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## MSMS RESEARCH REVIEW

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## *Message from Founder Secretary*

*The newly emerging changes in the business environment are fast & far reaching in a highly competitive market. Globalization is the new mantra of business. Management education has grown in a phenomenal way in the last two decades. The research in this field has to be geared up so that erudition can make good impact on the education. The culture of research has to be generated and nurtured.*

*The National Knowledge Commission (2007) has recommended that India should invest in higher education heavily to be able to meet the knowledge challenges of 21<sup>st</sup> century. Mehta Committee Report 2009 has expressed the need for quality research in technical education including research in management. It is in this context; Matrix School of Management studies will harness individual strengths, chisel & channelize the potential of the researchers to match the current research needs and to leverage the knowledge. Research thrives in a climate of open debate and sharing and generating of ideas. It needs forum to express and contribute the ideas.*

*With this clear objective in mind we have started this "MSMS RESEARCH REVIEW" to expand the horizons of the knowledge. We want to enrich the readers with the updated information in the field of Management. Research is the essence of higher education. Discerning research in management can lead to better understanding of the dynamics of business, helping it to improve the functioning of managers and so can benefit the organization.*

***Dr. (Mrs.) Shilpa R. Kulkarni***

## *From the Desk of the Editor*



*I am indeed delighted to present the Vol-III, Issue-1, February 2014 – January 2015 ISSN-2277-4548 of the 'MSMS Research Review'. This current edition is exclusively dedicated to the creative minds of the researchers in putting forth their research contributions in an holistic way so that it enlightens the minds of the readers and the contents of this research journal satisfies their thirst for updated knowledge in different domains.*

*Research offers us a methodical system for questioning our established way of thinking and doing things. It places the question in a verifiable format and takes that question beyond the limitations of a single person's prejudices. I am sure the multi-dimensional thoughts expressed through research contributions in this edition will definitely be a readers delight to cherish these thoughts for a long time.*

*I am highly optimistic about our future research endeavors through this yearly 'MSMS Research Review' Journal, which would be adding a strong research platform into our present academic operations.*

*I am really grateful to our editorial team, for shaping up this edition of 'MSMS-Research Review' which is a strong dynamic platform to all research scholars. I expect in the future value added contributions in the form of research articles, book-reviews, case studies by academicians and practioners. I hope all the readers and researchers will appreciate this edition of our Journal.*

**Prof. (Dr.) Satish S. Ubale**  
**Editor**  
MSMS Research Review

**MSMS RESEARCH REVIEW**  
**Vol-III, Issue- 1, Feb 2014 – Jan 2015**

**INDEX OF RESEARCH PAPERS**

SR. NO.	TITLE	PAGE NO.
1.	<b>Power Sector Reforms in Gujarat State</b> ..... Dr. P.N. Shende ( <i>BMCC, Pune.</i> ) & Samita Kher, ( <i>SIOM, Vadgaon (Bk), Pune.</i> )	1
2.	<b>The Influence of Knowledge Management on Organizational Performance</b> .....Dr. Sharad T. Patil ( <i>Dr. D Y Patil School of Management, Lohegaon, Pune.</i> )	16
3.	<b>Mobile Public Library Services in Pimpri-Chinchwad Area</b> .....Mr. Sanjay Kumbhar, ( <i>Matrix School of Management Studies, Ambegaon (Bk), Pune.</i> )	24
4.	<b>A Report on Social Media an Important Key to The Future of Marketing</b> ..... Neeta Deepak Narang, ( <i>Branch Manager HDFC LTD, Nashik.</i> )	36
5.	<b>Organisational Politics and it's Behavioral Impact On Impression Management and Defensive Behaviour</b> .....Dr. E.B. Khedkar, ( <i>Dean Faculty of Management &amp; Director, Dr. D Y Patil School of Management &amp; MCA, Lohegaon, Pune.</i> ) & Dr. O.P. Halder, ( <i>Dr. D Y Patil School of Management, Lohegaon, Pune.</i> )	46
6.	<b>Supply Chain – A Success Mantra</b> .....Dr. Satish Ubale, ( <i>Director, Matrix School of Management Studies, Ambegaon (Bk), Pune.</i> )	57
7.	<b>Innovative Entrepreneurship – Catalyst for A Successful Turn Around in Small Scale Industries</b> .....Deepali Choudaki, ( <i>Modern college of Engineering; MBA. Department, Pune.</i> )	64
8.	<b>Foreign Direct Investment in Retail Market in India: Challenges and Issues</b> .....Maheshkumar Shankar Kedar, ( <i>SIOM Research Center, Vadgaon, Pune.</i> )	69
9.	<b>Major Issues of Cement Industry</b> .....Nagesh S. Magar, ( <i>Dattakala Group of Institutions, Faculty of Management. A/P- Swami Chincholi, Tal-Daund, Dist-Pune.</i> ) & Dr. Joe Lopez, ( <i>Matrix School Of Management Studies, Ambegaon (Bk), Pune.</i> )	80
10.	<b>Reverse Logistics: A review paper to understand the basics of reverse logistics</b> .....Rita Dangre, ( <i>Indira Institute of Management, Wakad, Pune.</i> )	97

## “Power Sector Reforms in Gujarat State”

Dr. P. N. Shende<sup>1</sup> Samita Kher<sup>2</sup>

### Abstract:

Electricity plays a very important role in economic and social life today. Energy development in India has been dominated by public investment and management since independence in 1947. Restructuring in the electricity supply industry (ESI) broadly involves the process of vertical separation of generation, transmission and distribution functions into separate entities. Government of India has designed an energy policy to guarantee sufficient power supply in the country at the least cost, while preserving the environment. The primary reasons for electricity sector reform has however, been different for industrialized and developing countries. The Electricity Supply Act has thrown up enormous challenges for the SEBs (State Electricity Boards) that will have to address its internal weaknesses in order to compete with the private players in generation and distribution. The objective of this paper is to study and identify various factors leading to power sector reform in developing countries. Gujarat State Electricity Board is considered as a case study to identify the various factors. The Gujarat Electricity Board (GEB) is one of the better performers as compared to other State Electricity Boards (CRISIL, 2003). In spite of these achievements the state of Gujarat has been facing shortage of electricity and the financial condition of the SEB is poor (Ministry of Power, 2002). The Gujarat government on 27<sup>th</sup> August, 2003 announced its decision to reorganize the GEB into separate generation (Genco), transmission (Transco) and distribution (Discom) companies by September, 2003.

**Keywords:** *Power Sector, Power Sector Reforms, Gujarat Electricity Board, Generation, Transmission, Distribution.*

### Introduction:

Electricity is a fundamental form of energy observable in positive and negative forms that occurs naturally (as in lighting) or is produced (as in a generator) and that is expressed in terms of the movement and interaction of electrons (Webster Dictionary). Infrastructure such as Power, Transport, Irrigation/Drinking Water, alone do not indicate success in terms of loss reduction or efficiency. Throughout the reforms the role of the state did not diminish significantly. The performance in some Communication *etc.*, requires large investments and are characterized by long

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gestation period. Traditionally these sectors were public sector monopolies as the long gestation period and low returns on account of being public utilities (Theodore Panayotou 1998).

Electric energy production in India commenced at the end of the 19<sup>th</sup> century with the commissioning of electricity supply in Darjeeling during 1897 (Manoj Kumar Kesharwani, 2006). In the pre-independence era, the power supply was mainly in the hands of private sector and was restricted to the urban areas. After independence, the Government of India felt the need for restructuring electricity supply industry with a view to rationalize its growth all over the country (Navani J. P. and Sapre Sonal 2011).

Therefore, Electricity Supply Act was enacted in 1948, with the formation of State Electricity Boards in various parts of the country in the early 50s and with the advent of the five year plans, a significant step was taken in bringing about systematic growth of power supply (Hansen Joshi Christopher 2008). Under the Industrial Policy Resolutions of 1948 and 1956, Electricity Industry was reserved for public sector.

Electricity Boards could not generate adequate resources to sustain the development and growth in the power sector owing to inadequate tariffs, inefficiently in production, transmission and distribution and sometimes populist concerns for certain categories of consumers such as agriculture and water works, *etc.*, arising from political pressures (Planning Commission 1991).

SEBs (State Electricity Boards) has been in existence for over 40 to 50 years, and have had several achievements to their credit. However, on the whole, SEBs had become unviable and unprofitable, with heavy accumulated losses and liabilities. They were blamed for poor service delivery, mainly due to inefficient planning and sluggish execution of capital works, inadequate maintenance, low generation [low Plant Load Factor (PLF)], high Transmission and Distribution (T&D) Losses, erratic supply to consumers, and perennial financial losses (Pant K. C. 2006).

The Indian Power system has undergone widespread reform since 1991. Initial attempts at increasing capacity without reforming the underlying SEB structure proved to be insufficient, necessitating reforms to disassemble the SEBs and empower Independent Regulators. The states were given free rein to choose their modes of reform with some choosing to privatize distribution, some simply unbundling the SEBs. There has been a large variation in the performance of the states and reforms

states and segments of the power system improved from transparency and rationalization of charge and incentives only. performance in some states and segments of the power system improved from transparency and rationalization of charge and incentives only.

### **Chronology of Electricity Sector Reforms in India:**

- **1991:** Electricity Laws (Amendment) Act allows private sector participation in generation with foreign investors allowed 100% ownership.
- **1992-97:** Eight projects given “Fast track” approval status and sovereign guarantees by the central government.
- **1995:** Orissa Electricity Reform Act established the Orissa Electricity Regulatory Commission and provided for unbundling of Orissa States Electricity Boards.
- **1996:** World Bank support for Orissa Power Sector restructuring project approved.
- **1996:** Chief Ministers, Conference formulated a common minimum action plan for electricity.
- **1997:** World Bank Haryana Power Sector Restructuring Project Approved and Haryana state government passes the Haryana Electricity Reform Act.
- **1998:** Electricity Regulatory Commission ordinance notification provides for establishment of Central Electricity Regulatory Commission and State –Level electricity.
- **1999- 2001:** Andhra Pradesh, Karnataka and Uttar Pradesh proceeds with preparation of Electricity Reform Acts. The World Bank prepares and approves projects supporting reform in each of these states.
- **2001:** Energy Conservation Bill passed by Parliament. Accelerated Power Development and reform program came in force.
- **2000-02:** Draft central government electricity bill prepared and introduced in Parliament
- **2002-03:** Benefits of Mega Power policy extended; restructuring and privatization of Delhi Vidyut Board (DVB)
- **2003:** Electricity Act 2003: De-Licensing thermal generation and to allow open access to user in a competitive era.

The enactment of the Electricity Act, 2003 (EA, 2003) was a milestone in the development of the power sector, and aims at, *inter-alia*, supply of electricity to all citizens at reasonable tariff, provision of transparent subsidies, establishment of Electricity Regulatory Commissions and Appellate Tribunal, and promotion of policies conducive to the growth of the electricity sector. The EA, 2003 has, in particular, made ‘restructuring’ of SEBs, on functional basis, mandatory.

### **Case of Gujarat:**

Gujarat Electricity Board (GEB) was established along with the formation of Gujarat State in the year 1960 under Section 5 of the Electricity (Supply) Act 1948. The Government of Gujarat (GoG), thoughtfully provoked by the Electricity Act of 2003, was in the process of unbundling and corporatization of the GEB along with putting in place a swing of reforms to bring down the Aggregate Technical and Commercial (AT&C) losses. The GoG formulated the Gujarat Electricity Industry (Reorganization & Regulation) Act, 2003 which resulted into the split of GEB into four Aggregate



Technical and Commercial (AT&C) losses. The GoG formulated the Gujarat Electricity Industry (Reorganization & Regulation) Act, 2003 which resulted into the split of GEB into four regional power generation companies, four regional distribution companies, one transmission company and one parent company. The GEB acquired corporate status and was renamed as Gujarat Urja Vikas Nigam Ltd (GUVNL). The entity focuses on generation, transmission and equitable distribution of power to achieve an all-round economic growth of the state. Another entity, Gujarat State Electricity Corporation (GSECL) was incorporated to look into power generation projects. Simultaneously, The Gujarat Energy Transmission Corporation (GETCO) was incorporated to look after transmission. Finally, the GoG incorporated four distribution companies for four different geographical regions of the state. For regions of north Gujarat, it formed Uttar Gujarat Vij Nigam (UGVNL). Likewise, it formed Madhya Gujarat Vij Nigam (MGVNL), Dakshin Gujarat Vij Nigam (DGVNL) and Paschim Gujarat Vij Nigam (PGVNL) for conducting the functional distribution of electricity in Central Gujarat, South Gujarat, and West Gujarat respectively.

#### **Objectives:**

1. To study the pattern of growth of GEB.
2. To find out whether reforms have led to positive growth.

#### **Relevant Literature:**

Bajaj H. L and Sharma D (2006) has assessed the Power sector reforms in India were initiated in the face of mounting commercial losses due to poor fiscal health of State Utilities, endemic capacity and energy shortages and increasing subsidy burden on the states. Investment in the sector was falling far short of demand in power supply. The Government of India, in 1991 embarked upon an ambitious program for reforming the sector with the prime objective of transforming the electricity industry into an efficient enterprise. This paper analyses the pre-reform era and identifies the key concerns which led to the initiation of the reform process. The paper delineates the major policy and regulatory initiatives that have been undertaken since 1991 including the provisions of the new enactment which has come into force in the form

of the Electricity Act, 2003 and seek a paradigm shift. Several key elements of the reform program have been implemented by the various states, with varying degree of success, during the period 1991-2005. This paper reviews the performance of the Indian power sector in the last one and half decade since the reforms had been initiated, while undergoing restructuring. The study also examines how far the reform process during this period has been effective in realizing its set objectives and benefited the development of the power sector and the nation at large. The paper

briefly discusses the issue involved in introduction of competition in the power sector primarily through development of a market for bulk power.

Kharparde S. A (2004) has discussed the need for restructuring the power sector was felt due to the scarcity of financial resources available with Central and State Governments, and necessity of improving the technical and commercial efficiency. Electricity Act 2003 has come into force from June 2003. As the act allows third party sales, it introduces the concept of trading bulk electricity. The act also provides open access to transmission as well as distribution of electricity. Some of the important issues addressed by this Act and their impact on power system restructuring are discussed in this paper.

Lahiri S. P, Sinha R. N, Chowdhury A, Chowdhury S. (2010) study the comprehensive change happening in Indian electricity market and power industries through a reformation process to cope with the market change after the enactment of Electricity Act '2003. In the post Electricity Act'2003 scenario restructuring & reformation is happening very fast by unbundling the power Utility by formation different business units like GENCO (Generation Company), TRANSCO (Transmission Company), & DISCOM (distribution company) to improve the overall efficiency of the Utility. Further to minimize the Aggregated Technical & Commercial (AT & C) losses, privatization of power distribution utility (DISCOM) is going on. Privatization is portrayed as means of improving efficiency and bringing in funds for investment. However, governments often have to go to considerable lengths to attract investors. Such measures include assuming the debt of the enterprise, avoiding unbundling of the sector and increasing prices. Despite privatization, governments still have responsibility for the provision of stable and affordable electricity. Hence after privatization there is a need for further support from the government to subsidize electricity prices and in some. Alternatively, governments may also restrict the create problem as firms may be unhappy to see their profits are squeezed. However, whatever measures are used, private firms should start disconnecting non-payers quickly, with presumably social implications. While privatization may deliver in the short term by reducing leakages and providing more effective billing, the longer-term implications are less clear. Possibly inefficient public sector enterprises may be replaced with powerful private sector concerns, accountable to shareholders with no democratic responsibility in the country where they are delivering this essential resource. This is particularly significant in India where the institutional infrastructure is such that regulation is weak. Rather than blindly- - privatizing, policy makers need to relegate privatization to its proper place of just one of a number of policy reform options - and one that comes at a substantial cost.

Rahi O. P, Thakur H. K, Chandel A. K (2008) has analyzed that the country's development is measured in terms of per capita consumption of electricity which in turn depends on electricity generated. In India per capita energy consumption is quite low and for the year 2007 it was only a meager 665 KWH per annum in comparison to about 12000 KWh for USA and 34000 in Norway, which indicates fairly low level of industrialization in the country. The peak power shortage of 16.6% and average energy shortage of 9.8 % has been plaguing Indian power sector for 2007-08. As a result, regulators, worldwide are now implementing new regulatory schemes and organizational reforms in an effort to improve the incentives for efficient operation of electricity utilities. All these reforms are consistent with the view that competition should be introduced into the electricity supply industry, wherever, it is technologically feasible and India is not exception to these reforms. In this paper, a case study of Himachal Pradesh, which is a hilly state with difficult terrains in the Northern Part of India has been carried out. This state has distinction of achieving 100% electrification way back in 1989 and rapid load growth. With enactment of Electricity Act 2003, there has been tremendous improvement in power sector of this state. There is significant improvement in the areas of transmission and distribution, tariff rationalization and in availability of power supply.

Thakur T. (2006) research paper presents a framework for carrying out the productivity analysis of State Electricity boards (SEBs), which have been mainly responsible for the generation, distribution and transmission of electricity in India. Productivity performances of twenty-six utilities was evaluated using Malmquist index for the time period 1996-2002. The results indicate positive productivity growths for SEBs, while also exhibiting the fact that these utilities are inefficient in operation and can be significantly improved.

Sakri, S.G and Nagabhushan Khaparde (2006), discusses how India initiated the power sector reforms in 1991. It began with the participation of the private investors' in generation, and then focused on the unbundling of vertically integrated utilities. The Regulatory Commissions were formed in 1998 and the Electricity Act 2003 was enacted to accelerate the reforms. In states, the reforms were initiated in November 2003. The Karnataka state started reforming its power sector in 1999, with passing of the Karnataka Electricity Reforms Act. After the unbundling of the State Electricity Board (SEB) and formation of the Karnataka Electricity Regulatory Commission (KERC), the state is pursuing Accelerated Power Development and Reform Programme (APDRP). In this paper various activities of the power sector reforms in Karnataka are discussed.

Krishna Rao and Miller M. V. (1999) studies that the deregulation of the power sector has ended monopoly of utilities and introduced a competitive environment, forcing the utilities to look for ways and means to improve their revenues. In order to achieve

revenue improvement, it is essential to measure the energy consumed accurately, render bills quickly and collect the amount promptly. The universal problem faced by all the utilities across the world in ensuring the correct measurement of energy consumed is the commercial losses. The problem is more acute in developing countries where the commercial losses vary from 10-40%. The commercial losses are attributed to intentional act of unscrupulous persons indulging in pilferage, defective metering, wrong meter reading, unmetered supply and malpractice in usage of energy. The meter being the equipment for measuring the energy consumed, is the target for tampering. There are several ways and methods in which it can be deliberately tampered or damaged. The most effective way to curb commercial losses is to use intelligent/smart electronic meters, which makes theft of energy more difficult and easily detectable. Another measure for improvement of revenues, which deserves attention, is reduction of time lag between delivery of energy and rendering of bills and also between the issue of bills and collection of amounts. Andhra Pradesh State Electricity Board (APSEB) in India has undertaken several innovative steps for revenue improvement using intelligent metering systems. This paper presents the techniques used and implemented by APSEB to generate additional revenues.

Yadav Kumar, Padhy Vinod and Gupta N. P (2010) has discussed the structure of power sector all-round the world is changing from regulated to deregulated environment to enhance the technical efficiency and financial viability through private sector participation thereby increasing competition. Asian developing countries are also motivated by the restructuring process and India is no exception to it. The Indian power sector has undergone significant changes since 1990 by opening gateway for the independent power producers (IPPs). This paper discusses the major policy and regulatory changes occurred since 1991 in chronological order in section III. Technical and economical performance of the power sector has been compared in relation to the pre and post electricity Act, 2003. In continuation, Malmquist Productivity Index is employed to determine productivity change for the period 1999–2005. The procedure adopted and the results are explained in details in section VI. The results of Malmquist Productivity will help to investigate the productivity change attributed by technological aspects.

### **Research Methodology**

The study is based on secondary data. The secondary data was obtained from corporate office and sub-divisional offices of Gujarat Electricity Board, Power Management Institute, NTPC Ltd (National Thermal Power Corporation Ltd), Central Electricity Authority. Apart from this several published journals viz., TERI (The Energy and Research Institute), Energy watch, Powerline, ADB (Asian Development Bank) Review, Economic and Political Weekly were referred. Annual Average Growth was used to study the pattern of growth of related parameters.

The major indicators of pattern of growth studied in this paper are:

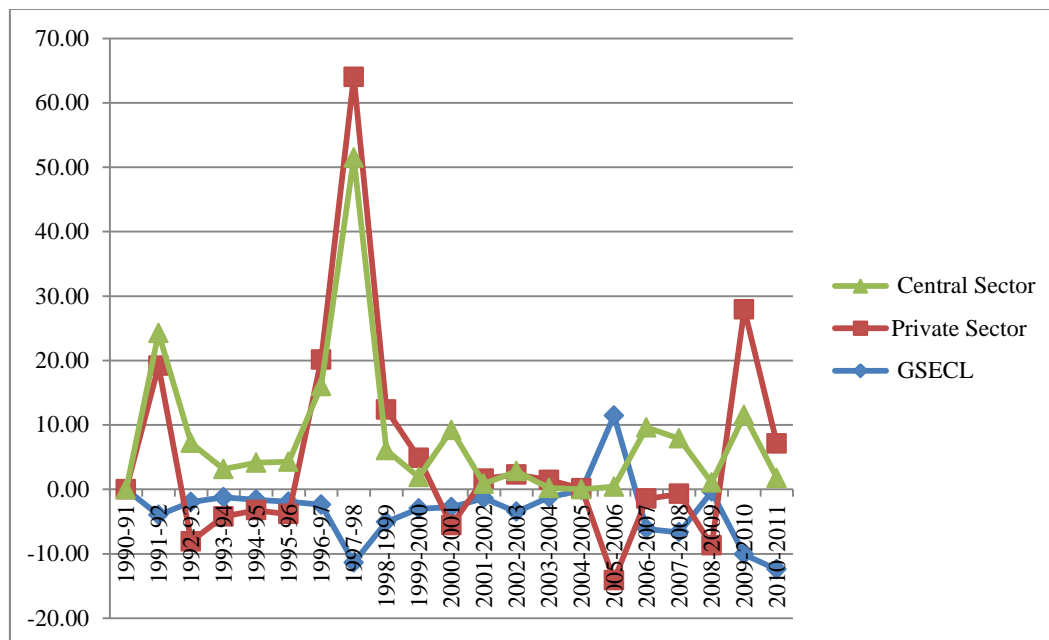
1. Installed Generating Capacity
2. Generation of Electricity
3. Electricity Sales to various consumer categories
4. Transmission and Distribution Losses

### **1. Installed Generating Capacity**

The installed capacity of a power system is the total nominal active power of all the system's station generators (the same definition is applicable to the installed capacity of all the electric power stations in a given country). The total installed capacity of the State as on March, 2011 was 13134 MW (comprising of 4996 MW by Gujarat State Electricity Corporation Ltd. (GSECL), 5318 MW by Private Sector and 2820 MW by Central Sector Share). While as on October, 2011, it has touched to 13314 MW (comprising of 4996 MW by Gujarat State Electricity Corporation Ltd. (GSECL), 5318 MW by Private Sector and 3000 MW by Central Sector Share). The majority of installed capacity caters to Hydro and Steam of GSECL. The private sector with majority installed capacity is Torrent Power, GIPCL and ESSAR. Other private sectors are GPEC, GSEG, Adani, GMDC Akrimote and SUGEN. The State Government launched Asia's first solar energy park to generate 500 MW power from the non-conventional source in Patan district of the State. Located at the northern periphery of the Little Rann of Kachchh at the borders of Patan and Kachchh districts, the Gujarat Solar Park would finally be spread over 2,000 hectares in the arid region which gets at least 300 sunny days in a year.

