Alpana Parida, President, DY Works, this book showcases an interesting cornucopia of a long, eventful and sometimes controversial journey of Amul advertising campaigns over the years. It is indeed a worthy tribute because undoubtedly for 50 years India has connected with the cute little Amul girl in polka dots and pony tail as the faithful chronicler and spokesperson of their sentiments as well as face of the most trusted food brand in the country.

The book starts with a foreword from Mr. R.S. Sodhi, Managing Director of Gujarat Co-Operative Milk Marketing Federation Ltd (GCMMF) about Amul, its products and the moppet and an introduction from Ms. Parida about the story behind the book. It speeds up and gets juicier in the next three chapters in which the birth and journey of Amul is chronicled, Dr Kurien's personal thoughts on the popular campaigns are mentioned and the co-creator of Amul butter hoarding, Sylvester DeCunha's own words tell us the story of how the Amul girl and the famous "Utterly Butterly Delicious" tagline came into being. Sylvester DeCunha takes us step by step into this fascinating journey and gives interesting insights into the world of Amul butter hoardings, one of the longest running outdoor campaign in the world. The chapter discusses the DeCunha creative team recognizing the product, the requirement and hunting for an appropriate tagline to highlight its uniqueness. It is followed by the need and importance of an appropriate spokesperson, connecting the tagline with the brand, thus, Amul girl coming to life, deciding on the theme and mode of the campaign, to meeting deadlines of putting up nearly three wildly popular hoardings in one week for 50 years. An impressive story of brilliant partnership and trust between Dr. Kurien and DeCunha Communications, creativity, understanding the pulse of the country and astute representations of the brand qualities, it is a benchmark in the world of advertising.

After the initial introduction to a very complex concept, Mr. Santosh Desai, managing director of Future Brands and the main writer of the book, helpfully breaks down the campaign chronologically, socially and genre wise to help the reader understand the reason as to why the little girl still tugs the heart of every Indian. He points out to the transition and changes in the moppet's much loved witty punch lines at par with the political times and social pace of the country and how from the elite middle class's darling who jibed only in English she evolved into a Hinglish speaking very Indian belle avatar. The guest writers also contribute to the delightful flavor of the book by giving us a peek of the Amul girl's influence to their lives. It was interesting to read about Amitabh Bachchan's hobby of collecting every Amul advertisement showcasing him; Cyrus Broacha's guilty free giveaway about coining the famous line "Lara ne Kya Mara" and Harsha Bhogle's brilliant take on Amul celebrating India along with the viewpoints of Rahul Dravid, Sania Mirza, Rajdeep Sardesai, Milind Deora, Alyque Padamsee, to name a few. Each added his/her own personal touch to the aura of this delightful campaign giving more dimensions in its celebration of Amul products and India. Only firebrand writer Shobha De's "feminist" article seemed discomfortingly non linear with the theme of the adorably naughty," LITTLE "Amul girl who comments "innocently" (which adds to her charm as much emphasized by other writers). Although Amul has always been pro women empowerment by giving preference to female dairy farmers more than their male counterparts and saluting celebrated women across the world as pointed out by the writer, there is a distinct sense of discomfort and confusion about the little pony tailed girl being "one of India's pioneering feminist". Ms. De's viewpoints on Page 88, "Whether she (the Amul girl) was taking a stand on Mayawati or Jayalalitha, the 'voice, was consistently pro-women" and the bit on "Whether these billboards featured.....powerful about being female" on Page 91 might also come across as contradictory to the campaign which spoofed Jayalalitha's jail term on Page 34 of Santosh Desai's piece. She added her own personal flair to the Amul girl story by dedicating the moppet's famous jibes to Nisha DeCunha, co-creator Sylvester DeCunha's wife (another human perspective of the wildly popular icon). Each writer and contributor dedicated their words in revealing different aspects and personal dimensions to the success of the hugely popular Amul campaign. "Amul's India" claiming to be based on 50 years of Amul advertising thus focuses mostly on the success story of the enduring Amul butter campaign with a brief mention by film director Shyam Benegal of Amul baby food revolution and incredibly successful Amul "Manthan" documentaries. It also speaks volumes of the vision and legendary achievements of Dr V Kurien, Operation Flood and the purity of its products and the strong motto of Amul Work Model. A thoroughly interesting read, the main attraction of the book however lies in the pictorial evolution of Amul butter campaigns handpicked from its 50 years of publicity. That is why "Amul's India" is a collector's item, because of the treasure of its best hoardings along with the personal favorites of the contributors generously distributed in its pages.