The average growth rate of Installed generating capacity of Gujarat Electricity Board is shown in the figure:1 below:

**Figure: 1 Installed Generating Capacity**



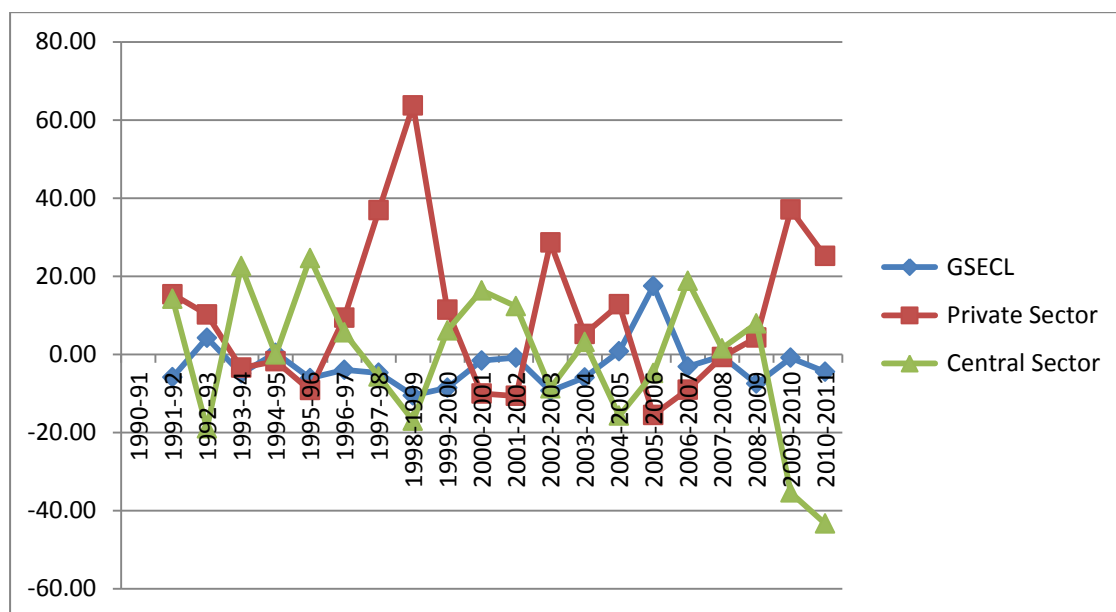
The figure: 1 depicts that the average growth of installed generating capacity has been negative for GSECL pre and post reforms. After power sector reforms the installed generating capacity of private sector and central sector has improved. In the early 1990s i.e the first phase of reforms focused on private generation. It yielded electricity form private plants. The Electricity Act 2003 aimed at changing fundamentally the power system through greater competitive participation. So the role of state and centre has reduced. The state and centre has started unloading the burden of installed generating capacity on private players. Private sector propels Gujarat into power hub with increase in power generation capacity.

**2. Generation of Electricity:**

The process of producing electric energy or the amount of electric energy produced by transforming other forms of energy into electrical energy; commonly expressed in kilowatt-hours (kWh) or megawatt-hours (MWh). The total Generation of Electricity in the State including GSECL (27762 MUs), Private sector (35785 MUs) and Central sector share (7709 MUs) was 71256 MUs in the year 2010-11 as against 69883 MUs generated in the previous year i.e. 2009-10. The total electricity generated in the year 2011-12 (upto October-2011) works out to 44937 MUs. The Figure: 2 shows the average growth rate of generation of electricity by GSECL, private sector and central

sector. Due to private participation in power sector in early 1990s the installed generating capacity had increased due to private sector participation, so is the generation of electricity has increased in private sector. Post unbundling the growth rate was higher in private sector. GEB's dependency has increased on private sector compared to central sector as shown in the figure 2.

**Figure: 2 Generation of Electricity**



The policy statements on the Captive Power Policy (CPP) for the own use and Independent Power Projects (IPP) for the suppliers to the grid showed eagerness of the state government for private sector participation by providing guarantees against demand risks & losses. The policy succeeded in attracting several IPPs to produce and sell power to GEB, but failed to make them cost efficient. As a result, (1) within a period of only three years 2,300 MW additional power generation capacity was installed in the state out of the target of 5,000 MW in ten years and Gujarat did not experience any major power-cut in the last 4 years; (2) Gujarat, which used to face severe shortage of power, experienced marginal oversupply of electric power in 1999 and the state government introduced the *Tatkal Yojana* with high registration fees for new agricultural connections; (3) GEB's financial situation started deteriorating seriously because it had to buy power at relatively high prices from IPPs and it could not force tariff revisions nor remove inefficiencies in terms of transmission and distribution (T&D) losses which were of the order of 34%. This led to formation of the independent regulatory body in February 2000 called Gujarat Electricity Regulatory Commission (GERC). GEB is now required to take prior approval of GERC for any

new Power Purchase Agreements (PPA) and IPPs have also to refer their expansion plans to GERC.

### 3. Electricity Sales to various consumer categories:

Electricity is sold to following categories of consumers: Domestic (i.e residential), Commercial, Industries (includes High-tension and Low -tension), Public Lighting, Agriculture, Public water works, Railway traction and others which includes defence or armed forces.

The total consumption of electricity during the year 2010-11 was 58670 MUs as against 55005 MUs in the previous year i.e. 2009- 10 (including Torrent Power Ltd.). The highest consumption was reported 23415 MUs (39.91%) by industrial use, followed by 13285 MUs (22.65%) by agricultural use, 9353 MUs (15.94%) by domestic use, 5993 MUs (10.22%) by other uses and 4412 MUs (7.52%) by commercial use. The average growth rate of electricity sales has been highest in Public lighting in mid 1990s. Which was followed by domestic, commercial and other consumption. The average growth rate of electricity consumption has been growing consistently as shown in the table-1.

**Table: 1 Electricity Sales to Consumers Categories**

Year	Domestic	Commercial	Industrial	Lighting	Agriculture	Public Water Works	Railway Traction	Others
1990-91	--	--	--	--	--	--	--	--
1991-92	-2.32	-3.88	-11.21	-14.24	8.52	-16.24	0	8.26
1992-93	-0.70	-0.37	-5.74	-1.08	3.41	-9.23	0	3.32
1993-94	-0.37	5.25	0.51	-8.55	-0.30	-11.89	0	-0.26
1994-95	34.36	31.63	34.12	26.78	20.68	329.51	0	-75.45
1995-96	-0.85	-1.77	-4.70	-7.99	5.49	-3.33	-3.14	3.00
1996-97	1.07	1.09	2.90	-0.88	-3.80	2.84	0.73	1.59
1997-98	2.22	3.08	-4.17	2.86	2.01	2.12	-3.21	7.56
1998-1999	3.85	3.32	-6.60	-1.87	5.76	4.74	-3.09	-2.26
1999-2000	-2.55	-1.38	-13.67	2.12	13.71	1.92	-2.77	-2.32
2000-2001	6.07	7.00	-5.96	9.80	2.22	6.39	-0.40	-2.83
2001-2002	-2.82	-1.43	-1.32	-4.92	-0.04	-1.19	4.57	10.16
2002-2003	8.37	8.80	12.09	5.98	-15.11	15.03	3.53	21.57
2003-2004	10.60	13.09	4.37	0.97	-11.08	4.38	1.83	9.14
2004-2005	8.09	10.14	8.63	4.52	-15.02	4.85	12.67	3.92
2005-2006	-1.99	-0.21	-3.70	-4.19	-4.33	-3.91	-5.76	26.64
2006-2007	-7.04	-5.39	-0.60	-10.17	-13.22	-11.54	-13.52	38.47
2007-2008	0.64	26.68	3.46	-4.52	-12.73	-0.52	-2.31	2.91

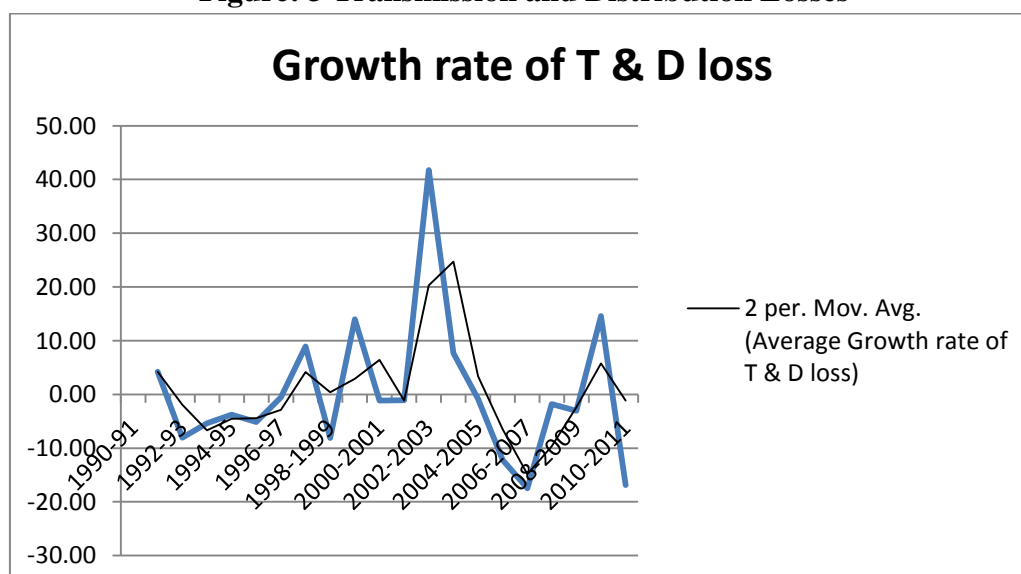


2008-2009	5.09	7.91	-0.69	2.11	0.65	2.21	1.86	-5.37
2009-2010	8.09	11.09	9.43	8.26	10.52	12.03	7.73	-39.38
2010-2011	4.81	5.39	3.42	-3.33	-2.89	0.51	-3.85	-14.35

#### 4. Transmission and Distribution Loss:

Electric power transmission and distribution losses include losses in transmission between sources of supply and points of distribution and in the distribution to consumers, including pilferage. In the mid nineties a study of Gujarat's electricity system showed that even when power was available it was not delivered at the level of the 11kva village feeder on account of faulty transmission and distribution systems ( Y.K.Alagh, J.Shah and V.Shah,1998). The Central Government has proposed to use latest technology to minimize transmission cost and losses during transmission and distribution. Proper and adequate metering have reduced metering losses. A separate programme of action comprising legislative changes, strict vigilance, enforcement of punitive measures, enhanced accountability at the field level of utility etc. has been implemented to reduce commercial losses. The Gujarat government spent Rs 1,200 crore to implement Jyoti Gram by separating 12,000 agricultural feeders from domestic feeders. It brought down transmission and distribution losses from 35 per cent five years ago to 15-19 per cent by 2012. Strict anti-electricity-theft laws were passed and police vigilance was enhanced for prevention and enforcement of the law. The police worked alongside the 70 installation checking squads that were set up at the distribution companies. For this, the state took the help of 500 retired army officers, who networked with the police and the legal system. Metering equipment was installed wherever absent; these were theft proof sealed metal meter boxes. Additionally, the collection of bills was strictly enforced.

**Figure: 3 Transmission and Distribution Losses**



### **Conclusion:**

Gujarat owes more to private sector for its power surplus status. The decline in the state sector capacities is mainly due to de-rating of a couple of power stations with their operational life coming to end. Thus, rise in private sector capacities show a positive sign. As per the projection based on various ongoing power projects and power purchasing agreements (PPA) signed by the government with private players, government utilities will add new capacity.

The T & D Losses have been reduced due to several measures implemented like bifurcation of feeders in the agricultural sector and rural areas and strict vigilance of metering and pilferage. GEB passed a law against power thefts and set up five police stations across the state, solely to nab such thieves. Stringent action began against those who ran up large power bill arrears, including disconnecting their supply. The separation of the feeder line that supplied power to the rural areas into two: one to supply power for agricultural needs and other for household and other needs. This was part of the Jyoti Gram Yojna, a scheme Chief Minister Narendra Modi announced in 2003 to supply round-the clock power to villages. Overall the growth of a; the parameters has been positive and Gujarat State is now self-sufficient in Power sector.

Thus, unbundling of Gujarat Electricity Board has led to unloading of Installed generating capacity and generation of electricity to Private sectors in Gujarat State.

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# The Influence Of Knowledge Management On Organizational Performance

Dr. Sharad T Patil<sup>1</sup>

## Abstract:

As Knowledge management is a cross-disciplinary domain and also Knowledge is considered as a prime asset of the organization. Knowledge management is a process that transforms individual knowledge into organizational knowledge. Different factors including organizational change, organizational learning, knowledge creation, accumulation, sharing, organizing and utilizing knowledge, can enhance organizational performance. This study attempts to measure the impact of such factors and its influence on organizational performance.

**Keywords:** *knowledge management, organizational performance, knowledge creation, knowledge sharing, organizational change.*

## 1. Introduction

In modern environment the importance of knowledge management has grown significantly. At present we are living in a very dynamic environment, companies by using the previous data are making new innovations and management strategies. It is essential to document and organize data. Expertise, experience and wisdom of old employees can be stored and used for educating new employees. In the current era, knowledge is treated as the prime asset of a firm. Knowledge is a combination of information and practice. Knowledge is important only when practically implemented otherwise it is useless to organize data. Two factors are very important in knowledge sharing process, one is having confidence in knowledge and other is feeling satisfaction in guiding people. However, knowledge management process is effective only if we have complete understanding of knowledge related mechanism in people and organization. Knowledge driven culture flourishes innovation and innovation can bring change in the world. Some how much heed is not given to knowledge management in developing countries like Pakistan. Knowledge management is essential specially in case of organizational change. Internal factors like death, retirement, transfer, promotion, etc. bring about change in. And some time factors like culture, coordination among employees and information technology help the organization to success. While facing new issues they need to implement new knowledge and plans.

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Similar to a product organization also deteriorates. Decay and the growth cause many issues and problems while creating new opportunities to intervene the change. The change is important in an organization because it helps in working of organization.

Knowledge management is a process that through creating, accumulating, organizing and utilizing knowledge helps achieve objectives and enhance organizational performance. KM also consists of strategy, cultural values and workflow. In order to maximize its value a change in strategies, processes, organizational structures and technologies needs to be made.

## **2. Objective**

Organisation cannot simple assume that knowledge effective in one culture can be readily transfer to others cultures. This study examine organizational change, organizational learning, knowledge creation, accumulation, sharing, organizing and utilizing knowledge, how can enhance organizational performance.

## **3. Statement of problem**

Medium scale industries are peculiar form of business which inherits management principles from their major customers. These Medium scale industries are successful to transform themselves from small scale to medium scale business operations. These industries had enjoyed the growth but face a problem of sustainability because of lack of leadership and HRM practices. Nowadays these organizations have realized that they require methodological discipline and cannot rely only on incremental business development strategies for the sustenance. Today, the business world is becoming more and more competitive and demand for innovative processes and products. Knowledge management and Human resource plays an integral role to be productive and innovative to improve leadership. But, unfortunately, organizations fail to capture the competitive advantage of their expertise and skills of the people in the form of knowledge which they possess. Today it has become an imperative situation for organizations to identify the skills, expertise, creativity and motivate the people. Knowledge management focuses on this neglected area, because in this competitive era, organizations compete not only on the basis of efficiency and effectiveness, but its success also depends upon how particular organizations identify, gather, manage, integrate, share and disseminate relevant knowledge to their human capital.

## **4. Hypothesis**

1. There is no significant effect of knowledge sharing on knowledge management.
2. There is no significant effect of organizational change on knowledge management.
3. There is no significant effect of accumulation, organizing and utilizing knowledge on knowledge management.

## **5. Research Methodology**

To investigate the impact of knowledge sharing, organizational learning and organizational change on knowledge management practices in an organization. A technique of questionnaire was adopted to obtain information. 73 questionnaires were received out of 100 that were distributed to analyse the data. The distribution of questionnaire was done in small scale industry in Pimpri-Chinchwad industrial area. These questionnaires were distributed among employees and leaders of these companies. A (non probability random) convenient random sampling technique was used to select the sample to get responses.

## **6. Literature review**

A set of critical success factors with a set of measurable knowledge management factors, an intersection was made to define a new set of measurable key elements of KM. Those elements were united into three categories :

- (1) information technology (the ability of technology to capture knowledge and usage of information systems),
- (2) organisation (people, organisational climate and processes) and
- (3) knowledge (knowledge accumulation, utilisation, sharing practices and knowledge ownership identification).

The understanding of these knowledge management factors, acts as a basis in determining the type of knowledge management strategies and initiatives for an organisation. The review of literature used to develop the questionnaire is stated below:

### **1. Information Technology**

The value that knowledge management adds, lies in increasing individual, team and organisational efficiency through the use of knowledge management tools (information technology).

- Capturing knowledge: the higher the level of capturing knowledge (explicit or tacit) with information technology tools, the better the KM result
- Usage of IT tools: the higher the quality of tools, quality of information, user satisfaction, usage and accessibility, the greater the KM effect on organisational performance

### **2. Organisation**

Organizational culture has a great contribution to knowledge management due to the fact that culture determines the basic beliefs, values, and norms regarding the why and how of knowledge generation, sharing, and utilization in an organisation. An organization can achieve a competitive edge by creating and using knowledge about its' processes and by integrating its' knowledge into business processes.

- People & Organisational climate: the KM success relies heavily upon the trust, creativity, team work and collaboration among employees
- Processes: the integration of the KM activities into organisational processes has a positive effect on KM results.

### **3. Knowledge**

Successful knowledge management applies a set of approaches to organisational knowledge including its accumulation, utilisation, sharing and ownership.

- Accumulation: the higher the effectiveness of knowledge accumulation (internal, external; through internalisation or externalisation) in an organisation, the greater the KM
- Utilisation: the higher the effectiveness of utilising the (existing) knowledge in an organisation, the better the KM result;
- Sharing: the improvement of sharing of knowledge (formal or informal) effects the KM positively
- Ownership: the better the accessibility of knowledge, the greater the KM success.

As per Loo(2006) , when action learning programs are designed after studying individual Experiences, then there is a doubt that findings are misrepresenting. This can be rectified by using approach in action learning which leads to management control. There are levels, which measure learning done or learning obtained or learning in general or the link between different kinds of learning with performance. This study can put together learning obtained at three levels, learning obtained at three levels, and the result in a single form as organizational presentation or performance (Jyothibabu, Farooq, & Pradhan, 2010).

When look into organizational innovation and organizational learning to enhance business to gain competitive knowledge. It tells us to focus on improving different strategic capacities to achieve desired level of both organizational problems and this makes our performance better and promotes business. (Garcia-Morales, Llorens-Montes, & Ver-du-Jover, 2006). Alterations in organizational systems and structure have made it difficult to understand what adds more to protective dynamics. Learning can be done by supporting new ideas by exact feedback and ignoring old habits. Potential of influential should be reallocated to ease and mix the different feature of learning. (Yeo, 2007).

In the e-memories environment, learning matter is guided by knowledge and ability controlled by virtue of ontologism( intellectual apprehension follows the order of real being and knowledge of God is immediate and intuitive) . Learners can get this knowledge and these skills by doing different, analysing different matters. If we



recall, expertise are cleared by knowledge they allow to place into practice (Abel, 2008).

Leadership job executed by NSD executives largely influence the progress of organizational learning ability, which actually concern organizational performance. The usefulness of executive's leadership matters and organizational learning ability growth are symbiotic (Limpibunternrg & Johri, 2009). The result show that a changing structure, an advance to total quality values, and highly qualified employees, could work in favors of learning traditions in organizations. It is very important to have qualified, young, dynamic workers in organization to promote learning culture. (Rebello & Gomes, 2011) It was concluded that directing principle growth can be assisted using procedure common to those told for mixing organizational learning, namely, a dialogue-rigorous process including steps of question, deviation and junction. (Oliver & Jacobs, 2007) Leadership's promise to considerably influence on both performance and Organizational climate. Encouragement was only definitely linked with performance and staff. Contact was only valid with organizational environment.

According to Singh and Sharma(2011) knowledge management has positive relation with organizational learning and culture and as a result, with employee's satisfaction. To improve the employee's satisfaction and knowledge management system, organizations must have to adopt different policies to enhance the learning environment and make strategies to improve the organizational culture. M. Birasnav, S.Rangnekar and A.Dalpati(2011) argued that this is possible for transformational leaders to effect the employees view about human capital benefits and also able to enhance these, by the way of involving employees in Know-ledge management system, establishing suitable culture and sharing communication among them. Xue, Bradley and Liang (2011) argued that team environment and empowering leader-ship highly affect the individual's knowledge sharing behavior and attitude.

## 7.0 Data Analysis

To find out the outcome of factors like knowledge sharing, organizational change, and accumulation, organizing and utilizing knowledge on knowledge management , find out mean, variance and Std. Deviation.

Sr. No.	Factors	Mean	Variance	Std. Deviation
1	Knowledge management	1.5333	0.46222	0.679869
2	KM sharing	1.32	0.32427	0.569444
3	Organizational Change	1.2	0.21333	0.461888
4	KM accumulation and others factors	1.1081	0.09642	0.310517

**Table no. 1**

In table 1 mean value for each variable indicates the average of responses measured, the given responses are representative of population.

Knowledge sharing, organizational change and accumulation, organizing and utilizing knowledge on knowledge management are the three variables which are considered to effect knowledge management directly in an organization.

These three variables have a strong effect on knowledge management and knowledge management is strongly affected by these three variables at 0.01 significant levels. The mean value of responses recorded in knowledge management is about 1 which shows that most respondent agree with importance of **knowledge management**, total variation in responses is .679. The reliability value is 89 percent for this variable. The mean value of **knowledge sharing** is 1.32 which is close to 1 results show that respondents agree that knowledge sharing is a important factor for knowledge management the variability in responses is 0.56. The correlation of knowledge sharing with knowledge management is .56, this indicates a strong correlation. Knowledge sharing also has a positive relationship with other factors in the study. The reliability of the variable is 73.6 percent.

The mean value of **organizational change** is 1.2 which is close 1 results show that respondents agree that organisational change is a important factor for knowledge management the variability in responses is 0.46. The reliability of the variable is 82.66 percent. The mean value of accumulation, organizing and utilizing knowledge is 1.1 which is close 1 results show that respondents agree that organisational change is a important factor for knowledge management the variability in responses is 0.31. The reliability of the variable is 88 percent.

## 8.0 Observation & Findings

In this position paper we have argued that Knowledge Management helps in Organizational Development, while discussing about its implications practically that we can observe we have to implement it in organization in the first place and then these practical implications can be observed in the form of technology advancement, an ensured system of right information, organizational agility, innovation rate, employee growth and learning, improved team communication.

For implementing an effective knowledge management strategy, an organization must look at its internal communication system, and then try to eliminate barriers and impediments to foster a culture which may reward knowledge sharing. Perhaps Information technology is very prominent evidence in this strategy of knowledge management.

## 9.0 Conclusion

We conclude that this paper presents three main components important for knowledge management, namely: (1) information technology, (2) organizational elements and (3) knowledge. Connections between those components are presented through main hypotheses and the conceptual model is validated through the empirical research. The results of this research confirmed all three given hypotheses.

Empirical data show that organisational elements (such as culture, climate and collaboration) have a positive impact on elements of knowledge in the context of knowledge management. Through an organisational change we affect the degree of knowledge sharing and application and consequently improve the practices of KM.

The positive indirect effect of IT application on knowledge management adoption through organisational elements was also confirmed. Therefore, the study highlights some of the issues raised by IT implementation to improve KM. The codification of knowledge in information systems, databases and knowledge repositories does not guarantee efficient KM, but has a potential to influence it in a positive way. It is important to notice that IT does not have a direct influence on knowledge, but an indirect one through organisational elements as an enabler of a better collaboration among people in the organisation, motivation of people in the organisation and the process view of the organisation.

The results of the empirical investigation also confirmed a positive effect of knowledge management practices on organizational performance. These findings can be used to improve the knowledge management practice of each organisation and each knowledge entity. Possible applications include business process restructuring initiatives, human capital development, knowledge mapping, the introduction of more team, crossfunctional working, increased emphasis on collaboration, the introduction of more formal channels for knowledge sharing.

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## Mobile Public Library Services in Pimpri-Chinchwad Area.

Mr. Sanjay Kumbhar<sup>1</sup>

### Abstract:

A bookmobile or mobile library is a large vehicle designed for use as a library. It is designed to hold books on shelves in such a way that when the vehicle is parked they can be accessed by readers. Mobile libraries are often used to provide library services to villages and city suburbs that have no library buildings. They can also service groups of those who have difficulty accessing libraries, e.g., occupants of retirement homes. They may also carry other information or computer equipment. Some libraries also use their bookmobiles to deliver materials, such as audio books, large print novels, and eBooks, to homebound people without anyone to go to the library for them.

**Keywords:** *Mobile library, public library.*

### Introduction-

The term Mobile Library is mainly used by British / Australian librarians. They use it to describe a motorized vehicle carrying library material. Other countries call these variously bookmobile, bibliobous, etc. This document uses the term in its broadest sense. Any library service that does not stay in one place is classed as mobile library. Books are by no means its only payload. The modern mobile library may carry books, DVD's, CD's, maps, toys etc. It will have facilities to download material onto disk and memory device. Mobile library services are essential to the public library service and should be seen as an integral part of it.

The overall objective of a mobile library service is to promote equity of service provision by enhancing the opportunity of access to library services. A mobile library provides the most flexible of library service, not being restricted to any particular population centre and able to respond to the needs of fluctuating populations. It is impractical to make specific recommendations in the hope that they are universally acceptable because of differences in government, geography demography, and economic factors.

### Literature Review –

Abolaji, J. A. (2009). How Libraries Contribute to Communities and Society, Ozean

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Journal of Social Sciences 2(3), In this paper article the roles of library as a unifying factor in the community. It argues that though the school library in a rural area should focus on its primary clientele, it in England, United States and Nigeria. The efforts of some university libraries to achieve the same goal are discussed. It argues that the university libraries can do better in communities where library services are poor or not available. It also discusses how the advent of the ICT has transformed library services.

Crowder, Suzanne. Wooden Crates and Women's Clubs: Kentucky Bookmobile and Outreach Services, In this paper the "Traveling Book Project" to the present-day Bookmobile, Kentuckians have received books and other reading materials from library extension services for more than 100 years. Through this time, the Kentucky Department for Libraries and Archives has been an active participant in developing these services.