However apart from the caricatures and interesting anecdotes, the book is too intricate, complex and at times repetitive for a casual reader to grasp easily. As aptly mentioned by Ms Alpana Parida on Page 2," It became obvious that we needed a book that captured many viewpoints" Amul's India indeed encompasses too many ideas. The subject (Amul's India) is historically too vast and too varied to be condensed in a few pages effectively because of its multifaceted nature. A combination of two very complex subjects Amul and India along with the required offshoots of their amalgamation, India's history, social scenario, public interest and advertising, it demands more time, pages and sharper editing. While, only one of the two main topics can prove to be a test of a mature reader's sense of understanding and concentration, the mesh of both along with the off shoots requires serious scholastic interest. Strangely though, this fantastic tribute delivers a rollicking good time, it somehow stands inadequate as a light hearted read or an efficient management/ advertising case study. Alyque Padamsee in his article goes too passionately deep into the nuances of advertising (linking too many other brands) and brand imaging while Shyam Benegal repeats the already mentioned story of Amul's evolution in great details thus somewhere making it tedious. Alpana Parida too delivers a heartfelt yet somewhat repetitive article on the Amul girl's success story by deconstructing it in layers and adding an interesting socio-mythological viewpoint of India's deep symbolic bond with cows and milk products and its association with children, deities and purity. Too many writers, too many topics and too many professional details and viewpoints in 211 pages give the distinct feeling of too many cooks spoiling the broth, especially towards the end of the book.

The finale of the book is however very interesting as it portrays visually "the complex process of creativity" and the homage paid in the Amul campaigns to popular late celebrities all over the globe. Streamlining of events, articles and genres, clearer segregation of topics rather than tumbling into one after another and tidier compilation of the chapters (even the pictorial ones seemed haphazardly scattered among articles thus breaking the attention span) would have helped the reader enjoy the utterly butterly delicious Amul campaign better.

In spite of everything, this book is a collector's item and an apt tribute to the success of Amul and its iconic mouthpiece, India's most endearing as well as enduring moppet. The creative team of Amul India and all its contributors deserve a round of applause for delivering a proper "Toast to the Nation".

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Take up one idea. Make that one idea your life - think of it, dream of it, live on that idea. Let the brain, muscles, nerves, every part of your body, be full of that idea, and just leave every other idea alone. This is the way to success.

– Swami Vivekananda

The Future of Boards

Satheesh Kumar T.N.

Jay W.Lorsch (Ed.) (2012). The Future of Boards. HBR Press, Boston, Price Rs.1250, Pages: 193, ISBN: 9781422183212.

Professor Jay Lorsch, an accomplished expert on board processes and corporate governance, has taken initiative to assemble together an array of luminaries to produce a wonderful book, *The Future of Boards*, on corporate governance and board processes in the changed context of today and argues about how boards will look and behave in future.

The book is a collection of eight well-thought out articles on various subjects related to board processes and governance. In Chapter 1, Lorsch writes about the board room challenges in the backdrop of the financial crisis in the period 2007-09. According to him, the problems of the recent crisis were different from those of 2002 and feels that the failure of corporate governance in the financial crisis had more to do with the growing complexity of companies that boards have to govern now. The important difficulty is that the laws and regulations today require the directors to pass the test of independence which makes it difficult for a director to have a complete understanding of the business. To be conversant with the business, directors have to depend a lot on management, which can frustrate them. His research conducted among directors led to the solution of having lead directors than separating the chair and CEO positions.

Lorsch then discusses the research findings about board's involvement in various activities such as strategy, management succession and development, risk management. He concludes the chapter with the research findings on suggestions for making boards more effective.

The second chapter by Krishna Palepu describes the common frustrations among directors about their insufficient engagement in strategic issues and business risks their companies are facing. He then identifies the challenges or barriers that directors face in the board room in regard to strategy. According to him, the four barriers are (1) lack of role clarity, (2) lack of strategic focus on board agendas, (3) lack of strategic information and (4) dysfunctional boardroom dynamics. Finally he suggests two major steps with four questions to be asked under step 1 and two sub-steps under step 2 to create a framework for board engagement in strategy.