IFLA Round Table on Mobile Libraries. , 1999- 2001 International survey of mobile libraries, In this paper the information given about the mobile libraries which are running in the world. Hence, what type of services they are given, funding sources etc. they are given.

Lucas, Sarah. Mobile Libraries: Where the Schools Are Going to the Students, In this article horse-drawn library wagon in the United States in 1907, to the 21st Century 'Malaysian Mobile Internet Unit, people have been finding innovative ways to provide educational access to all, despite difficult conditions or scarce resources. This article takes a look at some examples of mobile libraries, and the variety of ways they can be enhanced and operated using the newest communications technology. You will find that there are as many ways to design mobile library services as there are communities to benefit from them, and more and more mobile libraries are becoming global libraries

Khaki Foundation, USA. Mobile library for the children to access educational material and create space for creative interaction in Juhapura, Vejalpur and Sarkhej areas of Ahmedabad city, Gujarat, India Reporting period: August 2009 to January 2010, In this paper those the poor, budding children leaving in the different village in Amadabad district Gujrat state the different types library service given by this foundation. Hence, the books, CD's, DVD's, computer training, painting etc. information are given.

Queensland Public Library Standards and Guidelines: Mobile Libraries Standard (June 2009), In this article how they provide standards and guidelines for a public library service delivered via a specially designed and equipped vehicle. Mobile libraries extend library service to clients without convenient access to a static library, providing a comparable level of service.

Emanuel, Jenny. The 21st Century Mobile Library: Refining the Concept of the Anywhere, Anytime Library within the Global Context, In this paper the told Libraries increasingly are moving services online in order to meet the global shift towards a information that is available anytime and anywhere. Many tools are now available to facilitate this process, including online subscription resources, proxy servers, and online repositories. The growths of open access resources such as journals, theses and dissertations, and electronic books and images have further accelerated the idea that scholarly information can be available online. There are also tools such as Zotero, Delicious, and Really Simple Syndication (RSS) that aid library users with their research, and libraries should promote and utilize these tools. Finally, a discussion of mobile library interfaces will be brought forth as the next generation of the online library.

Mobile library for children in remote India, (2010). Mobile library for children in remote India, (2010), In this article they told a unique mobile library Boi Gari engaging local children in eastern India is generating literacy in rural areas. Children traveling into different localities not only read out stories to the poor kids, but also teach them how to read.

#### **Objectives:**

- 1) Study of public libraries in PCMC area.
- 2) Checking of public libraries is sufficient or not according the population of PCMC.
- 3) Requirement report of mobile public library.
- 4) To submit mobile public library to direct plan or scheme.
- 5) Mobile public library plans & expected expenses of funds and to suggest ways.

#### **Research Methodology:**

The PCMC area prone to learn the status of public libraries research. The survey research method will be adopted. Hence, questionnaire and interview method also used to collect the information and necessary technology will be used.

#### **Collection of Information:**

Public library in PCMC area prone to collect the information by questionnaire method. Hence, I directly visit the public libraries, whether there was a information need to collect information about public libraries.

Creating the mobile public library layout is has been checked by the national and international standards. Whether library needs and plan had been prepared.

**Limitations Of The Study:**

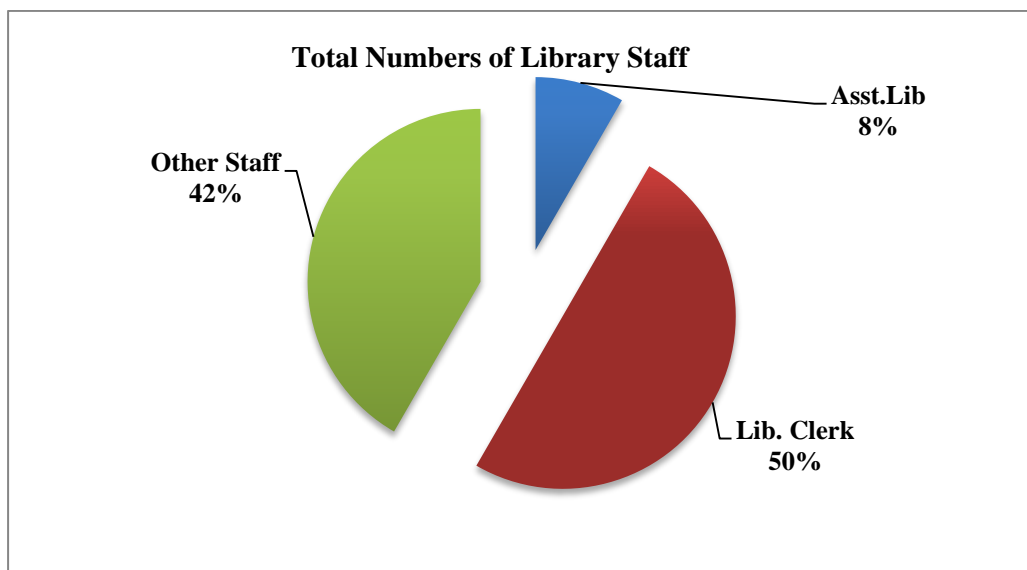
- 1) The study was limited to area of Pimpri-Chinchwad and only public libraries were studied. The topic hence has a further scope for study and can be studied about different public libraries.
- 2) The study of public library service in the PCMC. Which services they are giving to their members.
- 3) The public library statistics of the PCMC population.

**Data Interpretation:**

➤ **Quality or Class of the Public Libraries**

In Pimpri-Chinchwad Municipal Corporation prone area there are 13 public libraries, out of which 2 are public libraries is a 'B' class. And reaming 11 public libraries are no class.

**Figure: 1 The number of library staff**



**Source: Primary Data**

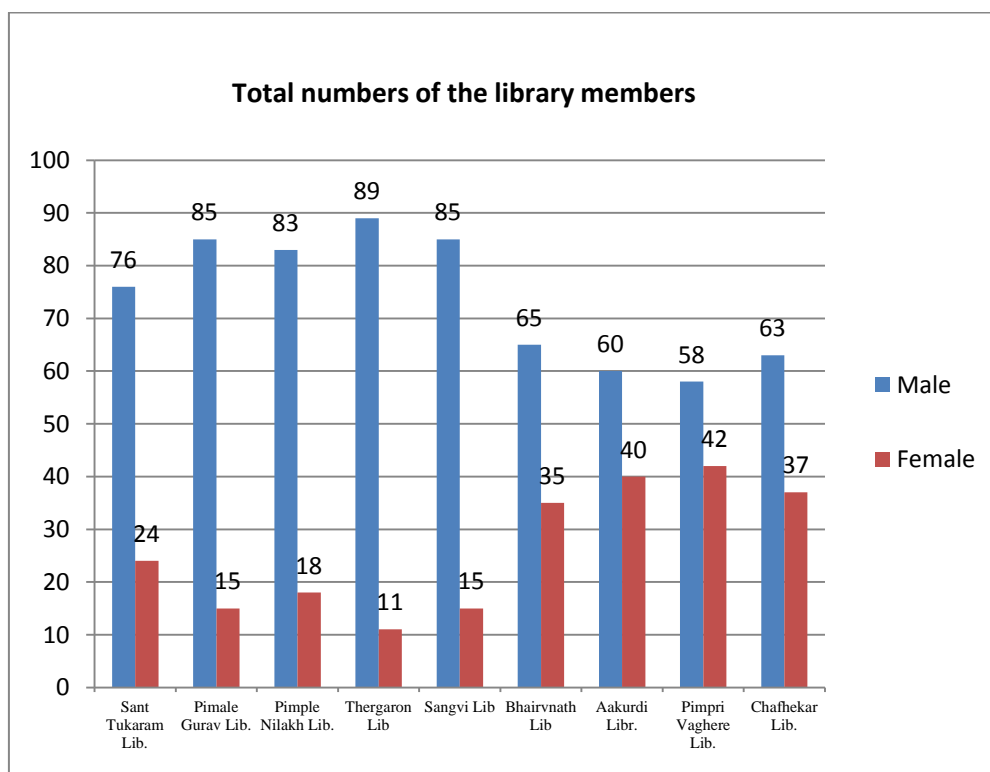
Pimpri Chinchwad Municipal Corporation prone area there is a total 13 public libraries. There is one assistant librarian, six library clerk, five other servants have found.



**Table: 1 Total numbers of the library members**

Library Name	Sant Tukaram Lib.	Pimale Gurav Lib.	Pimple Nilakh Lib.	Thergar on Lib	Sangvi Lib	Bhairvnath Lib	Aakur di Libr.	Pimpri Vagh ere Lib.	Chaf hekar Lib.
Male	76	85	83	89	85	65	60	58	63
Female	24	15	18	11	15	35	40	42	37

**Figure: 2 Total numbers of the library members**



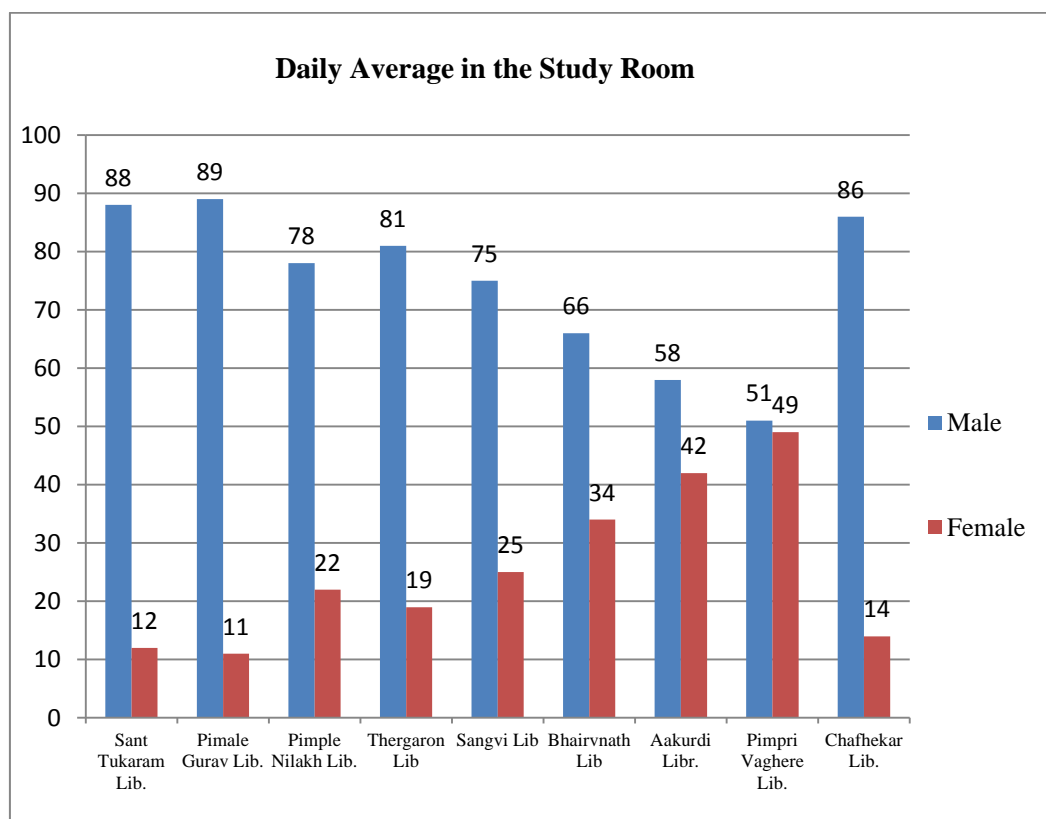
**Source: Primary Data**

The PCMC prone area in the Sant Tukaram Public Library 76 male and 24 female library members there hence, Pimale Gurav Public Library 85 mal and 15 female, Pimple Nilakh Public Library 83 male and 18 female library members are there. Hence, Thergaon Publi Library 77 male and 23 female, In Sangvi Public Library 85 male and 15 female library Members, Bhairavnath Public Library 65 male and 35 female library members are there. Hence, Aakurdi Public Library 60 male and 40 femles library members, in Pimpri Vagh ere Publi Library 58 male and 42 femele library members are there and last in Chafhekar Public Library 88 male and 12 femele library members are there.

**Table: 2 Daily Averages in the Study Room**

Library Name	Sant Tukaram Lib.	Pimale Gurav Lib.	Pimple Nilakh Lib.	Thergaron Lib	Sangvi Lib	Bhairvnath Lib	Aakurdi Libr.	Pimpri Vaghare Lib.	Chafhekar Lib.
Male	88	89	78	81	75	66	58	51	86
Female	12	11	22	19	25	34	42	49	14

**Figure: 3 Daily average in the study room**



**Source: Primary Data**

The PCMC prone area in the Sant Tukaram Public Library 88 male and 12 female library members there hence, Pimale Gurav Public Library 89 male and 11 female, Pimple Nilakh Public Library 78 male and 22 female library members are there. Hence, Thergaon Public Library 81 male and 19 female, In Sangvi Public Library 75 male and 25 female library Members, Bhairavnath Public Library 66 male and 34 female library members are there. Hence, Aakurdi Public Library 58 male and 42 females library members, in Pimpri Vaghare Public Library 51 male and 49 female

library members are there and last in Chafhekar Public Library 86 male and 14 female library members are there.

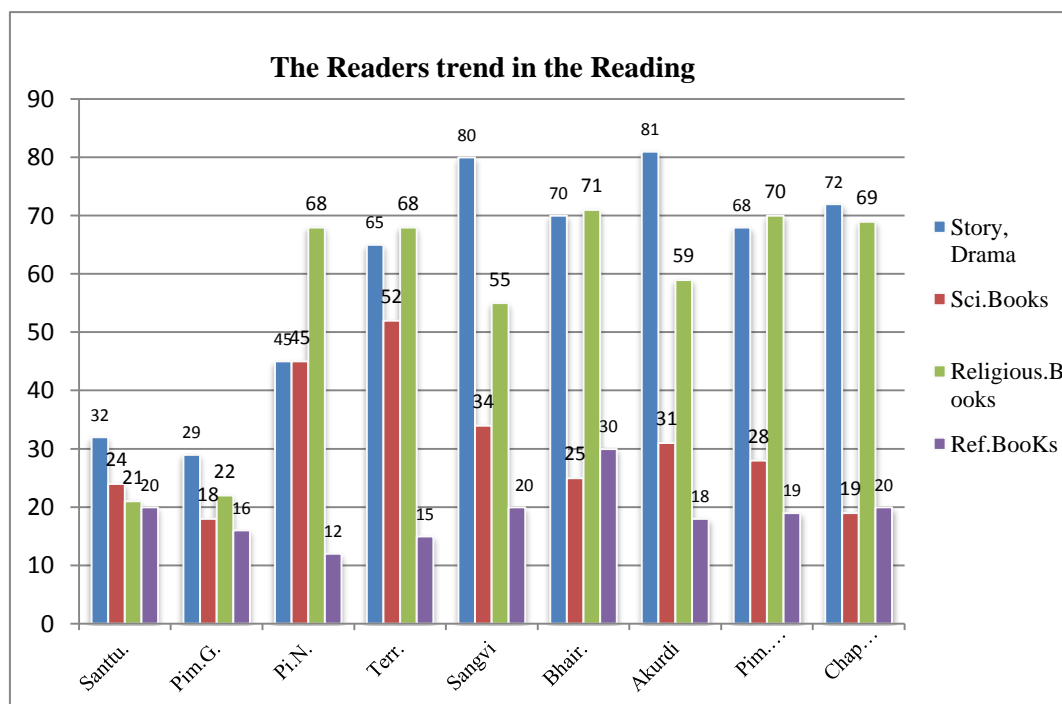
➤ **Information about the various library departments**

In the Pimpri Chinchwad Municipal Corporation prone area there is limited public libraries. There is a only 13 libraries available only few public libraries have a reading rooms in others libraries there is no separate reading rooms.

**Table: 3 The Readers trend in the Reading**

Library Name	Sant Tukaram Lib.	Pimale Gurav Lib.	Pimple Nilakh Lib.	Thergarun Lib	Sangvi Lib	Bhairvath Lib	Aakurdi Lib.	Pimpri Vaghere Lib.	Chafhekar Lib.
Story, Drama	75	65	65	50	55	75	60	60	70
Sci. Books	5	5	5	3	4	6	5	3	5
Religious Books	715	15	10	15	10	15	10	10	15
Reference Books	5	30	3	5	3	5	5	3	5

**Figure: 4 The readers trend in the reading**



Source: Primary Data

In PCMC prone area a very different reading trends in the readers. There is trying to explain of few types of reading trends by the researcher. In the Sant Tukaram Public Library 32 story, drama books, 24 science books, 21 religious books and 20 reference books are available. Hence, Pimple Gurav Public Library 29 story, drama books, 18 science books, 22 religious books and 16 reference books are available. Pimple Nilakh Public Library 45 story, drama books, 45 science books, 68 religious books and 12 reference books are available. Hence, Thergaon Publi Library 65 story, drama books, 52 science books, 68 religious books and 15 reference books are available. In Sangvi Public Library 80 story, drama books, 34 science books, 55 religious books and 20 reference books are available. Bhairavnath Public Library 70 story, drama books, 25 science books, 71 religious books and 30 reference books are available. Hence, Aakurdi Public Library 81 story, drama books, 31 science books, 59 religious books and 18 reference books are available. In Pimpri Vaghare Publi Library 68 story, drama books, 28 science books, 70 religious books and 19 reference books are available. And last in Chafhekar Public Library 72 story, drama books, 19 science books, 69 religious books and 20 reference books are available.

➤ **Necessary funds for to build a library**

With a grant of almost all public libraries in Pimpri-Chinchwad Municipal Corporation. All the way to the donation, form of the government and economic realization guarantee that.

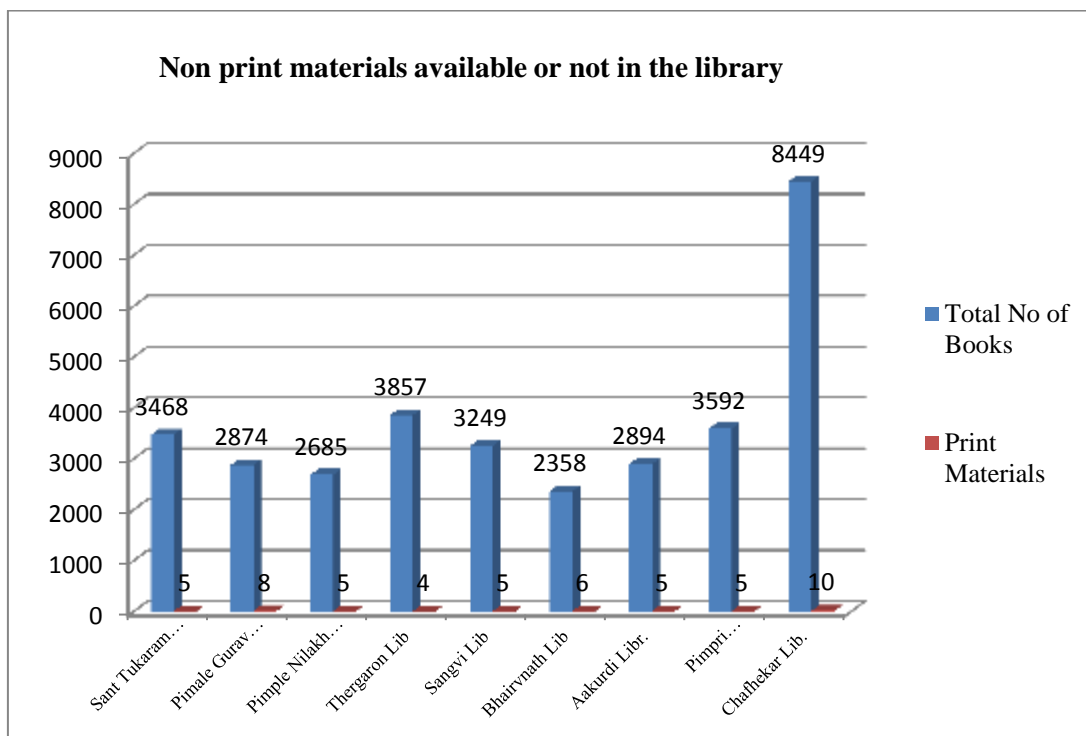
➤ **Book selection method useful for the public library**

The public library of Pimpri-Chinchwad area they are used according to the government rules of the selection of books, the direct selection method, donation and adoption by all other who are selectioning.

**Table: 4 Non print materials available or not in the Library**

Library Name	Sant Tukaram Lib.	Pimale Gurav Lib.	Pimple Nilakh Lib.	Thergaron Lib	Sangvi Lib	Bhairavnath Lib	Aakurdi Libr.	Pimpri Vaghare Lib.	Chafhekar Lib.
<b>Total No of Books</b>	3468	2874	2685	3857	3249	2358	2894	3592	8449
<b>Print Materials</b>	5	8	5	4	5	6	5	5	10
<b>Non Print materials</b>	-	-	-	-	-	-	-	-	-

**Figure: 5 Non print materials available or not in the library**



**Source: Primary Data**

The public libraries which in PCMC prone area, in Sant Tukaram public library total collection is 3468. The print books/ materials (newspapers, periodicals etc.) are 5 available. Hence, in Pimale Gurave public library there is total collection is 2874. The print books/ materials (newspapers, periodicals etc.) are 8 available. Hence, in Pimple Nilakh public library there is total collection is 2685. The print books/ materials (newspapers, periodicals etc.) are 5 available. Hence, in Thergaon public library there is a total collection of 3857. The print books/ materials (newspapers, periodicals etc.) are 4 available. Hence, in Sangvi public library there is total collection of 3249. The print books/ materials (newspapers, periodicals etc.) are 5 available. Hence, in Bhairavnath public library there is total collection of 2358. The print books/ materials (newspapers, periodicals etc.) are 6 available. Hence, in Aakurdi public library there is total collection of 2894. The print books/ materials (newspapers, periodicals etc.) are 5 available. Hence, in Pimpri Vaghare public library there is total collection of 3592. The print books/ materials (newspapers, periodicals etc.) are 5 available. And last, the Chaphekar public library there is total collection of 8449. The print books/ materials (newspapers, periodicals etc.) are 10 available.

➤ **Is the management staff co-operate**

All the public libraries which in PCMC prone area they co-operating each other in every work. i.e. issue-return, book processing, purchasing, consortia etc.

➤ **Which extension program conducted in the library**

In the public library they conducted different types of extending program in the special occasion, festivals etc. e.g. book exhibition, library pamphlet and report, library, weeks, study circles etc.

**DATA INTERPRETATION OF THE READERS FROM PCMC AREA:**

In the PCMC area there are different types of reader's / users demands. They are very keen of the library services. Few readers are not satisfying the public library services. In the public library latest technologies are not available. There is no internet connection, current awareness services, etc. In the PCMC area senior citizens are living. They couldn't go the library, they could not access the library. I am trying asking few questions about the mobile public library concept. Most of the users are satisfying they are accepting this model.

Hence, few users are frequently going the library few monthly going and few users are quarterly going. All users trend is different. In the PCMC area most people are spiritually. Their demands are spiritual books. As well as in PCMC area is known as the industrial area. There is a lot of different companies industry. So, users also demands for their product related books, periodicals, magazine papers. Etc.

Today, the PCMC is growing very rapidly. Still few users are using the bicycle. Because of the inflation, the petrol rate is growing day by day, etc. reasons. So, most of users are interested to go the library walk.

There are a lot of difficulties; problems are in the public library. The users are not satisfying the services. But, they are happy if this mobile public library concept is implementing in their area. There is lot of time save the users hence, in this library all types of books, reference books, magazines, periodicals etc. are easily available. This library going door to door daily according the route map.

For this mobile public library model funds collection by sponsors, advertising, MLA, MP funds, charitable trusts, corporation library fund, Raja ram Mohan Roy fund plan, Public Library Authority Fund and some rare sources used e.g. members fees, late fee, Xerox charges etc. from all source are using for the funding for the mobile public library.

**Conclusion:**

The PCMC population is now growing fast day by day. According the population the population the public libraries are very poor and less. Their services are very unsatisfying. According, to the public library authority public libraries are very few. Hence, in public library staff are not trained, they don't know the latest technology, computers, library software etc. Because of that that the users oriented services very

unsatisfying. So, over all we saw that users are not satisfying, so we trying to satisfying by this latest, sophisticated, well trained staff mobile public library services.

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## “A report on Social Media an important key to the future of Marketing”

Neeta Deepak Narang<sup>1</sup>



### **Introduction:**

According to media reports, Indian organizations use social media much more than the global average and those of their counterparts in emerging economies. Way back in 2010, a Harvard Business Review study found in its survey that the biggest benefit businesses think they derive from using social media was increased awareness of their brands or products. While this continues to be a key reason for social media adoption even today, the top-most reason why organizations are using social media has shifted to building communities and advocates to directly or indirectly help in creating positive word of mouth. Social networks like Facebook, Twitter etc. have become an important force in both business to consumer and business to business marketing. A key aspect of social network is “word of mouth” communication. Social networks in the form of on-line virtual communities can be vital resource for companies.