Step1: Understanding Strategy: What does the customer we are targeting need and what is our proposed solution? Who are our competitors and how do we win against them? What do we need to do to make our strategy sustainable? What is the game plan for sustaining our competitive advantage or for strategic renewal? Step 2: Including a strategic information brief in every board book and using the regular board meetings to update on strategic issues.

In chapter three, Joseph L. Bower discusses the challenges boards face in CEO succession. After enumerating the recent research findings on the relationship between management, CEO and the board, he describes the CEO job, how to develop CEO candidates, how a board makes the succession choice etc. He then describes the two possible scenarios, from incumbent to insider and from incumbent to outsider CEO. He explains how Jeff Immelt grew within GE to succeed Jack Welch in 2001. Bower also explains the role of the board in the CEO succession:

1. Understand how much work has to be carried out by the CEO and his top team; when to initiate the process and how to get the entire company focused on leadership development.
2. Help the CEO to focus on the succession challenges.
3. Establish a process to identify a pool of CEO candidates with an emphasis on what Bower calls "inside-outsiders", who have performed well and risen high but have maintained their objectivity - independent minds, high integrity, knowledge about changes needed and familiarity with the organization, its culture, and people.
4. Prune the list to a few best ones.
5. Make the final choice.
6. Manage the transition.

In the next chapter, Lorsch and Rakesh Khurana discuss one of the most important themes of corporate governance today- the executive compensation. The theme assumes importance since a number of observers put the blame on the flawed compensation policies for the recent economic melt-down. The problem is more acute in the US compared to other countries. Lorsch & Khurana present an array of statistics to prove their points. Lorsch and Khurana have chosen to disagree with the premises underlying the remedies suggested by experts like increasing the independence of the directors and compensation committees, increasing the shareholders' rights to express their views on compensation plans, aligning the incentives more closely with owners. The authors identify the complexity of the corporations leading to the emergence of compensation consultants to advise boards on compensation policies, the flawed assumption that monetary rewards are the more important motivating factor for the executives, the fallacious assumption that there exists a market for senior level executives, the agency theory etc., as the contributing reasons. The solution to the problem lies in creating a larger and more public discussion about the purpose of the corporation, and even larger moral and political considerations.

In chapter five Bill George argues that one's perspective about board's governance is strongly influenced by the perspectives developed from the seat occupied by an independent director, chair, chair and CEO, CEO only, chair only, or someone who believes in governance but has never served on a major board.

If one is an independent director, he has to meet the rising expectations, thanks to the new board & governance (since governance related regulations always need not be direct government regulations, governance regulations will be a better word) regulations in most parts of the world. The major challenge for them is to keep themselves fully informed about the company on whose boards they serve while only attending about six to eight board meetings a year or sometimes more frequently if they serve on some committees too. Given such limitations, George suggests four principal areas for independent directors to contribute: Offering sound judgment and asking the right questions to management; Being an advocate of sound board governance; Helping to ensure the effectiveness of the company's leadership team, and its leadership succession plans and Taking on leadership roles in crises.

In a case where there is a separate non-executive chair, the effectiveness of the structure depends on the relationship between the two individuals. If they are not in agreement about the direction of the company, leadership, strategy etc, an unhealthy conflict may emerge which may affect the very direction of the company. At times, the two leaders may engage in a power struggle leading to detrimental effects on the board, management and the company. The dual role of Chair & CEO, according to George, is to avoid any likelihood of conflicts or power struggles within the board room. And George asserts that with the majority independent directors on boards, usually with a designated lead director, there is no chance of any power concentration in the Chair and the CEO.

When former CEOs become chair, there is a likelihood that they may have a tendency to overshadow or even override the CEO. George concludes by giving three observations: There is no one structure that fits all companies. The board should be pragmatic to adopt a structure that works well; CEOs and board members must appreciate that one's perspective comes from one's position; All boards should encourage their CEOs to become independent director in another company to understand the challenges independent directors face.

Chapter six by Katharina Pick and Kenneth Merchant talks about the various negative board-room dynamics or pathologies that can undermine a board's ability to provide effective oversight. The authors discuss six types of inherent tensions in the functioning of boards as a group: 1.The Social-Cohesion tension: The forces that bind a group of individuals together and keep members wanting to be part of the group. Strong social cohesion allows the board to function smoothly, but a risk of greater pressure for members to conform to the majority's point of view. 2. The Dissension tension: The degree to which dissent should be allowed to exist or even be encouraged, which is essential to avoid conformity. 3. The Psychological-Safety tension: The shared belief that the group is a safe place for risk taking, sharing unpopular ideas and admitting errors, not only enables members to speak up, ask questions and admit mistakes but helps to counteract conformity pressures and groupthink, but too much can lead to social loafing. 4. The Collectivist-Feelings tension: Boards need to have a sense of being in a group. But, when collectivist feeling begins to override the need for dissent, the conformity issues may crop up. 5. The Diversity-of-Thought tension: The more diverse the board is, the less likely it is to be highly socially cohesive, leading to less conformity and more dissent. But, risk is less shared information among group members. 6. The Strong Leader tension: The tension related to board leadership. The board leader, chair or lead director, has important roles to play- not only lead the board activities but also create the meeting norms and culture, set the agenda and frame issues appropriately. They must encourage individual directors to contribute, but be firm about timewasters.

When the tensions discussed above are not acknowledged or balanced, eight negative dynamics or pathologies may emerge. These are: (1) Excessive conformity, (2) Negative group conflict, (3) Politicking and dysfunctional coalition formation (4) Habitual routines (5) Shared information bias, (6) Pluralistic ignorance (7) Social loafing and (8) Group polarization. The authors conclude by narrating how to manage the tensions.

In chapter seven, David Nadler puts forth his arguments for a separate chair. The reasons enumerated by him are: (1) The board has a real work to do and that work has to be managed. Separation of the roles enables the chair to fully dedicate to board work. (2) A separate board leader can better manage the performance of the individual directors as s/he is not constrained by factors that a CEO usually is. (3) A separate leader can act as a sounding board for the CEO, enabling the CEO to stay connected without having to deal with the entire board.

(4) The independent board leader can provide an early warning system when something goes off- track. (5) A separate leadership for the board can enable the board to act independently in times of need like an issue involving the CEO arises.

Nadler describes the characteristics of the right person to assume the board leadership: Business acumen, Credibility, Interpersonal skills, Leadership skills, Appropriate motivation and Compatibility with the CEO. Nadler feels that the lead director proposition has more disadvantages than advantages. With the non-executive or executive chair, there may arise an ambiguity about board leadership. Also, lead director has less stature and legitimacy to function externally and may not be able to represent the company.

The last chapter by Raymond Gilmartin, provides arguments in support of a lead director. He feels that there is a need for an independent board leadership especially when the Chair is also the CEO. Gilmartin then discusses the roles and responsibilities of the lead director: develop board agendas with the chair and CEO, advise the chair and CEO on quality, quantity and timeliness of information from management, act as the principal liaison between the independent directors and the chair & CEO, preside executive sessions of the independent directors with chair and CEO not present, communicate the outcomes of the executive sessions to the Chair and theCEO, serve as a spokesperson for the board when Chair and CEO are not present. The author concludes by comparing the Non-executive Chair with lead director, and asserts that the lead director concept is superior to separating the roles of the Chair and CEO.

The book is a wonderful collection of ideas from some of the best minds on the subject of boards and corporate governance. A refreshing change from the conventional approach to corporate governance from the financial implications of corporate governance to the more appropriate behaviours of the board, underscoring the important message: corporate governance can't be reduced to a set of numbers and statistics. And that corporate governance is fundamentally required because the interests or purpose of the corporation has to be protected has been emphasized. Barring a few editing errors (for example, Pick and Merchant talk about nine pathologies but only eight are listed in the book), the book is a must read for everybody interested in boards and good corporate governance.

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TATA Log: Eight Modern Stories from a Timeless Institution

Gunjan Tomer

Harish Bhat (2012). TATA Log- Eight Modern Stories from a Timeless Institution. Penguin Books: India, Price: Rs. 313, Pages 599, ISBN: 9780670086672.

Tata is more than a business group in India. We Indians see them with curiosity, awe and pride. We have ample amount of chronicles recording the transformation of Tata group from a small trading company in Mumbai to a business giant. There are memoirs and stories from the insiders, starting from R M Lala to S Ramadorai. The recent addition to the list is Harish Bhat.