### **What is Social Media Marketing?**

**Social media marketing** refers to the process of gaining website traffic or attention through social media sites. Social media marketing can also be called as buzz marketing and viral marketing. Buzz marketing generates excitement, creates publicity and conveys new relevant brand related information through unexpected or even outrageous means. Viral marketing is a form of “word of mouth” or “word of mouse” that encourages consumers to pass along company developed products and services, or audio, video or written information to others online. Buzz marketing and viral marketing both try to create a splash in the marketplace to showcase a brand and its noteworthy features. Some believe that viral and buzz marketing are driven more by the rules of entertainment than the rules of selling. A successful social media marketing campaign has characterized as “that addictive, self-propagating advertisement that lives on websites, blogs, cell phones, message boards, and even in

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<sup>1</sup> Branch Manager HDFC LTD, Nashik.



real – world stunts....”

### **Which are the major Social Media platforms?**



Facebook is the most important platform for marketers in India, followed by Twitter, YouTube and blogging. Being the most popular social media platform in India with more than 62 million users, Facebook is the favorite playground for social media-savvy organizations in India to banter in everyday conversations and organize engaging promotions and contests for fans. Interestingly, there were more than 100 Facebook campaigns in India in 2012, which translates to more than 8 campaigns running simultaneously per month.

With social media marketing campaigns being Facebook heavy, some organizations are looking at other platforms to differentiate themselves. Twitter is the second-most important channel. With a majority of Indian sportspersons, movie actors, artists and politicians active on Twitter and enjoying huge number of followers, the platform has its own sphere of influence. A trending topic on Twitter for a good reason is perhaps one of the most coveted benchmarks. However, featuring there for the wrong reasons is a big crisis in the making.

YouTube comes third in terms of preference among the organizations. While creating a good video is much more difficult and resource intensive than creating a Facebook update or a tweet, its success is equally unpredictable. Nevertheless, brands are investing on the medium to make an equivalent to the next “Kolaveri Di” or “Gangnam Style”.<sup>3</sup>

According to a story in The Economic Times, advertising agencies today have started to create YouTube specific ads as against re-purposing TV commercials. One of the most successful company produced viral hit last year was a video from Finnair in which a team of cabin crew performed a flash dance to celebrate India’s Republic Day.<sup>5</sup>

Blogging followed YouTube as the most important platform for organizations. Blogging particularly is important when organizations want to share thought leadership or trends in an area mass interest. For instance, a fashion blog, a movie blog or technology blog of Blogging is also popular among B2B organizations for thought leadership purposes.

While majority of the organizations have placed least importance on emerging platforms such as Google Plus, Pinterest and Foursquare, many of them are already experimenting with the platforms and many plans to start using them. Recently, Pepe Jeans India asked fans to follow its profile and repin apparels that they like for a chance to win them.

More social media-savvy organizations prefer to post generic updates instead of brand update, rather than using brand posts (e.g., brand news, product descriptions, or updates promoting the brand directly), majority of organizations prefer posting generic updates. Generic updates are updates related to the values of the brand (e.g., a car manufacturer talking about driving safety, road tips) and totally unrelated updates (e.g., cricket match highlights, festival greetings, an unrelated news but of mass interest). While brand posts attract customers, loyalists and advocates — generic posts help in attracting a wide audience set and even those customers who might be using a competitor's product. For example, a consumer products company posting generic tips and how-to's are likely to attract people who would want to come and benefit from reading those tips. Among the generic updates, topics related to the values of the brand are preferred more than totally unrelated topics. This shows that while social media-savvy organizations are willing to post generic updates to fans, these generic updates are more or less related to the values of the brands. Types of updates that social media-savvy organizations find the most engaging include interesting pictures, videos, factoids, quiz, and industry news. Pictures are the most engaging type of content with one report saying that pictures represent 89% of a brand's most engaging posts on Facebook. Picture contests are the most popular contests among social media-savvy organizations in India, most contests organized every month.

Not surprisingly, the top-three most engaging Facebook posts in India in January 2013 are all pictures updates.<sup>2</sup> Two of the updates were Republic Day wishes from Vodafone featuring their brand mascot "Zoozoos" and from Cadbury Celebrations featuring a cake. The third one from Tata Docomo featured their brand ambassador, Ranbir Kapoor, from his latest film, Barfi. The first and second are generic updates related to the brand. The third one is a totally unrelated generic update, though the brand (chocolate) and the item in picture (cake) are in the same category (food).

**On how brands can improve their interaction quality on their communities, some pointers:**

- Minimizing the PR tone/corporate speak when communicating with an individual.
- Talk specifics. If every interaction will be answered with "please lodge your query/complaint on this contact us form" or "we don't comment on rumours", well, what value that interaction has?

- Have an individual to handle the interaction. Example “Loken Mehra” could be interacting as a company rep, instead of a main account called “XYZ Company India”. It’s just a lot more personal.
- Keep the communication grounded. Overtly sweet, exaggerated messages are boring in this age of information overload.
- At the end of the day though, for business and legal reasons, brands are limited by what they can communicate on an open platform.

Majority of social media-savvy organizations in India have social media guidelines and monitoring program, but less than half have crisis manuals. While engagement is crucial for any social media team, possessing a sound base of guidelines protects an organization from various legal and social risks. Similarly online monitoring programs allow organizations to listen to customer conversations and determine an appropriate way of responding with them. An engagement strategy not based on a sound monitoring program is akin to trying to mingle at a party without knowing what that party is about or who have come to that party. Crisis manuals help organizations to turnaround swiftly when a crisis breaks out. Almost half of the social media savvy organizations in India have conducted research to get customer feedback and understand more about customer behavior. Organizations have been conducting research to understand their performance in the market. They have also ventured into taking social media research initiatives for several reasons.

**Revlon** conducted a series of poll on their Facebook page recently for two weeks to learn more about customer’s knowledge about make up foundation. Out of 75,000 Indian women who participated, 80% said they use their fingers to apply foundation, 40% spend less than 15 minutes applying their makeup, and 80% touch up their makeup only once a day.

As socially matured organizations move toward finding tangible results from their social media initiatives, they will try to seek more facts and insights that can help them assess possibilities of the medium. However, organizations also need to consider the pros and cons of doing research online. While social media can provide real- time and organic feedback, there can be ethical questions on conducting research without explicit consent from the customers. Being observers, it is often difficult to go back to the customers to ask further questions.

Majority of social media-savvy organizations use social media ads for promoting online campaigns and brand awareness, and find them beneficial. Early last year, General Motors created quite a stir when it announced that it is pulling off its Facebook ad budget of US\$10 million a year. Many organizations and experts debated for and against using social media ads. In India, we have seen the ads of e-commerce companies on Facebook displaying a branded shoe with a discount or a

sale. According to case studies from Facebook, Kaya Skin Clinic attributes 20% and Myntra.com attributes 25% of their sales to Facebook. Yatra.com generated INR1.5 million per month from Facebook. While this was the case, we were curious to know how social media-savvy organizations in India feel about social media advertising.

**The reasons for using social media ads are various –**

a) To promote an online campaign or for brand awareness. When organizations look at Facebook, they seem to equate the platform with fan engagement and perhaps this is the reason behind putting in money to boost up their engagements. Even on Twitter, most of the promoted tweets or accounts that we see today are either to promote an ongoing contest or to promote a profile and increase followers.

b) For product leads or sales, organizations are experimenting with Facebook apps for referral sales and integrating payment systems on their product apps on Facebook. When this happens, there will be more sales related to spending on the platform.

**Most social media efforts are measured through platform-specific parameters**

Return on investment (ROI) on social media spend has been a million dollar question with numerous discussions and books having been written around the topic.

In India, among the social media-savvy organizations, platform-specific parameters continue to be the leading metrics while business-specific measurements from social media activities are yet to be tapped. Major Social media-savvy organizations measure their social media efforts through platform-specific parameters including “likes” and “People Talking About This”. As organizations mature in social media usage, there will be more experimentation and inclination to learn more about ROI. Interestingly, a small percentage of organizations are already starting to measure social media efforts in terms of leads/sales, change in sentiment, and brand visibility.

Deeptie Sethi Head of Corporate Communications, Ford India Private Limited “In October 2010, just six months after Ford Figo launch, we organised a pan India drive called ‘Discover Smart Drive’ for young couples that represented our TG, in a special Ford Figo with objective of expanding our Figo footprint in Tier 2 towns, rekindle the excitement among consumers and community fans, and reinforce Figo’s ‘smart’ association.

While it was a complete 360 degree integrated campaign involving on ground events, advertising, and PR; social played a lead role in creating buzz and participation before the kickoff and during the drive. We leveraged our social channels big time and engaged with online influencers.

Apart from many impressive wins like increasing our fan base and creating hundreds of positive media stories and fan conversations reinforcing ‘smart’ with Figo, a big business benefit we achieved was that the monthly average of 35,000 enquiries of Ford Figo jumped to 60,000 and our sales peaked in that month”.

#### **Social media budget –**

Almost half of the social media-savvy organizations spend 1%-5% of their marketing budget on social media. Most social media budgets are below INR10 million. In 2009, PepsiCo in the US skipped the sponsorship of the Super Bowl for the first time in 23 years and spent US\$20 million in a large social media-led campaign called the Pepsi Refresh Project. The campaign was about inviting people to share and vote on ideas that will help make the world a better place. The campaign garnered 1 billion media impressions in the first 3 months and more importantly, it created a movement for social good. In India, traditional media continues to be where the big spending is. Especially for big spenders, TV spots and print media spreads continue to be the focus. Social media campaigns are sometimes just an afterthought to support the ad campaign. However, with increasing social media success story emerges and ROI gets clearer, we will see more appetite among large organizations to take on large social media initiatives and spend.

#### **Benefits of social media marketing**

- Increased Exposure.
- Increased traffic.
- Provided marketplace insight.
- Developed loyal fans.
- Generated leads.
- Improved search rankings.
- Growth business partnerships.
- Reduced marketing expenses.
- Improved sales.

#### **Top companies with successful Social Media Marketing campaigns on Facebook**

##### **1. OREO**

Oreo took advantage of the blackout during the 2013 Super Bowl in an interesting, provocative way. They posted a single image donned with the words “You can still duck in the dark.” The big black and white cookie hit a home run. The post went viral. Turns out, Oreo had a 15 person team on hand to take advantage of captive super bowl audience. Now, that’s a strong social media marketing campaign.

## **2. Nike**

Like Oreo, Nike used a major sporting event to surround their social media campaign. They skipped the high profile athletes of the 2012 Olympics and instead featured the average Olympic athletes. Nike gained 166,718 Facebook fans during the London Olympics.

## **3. Heinz**

Heinz, primarily, uses Facebook to launch new products, like their 5-bean blend. They created a game where the person answered a series of questions, which was like a personality test. The results were given in types of beans. A personalized bean was sent to five winners every hour. If you shared the app with ten people, you received a goodieeee bag. Coupons were also offered.

## **4. Green Mountain Coffee**

Green Mountain used a variety of tactics to sell their brand over multiple Facebook social media campaigns. They are known for quirky, timely images and extensive sampler pack giveaways. The company just celebrated their 900,000 likes.

## **5. A&E Parking Wars**

This interactive facebook game had 400,000 users in two months. Nearly a million people tried the app, which allowed you to join a parking wars scenario in the virtual world. To gain the highest virtual earnings, you had to log in multiple times a day. It also played to the competitive human nature, which resulted in huge exposure for the fledgling show.

## **6. Coke Zero Facial Profiler**

In one month, 150,000 users compared their faces with others by using the Coke Zero Facial Profiler. It was a face recognition software program gone viral.

## **7. Intel Museum of Me**

This world-renown facebook social media campaign used your facebook page to reate a "Museum of Me" in a 3-minute video complete with music and other museum visitors. Take the tour of your Social life, it's awesome. <http://www.intel.Com/museumofme>

## **8. Clairol**

To promote their Nice n Easy colour blend foam, Clairol launched a massive, multi-day giveaway. Over 100,000 samples were given to lucky Facebook users. The number of fans grew 944 percent from that social media campaign.

## **9. Ford Explorer Reveal**

This creative reveal of the new Ford Explorer used multiple social media accounts to create a scavenger hunt style reveal of the new SUV. It created an immense hype (that the company widely benefited from) in the blogosphere.

## **10. Kohl's Cares**

Kohl's launched a social media campaign that would help them decide how to give away millions of dollars to schools in need. The campaign yielded 1.5 million likes for the company.

## **Social media-savvy organizations in India are very optimistic about the role of social media in future**

Social media-savvy organizations are very optimistic about the role of social media in their organizations. Though measurements around sales and leads are not very evident for majority of organizations today, they realize social media plays an important role in generating insights and building communities.

In future, the growth of social media within organizations will over the last few years, organizations have experimented with various social media activities, platforms, and tools.

The knowledge gained will help bring sophistication in the engagement programs that we will see in the near future and they will have much larger scale. So currently if a Trending Topic on Twitter was the maximum bang an average program can achieve, tomorrow, it will be the talk of the town or creating a movement that organizations will seek to achieve through their social media efforts.

## **Five key characteristics of “socially adaptable” and successful brands**

In 2011, Ernst & Young conducted a quantitative and qualitative research on 36 UK and international flagship brands with the aim to address these questions. Through the research, they have identified five key characteristics of “socially adaptable” and successful brands, which we believe all organizations can adapt and learn:

- Facilitate open dialog
- Engage proactively
- Connect beyond product
- Deliver integrated experiences
- Collaborate and co-develop

Companies need to make organizational changes in order to fully embrace the "new game" of social media. The three critical areas companies need to focus on to support a coherent and sustainable social media strategy are:

- Spotting the "golden nuggets" of data and generating value from them coordinating social and traditional channels
- Coordinating social and traditional channels
- Empowering employees to engage with communities

### **Social Media Marketing Trends That Will Shape 2014**

2014 is going to be a killer year for Social Media and Small Business. Social Media allows small businesses to leverage technology to even the playing field with bigger brands and companies. In 2014, some of the trends we saw in 2013 will continue to rise while others will fall. But it all comes down to how you communicate with your customers, how you leverage relationships, and of course how you share GREAT content.

Content is what businesses are built on today. It always has been and always will be.

So without further ado, here are 11 trends for 2014 and how you can get ready:

1. Mobile Is About To Go Mainstream
2. Niche Sites Will Make An Impact
3. Blogging Will Remain The #1 Way To Generate New Business
4. Spammy Content Will Be Eliminated Everywhere.
5. Google Plus Will Grow Faster Than Ever
6. Triggered Emails Will Increase Sales
7. Ambassadors and Influencers Will Hold The Power
8. Image-Centric Sites Will Continue To Rise
9. Video Consumption Will Increase



10. Sharing Will Be More Important Than Ever

11. Marketing Will Be About Adding Value

2014 is going to be an exciting year. Be sure to stay on top of as many of these exciting Social Media trends and Online Marketing trends as you possibly can.

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## “Organisational Politics And It’s Behaviourial Impact On Impression Management And Defensive Behaviour”

Dr. E. B. Khedkar<sup>1</sup>, Dr. O. P. Haldar<sup>2</sup>

### **Introduction: -**

In this context the polity means the political entity of the organisation. The study of man operating within political and legal system has long occupied the interest of learned, writers and teachers. From Plato and Aristotle, through Hobbies, Montesquieu, and Bentham, to the present day writers on political behaviour, the philosophy of politics and jurisprudence has been the central focus of activity; a strong trend toward the scientific study of behaviour is a more recent phenomenon.

**Politics: -** Power is in action. When people get together in groups, power will be exerted. People want to exert influence, to earn awards, and to advance their careers. When employees are in organizations convert their power into action, we describe them as being engaged in politics. Struggle for existence is the evolution of politics.

**Agents of Polity: -** In any political grouping, some individuals achieve a status that allows them to exert more influence on the behaviour of the group. Political execution at all levels, legislators, and judicial officers are more active in the political influence process than an ordinary citizen and in their behaviour political leadership has generated. According to Eulau (1959), the developed three major types are based on the response trustee, delegate and politico.

The Trustee operates as free agents and follows the dictates of his conscience. The delegates acknowledges in one way or another that he acts under direction from his constituents. The policy represents a mid-point continuum where the other two types are at the poles.

**Economic development and politics: -** Relationship between the nature of the political system and the level of economic development has been studied. Aristotle is the first person to note that the disparity between a poor and a wealthy person to end in tyranny. Hence produce dictatorship (means political influence) from low level status onwards. As example ‘Jamindaar Pratha’ arisen like based on this system.

Economics or finance are only making the difference and help to build dictatorship means effects on politics.

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**The objectives of the study:-**

- (i) To aware about the Organisational Politics.
- (ii) To know the behavioral impact of Organisational Politics.
- (iii) To find out whether any relation between the impact of Organisational politics and Impression management and also with the defensive behaviour.

**The Assumption of the study:** - The main assumption of the study is that the Organisational Politics will arise time to time based on various reasons and its impact also will be with Impression Management and Defensive Behaviour also.

**Conceptual Analysis and observatory significance:-**

Organizational Politics has been no particular definition for organizational politics. We are knowing everything, everywhere power is utilizing in the organization for making decisions, to establish themselves, exists influences, be in action and come into politics.

Organizational politics is universal. It can be observed that everyone plays some kind of politics at some point of time in the organization. We can fix references that define politics as: self-serving-behaviour, acquisition of a power, protection of one's own domain building of support through group formation or influence manicuring. In all cases, politics involves acquisition of power or be around power and engaged in self-serving-behaviour. Therefore, politics can be referred to as actions for seizing, holding, extracting, and executing of power by individuals and groups for achieving personals goals rather than organizational goals.

According to Tushman, politics refers to the structure and the process of the use of the authority and power to affect definition of goals directions and the other major parameter of the organization. The decisions are not made in a rational or formal way but rather through compromise, accommodation and bargaining.

**The Reality of Politics:** - Politics is fact of life in organisation. People cannot ignore this. Question arises politics exists? Is not it possible for an organisation to be politics free? It's possible but most unlikely.

Organisations are made up of individuals and group of different values, goals, and interest. Organisations also have limited resources in departmental budget, space allocation, limited promotions, project responsibilities, salary adjustment. Members of the organisation never satisfied and produce potential conflict with the allocation of limited resources. This potential conflict often turns into real conflict. If resources were abundant, then the organisation might be able to satisfy the individual's achievement. But no one organisation has that much resources in which the members will be satisfied. The resources are limited and not all organisation's desire to provide satisfaction.

Further, whether true or not give by one individual or group, will be the shortage of others. These sources are limited. Hence create a competition among members for the organisation's limited resources. Sometimes good performance, adequate improvement, jobs satisfaction are also there. But for the allocation of limited resources the decision makers has to play politics.

For the decision making on selection bare on performance if difference is there, then no problem for selection. But for the same performance, same valued and almost same category to take decision for selecting is too difficult. Same times the influence of others may involve to select one of them. There activities are known as politics in organization.

In organization most of the decision have to be made in a climate of ambiguity where facts are objective and thus are open to all people within organization will are whatever influence they met get from all other sources to support their goals and interests. Creating all their activities is called politicking and the organization will not be able to be politics free.

**Reasons For organizational politics:** - When the group or the organization worker for certain time, it tends to generate political behaviour. There may several reasons for this.

**Some more prominent factors which contribute to political behaviour are as follows:**

- i) **Competition for power:** - People want to acquire power for their self-satisfaction. Since amount of power like other resources is limited, hence there is competition for acquiring power.
- ii) **Discretionary authority:-** Organization provide position with discretionary authority to use such power in the case of special needs like embracing in organization. e.g a production manager may be given discretionary authority to appoint personal of certain category in the case of emergency without making reference to personal department.

Those discretionary authorities, becomes the terms of organizational politics.

- iii) **Ambiguity in Organization:** – ambiguity in organization especially of roles and authority, generals' politics. The more ambiguous the formal roles and authority of organisation members, the more developed will be the internal system of political competition. Ambiguity puts people to
- iv) settle their roles through national interaction and they can show latter performance and leads to more incentives and rewards.
- v) **Subjective evaluation of performance:** - In many cases, performance evaluation cannot be based on any concrete achievement and it is the judgment of superior which is taken as the basis for performance evaluation. Sometimes a subordinate

may like to be closer to his superior by providing him personal satisfaction rather than organizational performance.

- vi) **Saturation in promotion:** - People have a feeling that they have reached saturation level of promotion. Every employee to rise to the levels of incompetence and he will have no other business than to engage in politics that have undesirable.
- vii) **Joint decision making:** - large organization emphasis on joint decision makes to solve common problems fact by units. Joint decision making generates conflict and politics. You get favourable decision people involved in politics by forming coalition and associations through which they will be able to achieve their objectives.

**Political Behaviour accustomed in the organisation:** - Discussion of politics in the past has been a blend of philosophy, art and science. Aristotle and most of his succession have maintained theoretical approaches which could not be entirely scientific.

In 1936 Harald D. Laswell has emphasized the science of politics, requires, “Systematic statement of theory and empirical methods of gathering and processing data.” Most researchers who fill political science are interdisciplinary in nature and having relation like psychology, anthropology and sociology.

According to Eulau in 1963, “what makes man’s behavior political is that he rules and obeys, persuades and compromise promise and bargains, coerces and represent, fight and fears.” and behavioral persuasion’, what man does politically and the meaning he attach.

The interests of behavioral researchers are not as the structures of Government or on differentiation between doctrines, the focus is rather on the behaviour of individuals and groups in a political setting. They give the area established the political behaviour in political parties, public opinions, judicial behaviour, legislative behaviour, voting behaviour etc.

**Power and legitimacy with political behaviour:** - One of the most pervasive and fundamental concept inherent in political and loyal behaviour is that dealing with power. Power is ability to control, which may utilize in many ways. But it should be utilized in ethical justification. The power of a political order will be more effective and stable if it is based on norms and values of the culture and how the power is secured. Them it is said that power are made legitimate. Legitimate power is called authority and which is man factor leading to the stability of the political entity.

<u>Legitimacy</u>	<u>Efficiency / Effectiveness</u>	
	Positive (High)	Negative(Low)
Positive(High)	A	B
Negative(Low)	C	D

The effectiveness of a political regime measured in economic terms. According to Lepset in 1967, the political society is divided in four divisions with the help of two factors legitimacy and efficiency. Both E and L is high present in ‘A’ block in same direction which gives stable, like the country USA. Loss of E and presence of L in Box ‘B’ would present of crises but legitimacy presence in democratic (country) system. Block ‘D’ unstable like Latin America or Middle East country coups and internal crises continue.

**Political Behaviour; Legitimate and illegitimate:-** Political behaviours in organizations as those activities that are not required as a part of one’s formal role in the organisation but that influence, or attempt to influence the distribution of advantages and disadvantages with the organization.

**It divides into two categories – Legitimate of Political Behaviour** reference to normal everyday politics, complaining to your superior by passing the chain of command forming calibration, obstructing organisational politics or decision through interaction or excessive and excessive adherence developing contact outside the organisation through professional activities.

**Illegitimate Political Behaviour** that violet the implied rules of the same. Those who pursue such extreme activities are called as individuals who play hard ball. Illegitimate made activities include sabotage whistle blowing and symbolic protests such as wearing black batch or protest buttons and groups of employee’s simultaneously in sick.

The majority of all organisational actions are of the forms of legitimate. The illegitimate form of political behaviour is a very risk of loss of organizational membership and organisation.

**Features:-**

- i. Political behaviour involves some kind of power either directly or indirectly. Power can be exercised.

- ii. Politics involves behaviour that self - serving. It suggests that within organizational resources are used for personal benefits or benefits given to one person or given to another.
- iii. Politics takes place when an individual recognizes that achievement of his goals is influenced by behaviour of others. In such a case, politicking involves.
- iv. All self-serving behaviours which do not involve use of power or threat of use of power cannot be termed as politics. e.g., one employee asking for a rise in pay is not political behaviour, but the use of threat to unionize to obtain a pay rise amounts to political behaviour.

**Consequences of political behaviour:** - Political behaviour is dysfunctional, though in some cases it can be functional. If, in acting in his self-interest, a member behaves in ways that are compatible with the best interest of the organization, such behaviour is called functional.

This may happen when management tries to safeguard its own interest along with the interest of others, associated with the organization. Much politics may be involved while managing labour force or managing external relationship of the organization.

Political behaviour is dysfunctional if self-interest hinders the organization from achieving its goals. When organizations and individuals may be similar while other portions (in which case both interest) may represent conflict between two interests. Since an individual tries to achieve his own goals, it may be at the cost of the organization. Thus higher the degree of incongruency between two goals higher is the chance for political behaviour being dysfunctional.