Tata group keeps coming into news for so many reasons be it the launch of Nano, acquisition of brands like Land Rover and Jaguar or the Singur incident. The author has very cautiously avoided retelling of these stories and that makes this book a worth read. I read the book for the sheer admiration for Tata people or Tata Log.

The book will bind your attention and can be read in one go. The author has done a commendable job in collecting the data regarding incidents and the decision making processes. Close recollections from the persons involved and then recording the actual conversation has given this book authenticity and charm.

Through a narrative style this book tells the grand stories about the Tata group in a simple language. These chapters or stories hold value in terms of capturing rich corporate experiences. It has dealt with many critical issues of modern management ranging from new product development to acquisition; from corporate social responsibility to operation management. This book gives a peek into the working of the top business leaders of our times from the eye of a stalwart himself. The explanations are vivid and are full of details which make these stories more interesting. The author has given a hint of the background to every story. His candid writing style with facts and the sequencing of the illustrations of events make these chapters a modern day Panchtantra, which holds learning in each unfolding of the story.

The opening story of the book, which is dedicated to India's first indigenous car-Indica -accounts for the painstaking effort of Tata group in developing their own car. There are many parts, which shows the human side of the Tata group, be it compassion for Indian consumers to develop a bigger sized car or putting an automation system in their assembly line so that their employees need not to bend their backs. There are many such incidents, which reveal that hard work, discipline and empathy are integral part of this large and successful business group.

The second story about Tata chemicals establishes a path that other corporate houses can follow in order to contribute to the society. That is one of its kind to perform corporate social responsibility in a meaningful manner. Tata chemicals have gauged the social issues and tried to uplift the social conditions in their operating region. The efforts were consistent and never faltered by the hurdles such as mistrust and the established norms among people in the group. The most interesting aspect of these stories is that they never provided grants or donated money but empowered the villagers to overcome their problems and march towards the path of growth and development. They acted as enablers, and this is what should be done, helping our citizens to stand on their own feet.

The third story recites the failures of one of the Tata group venture - Tata Finance. The whole episode was triggered by a whistle blower whose identity is still unknown. This chapter is important, not for accepting the mistakes but for the way Tata Finance recovered and how the image of Tata group remained unscathed after the fiasco. The decision of Tata Sons to provide the backing support to all the customers, despite limited legal liability was a critical and remarkable decision. This grand gesture tells a lot about what Tata is made of.

The story of Tanishq gives valuable lessons on how a new product is developed and more importantly how a new brand evolves. The perseverance of Xerxes Desai, which eventually brought success to the new business, is laudable. It also highlights the fact that Tata group extends a great deal of trust on its employees, which is an essential ingredient of these new ventures. All these stories underline the fact that the management team across all Tata companies identifies very closely with the organization and for them the success of their organization translates into their own success. This kind of identification is vital for shared dreams and shared vision which through these stories, Harish Bhat has been successful to express.

The stories of Tetley acquisition and Tata steel demonstrate how Tata group has placed itself on the global business canvas. The fact that Tetley was worth more than thrice Tata Tea makes the deal more astonishing. Again the stories talk about perseverance and long term vision that is shared by all the members of Tata group. Both stories show how respectfully failures are accepted in Tata group and how these failures become the strongest motivator, for example, the Deming award or the case of once failed Tata-Tetley acquisition.

EKA gives the emotion of pride. This is interesting to know how a private business group has invested in something of national importance and won accolades at international level. It was amusing to know how China responded to EKA's performance in global rankings. The possibility that EKA might have triggered the whole supercomputing business in China is equally amusing. The story of EKA also highlights the kind of support Tata Group extends to its employee, in this case US $ 20 million.

The initiative of second careers is worth admiring. The Tata group has taken a ground reality, understood its gravity and then attempted to make a difference. This effort can be emulated by other houses to improve the participation of women members in their corporations. The initiatives of this type , which may not have any positive impact on returns on investment, indicate the commitment of Tata Group to its mission of making a difference even if it is the first dent on the mountain.

Apart from the great narratives, the additional attraction of this book is the limited use of management jargons. The chapters are full of learning that can guide our young managers. It strongly paves the path of honesty and respect for ethics which, the author says, has always been the Tata's way. The way the story of Tata is told, is a living example that fight against corruption can be long and painful but can be won with accolades. The incident of a possible Tata airlines brought down by the ministry demonstrates the infallible trust of Tata group on the righteous path.