**Political Behaviour may assume the following forms:-**

- Scapegoating
- Passing the buck
- Sabotage
- Attacking and blaming others
- Praising others and ingratiation
- Creating obligations and reciprocals
- Associating with influential
- Image building
- Support building for ideas
- Falsification or hiding of important information
- Creating power coalitions

**Political and effective management's label:** - A behaviour that one person levels as "organizational politics" is very likely to be characterized as an instance of an effective management" by another. The following labels used to describe some phenomena are as follows:-

<b>Political label</b>	<b>Effective management label</b>
1. Blaming others	Fixing responsibilities
2. “kissing up”	Developing working relationships
3. Apple polishing	Demonstrating loyalty
4. Passing the buck	Delegating authority
5. Covering your rear	Documenting decisions
6. Creating conflict	Encouraging change and innovation
7. Forming coalition	Facilitating teamwork
8. Whistle blowing	Improving efficiency
9. Scheming	Planning ahead
10. Over achieving	Competent and capable
11. Ambitious	Career minded
12. Opportunistic	Astute
13. Cunning	Practical minded
14. Arrogant	Confident
15. Perfectionist	Attitude to detail

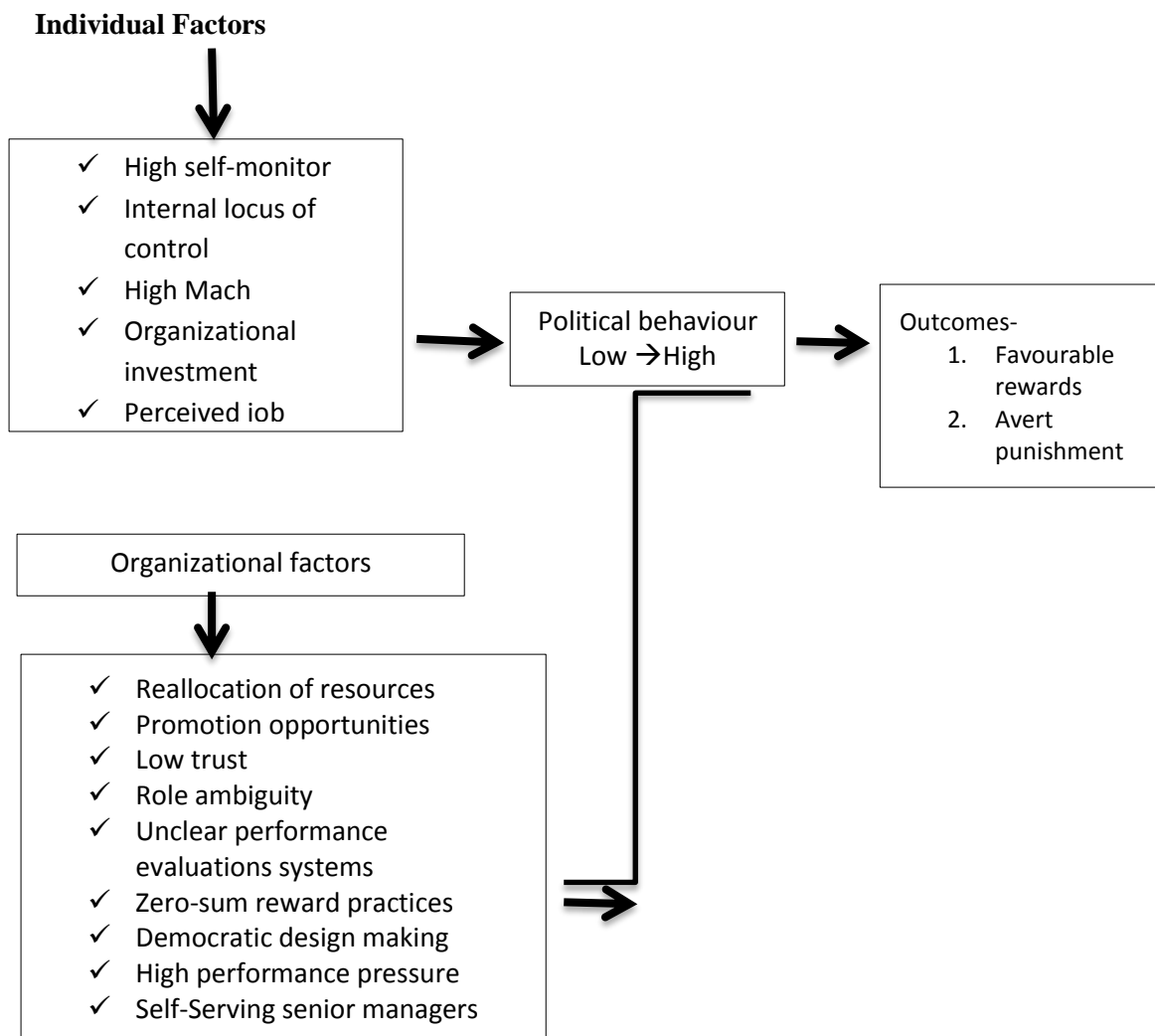
**Factors contributing to political behaviour:** - Not all groups or organization are equally political. Politics plays a small in influencing outcomes. Why there is variation in different organization? Members of factors that are appear to encourage political behaviour. Some are individual characteristics derived from the people of the organizational employs and other is a result of the organization culture or internal environments. Both factors can increase political behaviour and provide favorable outcomes (increased rewards and averted punishments) for both individual and groups are the organization.

**Individual factors:** at the individual level, it is identified that of certain personality traits, needs and other factors are like to be related to political behaviour. Employers who are high self-monitor, possess on internal locus of control, and have a high need for power are more likely to engage in political behaviour. The high self-monitor is sensitive to social ones exhibits higher levels of social conformity and highly skilled in political behaviour. Individual with an internal locus control believes that they can control the situations and manipulate in their favor.

An individual’s investment in the organization, perceived alternatives, and expectations of success will influence the degree to which he or she will pursue illegitimate means of political action. The more a person has invested in the organization in terms of expectations of increased future benefits, the more a persona has to lose if forced out and the less likely he or she is to use illegitimate means. The more alternative job opportunities an individual has due to favourable job market.



**Chart of Factors contributing to political behaviour as follows:**



**Organizational factors**—political activity is probably more a function of the organization characteristics than an individual differences variables earlier if is discarded. When an organization's resources are declining, when there is opportunity for promotions, role ambiguity, unclear performance evaluation system, zero-sum reward allocation practices, democratic decision makings and self-serving senior managers will create breeding grounds for politicking.

**Impression Management** is the process by which individuals attempt to control the impression others form of them. The people have an ongoing interest in how others perceive and evaluate them. Before the impression polity effectiveness should know. The following suggestions are likely to improve our political effectiveness.

They are as follows:-

- (i) To frame arguments in terms of organisational goals.

- (ii) To develop the right image.
- (iii) To gain control of organisational resources.
- (iv) To make
- (v) To be visible.
- (vi) To develop powerful allies.
- (vii) To support our boss always.
- (viii) To avoid tainted members.



### Findings and Conclusions:-

Question arises is everyone concerned with impression management? Probably not! Who then, might be predicting to engage in impression management? High self-monitor are fit for that, because they are good at reading situation and molding their appearances and behaviours to fit each situation.

### The techniques to control the impression others in the organisation where Polity (Organisational Politics) is existing-

- (i) **Conformity-** Agreeing with someone else's opinion in order to gain his or her approval.
- (ii) **Excuses** – explanation of a predicament – creating event aimed at minimizing the apparent severity of the predicament.

- (iii) **Apologies-** Admitting responsibility for an undesirable event and simultaneously seeking to get a pardon for the action.
- (iv) **Acclaiming-** Explanation of favourable events to maximise the desirable implication for oneself.
- (v) **Flattery-** Complementing others about their virtues in an effort to make one appear perceptive and likable.
- (vi) **Favours-** Doing something nice for someone to gain that person's approval.
- (vii) **Association-** Enhancing or protecting one's image by managing information about people and things with which one is associated.

But **Impression Management** does not imply the impressions people convey are necessarily false (although, of course they sometimes are). Misrepresentation can have a high cost. If the image claimed is false, we may be discredited. So the impression manager must be cautious not to be perceived as insincere or manipulative. 'If cry, wolf once too often, no one is likely to believe you when the wolf really comes.'

**For the Defensive Behaviour** organizational politics includes protection of self-interest as well as promotion. Individuals often engage in reactive and protective, 'defensive' behaviours to avert action, blame or change.

**Common varieties of defensive behavioral strategies for remedial action, classification by their objectives are in below which includes with Organisational Politics:**

- A) Avoiding Action:** Sometimes the best political strategy is to avoid action. That is the best action is no action. However role expectation typically dictates that one at least give the impression of doing something. Here are ways to avoid action:
- i) **Over conforming** – rigid adherence to rules, policies and precedents avoids the need to consider the nuances of a particular case. Things like 'rules clearly state .....
  - ii) **Passing the buck** – transferring the responsibilities for the execution of a task or decision to someone else.
  - iii) **Playing dumb** – this is a form of strategic helplessness you avoid an unwanted task by falsely pleading ignorance or inability.
  - iv) **Depersonalization** – you treat other people as objects or numbers, distancing yourself from and to avoid them. Hospital physicians often refer to patients by their room number and or disease in order to avoid becoming too personally involved with them.
  - v) **Stretching and smoothing** – refers to prolonging or task so you appear to be occupied for smoothing the matter.
  - vi) **Stalling** – this foot dragging tactic requires you to appear more or less supportive publicly while doing little or nothing privately.

**B. Avoiding Blame: what we can do avoid blame for actual or anticipated negative outcomes. We are having so many tactics to avoid, are given bellow:**

- i. **Buffing** – “I cannot provide that information under I get a formal written requisition from you,” is the nice way to cover our rear.’
- ii. **Playing safe** – risky tactic and when perfect acting is required.
- iii. **Justifying** – this tactic includes developing explanation or apologizing to demonstrate remorse.
- iv. **Scapegoating** – “I would have had the paper in on time but my computer went down and I lost everything the day before the deadline,” which is blaming for external factors.
- v. **Misrepresenting** – this tactic involve the manipulation of information by distortion, embellishment, deception, selective presentation, or obfuscation.
- vi. **Escalation of commitment** – “Throw good money after bad,” you demonstrate confidence in past action and consistency overtime.

**C. Avoiding change: there are two forms of defensiveness frequently used by people who feel personally threatened by change:**

- I. **Resisting change:** this a catch all name for a variety of behaviours, including some forms of over conforming, stalling, playing safe and misrepresenting.
- II. **Protecting turf** – the purchasing executive commentated, “Tell the people in production that it’s our job to talk with venders, not there.

**Effects of defensive behaviours due to Organisational Politics** – in the short run, use of defensiveness may well promote an individual’s self-interest. But in the long run, it more often than not becomes a liability. Defensive behaviour can be an effective device for surviving and flourishing in an organisation because it is often deliberately or unwillingly encouraged by management. But defensive delays decision, increases interpersonal and intergroup tensions, reduces risk taking, makes attributions and evaluations unreliable and restrict change efforts and make the employees moral low.

**Development of polity** while the complete process of development of the **Social group or any organisation** and the exact point at which are might say that law and a political entity come into existence may be debated, it seems clear that a growth in the complexity of a **Society or Organisation** and the increasing need for groups of individuals to coordinate their activities in a graphic area lead to the development of an entity that can be called political. This process of political development ends ultimately in the creation of a nation, the point where national boundaries are defined within which individuals depart from complete loyalty to a local community to a consciousness of being part of the larger entity. In addition to a **removal of local or regional barriers to interaction and identification**, the process of political integration into the larger unit is hastened by means such as a common system of

education as well as identifiers of unity such as a flag, an emblem, and other symbolic representation.

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## Supply Chain – A Success Mantra

Dr. Satish S. Ubale <sup>1</sup>

### Abstract:

The focus of this article is on supply chain conditions in industries that has enormous long-term growth opportunity with certain challenges that has impacted supply chains and presented even greater uncertainty around the industry. The researcher has surveyed 20 supply chain professionals on the topic and identified win-win strategy that should be adopted. The other outcome of the survey is presented in terms of supply chain challenges and opportunities for the industries. The paper stressed on forward-thinking of companies that demands to invest in the right processes, technology solutions and partnerships that helps the industry to successfully navigate current and future challenges in the coming year.

Companies across all industries are facing challenges of maintaining balance between demand and supply of good with the fluctuations in the supply of raw material. Year 2013 brought a number of challenges that significantly impacted supply chains and mandates, compounded by the continued presented even greater uncertainty around the industry. Industry were forced to adapt to a slow recovering economy and increased regulatory pressure to cut costs and maintain service levels – all with effective planning for the future.

Organisations must recognize the need to improve supply chain, analyzing the opportunities and threats so as to adapt to changes in the marketplace in the field as they head into 2014. To begin with let us understand what is supply chain? A supply chain is a system of organizations, people, activities, information, and resources involved in moving a product or service from supplier to customer. Supply chain activities transform natural resources, raw materials, and components into a finished product that is delivered to the end customer. In sophisticated supply chain systems, used products may re-enter the supply chain at any point where residual value is recyclable (reverse logistics).

The cause of instability in supply chain may be because of Forrester effect or **bullwhip effect**. Jay Forrester, the Professor Emeritus of Management in System Dynamics at the MIT Sloan School of The cause of instability in supply chain may be because of Forrester effect or **bullwhip effect**. Jay Forrester, the Professor Emeritus

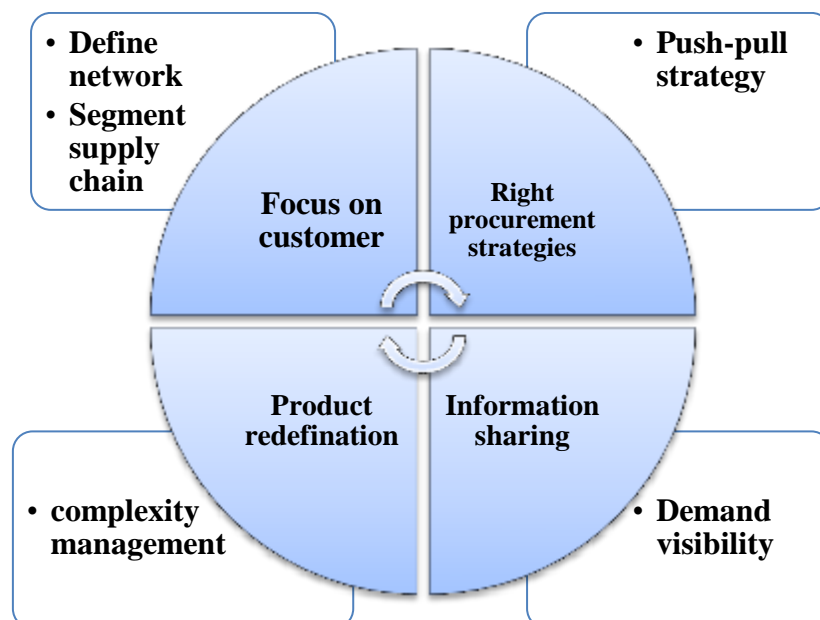
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of Management in System Dynamics at the MIT Sloan School of Management, observed that when demand at retailing level increased drastically, supply side couldn't catch up with demand which lead to the instability of the whole supply chain.

The bullwhip effect is an observed phenomenon in forecast-driven distribution channels. It refers to a trend of larger and larger swings in inventory in response to changes in customer demand, as one looks at firms' further back in the supply chain for a product. The concept first appeared in Jay Forrester's *Industrial Dynamics* (1961) and thus it is also known as the Forrester effect. Since the oscillating demand magnification upstream of a supply chain is reminiscent of a cracking whip, it became known as the bullwhip effect. The ripple effect of small changes in customer demand is magnified upstream through a supply chain all the way from the customer to the retailer to distributor to manufacturer.

It is so named because of the resemblance to a bullwhip as the variability of demand increases sharply when you progress up the supply chain. The Bullwhip effect is very common as long lead times, high variability, promotions and many other factors in any complex supply chain conspire to drive inventory. However, some steps can help mitigate the Bullwhip effect:



1. **Focus on the customer** - Finalise an optimal network design centered for customer and their requirement with consumption pattern about product. Divide your supply chain depending upon network designed and a clear picture of your unique value proposition.

2. **Right procurement strategy** - Optimize your inventory allocation process based upon an understanding of demand certainty. If stable demand is observed for some products, a push strategy can be employed. But where demand is uncertain, a pull strategy will need to dominate the policy. Often organisations will be somewhere in the middle with a push-pull strategy

3. **Information sharing** - No matter where organization fits in the supply chain, costs rise when there is a lack of visibility to demand shared along the supply chain. Encourage information sharing amongst trading partners and be a catalyst and good example of information sharing. An often overlooked opportunity is working with suppliers on reducing lead times and improving on time delivery.

4. **Product redefinition** - Evaluate the costs associated with the products and efforts must be placed to reduce the complexity of the product. Complexity management is much more than a one-time, revenue and activity-based costing exercise. It is not only a thorough evaluation of the products in your portfolio, but also a joint agreement with product development, product management, marketing, ops and finance on the criteria and guidelines for new product introduction (NPI) and the refinement of the product management process and metrics to ensure the company adheres to these decisions. It's certainly not an easy task, but well worth the effort.

To study the winning strategies, challenges and opportunities for the industry the researcher has surveyed 20 supply chain professionals on the topic and identified and tracked the trends. The outcome of the survey can help the companies to improve the performance of their supply chains. Companies surveyed ranged in size of revenue from Rs. 10 million to Rs. 25 million. Thirty percent of the participants were retailers, forty-seven percent were manufacturers, and twenty three percent were service providers. The study highlights some of the latest trends that companies must consider as they look to the future, while there have been strides made to address such issues as cross-functional integration and collaboration, companies need to be even more diligent about how they leverage new sources of data to address the unique needs and economics of different customer and product segments. The outcome of the survey is presented as win-win strategy for industry.

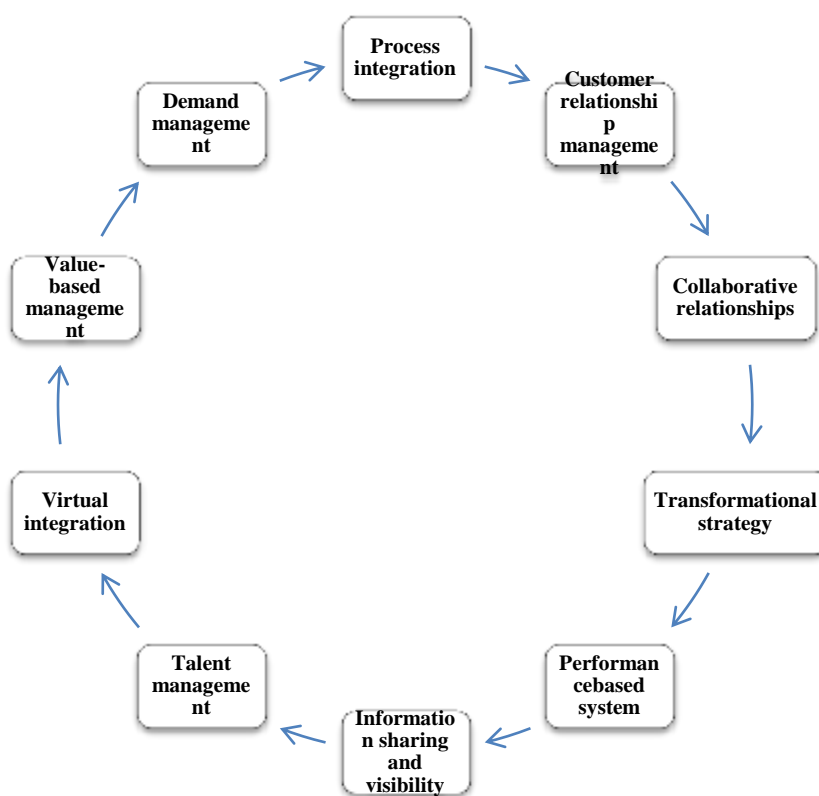
**Demand management**-No one buys a company's stock because of the company's ability to forecast. Yet increasing forecasting accuracy along with integrating the demand and supply functions across the supply chain can drive higher revenue, lower working capital, and decrease costs. Leading companies are leveraging big data and new approaches to better forecast demand.

**Process integration**-Of great concern to supply chain organizations is the functional silos that still exist and disrupt supply chain performance. When processes are integrated and silo walls are eliminated, the results are staggering. One opportunity



that can have tremendous impact is integrating purchasing and logistics. Although both functions are traditional supply chain functions, the research confirmed significant payback when these two areas align their objectives and operating plans.

**Customer relationship management**-Leading companies are successfully segmenting their products and customers and developing tailored supply chain solutions for each segment. This approach allowed one firm to eliminate nearly half (43 percent) of its inventory while still improving on-shelf availability from 92 percent to nearly 100 percent.



### WIN-WIN STRATEGY

**Collaborative relationships**-Win-win collaboration between supplier and customer may be rare, but it can produce amazing results. These collaborations should be built on a foundation of common metrics, shared benefits, and trust. This results increase revenue by more than 18 percent, achieve product availability to more than 93 percent, significantly decrease inventory by 29 percent, and save more than few lakhs in logistics costs.

**Transformational strategy**-Only seven percent of firms have a documented multiyear supply chain strategy; yet developing these strategies can produce spectacular results.

**Performance-based system**-Simply changing the performance measurement and goal-setting system inside a firm can greatly enhance the overall performance of the supply chain.

**Information sharing and visibility**-Firms are changing the game by sharing and linking together masses of information from multiple sources and interpreting the data using business analytics expertise.

**Talent management**-Talent management is the number one requirement for transforming a supply chain.

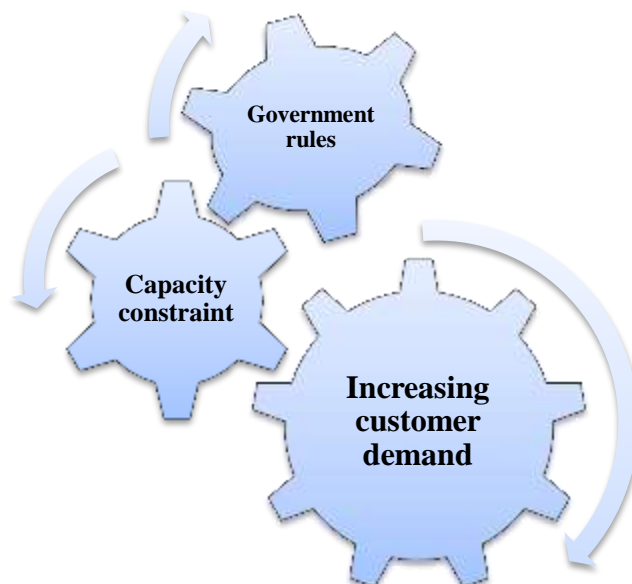
**Virtual integration**-One of the fundamentals of a great supply chain is for a company to stick to what it does well—its core competencies—and leave the rest to world-class service providers. When outsourcing, firms should create a win-win vested outsourcing framework with its service providers.

**Value-based management**-Supply chain excellence is the key to creating shareholder value. On average, the supply chain controls 100 percent of the inventory, manages 60 to 70 percent of cost of goods sold, and provides the foundation to generate revenue by delivering outstanding availability.

The other outcome of the survey is presented in terms of supply chain challenges and opportunities in the coming years which are represented in model below.

#### **Supply chain challenges**

Companies are going to face challenges in the coming year with the increase in pressure of timely delivery at lowest cost and also by taking care of all government rules.



1. **Government rules:** The impact of the government rules will be seen in coming days and transporters will be forced to change their logistics strategies to avoid cost increase and disruptions in the transportation of goods.

2. **Capacity constraint:** While the economy has been slow to rebound, there have been several indicators of modest recovery as retail sales– hitting a new all-time high – manufacturing is up year-over-year and auto sales reached its highest levels. If this trend continues, companies could see a tightening of capacity during produce season in late April and early May, extending into the summer months. Capacity constraints will be further exacerbated due to productivity lost because of government rules.

3. **Increasing Customer Demands:** More than ever, companies are looking at the supply chain as a significant opportunity for cost savings. As a result, many forward-thinking retailers are putting processes in place to create more efficient, cost-effective supply chains. These retailers are implementing supplier compliance initiatives with tight delivery windows – including penalties for not delivering shipments on-time – adding increased complexity to the supply chain for consumer packaged goods (CPG) companies. The challenge of adapting to the changing customer demands are compounded by the push for CPG companies to become lean and cut costs within their own operations.

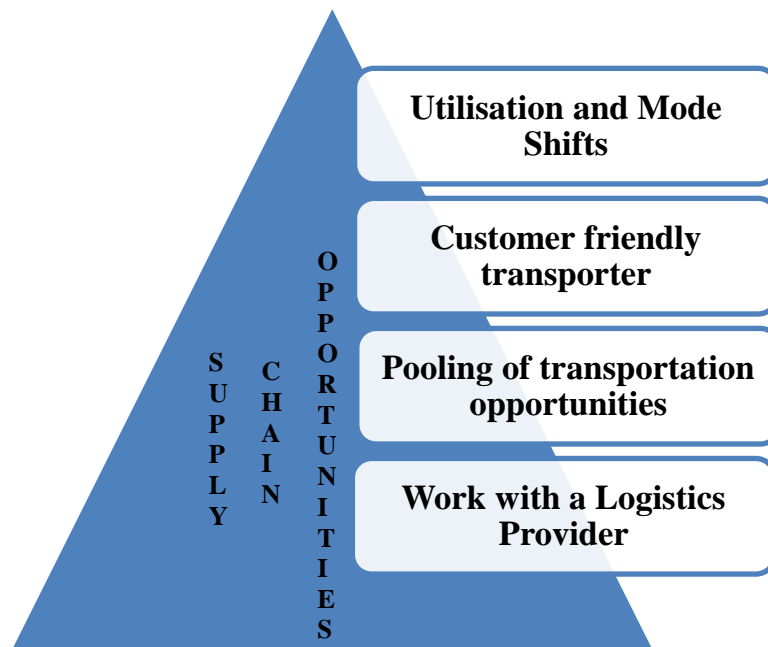
#### 4. Supply Chain Opportunities

There will be tremendous opportunity in coming days for companies to evaluate their transportation operations and develop strategies that address current pain points and prepare for future challenges. There are a number of best practices shippers can establish in their supply chain, including:

- i. **Utilisation and Mode Shifts:** Transporters should examine their transportation network and identify opportunities to consolidate truckload and expand their mode utilization. This will be an effective strategy to reduce transportation costs.
- ii. **Customer friendly transporter:** The relationship between a transporter and its carrier network can be critical to achieving and maintaining quality, efficient supply chain operations. Transporter should make it a priority to become the top choice for carriers by evaluating their transportation management processes and measure what value they bring to the carrier community. Companies should implement carrier-friendly policies, good fuel surcharge programs and consistent freight volumes, and be collaborative with their carriers and encourage innovation.
- iii. **Pooling of transportation opportunities:** With many of the traditional methods of establishing strong, efficient processes exhausted, shippers are looking for alternative methods to drive better results. As a result, companies have been more

willing to engage in collaborative shipping as a way to deliver cost savings, improve customer service and make a sustainability impact.

- iv. **Work with a Logistics Provider:** In the face of rising costs and increased customer demands, many shippers are partnering with a third party logistics (3PL) provider to optimize their transportation management. An effective 3PL partner relationship can offer shippers a wider range of transportation network options, as well as strong expertise regarding transport
- v. lanes and modes, knowledge about federal and state regulations and a range of technology-based solutions tailored specifically to their needs



While future will have its challenges, forward-thinking companies that invest in the right processes, technology solutions and partnerships will be in a position to successfully navigate current and future challenges in the coming year.

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## **Innovative Entrepreneurship – Catalyst For A Successful Turn Around In Small Scale Industries**

**Deepali Choudaki<sup>1</sup>**

### **Abstract:**

Everyone is concerned about industrial sickness and its increasing rate. In India, around 10 per cent of bank credit is blocked in sick units. Sickness in the small scale industries is much severe. There has been an incremental rise of around 15 percent in the number of sick units in this sector. Banks, financial institutions, government and entrepreneurs are deeply worried of uncontrolled growth in sick units and seek for remedial measures. To motivate entrepreneurs in rehabilitation exercise, it is worthwhile to bring to their notice of those units which were sick at one time but due to hard work and the right approach of banks and financial institutions, the same were successfully rehabilitated. Against this backdrop, it makes sense for companies to understand the reasons for their decline, in their performances, and find ways to avoid a potential bankruptcy situation. The issue is what are the reasons for sickness and what is the role that the entrepreneur plays in the successful turnaround of ailing SSMUs. Can Innovation play an important role in nurturing these units back to their original glory? This paper aims to study the catalytic role of the entrepreneurs in order to turn their sick units to one of the profit earning organization. The study was limited to the small scale manufacturing units in Ahmednagar MIDC.

**Key words:** Industrial Sickness, Rehabilitation, turnaround, Innovation, Entrepreneur

### **Introduction:**

In the literature on entrepreneurship, there is a broad consensus among policy makers, researchers and practitioners that a fundamental cause of difficulties experienced by many states are lack of technical entrepreneurship. This is manifested in the low rate at which small-scale manufacturing industries are created and at the high rate of mortality in the sub-sector (Ajakaye, 1999). It is particularly evident in that there are many barriers militating against the development and growth of the real sector that is the bedrock of any economy. A number of models perceived to be relevant in international context have not been effective in Ahmednagar MIDC due to lack of knowledge, equitable approach to industrial development and socio-economic conditions. This has necessitated the need for this study to examine the catalytic role of Entrepreneurs towards turnaround of sick small scale industries.

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In spite of critical gap in development process in small scale manufacturing units, researchers and scholars around the world have long identified the role of entrepreneurs and entrepreneurship in the economic development of nations. For instance, Dozie (2005) argues that this vital factor of production formed the bedrock of the classical thesis of Joseph Schumpeter (1934) who established that no nation would break the barriers of development without a intellectual mass of entrepreneurs. It is the entrepreneurs who generate the critical momentum an economy requires for economic growth by breaking new grounds in human endeavour as a result of the vital characteristics or attributes them possess.

The opportunities for capitalizing on change are not confined to the classically defined entrepreneurial firm. Entrepreneurial strategy goes beyond the founders, leaders and managers of new ventures. Increasingly, leaders and managers within established firms are seeing themselves as entrepreneurs – not just by choice but also by necessity. Recent studies have examined the behaviors of entrepreneur who lends his/her vision, leadership style and strategy to the very essence or the core of the business. The concept of “entrepreneurial leadership” is raising the intellectual debate to a new plane (Bettis and Hitt, 1995). McGrath and MacMillan (2000) propose that a new type of business leader must emerge ready to leads that face increased competitiveness and uncertainty in these dynamic markets. They defined these new types of business leaders as “entrepreneurial catalyst”. The entrepreneurial catalyst understands that the conditions of a dynamic market require them to move beyond incremental improvements to entrepreneurial change. Therefore, to summarize the model for this research study, one of the main factors influencing a small-scale manufacturing unit’s creation and subsequent performance is the effective role of an entrepreneur who interacts with human capital, particularly education (technical and management), and other salient events in the environment to influence decisions concerning new venture creation, performance, growth and development. It is evident from the number of sick units and the loan amount blocked in such units, there is wide spread industrial sickness. It is discouraging to know that the number of sick units as reported by the banks to the Reserve Bank of India has come down very abruptly from 249,630 in the year 2000-01 to 85,591 in 2011-12. The number of sick unit cases is increasing every year. This does not mean that there is substantial revival of sickness. In fact, the units have continued to fall sick which is evident from the steep growth in Non-Performing Assets during the recent past. Further, due to stiff competition and advancement in technology, many units do fall sick.

**Magnitude of sickness among the Small Scale Industries:**

Year	Total number of sick units	
	Numbers	Amount outstanding (Rs. in millions)
2000-01	249,630	45,060
2001-02	177,336	48,190
2002-03	167,980	57,060
2003-04	138,811	52,850
2004-05	138,041	53,800
2005-06	126,824	49,810
2006-07	114,132	52,670
2007-08	85,187	30,820
2008-09	103,996	36,190
2009-10	77,723	52,330
2010-11	90,141	52,110
2011-12	85,591	67,900
Source: Reserve Bank of India, Annual Reports from 2001 to 2012		

It is becoming important to deal with all related aspects of rehabilitation with special reference to issues in rehabilitation and offer suggestions to make the rehabilitation exercise more effective. In this regard, it is appropriate to deal with conceptual as well as operational aspects of rehabilitation besides examining related developments.

**Objectives of the Research:**

To understand the strategies adopted by entrepreneurs in bringing about successful turnaround.

**Scope and Limitations of the study:**

The study was confined to Ahmednagar MIDC. The findings of the study are based on the interviews conducted with the entrepreneurs who are successful in turnaround of the unit from sick to profit making units. The study is limited to small-scale manufacturing units engaged in manufacturing activities, small-scale units from other fields namely service sector is not taken into consideration.

**Research Methodology:**

The first step in the research process was to determine the issues that need to be addressed for the purpose of the study. There was an interaction with the entrepreneurs in consultation with the guide. Review of various data and literature available regarding all issues connected with the research was extensively undertaken. Information regarding government orders, rules, schemes to support small scale manufacturing units and sick units, through relevant official literature survey was

carried out in various libraries, published survey reports, newspapers, magazines, trade journals which were published weekly, fortnightly or monthly was also referred and its outcome was considered while giving recommendations. Several websites were browsed and relevant data was accumulated.

**Findings and conclusions:**

Problems faced by small scale industries were problem of skilled manpower, inadequate credit assistance, irregular supply of raw material and absence of organized marketing.

**Keys to revival of a sick unit:**

1. The key to revival of a sick unit is the formulation and implementation of a new strategy.
2. Distribution: Gaps in the distribution set up should be filled by appointing new distributor.
3. Training program should be organized for the entrepreneurs to make effective utilization of the resources, how to use the funds, effective use of working capital. Proper guidance is to be given for the right functioning of the unit and utmost care if there is a diversion of fund.
4. R & D: A long term policy towards implementation of Research and Development which will help the growth of a unit.
5. Implementation of transparent HR policies.
6. Visibility and openness of the managerial process
7. Consultants can play a very valuable role in developing an accurate understanding of the problems facing the organization as well as in implementing changes. Carefully chosen consultants can easily supplement internal skills in the initial stages of revival.
8. A role of a business leader: the importance of leadership in reviving sick units cannot be underestimated. A good entrepreneurial leader provides a locus for action in sick units. It is a source for inspiration and ideas. An entrepreneur's role has certainly a very important position in the revival of the sick unit. Leadership plays important role in a unit's revival:
  - i) It generates confidence in the employees that the organization can and will be revived.
  - ii) It ensures that adequate information to analyze the nature of problems and assess courses of future action is forthcoming;
  - iii) It helps in the assessment of internal and external sources of assistance.
  - iv) It identifies and supports talented employees wherever they may be within the organization.



## Suggestions

1. There should be a periodic review of working capital requirement of the borrower units by the banks. The banks should also consider the enhancement of limits if it is possible.
2. In order to detect sickness in the small scale units at the incipient stage itself, there should be a proper and regular monitoring system of the banks at the branch level. It is rightly said  
that prevention is better than cure.
3. The minimum wage fixed by the government should be linked with productivity. There should be a proper appraisal system which should be linked with productivity.
4. In order to reduce the delay in project implementation the commercial banks should take up the responsibility of providing both fixed and working capital finance. The Small Industries Development Bank of Indian can help the commercial banks for providing the necessary long term loans to lending institutions providing the working capital assistance. The difficulties in this respect can be minimized.
5. Due to the absence of skilled labour force, working individual unit's partnership and societies are not able to make full use of their production capacity. In order to have a sufficient trained workers and supervisory staff, a course on different product manufacturing is to be initiated in Industrial training Institutes and polytechnic colleges.
6. An urgent step should be taken to reduce the time taken for processing the application. The procedure for securing financial assistance should be rationalized and simplified. This would prevent cost overruns caused by undue delay in commissioning the product.
7. The government should provide proper direction and guidance to commercial banks and similar financial institutions to sanction loans for the working capital requirements of the SSI units at a subsidized rate by giving top priority. The burdensome formalities followed should also be made easier especially with regard to the timely disbursement of loan.
8. The financial institutions and commercial banks should ensure that the money borrowed from them is properly utilized for the purpose for which it was taken rather than diversion of the funds. A sudden and surprise visit s should be conducted by the financial institutions / banks. Such visits will help the unit owners to be alert in utilizing the fund in a right direction.
9. In order to monitor sickness in the Small Scale Industrial sector, a state level committee on the lines of the Board of Industrial and Financial Reconstruction should be set up. This will help to study the problems of sick units.

The present study is innovative entrepreneurship- the catalyst for a successful turnaround in small industries. The study is based view, perception of stakeholders and secondary data. The findings of the study will enable the Government and policy

makers to frame suitable mandates to promote small scale industries. It is therefore, earnestly hoped that the authorities will consider the suggestions given in the study.

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## Foreign direct investment in retail market in India: Challenges and Issues.

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### Abstract

India is a country with more than 121 Cr. people officially for more than 17% of world's population. It is the seventh largest country in the world with overall land area of 3,287,263 sq kilometres. India measures 3214 km from north to south and 2993 km from east to west. It has a land frontier of 15,200 km and coastline of 7,517 km. India has 28 states and 7 union territories. It faces a formidable challenge and Issues in Indian Retail Sector. India being second most-populous 121 Crore population country has massive scope for retail expansion as along with urbanization and consumerism has also been increasing. Further, India's GDP has also been flexible as growing at fast rate as it continued to be the second fastest growing economy in the world after China and as the income of the country increases, demand for goods also increases because there is positive relation between demand, supply position and income. Initially India was traditionalist regarding FDI; it forced limitation on foreign companies to limit their share in equity capital of their Indian subsidiaries but over the time Government of India gradually liberalized foreign investment in various sectors. Recently in 2011 India permitted 100% FDI in single brand retail and in 2012, 51% FDI permitted in multi brand Retail. In this paper we are analyzing the impact of such decision on Retail sector.

**Keywords:** *Foreign Direct Investment (FDI), Retail Sector, India*

### Introduction

**Retailing in India** is one of the pillars of its economy and accounts for 14 to 15 percent of its GDP. The Indian retail market is estimated to be US\$ 500 billion and one of the top five retail markets in the world by economic value. India is one of the fastest growing retail markets in the world, with 1.2 billion people. As of 2013, India's retailing industry was essentially owner manned small shops. In 2010, larger format convenience stores and supermarkets accounted for about 4 percent of the industry, and these were present only in large urban centers. India's retail and logistics industry central government denied foreign direct investment (FDI) in multi-brand retail, forbidding foreign groups from any ownership in supermarkets, convenience stores or

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any retail outlets. Even single-brand retail was limited to 51% ownership and a bureaucratic process. In November 2011, India's central government announced retail reforms for both multi-brand stores and single-brand stores. These market reforms paved the way for retail innovation and competition with multi-brand retailers such as Walmart, Carrefour and Tesco, as well single brand majors such as IKEA, Nike, and Apple. The announcement sparked intense activism, both in opposition and in support of the reforms. In December 2011, under pressure from the opposition, Indian government placed the retail reforms on hold till it reaches a consensus.

**Foreign Direct Investment:** - Foreign Direct Investment means “cross border investment made by a resident in one economy in an enterprise in another economy, with the objective of establishing a lasting interest in the investee economy. FDI is also described as “investment into the business of a country by a company in another country”. Mostly the investment is into production by either buying a company in the target country or by expanding operations of an existing business in that country”. Such investments can take place for many reasons, including to take advantage of cheaper wages, special investment privileges (e.g. tax exemptions) offered by the country.

Why Countries do FDI

- (a) Domestic capital is inadequate for purpose of economic growth;
- (b) Foreign capital is usually essential, at least as a temporary measure, during the period when the capital market is in the process of development;
- (c) Foreign capital usually brings it with other scarce productive factors like technical know-how, business expertise and knowledge

Benefits of FDI:

- (a) Improves forex position of the country;
- (b) Employment generation and increase in production;
- (c) Help in capital formation by bringing fresh capital;
- (d) Helps in transfer of new technologies, management skills, intellectual property
- (e) Increases competition within the local market and this brings higher efficiencies
- (f) Helps in increasing exports;
- (g) Increases tax revenues

**Why FDI is Opposed by Local People FDI :**

- (a) Domestic companies fear that they may lose their ownership to overseas company
- (b) Small enterprises fear that they may not be able to compete with world class large companies and may ultimately be edged out of business;
- (c) Large giants of the world try to monopolise and take over the highly profitable sectors;
- (d) Such foreign companies invest more in machinery and intellectual property than in wages of the local people;

- (e) Government has less control over the functioning of such companies as they usually work as wholly owned subsidiary of an overseas company.

### **FDI in Indian Retail Sector:-**

#### **Current Status of Indian Retail Sector:-**

The retail industry in India is the second largest employer with an estimated 35 million people engaged by the industry. There has been opening of Indian economy to foreign organization for foreign direct investment through organized retail. The union government has sanctioned 51% foreign direct investment in multi-brand like Wal-Mart, Carrefour, and Tesco. This will make foreign goods and items of daily consumption available locally, at a lower price, to Indian consumers. The new policy will allow multi-brand foreign retailers to set up shop only in cities with a population of more than 10 lakhs as per the 2011 census. There are 53 such cities at present. This means that big retailers can move beyond the metropolises to smaller cities. The final decision will however lies with the state governments. Foreign retailers will require a minimum investment US \$100 million of which at least 50% of total FDI should be invested in back-end infra-structure which would include capital expenditure on the entire spectrum of related activities including cold chain infrastructure, food processing, refrigerated transportation, logistics. Big retailers will need to source at least 30% of manufactured or processed products from Indian small industries.

**The Organisation of India's Retail Industry:-** Retail Sector can basically be classified in to two segments

**1. Organised** - Organised retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses.

**2. Unorganised** - Unorganised retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan / beedi shops, convenience stores, hand cart and pavement vendors, etc. The Indian retail sector is highly fragmented with 95 per cent of its business being run by Kirana Stores.

#### **Types of Retailing in India**

**(a) Single Brand-** Single brand implies that foreign companies would be allowed to sell goods sold internationally under a „single brand“, viz., Reebok, Nokia and Adidas. FDI in „Single brand“ retail implies that a retail store with foreign investment can only sell one brand. For example, if Adidas were to obtain permission to retail its

flagship brand in India, those retail outlets could only sell products under the Adidas brand and not the Reebok brand, for which separate permission is required. If granted permission, Adidas could sell products under the Reebok brand in separate outlets.

**(b) Multi Brand-** FDI in Multi Brand retail implies that a retail store with a foreign investment can sell multiple brands under one roof. Opening up FDI in multi-brand retail will mean that global retailers including Wal-Mart, Carrefour and Tesco can open stores offering a range of household items and grocery directly to consumers in the same way as the ubiquitous “kirana” store. The approval for single and multi brand includes a set of riders for the foreign investors, aimed at ensuring that the foreign investment makes a genuine contribution to the development of Indian infrastructure and logistics, at the same time facilitating integration of small retailers into the upgraded value chain.

#### **Research Objective:-**

- a) To study and discuss the policies undertaken by Government of India (GOI) for FDI challenges and issue in retail marketing,
- b) To present the current status of FDI in Retail scenario in Indian market along with further scope.
- c) To study FDI root in Retail Sector.
- d) To analyze the impacts of FDI into retail market on Farmers, Employment and Food Inflation.
- e) To analyze the rationality of allowing FDI in Indian retail with special importance to multi – brand retailing.
- f) To indicate some measures that may be taken into consideration as part of the policy making process.
- g) To study and Evaluate the likely challenges and threats of FDI in both single and multi-brand retail in India

#### **Data Analysis/ Findings**

##### **Policy Adopted by Government of India:-**

Indian foreign policy regarding investment can be study on four phases i.e. First phase consist of the Period 1948-66 in which India welcome foreign investment cautiously. In late sixties crises emerged as a result of which India adopted relative and restrictive policy from 1967 till the second oil crisis in 1979. In order to attract resources from oil exporting, developing countries, foreign investment policy has been revised in October 1980 and in 1982-83. It has been further liberalized. Fourth phase started in 1991 with liberalization and open door policy as the main aim of these reform was to encourage investment and accelerate economic growth.

The retail sector in India is organized into three categories. According to the Department of Industrial Policy and Promotion (DIPP) of the Government of India, the single-brand retail comprises those retailers selling products of a 'single brand' only, such that products should be sold under the same brand internationally; and single-brand product retailing covers only products which are branded during manufacturing. In this category, FDI is allowed to the extent of 51 per cent. From 2006 to March 2010, around 94 foreign firms applied to invest through the single-brand route of which 57 were approved. Consequently, the percentage increase in FDI flows in the retail sector between 2008 and 2010 was even higher than that in sectors such as the services sector, trading and telecommunications, which have a much higher share in the country's overall FDI.

### **Conditions for FDI Route in Retail Sector**

The conditions for 51% FDI in MBRT include a minimum investment of \$100 million by each player, 50% of it in back-end infrastructure, 30% procurement from micro, small and medium enterprises (MSMEs), and the government's right to procure the farm produce first. Further, the permission for MBRT has been granted for cities with a population of one million or more, which brings in 53 cities. Some of entrance routes used by them have been discussed in sum as below:

#### **a) Franchise Agreement**

Franchise agreement is written contract between the franchisor and franchisee. It is the easiest mode to enter Indian market. One can enter through this route with RBI approval under the Foreign Exchange Management Act. Many of the players like Spencer, Lacoste, Mango, Nike etc. entered through this route only.

#### **b) Cash And Carry Wholesale Trading**

Cash & Carry wholesale trading would mean sale of goods/merchandise to retailers, industrial, commercial, institutional or other professional business users or to other wholesalers and related subordinated service providers. 100% FDI is allowed to wholesale trading which include building local infrastructure for manufacturers that will improve distribution. First Global Player entered through this route was Metro AG.

#### **c) Strategic Licensing Agreements**

Through strategic licensing developer of intellectual property, technology or a product give exclusive license and distribution rights to Indian companies. It is beneficial for both the companies. Using these Indian companies can sell it through their own shops or distribute the brand to franchises. Mango, the Spanish apparel brand has entered India through this with an agreement with Piramyd, Mumbai, SPAR entered into a similar agreement with Radhakrishna Foodland Pvt. Ltd.

#### **d) Manufacturing and Wholly Owned Subsidiaries**

In a wholly owned subsidiary, the parent company owns all the Shares of the company and there are no minority shareholders. The subsidiary operates with the permission of the parent company. Foreign brands have their subsidiaries in India and these companies have the authority to sell products to Indian consumers by franchising, internal distributors, existent Indian retailers, own outlets etc. Some examples are Nike, Reebok, Adidas, etc. that have wholly-owned subsidiaries.

#### **Implications of FDI In Food Retail Sector**

##### **a) Impact on Farmers**

It is being claimed by the advocates of FDI in retail that the elimination of intermediaries and direct procurement by the MNCs would secure better prices for the farmers. The fact is that the giant retailers would have far greater buyer power vis-à-vis the farmers compared to the existing intermediaries. The entry of giant MNCs into agricultural procurement would make the problems worse for the farmers. As against the „mandis“ that operate today, where several traders have to compete with each other in order to buy the farmers“ produce, there will be a single buyer in the case of the MNCs. This will make the farmers dependent on the MNCs and vulnerable to exploitation. On the contrary, the advocates of FDI believe that FDI in retail in the agriculture will help in improving supply chain, infrastructure and ensure economic security for farmers through the elimination of middlemen in the country.

The Indian agricultural sector is dominated by small farms (83% of total farms). Large corporations of farms are unlikely to stomach the transaction costs involved in dealing with the millions of small suppliers. Furthermore, small farmers are less likely to have access to technology in order to meet the quality standards required by these corporations. Without such business relationships, many small farmers may not realize their desirable higher incomes, or worse, be put out of business by the economically competitive larger farms.

##### **b) Impact on Traditional Retail and Employment**

The key factors that drive growth in retail industry are young demographic profile, increasing consumer aspirations, growing middle class incomes and improving demand from rural markets. Also, the increasing incomes and improvements in infrastructure are broadening consumer markets and hurrying the convergence of consumer tastes. Economic liberalization of the Indian economy, increased in spending per capita income, even for the common citizen. Moreover, the coming up of dual income families in urban area also help in the growth of retail sector, even in small towns. In addition to that, .the consumer preferences for shopping in new vicinities, availability of quality real estate and mall management practices and a shift



in consumer demand to foreign brands like McDonalds, Sony, Panasonic, etc. also contributes to the spiral of growth in this sector.

Supermarket expansion leads to a phenomenon of retail Darwinism in which only the fittest survive that means as compared to unorganized sector like street vendor traditional retailer & shop vender the organized sector like supermarkets would need few people to handle same volume of produce. Retail sector in India has been the largest source of employment after agriculture. Nearly 40 million people employed in retail sector which accounts for 8% of the total employment and 4% of the entire population but large proportion of Indian retail sector is unorganized, that means supermarket expansion is going to affect employment negatively. It is also important here to include the potential loss of employment in the traditional retail sector when calculating the employment benefits from modern retailing and the net employment effect should be considered in policy decisions. Whereas, the urban educated middle class people can get more employment from opening up the multi-brand retail market, but much more uneducated or less educated poor people from rural India may lose their job in a sudden. Further, as supermarkets use modern technology, not many jobs may be forthcoming from their operations even with 50% investment in backend operations.

### **c) Impact on Food Inflation**

Inflation is a politically sensitive issue, particularly for incumbent governments in a democratic country such as India, in particular because rising food prices tend to be regressive in their impact.

Food logistic system in India has many problems like lack of transport facility, storage facility etc. Most of the food items are perishable and because of improper transport and storage facility most of the produce got wasted. The major reason behind this problem is dominant part of the food industry consists of unorganized players and they fall short of funds as well as they lack behind in management. This problem can be solved through allowing FDI in this sector. FDI may fuel the funding requirement in logistics. Apart from this they generally operate at large scale and get benefit of economies of scale. Some of the big players in this industry are ITC and Bharti Wal-Mart. Past record reveals that they directly purchase products from farmers, pay them decent prices as well as they have good arrangement of transportation and storage facility which result in minimum loss and this reap them huge benefit. This system is beneficial for farmers as well as consumers because these companies work at very small margin and as result products are available at cheap prices. One of the reason for this is Scale at which they operate is very large because of which their cost of production is cheap. We can say that FDI will decrease inflation in food market.