All the stories narrated in the book undoubtedly bring out the greatness of the Tata group. The stories sometimes feel idealistic, but that might be the loyalty of the author towards the Tata group. However there are many incidents, which invoke national pride in the readers. I felt the elating emotion while reading the stories of the launch of EKA and the winning of the Deming award. Vivid stories of Okhamandal depict the courage of our fellow citizen, living in the far end of our country. The dreamers of Tupni, the weavers of Okhai and their struggle to achieve, provide the hope that India will have its way soon. The writing style of the author is full of hope, spirit and motivation. The book in its way reinstates faith in India and its potential to become a leading nation in coming years.

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Dare to Do! For New Generation

Aparna Dubey

Kiran Bedi (2012). Dare to Do! For New Generation. Hay House publishers (India) Pvt. Ltd. Price: Rs.299, Pages 257, ISBN: 9789381431436.

"The way of the superior person is threefold -virtuous, they are free from anxieties; wise, they are free from perplexities; and bold, they are free from fear"

- Confucius

Above mentioned quote aptly describes the first woman IPS officer who created history in the realm of Indian Police Service and dauntlessly exhibited these characteristics in every stage of her life through her conviction to do the things right.

This book is a real life story of India's first and highest ranked woman officer in the Indian Police Service-who pioneered a true leadership model of policing which is marked by utmost devotion to duty, innovation, compassion and above all, willpower.

This book presents a wide glance at Kiran's life where she fought off several challenges at various levels: be it professional, personal or political. The book starts with a graphic account of the Republic Day Parade at Rajpath, Delhi in 1975. Kiran Bedi as a young officer led the Delhi Police march past and the narrative, revealing its unabashed adoration of its subject, informs us that Prime Minister Indira Gandhi "virtually jumped out of her seat with a sense of personal pride and joy".

She worked in Delhi, Goa, Mizoram and Chandigarh .Everywhere she implemented her exemplary style of working which was solely guided by her will to do welfare of the citizens with grit and out of the world dauntlessnes a true leader who took everyone along towards the journey of excellence and accomplishment.

In this book, Kiran Bedi enthuses, motivates and inspires today's young generation to clearly frame and achieve their goals and objectives without any fear and without getting carried away by circumstances, however insurmountable they may be. The book through her life story, portrays that the qualities such as honesty, dedication, diligence and commitment to one's profession are vital if one wants to succeed in life. The saga of her entire life depicts the fact that there is no shortcut to success. Her biography (as depicted in this book) shows various phases of her life where she turned challenges into opportunities and narrates how fearlessly she refused to buckle under pressure from some of the most influential people in the corridors of power.

The journey through her challenging life has been unfolded by the author in 38 chapters along with two appendices wherein her acceptance speech of Raman Magsaysay award is quoted and other one showcases her profile.

The first chapter appropriately titled "Never say die: striding forward resolutely" opens with the narration of Republic day parade of year 1975 where the march past by the contingent of Delhi Police was being led by a woman, none other than Kiran Bedi, for the first time in the history of the organization. It also talks of her dare deed of dealing with the protestant Akalis right from the front with courage, sheer guts and with determination at Rajpath Role of family highlighting her parents efforts is elaborately discussed in making of The Kiran Bedi. Her parents were much ahead of the times. Against the preexisting family norms they sent all their four daughters to the best convent schools and encouraged them to participate in sports like tennis for their all-round development despite resistance from the elders in their family. Kiran won many awards and accolades in tennis. Some important lessons she learnt were time management and discipline. She always followed a fixed schedule and never wasted single moment. Being focused and dedicated was something she followed since a tender age.

The second and the third chapters delve into her college life showing how joining NCC instigated her interest in khaki dress. She was completely in-love with her uniform and took all pains to keep it neat and spotless. Also her tremendous urge to utilize every bit of her time to derive maximum benefit has been quoted (through her mother).The chapter ends with letters written by Kiran's mother and father showing their utmost care and support towards her.