## **Opportunities and Threats of FDI in Retail in India**

Market liberalization, a growing middle-class, and increasingly assertive consumers are sowing the seeds for a retail transformation that will bring more Indian and multinational players on the scene. India is tipped as the second largest retail market after China, and the total size of the Indian retail industry is expected to touch the \$300 billion mark in the next five years from the current \$200 billion. But the recent debate has centered on the issue of whether FDI in retail in India will be a “boon or a bane”. Many studies and surveys were conducted to analyze the impact of FDI in retail sector in various segments of the economy. According to a policy paper prepared by the Department of Industrial Policy and Promotion (DIPP, 2010), FDI in retail must result in backward linkages of production and manufacturing and spur domestic retailing as well as exports. According to the World Bank, opening the retail sector to FDI would be beneficial for India in terms of price and availability of products. While FDI in multi-brand retail has been opposed by several in the past citing fears of loss of employment, adverse impact on traditional retail and rise in imports from cheaper sources like China, adherents of the same indicate increased transfer of technology, enhanced supply chain efficiencies and increased employment opportunities as the perceived benefits.

### **Key Perceived Opportunities**

The following may be regarded as major perceived benefits of allowing FDI in retail in India:

- 1. Capital Infusion-** This would provide an opportunity for cash-deficient domestic retailers to bridge the gap between capital required and raised. In fact FDI is one of the major sources of investments for a developing country like India wherein it expects investments from Multinational companies to improve the countries growth rate, create jobs, share their expertise, back-end infrastructure and research and development in the host country.
- 2. Boost Healthy Competition and check inflation-** Supporters of FDI argue that entry of the many multi-national corporations will obviously promise intensive competition between the different companies offering their brands in a particular product market and this will result in availability of many varieties, reduced prices, and convenient distribution of the marketing offers.
- 3. Improvement in Supply Chain-** Improvement of supply chain/ distribution efficiencies, coupled with capacity building and introduction of modern technology will help arrest wastages (in the present situation improper storage facilities and lack of investment in logistics have been creating inefficiencies in food supply chain, leading to significant wastages).

**4. Improvement in Customer Satisfaction-** Consumers in the organized retail will have the opportunity to choose between a numbers of internationally famous brands with pleasant shopping environment, huge space for product display, maintenance of hygiene and better customer care. There is a large segment of the population which feels that there is a difference in the quality of the products sold to foreign retailers and the same products sold in the Indian market. There is an increasing tendency to pay for quality and ease and access to a “one-stop shop” which will have a wide range of different products. If the market is opened, then the pricing could also change and the monopoly of certain domestic Indian companies will be challenged.

**5. Improved technology and logistics-** Improved technology in the sphere of processing, grading, handling and packaging of goods and further technical developments in areas like electronic weighing, billing, barcode scanning etc. could be a direct consequence of foreign companies opening retail shops in India,. Further, transportation facilities can get a boost, in the form of increased number of refrigerated vans and pre-cooling chambers which can help bring down wastage of goods.

**6. Benefits for the Farmers-** Presumably, with the onset of multi-brand retail, the food and packaging industry will also get an impetus. Though India is the second largest producer of fruits and vegetables, it has a very limited integrated cold-chain infrastructure. Lack of adequate storage facilities causes heavy losses to farmers, in terms of wastage in quality and quantity of produce in general, and of fruits and vegetables in particular. With liberalization, there could be a complete overhaul of the currently fragmented supply chain infrastructure. Extensive backward integration by multinational retailers, coupled with their technical and operational expertise, can hopefully remedy such structural flaws. Also, farmers can benefit with the “farm-to fork” ventures with retailers which helps (i) to cut down intermediaries ; (ii) give better prices to farmers, and (iii) provide stability and economics of scale which will benefit, in the ultimate analysis, both the farmers and consumers.

**7. Creation of More And Better Employment Opportunities-** The entry of foreign companies into Indian Retailing will not only create many employment opportunities but, will also ensure quality in them. This helps the Indian human resource to find better quality jobs and to improve their standard of living and life styles on par with that of the citizens of developed nations.

### **Key Potential Threats**

Critics of FDI feel that liberalization would jeopardize the unorganized retail sector and would adversely affect the small retailers, farmers and consumers and give rise to monopolies of large corporate houses which can adversely affect the pricing and availability of goods. They also contend that the retail sector in India is one of the

major employment providers and permitting FDI in this sector can displace the unorganized retailers leading to loss of livelihood. The major threats to the domestic retailers in India are specified below:

**1. Domination of Organized Retailers-** FDI in single-brand retail will strengthen organized retail in the country. These organized retailers will tend to dominate the entire consumer market. It would lead to unfair competition and ultimately result in large-scale exit of domestic retailers, especially the small family managed outlets (local “mom and pop” stores will be compelled to close down).

**2. Create Unemployment-** Retail in India has tremendous growth potential and it is the second largest employer in India. Any changes by bringing major foreign retailers who will be directly procuring from the main supplier will not only create unemployment on the front end retail but also the middleman who have been working in this industry will be thrown out of their jobs.

**3. Loss of Self Competitive Strength-** The Indian retail sector, particularly organized retail, is still under-developed and in a nascent stage and that, therefore the companies may not be able to compete with big global giants. If the existing firms collaborate with the global biggies they might have to give up at the global front by losing their self competitive strength.

**4. Indirectly Leads to Increase in Real Estate Cost-** It is obvious that the foreign companies which enter into India to open up their malls and stores will certainly look for places in the heart of the cities. There shall be a war for place, initiated among such companies. It will result in increase in the cost of real estate in the cities that will eventually affect the interest of the ordinary people who desire to own their houses within the limit of the cities.

**5. Alteration of Culture:** Though FDI in Indian retail will indirectly or directly contribute for the enhancement of Tourism, Hospitality and few other Industries, the culture of the people in India will slowly be changed. The youth will easily imbibe certain negative aspects of foreign culture and lifestyles and develop inappropriate consumption pattern, not suited to our cultural environment.

## **Conclusion**

India being one of the major economies in the world has been enjoying huge and regular FDI from Investor of all around the world. Majority of this FDI in India has been made in the sectors of telecommunication, construction, computer software and hardware etc. At the time of independence India welcomed FDI cautiously but as it developed FDI has been liberalized gradually. FDI in retail sector has been permitted

to enter in 2006 and gradually it liberalized and recently in 2011, 100% FDI in single brand retail permitted and in 2012, 51% FDI in multi brand retail permitted. This has led to debate regarding implication of this policy; in this paper we have analyzed implication of these policies on farmers, traditional retail & employment and on food inflation. FDI has positive impact on some sectors while negative on others. In our analysis we have seen that FDI will bring investment for modernizing farm as well as retail sector and will also improve supply chain. As a result of these factors food inflation will come down and it will benefit consumers as well. On the employment side it can have negative impact as major part of retail sector is unorganized and as a result of FDI many global players will enter in this sector, this may displace the small players. In this paper, it is argued that the potential benefits from allowing large retailers to enter the Indian retail market may outweigh the costs. Evidence from developed countries like, the United States suggests that FDI in organized retail could help to curb the increasing trend of inflation, particularly with wholesale prices. One can also expect that technical knowledge from foreign firms, such as warehousing technologies and distribution systems, for example, will also help to improve the supply chain in India, especially for the perishable goods, like agricultural produce. It can also create better linkages between demand and supply; and this way it create the potentiality to improve the price signals that farmers receive. Thus, it eliminates both wastage of food items and middlemen. And it also increases the division of the final sales prices that is paid to farmers. An added benefit of improved distribution and warehousing channels may also come from enhanced exports. The government should play, in this respect, a leading role with legal provisions and institutional mechanisms for helping the cooperatives of the farmers, producer companies and producer groups in a smooth functioning of the retail market linkage and to avoid its ill effects.

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## Major Issues of Cement Industry

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### Abstract

As the need and consumption of the cement as a commodity is known, many companies are involved in manufacturing cement. This includes some national players and some local manufacturers. The Indian cement industry is the 2nd largest market after China accounting for about 8% of the total global production.

As the production is high it is quite obvious that the market condition would be competitive. The proposed research paper will look at the major issues of the cement industry and tries to analyse the issues related to the market of the cement industry, like market share, dealers association with the cement brand, their satisfaction level, quality related aspect, and the problems they face in marketing the cement brands.

It concludes with underlying the steepness in the competition, identifying certain segments for some brands in the research area and comments on the problems of packaging, quality and satisfaction level of the dealers.

**Key words:** *satisfaction, competition, packaging, quality.*

### Introduction:

Concrete is second only to water as the most consumed substance on earth, with nearly one ton of the material used annually for each person on the planet. Cement is the critical ingredient in concrete, locking together the sand and gravel constituents in an inert matrix; it is the 'glue' which holds together much of modern society's infrastructure. Cement is a global commodity, manufactured at thousands of local plants. Because of its weight, cement supply via land transportation is expensive, and generally limited to an area within 300 km of any one plant site. The industry is consolidating globally, but large, international firms account for only 30% of the worldwide market. In many developed countries, market growth is slow or nil whereas in developing markets, growth rates are more rapid. China is the fastest growing market today. Because it is both global and local, the cement industry faces a unique set of issues, which attract attention from communities near the plant, at a

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national and an international level.

### **Literature Review**

Cement is a cyclical commodity with a high correlation with GDP. The housing sector is the biggest demand driver of cement, accounting for about 67% of the total consumption. The other major consumers of cement include infrastructure (13%), commercial construction (11%) and industrial construction (9%).

The Indian cement industry grew at a commendable rate in the last decade, registering a compounded growth of about 8%. However, the growth has slowed down in recent years owing to the sluggishness in the economy. Moreover, the per capita consumption of cement in India still remains substantially poor when compared with the world average. This underlines the tremendous scope for growth in the Indian cement industry in the long term. Cement, being a bulk commodity, is a freight intensive industry and transporting it over long distances can prove to be uneconomical. This has resulted in cement being largely a regional play with the industry divided into five main regions viz. north, south, west, east and the central region. The Southern region of India has the highest installed capacity, accounting for about one-third of the country's total installed cement capacity.

Given the high potential for growth, quite a few foreign transnational companies have ventured into the Indian markets. Already, while companies like Lafarge, Heidelberg and Italicementi have made a couple of acquisitions, Holcim has increased its stake in domestic companies Ambuja Cements and ACC to over 50% to gain controlling interest. Consolidation has taken place with the top two cement groups controlling nearly one-third of the total domestic capacity. However, the balance capacity still remains quite fragmented.

### **Cement Industry-India**

#### **1.Overview-**

Indian cement industry dates back to 1914 - first unit was set-up at Porbandar with a capacity of 1000 tonnes. Currently India is ranked second in the world with an installed capacity of 114.2 million tones. Industry estimated at around Rs. 18,000 crores (US \$ 4185 mn). Current per capita consumption - 85 kgs. as against world standard of 256 kgs. 4. 55 - 60% of the cost of production are government controlled

#### **2.Cement Industry: Structure:**

Installed capacity 114.2 mn tones per annum (mntpa)

Production around 87.8 mn tones



<u>Major cement plants</u>	<u>Mini cement plants</u>
<ul style="list-style-type: none"><li>• Companies : 59</li><li>• Plants : 116</li><li>• Typical installed capacity per plant : Above 1.5 mntpa</li><li>• Total installed capacity : 105 mntpa</li><li>• Production 98-99 : 81.6 mntpa</li></ul>	<ul style="list-style-type: none"><li>• Nearly 300 plants</li><li>• Located in Gujarat, Rajasthan, MP</li><li>• Typical capacity &lt; 200 tpd</li><li>• Installed capacity around 9 mn Tonnes</li><li>• Production around : 6.2 mn tonnes</li></ul>

### 3.Usage

Private housing sector is the major consumer of cement (65%) followed by the government infrastructure sector at 15% , 1% of the cement produced is sold in bulk form.

### 4. Production

- Excess capacity exists, though some units are sick.
- 99 - 2000 production expected to reach 95 mn tonnes
- Exports around 2 mn tonnes
- Cement manufactured through the wet, semi-dry or dry process.
- Dry process accounts for 90% of the installed capacity
- Wet process popular in the past - better control over mixing of raw material
- Dry process replacing wet process as it is space saving energy efficient and economical.

### 5. Future:-Demand drivers

- Infrastructure & construction sector the major demand drivers. Some demand determinants
  - Economic growth
  - Industrial activity
  - Real estate business
  - Construction activity
- Signs of a revival
  - growth in the housing sector

- central road fund established for national highways and railway over bridges to provide the necessary impetus
  - expansion plans, Greenfield projects on the anvil
- Capacity likely to be 126.9 mn. tonnes by 2000 - 2004
  - By 2000 - 1.9 mn tonnes addition expected
  - 2000-2001 - 2 mn tonnes
  - 2001 - 2002 - 5 mn tonnes
- Demand - supply balance expected in the next 12 - 15 months
- Higher capacity utilisation likely in the future
- Encouraging trend in demand due to pick-up in rural housing demand and industrial revival Industry likely to grow at 8-10% in the next few years.
  - By 2000 - 1.9 mn tonnes addition expected
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  - 2001 - 2002 - 5 mn tonnes
- Demand - supply balance expected in the next 12 - 15 months
- Higher capacity utilisation likely in the future
- Encouraging trend in demand due to pick-up in rural housing demand and industrial revival Industry likely to grow at 8-10% in the next few years.

## **Objectives**

1. To know the market share of particular brand.
2. To find out the time since when the dealer is associated with a particular brand.
3. To know the main users.
4. To know the satisfaction level of company's policy.
5. To find out the problem related to quality of the cement.
6. To know the delivery time taken by the company.
8. To find out the problem related to packaging.

## **Limitations**

The major limitation faced during the study was the lack of time given by respondents to fill the questionnaires. The research was required to be completed during short time of span that did not allow justifying of the study. Another limitation was some respondents were not ready to disclose the information about their company.

## **Research Methodology**

### **1. Type Of Research Design**

In this research we are going to use descriptive research design.

## **Descriptive Design**

Descriptive research is used to obtain information concerning the current status of the phenomena to describe "what exists" with respect to variables or conditions in a situation. The methods involved range from the survey which describes the status quo, the correlation study which investigates the relationship between variables, to developmental studies which seek to determine changes over time.

## **2. Research Plan**

### **SOURCES OF DATA**

In our research we are going to use primary data and secondary data.

#### ➤ PRIMARY DATA

Primary data is one which is collected by the individuals for the purpose of specific in query or study. We surveyed Dealers, Consumers and Influencer of certain areas.

#### ➤ SECONDRY DATA

Catalogue and promotional documents, reports on the industry, research papers, Journals, magazines, etc. of various cement brands and Internet.

## **3. Research Approach**

Basically there are two approaches in collection of primary data.

- Observation
- Survey

We have used survey in our research.

### **SURVEY**

There are four methods by which data can be collected in a survey. The four methods are 1) Personal survey 2) Mail survey 3) Telephone survey and 4) Computer survey.

We have used personal survey.

## **4. Research Instrument**

We have used structured Questionnaire.

## **5. Extent**

Ahmedabad, Anand, Bhavnagar, Deesa, Gandhinagar, Gandhidham, Himmatnagar, Jamnagar, Junagadh, Mahesana, Nadiad, Palanpur, Patan, Rajkot and Vadodara of Gujarat.

## 6. Sample Plan

We have chosen Urban & Semi Urban areas like Ahmedabad, Anand, Bhavnagar, Deesa, Gandhinagar, Gandhidham, Himmatnagar, Jamnagar, Junagadh, Mahesana, Nadiad, Palanpur, Patan, Rajkot and Vadodara of Gujarat.

## 7. Sample Unit

Dealer of each of 15 cities across the Gujarat.

## 8. Sample Size

235 Dealers

## 9. Sampling Method

Quota sampling for dealers.

## 10. Software Used

In our research we have used **Microsoft Office** for analysis purpose. The data has been presented in a Tabular and Graphical form.

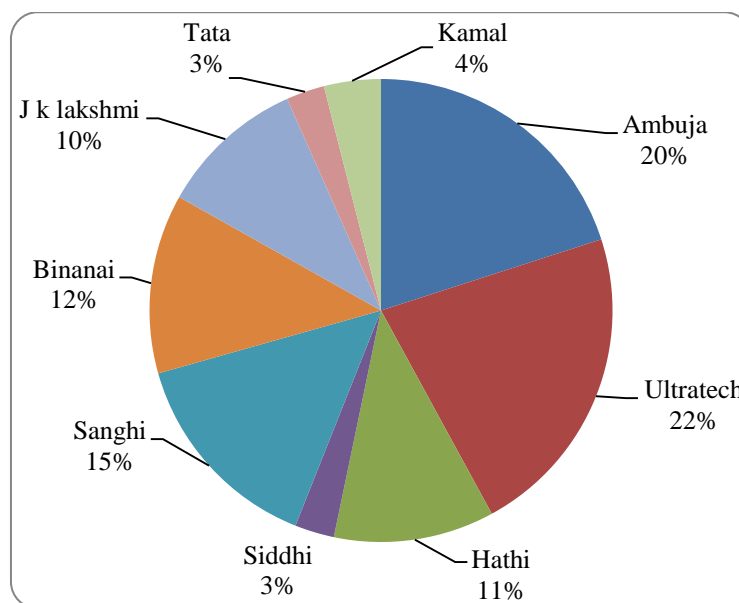
## Data Presentation And Analysis :-

Number of dealers selling a particular cement brand.

(All data are in %)

No.	Center	Ambuja	Ultratech	Hathi	Siddhi	Sanghi	Binanai	J k lakshmi	Tata	Kamal	Total seller
1	Ahmedabad	29	24	14	5	10	5	14	0	0	100
2	Anand	15	40	10	0	15	15	0	0	5	100
3	Bhavnagar	26	32	16	0	11	16	0	0	0	100
4	Deesa	25	25	0	0	13	19	19	0	0	100
5	Gandhidham	32	32	5	0	11	5	5	11	0	100
6	Gandhinagar	24	18	18	0	24	12	6	0	0	100
7	Himmatnagar	25	15	10	5	5	20	10	10	0	100
8	Jamnagar	8	13	25	13	0	4	4	0	33	100
9	Junagadh	21	11	16	11	21	11	0	11	0	100
10	Mehsana	18	12	6	0	24	12	29	0	0	100

11	Nadiad	10	25	10	0	10	25	5	0	15	100
12	Palanpur	19	19	6	0	19	19	13	0	6	100
13	Patan	20	20	7	0	33	13	7	0	0	100
14	Rajkot	14	27	14	5	14	9	9	9	0	100
15	Vadodara	16	20	12	4	12	4	32	0	0	100
	<b>Total</b>	<b>300</b>	<b>330</b>	<b>168</b>	<b>41</b>	<b>219</b>	<b>188</b>	<b>153</b>	<b>40</b>	<b>60</b>	<b>1500</b>
	<b>Total percentage</b>	<b>20</b>	<b>22</b>	<b>11</b>	<b>3</b>	<b>15</b>	<b>13</b>	<b>10</b>	<b>3</b>	<b>4</b>	<b>100</b>



**Pie chart-1**

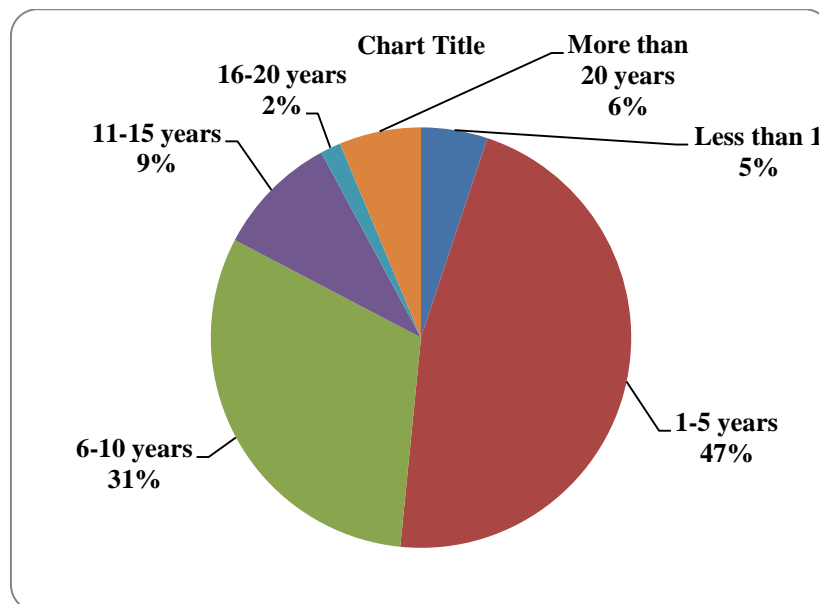
**Analysis:-**From the above graph we can conclude that 22% dealers are selling ultratech, 20% are selling ambuja, 14% are selling sanghi cement and 3% are selling tata & siddhi cement.

**Association of a dealer with a particular brand.**

**(All data are in %)**

Center	Less than 1	1-5 years	6-10 years	11-15 years	16-20 years	More than 20 years	Total
<b>Ambuja</b>	1	13	22	4	0	3	43
<b>Binanai</b>	4	13	12	3	1	0	33
<b>Hathi</b>	0	21	7	1	0	3	32

<b>J k lakshmi</b>	2	11	8	3	0	4	28
<b>Kamal</b>	0	4	4	2	0	2	12
<b>Sanghi</b>	4	32	6	0	0	0	42
<b>Siddhi</b>	0	5	3	1	0	0	9
<b>Tata</b>	0	4	1	0	1	1	7
<b>Ultratech</b>	2	15	16	10	2	3	48
<b>Total</b>	13	118	79	24	4	16	252
<b>%</b>	5	47	31	10	2	6	100

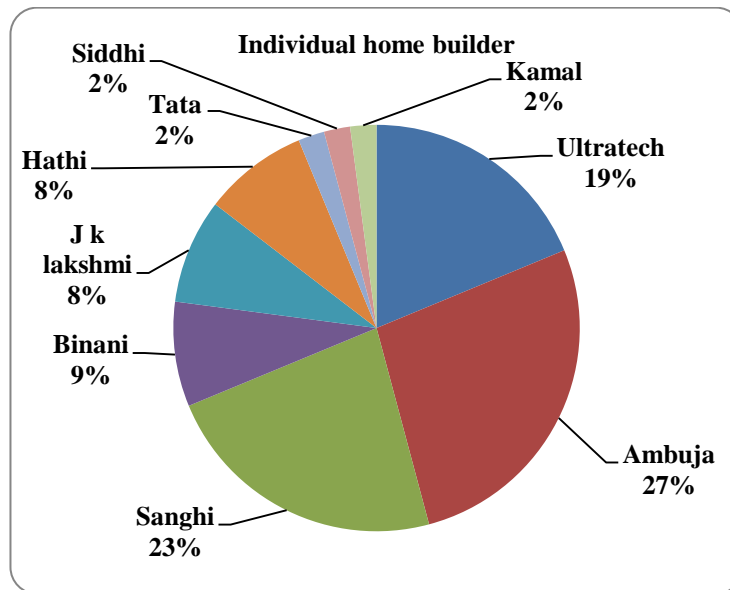


**Analysis:-**

From the above graph we can conclude that 46% of dealers are associated with cement company they deal since 1-5 years, 32% are associated since 6-10 years & 10% are associated since 11-15 years.