Subsequent chapter discusses about Kiran pursuing tennis during her college days and her continuous strive for excellence and ends with a self-explanatory inspiring note by her father sent to her when she performed low in the game. This chapter tries and highlights the role of tennis in teaching her the value of hard work and perseverance and leading the self towards mental and physical fitness.

Her tying the nuptial knot with Brij Bedi is mentioned in chapter four and has shown her unconventional way to solemnize it without any pomp and show or any makeup, a simple yet beautiful approach.

Succeeding chapters cover touchy moments in her life. Some of these moments are being hugged by Mother Teresa, a saintly and godly person; the towing away the car of the then Prime Minister during her tenure as the Traffic In-charge for Asian Games in 1982. Her pain has also been expressed as she was transferred to Goa despite her pleas to remain in Delhi for her ailing daughter just after the completion of the games.

Subsequent chapters explores her novel methods and her initiatives towards the welfare activities like those of curtailing bootlegging which was rampant then in Delhi. Her out-of-the-box approach helped her bring down crime rate. For effective interaction between the Police and the public a new system "beat boxes" was introduced of which she was given the charge.

Chapter nine discusses how she acted with conscience and gave rise to innovative and reformative policing into practice. Such approach helped her to bring down the grave problem of drug abuse. Later chapters talks of her strength in dealing with a serious problem of strike by the lawyer's community against her, insisting on her termination. As a trait she fought them back.

Subsequent chapters acquaint us with her approach toward creating a fearless environment which form the blue print for prison reforms. Before her taking the charge, the condition of the prison (Tihar Jail) was absolutely pathetic, ailing with several problems and was in a complete state of anarchy. Her turnaround strategy for converting a virtual hellhole in to a much talked about jail paid well.

Separate chapters in the book discuss her ways of setting new standards in the management of the jail, correction of mindset of the prisoners through meditation and involving them in various creative activities which helped in restoring compassion and in changing Tihar prison in to a happening place.

One of the chapters is devoted towards describing the rampant corruption functional at the political scene and the unethical use of power by the leaders for their petty selfish interest.

Towards the end, one chapter talks about her feat of getting selected as Cop of the World by United Nations due to her exemplarily innovative and welfare oriented work in the realm of policing. Second last chapter talks about her disappointment at being deprived of post of the Commissioner, Delhi Police .This decision came from the higher authorities due to her transparent approach towards her work without any scope of corruption which made the people then in power feel endangered due to their tip-to-toe involvement in corrupt activities. But it did not stop her as she took voluntary retirement after a good toil and started contributing to welfare and anti-corruption endeavors in her own ways.

These are doubtlessly inspiring stories but sometimes flawed by self-promoting hagiographic approach. They would have been more effective if they had been rendered in a more matter-of-fact tone. This style of writing adds to the white noise of excessive self-regard and sometimes gives rise to ambivalence in the reader about their true worth. Kiran's life and career help us restore a sense of enhanced righteousness in the midst of countless challenges.

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Crisis Economics: A Crash Course in the Future of Finance

Roli Pradhan

Nouriel Roubini, and Stephen Mihm (2011). Crisis Economics: A crash course in the future of finance. Penguin Books Ltd, Price: Rs. 450, Pages 368, ISBN: 9780141045931.

The book by N.Roubini & Stephen Mihm reveals the methods regarding the recent financial crisis that has swayed the globe. They also speak on how this crisis could be put to use in improving future financial market. This book being an unconventional blend of history and economy throws light upon the inherently fragile financial system which is prone to collapse. It says that the economic disaster was probable and predictable but the politicians, policy makers, investors and market watchers had long neglected the facts and the indications of this devastation.

The book shows how we can grapple with the inherent instability of the global financial system, contemplate the pressure points of the system, learn from previous episodes and identify the course of global turndown. Blending economic theories, statistics and mathematical models, the book suggests the trick to counteract the crisis mess and stay out of the mess in future. The book is written in a lucid language. It examines why the recent crisis had hit the economy when it did; it says this crisis was our destiny and not a chance event. It narrates the history of older crises that have happened in the past and the economists who analysed them. It builds further, addressing the roots of the recent crisis. It also reflects the predictable pattern of the crisis. The book ultimately emphasises the reforms in financial system and how to avoid such type of crisis in future.

The first chapter narrates the past economic status of different nations. It talks about speculative bubble like Tulips Holland in 1630s, South Sea Bubble of 1720 and the first Global Financial Crisis of the 1980s. The book says that the crisis was neither the freak event nor the Rare Black Swan, but was commonplace, very easy to foresee and comprehend.

The second chapter ponders over the calm period of low inflation and high growth being termed as "Great Moderation". This is the prime reason that withholds the mainstream economists from talking about this crisis. It names a few renowned and a few less renowned economists who have spoken about the moderate period.

The third chapter explains the deep structural origin of the recent crisis. It has been much in vogue to hold the sub-prime crisis responsible for this economic drain. It highlights the efficacies in the financial systems that were sub-prime from top to bottom and was reliant on decade old trends and policies. The chapter narrates the rise of "Shadow Banking System" being a sprawling collection of non-bank mortgage lenders, hedge funds and other institutions that acted like banks but were never regulated like banks. The chapter introduces the problem of moral hazard adopted by market players for survival. It also introduces issues regarding regulations and corporate governance.

The fourth chapter compares this crisis with those in prior times. It narrates that the 2008 crisis had similarities to events that occurred hundreds of years ago but had been diffused by the governments acting as lenders of last resort.

The fifth chapter shows how and why the crisis went global and how it engulfed different economies such as Germany, Latvia, Ireland, Iceland, Dubai, Japan and Singapore. According to the authors the pandemics originated in United States and further spread to the rest of the world. The countries whose financial system suffered from similar frailties collapsed. This book is different from other writings on financial crisis as it broadens the canvas, showing a globally broadened crisis rather than being a local US crisis. This chapter reveals the myths and truths about global finance, international macro economics and cross-border implications of national monetary and fiscal policies. It also reveals the working of economies during normal and abnormal times.

The sixth chapter talks about how depression and deflation worsen any economic crisis. It throws light on monetary policies adopted by the central banks in the past to counteract the inflicted crisis. These crises have provided useful insights to the banks but the tactics adopted may prove disastrous in the end rather that contribute to controlling the crisis. The same goes with the fiscal policies.

The seventh chapter examines how policy makers used the taxation system to arrest the spread of crisis. This chapter evaluates the future implications of the most radical measures in terms of risk they may create in the long run. The book ponders over the role played by the governments in their attempt to stabilize after the crisis.

Chapter eight provides a state of the art blueprint of financial architecture to provide stability and enhance transparency in the system.

Chapter nine adds the long term reforms necessary for stabilizing the international financial system, the effective coordination among central banks binding regulation and supervision of commercial and investment banks, insurance companies, hedge funds, and derivatives. This chapter provides effective measures for the control of financial institutions and to reduce the popping up of asset bubbles. The capital and required liquidity of financial institutions is also discussed. Policy measures to reduce problems of moral hazards and to regulate fiscal costs of bailing out financial firms are suggested.

The tenth chapter proposes how to tackle serious imbalances in the global economy and suggest radical reforms of international monetary and financial order to prevent this type of crisis in future. It talks about reasons that have devastated the market economies over the last two decades. It narrates why only certain economies have survived and the rest have crashed. It raises issues like: How the current account imbalances have added to the financial block, What are the possible measures to resolve these issues, Is there any policy plan to restore the US dollar crash by global reserve currency, Whether IMF plays a role in global monetary decisions and Is it the lender of the last resort?

The book recognises the role played by the economic blocs to reform the finances. It argues that increasingly the powerful nations will profoundly shape the global financial system.

The concluding section keeps a close watch on the dangers that can possibly hit the world economy. The crisis has now ended but still the pitfalls and risks are large. The questions, will the global economy recover from the pitfalls or would the risks further engulf the economy, have been dealt with in the book. How would the governments deal with the debts? How would the public and private enterprises fight the debts? How would the increasing deflation affect the economies? Will the intervention of government be enhanced in the economies, would this contribute to economic upliftment? It looks forward on prospects that would help nations survive and thrive and not struggle and collapse.

The final chapters outline certain issues like: Effect of globalization on future crisis, Strategies to resolve global imbalances, Reformation of global capitalism. This book contributes to the resolution of restoration that has a reformed capital base. It suggests market oriented reforms that would not only liberate the endemic poverty but also stabilize the economy. The book offers a road map that guides the nations to stay away from financial crisis.

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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 Author(s) Profile should be approximately of 100 words and should include the name and professional biography.
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