**The main customers of the dealer**

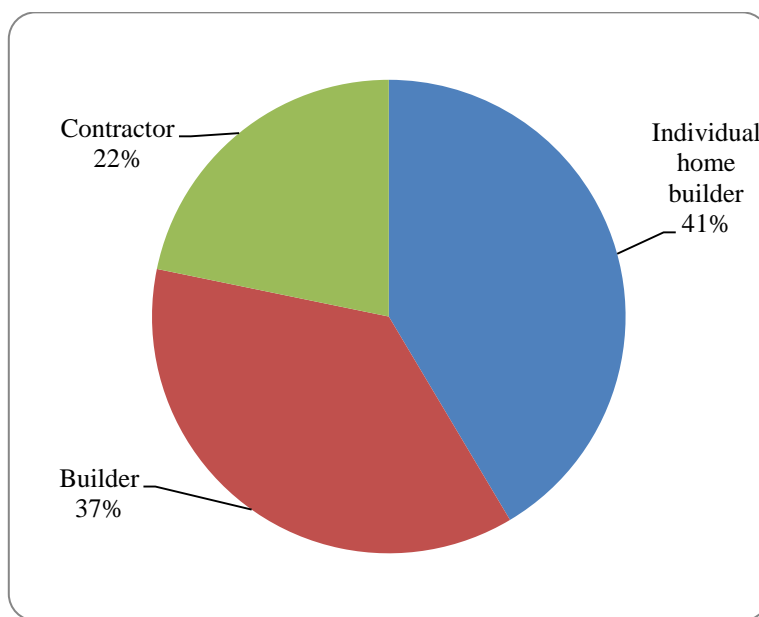
Category	Ultratech	Ambuja	Sanghi	Binani	J k lakshmi	Hathi	Tata	Siddhi	Kamal	Total
Individual home builder	9	13	11	4	4	4	1	1	1	48
Builder	4	1	3	8	9	6	2	1	1	35
Contractor	4	5	6	4	2	6	2	0	0	29
<b>Total</b>	<b>17</b>	<b>19</b>	<b>20</b>	<b>16</b>	<b>15</b>	<b>16</b>	<b>5</b>	<b>2</b>	<b>2</b>	<b>112</b>



**Pie chart-3**

(All data are in %)

Category	Ultratech	Ambuja	Sanghi	Binani	Jklakshmi	Haathi	Tata	Siddhi	Kamal	Total	%
Individual home builder	53	68	55	25	27	25	20	50	50	373	41
Builder	24	5	15	50	60	38	40	50	50	331	37
Contractor	24	26	30	25	13	38	40	0	0	196	22
Total	100	100	100	100	100	100	100	100	100	900	

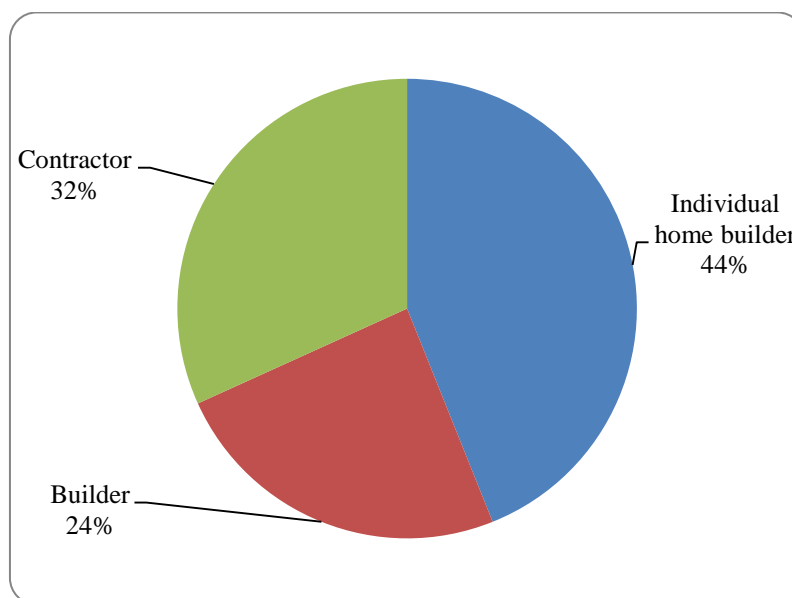


Pie chart-3.2

No.	Center	Individual home builder	Builder	Contractor
1	Ahmedabad	3	2	3
2	Anand	4	1	1
3	Bhavnagar	2	1	3
4	Deesa	3	1	2
5	Gandhidham	5	3	1
6	Gandhinagar	3	3	1



7	Himmatnagar	2	1	3	
8	Jamnagar	2	0	4	
9	Junagadh	2	2	3	
10	Mehsana	3	1	2	
11	Nadiad	3	2	2	
12	Palanpur	3	2	3	
13	Patan	3	2	2	
14	Rajkot	5	1	4	
15	Vadodara	4	4	0	
	Total	47	26	34	107
	%	44	24	32	100



Pie chart-3.3

**Analysis:-**

From the above graph we have concluded that ambuja,sanghi & ultratech brands are having individual home builder as main consumer & binani, j k lakshmi & hathi are having builder as main consumer group.

**Satisfaction of the dealers with the company they are associated with.**

N o.	Center	Ambuja		Ultratech		Hathi		Siddhi		Sanghi		Binani		J k lakshmi		Tata		Kamal		Total	
		Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
1	Ahmedabad	7		4	1	2	1	1		2		1		3						20	2

2	Anand	3		7	1	2			3	3						1	9	1	
3	Bhavnagar	4		6		1	2		2	3							1	6	2
4	Deesa	4		2	2				1	1	3		1	2				1	5
5	Gandhidham	4	2	7			1		2		1		1	2				1	3
6	Gandhinagar	3	1	3		1	2		3	1	2		1					1	4
7	Himmatnagar	5		3		2		1	1		3	1	2		2			1	3
8	Jamnagar	1		2		6		3			1		1			7	1	2	1
9	Junagadh	3	1	2		2	1	2	4		2			2				1	2
10	Mehsana	3		2		1			3	1	2		5					1	1
11	Nadiad	2		5		3			1		5		1			3		2	0
12	Palanpur	3		3		2			3		2		2					1	0
13	Patan	2	1	2	1	1			4	1	2		1					1	3
14	Rajkot	1	2	6		1			1	2	3	1	2		1			1	6
15	Vadodra	4		5		1	1		1				7					1	1
		4				2			3		3					1		2	3
	Sub total	9	7	59	5	5	8	7	0	1	6	3	2	27	2	4	3	1	4
		5				3			3		3					1		2	3
	Total	6		64		3		7	7		5		29		7		2	8	0
		8	1			7	2	0	1						5	4	9	8	1
	%	8	3	92	8	6	4	0	4	1	9	6	93	7	7	3	2	8	2

### Analysis:-

From the above graph we can conclude that around 24% of Hathi cement dealer, 16% of Sanghi cement dealer & 43% of Tata cement are not satisfied with the company they deal.

Common reason for dissatisfaction provided by the dealer is delay in supplying the cement and company doesn't respond to our complaints.

**Problems faced by the dealers with the brand they sell.**

<b>Ahmedabad</b>	<b>Hathi</b>	Late delivery
	<b>Ultratech</b>	Late delivery
		Less commission
<b>Anand</b>	<b>Ultratech</b>	Problem in after sale service
<b>Bhavnagar</b>	<b>Hathi</b>	Late delivery
		Problem in after sale service
<b>Deesa</b>	<b>Sanghi</b>	Dispatching problem.
	<b>Ultratech</b>	Less margin.
		Don't take problems seriously.
	<b>J k lakshmi</b>	Don't provide technical services.
<b>Gandhidham</b>	<b>Hathi</b>	Problem not solve by sales executive.
	<b>Ambuja</b>	Problem not solve by sales executive.
		Late delivery
		Lumps during transportation.
	<b>Ultratech</b>	Lumps during transportation.
<b>Gandhinagar</b>	<b>Hathi</b>	Late delivery
	<b>Siddhi</b>	Late delivery
<b>Himmatnagar</b>	<b>Binani</b>	Late delivery
	<b>Tata</b>	Late delivery
<b>Junagadh</b>	<b>Ambuja</b>	Distributor is not helpful.
<b>Mehsana</b>	<b>Sanghi</b>	Complaint are not solved.
<b>Nadiad</b>	<b>Sanghi</b>	Late delivery
<b>Palanpur</b>	<b>Binani</b>	Problem with sales officer.

<b>Patan</b>	<b>Binani</b>	Less discount.
	<b>Ultratech</b>	Customer demand promotional items.
	<b>Ambuja</b>	Don't provide technical services.
	<b>Sanghi</b>	Late delivery
<b>Rajkot</b>	<b>Sanghi</b>	Less margin.
		Difficult to convince customer.
	<b>Ultratech</b>	No response to our complaints.
	<b>Ambuja</b>	Doesnot provide after sales service.
	<b>Binani</b>	Doesnot provide after sales service.
<b>Vadodara</b>	<b>Hathi</b>	Late delivery

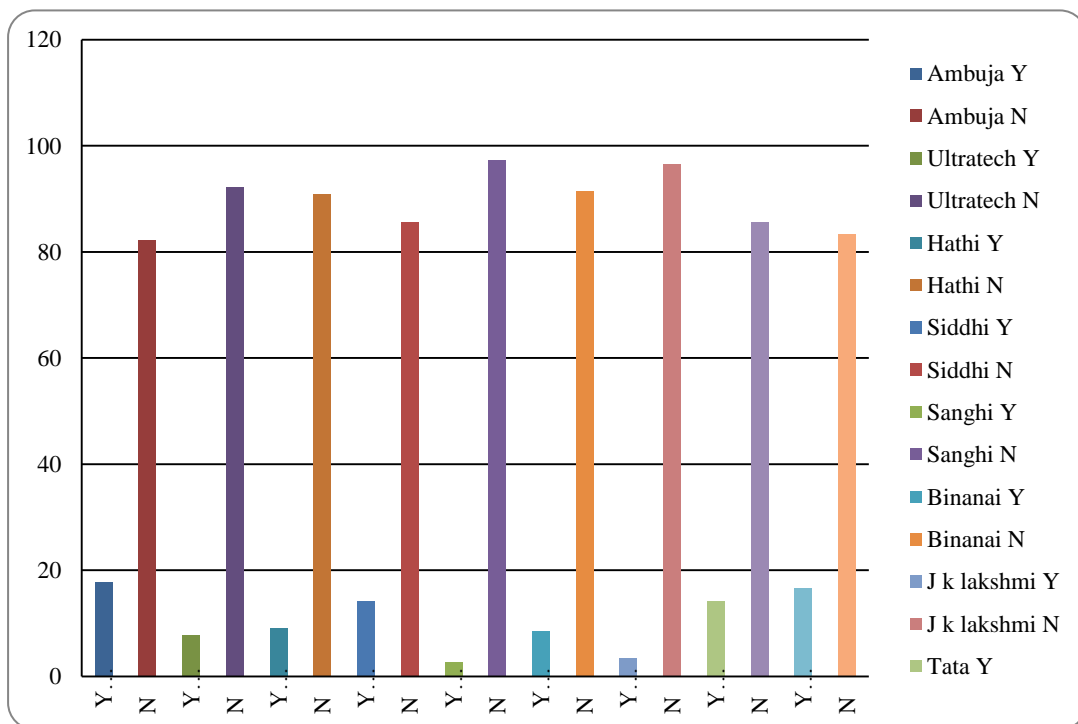
### Analysis

Sanghi: - 3 dealers out of 6 are dissatisfied because of delivery problem and others are dissatisfied because company doesn't provide after sales service.

### Complaints of the customer received by the dealer:-

No .	Center	Ambuja		Ultratech		Hathi		Siddhi		Sanghi		Binani		J k lakshmi		Tata		Kama l		Total	
		Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
1	Ahmedabad	4	3	1	4	2	1		1		2		1		3					7	5
2	Anand		3		8		2				3		3						1	0	0
3	Bhavnagar		4		6		3				2		3							0	8
4	Deesa	1	3		4						2		3		3					1	5
5	Gandhidham		6	1	6		1				2		1		1		2			1	9
6	Gandhinagar		4	1	2		3				4		2		1					1	6
7	Himmatnagar		5		3		2		1		1		4		2		2			0	0
8	Jamnagar	1		1	1		6	1	2				1		1			2	6	5	7

9	Junagadh		4		2		3		2		4		2				2			0	1	9
10	Mehsana		3	1	1		1				4		2	1	4					2	1	5
11	Nadiad		2		5		3				1		5		1				3	0	2	0
12	Palanpur		3		3		2				3	1	1		2					1	1	4
13	Patan	1	2		3	1					5		2		1					2	1	3
14	Rajkot	3			6		1			1	2	2	2		2	1				7	1	3
15	Vadodara		4		5		2				1				7					0	1	9
	Sub total	10	46	5	59	3	3	0	1	6	1	3	6	3	32	1	28	1	6	2	1	25
	Total	56		64		3	3		7		3		7	35		29		7		1	2	28
	%	18	82	8	92	9	9	1	4	8	6	3	7	9	91	3	97	1	8	6	1	8
																						10
																						90



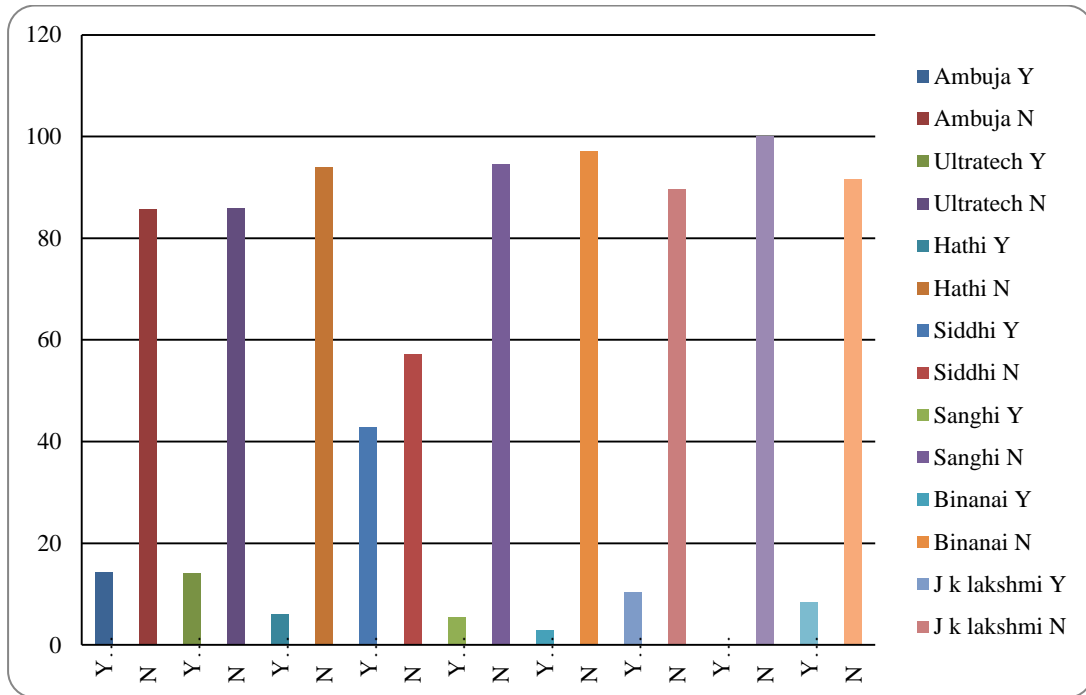
Bar chart-3

### Analysis:-

From the above graph we can conclude that around 18% in Ambuja cement, 17% in Kamal cement, 14% in Siddhi & Tata cement having quality related problem.

Problem related to packaging:-

N o.	Center	Amb uja		Ultrat ech		Hath i		Sidd hi		Sang hi		Bina nai		J k lakshm i		Tata		Kamal		Total		
		Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	
1	Ahmed abad	1	6	2	3		3	1		1	1		1		3						5	7
2	Anand		3	1	7		2				3		3						1	1		9
3	Bhavna gar		4	1	5		3				2		3								1	7
4	Deesa	1	3		4						2		3		3						1	5
5	Gandhi dham	3	3	1	6		1				2		1		1		2				4	6
6	Gandhi nagar		4		3		3				4		2		1						0	7
7	Himma tnagar	2	3		3		2	1			1		4		2		2				3	7
8	Jamna gar		1		2	1	5		3				1		1			1	7		2	0
9	Junaga dh		4		2		3	1	1		4		2				2				1	8
10	Mehsa na		3	1	1		1				4		2	3	2						4	3
11	Nadiad		2		5		3				1		5		1				3	0		0
12	Palanp ur		3		3		2				3	1	1		2						1	4
13	Patan		3	1	2		1				5		2		1						1	4
14	Rajkot	1	2	1	5		1			1	2		4		2		1				3	7
15	Vadoda ra		4	1	4	1	1				1				7						2	7
	Sub total	8	8	9	5	2	1	3	4	2	5	1	3	3	26	0	7	1	11		2	5
	Total	5	6	6	4		3		7		3		3		29		7				2	8
	%	1	8	1	8	9	4	5	9	9	9	9	9	10	90		10	8	92		1	9
		4	6	4	6	6	4	3	7	5	5	3	7	10	90		0	8	92		0	0



### Analysis

From the above analysis we can conclude that in Ambuja & Ultratech cement has problem in packaging of cement. Most common problem with packaging is Busting of cement bag & lumps in moonsoon season

### Conclusion

Even though there are many players in the cement industry, and there is steep competition in the market, the major players in the cement industry in the research area are Ultratech (22%), followed by Ambuja cement (20%) and Shanghi cement (14%). Majority of the dealers are associated with a particular cement brand from one to five years, which is clearly indicating towards the increase in the distribution network taken place in the recent times. Successful brands have identified their segment that is the reason ambuja,sanghi & ultratech brands are having individual home builder as main consumer & binani, j k lakshmi & hathi are having builder as main consumer group. There is large scope for improving the services of the companies to the dealers which can be underlined by the complaint levels of the dealers. There seems to be high level of the dissatisfaction regarding the supply of the cement. Quality is not the major problem of this industry across all the cement brands, bigger problem than this related to the packaging, and that is bursting of the cement bags.

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## **Reverse Logistics: A review paper to understand the basics of reverse logistics.**

**Rita Dangre<sup>1</sup>**

### **Abstract:**

The purpose of this research paper is to understand the very meaning of Reverse Logistics, to study the fundamentals of reverse logistics, various activities, process of reverse logistics. This is a review paper and also includes insights on Return Management. Reverse Logistics is growing at rapid pace in India and companies are realizing its importance like never before. The success of “Greendust”- a reverse Logistics company in India is the evidence of growing need for Reverse Logistics.

**Keywords:-** *Reverse logistics, fundamentals, process of reverse logistics, return management.*

### **Introduction:**

In India, reverse logistics are seen as a sunrise sector within logistics. Since it is an industry that is still evolving, there are excitement and interest over the sizable business opportunity but wariness regarding high execution risk. There is also the awareness and acknowledgement of the fact that within Indian conditions reverse logistics can be a very tedious. Reverse logistics have been an important issue among industries in the past few years. While it was viewed in the past as a secondary operation to the new product side of business, it has now moved to the forefront as a strategic and integral part of the quest to increase customer satisfaction. This has meant that the responsibility of producers now goes beyond the production and distribution to the responsibility of the end of product life cycle. Being aware of the importance and benefits of focusing on reverse logistics, companies are now looking at it with renewed interest. They are now trying to incorporate it as part of their supply chain, either as fully home grown processes, or partially or fully outsourced ones. Against this background it is important to understand the very meaning of reverse logistics, how the process works, what are the fundamentals of reverse logistics and also various activities involved.

### **Literature Review:**

In the paper “Going Backwards: Reverse Logistics Trends and Practices”, August

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1998, Dale S. Rogers and Ronald S. Tibben-Lemke use the definition for Logistics given by The Council of Logistics Management to define Reverse Logistics. The definition for Logistics given by The Council of Logistics Management is: the process of planning, implementing, and controlling the efficient, cost effective flow of raw materials, in-process inventory, finished goods and related information from the point of origin to the point of consumption for the purpose of conforming to customer requirements”.

Therefore, reverse logistics according to Rogers and Tibben-Lembke is:

“the process of planning, implementing, and controlling the efficient, cost effective flow of raw materials, in-process inventory, finished goods and related information from the point of consumption to the point of origin for the purpose of recapturing value or proper disposal.

Rogers and Tibben-Lembke go on to say that remanufacturing and refurbishing also may be included in the definition of reverse logistics. According to them reverse logistics also includes processing returned merchandise due to damage, seasonal inventory, restock, salvage, recalls, and excess inventory. It also includes recycling programs, hazardous material programs, obsolete equipment disposition, and asset recovery.

In his paper “Development and Implementation of Reverse Logistics Programs”, 1998, James R. Stock defines reverse logistics as,

“the term most often used to refer to the role of logistics in product returns, source reduction, recycling, materials substitution, reuse of materials, waste disposal, and refurbishing, repair and remanufacturing.”

Stock (1998) says product returns, product recalls, end-of-lease equipment, old/obsolete items being replaced, packaging materials are among the many items that come back and which require reverse logistics processing.

The European Working Group on Reverse Logistics, REVLOG (1998), defines reverse logistics as, “the process of planning, implementing and controlling backward flows of raw materials, in process inventory, packaging and finished goods, from a manufacturing, distribution or use point, to a point of recovery or point of proper disposal.”

Ronald Kopicki in his book “Reuse and recycling: reverse logistics opportunities”, 1993, gives the definition of reverse logistics based upon the direction of flow as “Reverse Logistics is a broad term referring to the logistics management and disposing of hazardous or non-hazardous waste from packaging and products. It

includes reverse distribution...which causes goods and information to flow in the opposite direction of normal logistics activities.”

Pohlen and Farris (1992) define Reverse Logistics in their article “Reverse Logistics in Plastics Recycling” as “the movement of goods from a consumer towards a producer in a channel of distribution.

### **Fundamentals of Reverse Logistics**

Why are things returned? and why do companies get involved in reverse logistics?

In general companies get involved in reverse logistics

- 1) because they can profit from it; or/and
- 2) because they have to; or/and
- 3) because they “feel” socially motivated to do it.

Furthermore Fleischmann and Dekker categorize these three driving forces as:

direct and indirect)

### **Economics**

Reverse logistics programs bring both direct and indirect gains.

Direct gains can be:

In the form of raw materials for new products. some parts of the returned product maybe recycled to manufacture new products, thus reducing the manufacturing cost.  
Indirect gains can be: supplier relations

### **Legislation**

In many countries customers are legally entitled to return the product and legislation states that the companies are responsible for recovery as well. And sometimes companies themselves participate in recovery programs to keep or create a clean and green image.

## **Corporate citizenship**

Many companies take responsibility for the safe disposal or recycling of their products to maintain the environment safe. Often companies get involved in recovery and recycling programs and turn create awareness among their customers as well.

## **Why are things returned?**

Customers return the products for several reasons. Products once bought may be returned due to physical damage, some of them are returned because the customers are unhappy with the functionality of the product (expectations not met), sometimes customers return products because they discover an alternative product with better functionality after they have made the purchase, sometimes customers misuse the return policy and return it without any reason. These are only some of the major reasons for the return of a purchased product by majority of the customers.

## **How Reverse Logistics process works in practice?**

The how viewpoint deals with how is value recovered from the products that are returned back to the manufacturer. Recovery is actually only one of the activities involved in the whole reverse logistics process. First there is collection, next there is the combined inspection/ selection/ sorting process, thirdly there is recovery, and finally there is redistribution. Collection refers to bringing the products from the customer to the point of recovery. At this point the products are inspected, i.e. their quality is assessed and a decision is made on the type of recovery. Products can then be sorted and routed according to the recovery that follows. If the quality is (close to) “as good as new”, products can be fed in the market almost immediately through re-use, re-sale and re-distribution. If not, another type of recovery may be involved but now demanding more action, i.e. a form of re-processing. Re-processing can occur at different levels: product level (repair), module level (refurbishing), component level (remanufacturing), selective part level (retrieval), material level (recycling), energy level (incineration).

## **What is being returned?**

The third viewpoint on reverse logistics is obtained by looking at what is actually being returned. The three product characteristics that are relevant in this regard are: -  
pattern

## **Composition**

Design engineers need to keep in mind the material composition of the products they design, which is called design for recovery. Not all parts of a product can be easily recycled or disposed, so design experts need to keep in mind not to use unrecyclable material as much as possible. How these parts are assembled or attached to each other also plays a factor in this regard, and so does the size of the product itself. The cost for recovery increases as the size of the product increases, because most of the times the recovery value is less than the cost for recovery.

## **Deterioration**

Next there are the deterioration characteristics, which eventually cause a non-functioning of the product, but also determine whether there is enough functionality left to make a further use of the product, either as a whole or as parts. Often manufacturers have to deal with questions like whether the product will age during use. Will all parts age equally? Will the value of the products decline fast? Etc..

## **Use-pattern**

Use-pattern of the product also plays an important role when thinking about recovery. Use-pattern depends on who the user is and how the user has used the product. Products like computers for e.g. could have been used by an individual or many individuals, like in an office or school or library, so this affects the reusability of the parts or whole product in various degrees. Books are another example for varied usage. Use-pattern is not just affected by number of users but also the duration of usage. In sum the following product categories can be given: d professional equipment)

## **Who is executing reverse logistics activities?**

The three main participants in the reverse logistics activities can be given as: recycling specialists etc...)

In any reverse logistics chain two or more of these players are always involved. Often, one or two of these participants play the major role while others act merely as intermediate junctions.

## **Returned Product Types**

Rogers and Tibben-Lembke (1998) classify the retail products in a reverse logistics flow as follows:

1. **Close-outs:** first quality products that the retailer has decided to no longer carry;
2. **Buy-outs** or “lifts”: where one manufacturer buys out retailers’ supply of competitor’s product;
3. **Job-outs:** first quality seasonal, holiday merchandise;
4. **Surplus:** first quality overstock, overrun, marketing returns, slow-moving merchandise;
5. **Defective:** products discovered to be defective;
6. **Non-Defective Defectives:** products thought incorrectly to be defective;
7. **Salvage:** damaged items, and
8. **Returns:** products returned by customers.

### **Returns Management**

Return management is the process of returning product as well as the transformation of the product back to reusable condition. Returns Management uses tools and systems to maximize profits in the process.

Rogers and Tibben-Lembke (1998) mention seven channels for disposing the products that have been returned to the manufacturer.

They are:

1. Return to Vendor
2. Sell as new
3. Sell Via Outlet or Discount
4. Sell to Secondary Market
5. Donate to Charity
6. Remanufacture/Refurbish
7. Materials Reclamation/Recycling/Landfill

Based on the condition of the returned product, contractual obligations with the vendor, and the demand for the product, the manufacturer has one or more of the above options to dispose the returned product.

#### **Return to vendor :**

Often the vendor offers incentives for large orders, and retailers buy products in bulk. If the product doesn't do well in the market the retailer returns the products to the vendor. Similarly if a customer returns a product because of a defect or claiming that it has a defect, the manufacturer would like to take it back so as to avoid such defects in the future, and also this way they can avoid non-defective defectives. Another reason the manufacturer would like to take back the product could be to avoid cannibalization of the parts and keep the brand name clean. Because often what happens is the product is sent to a secondary market where cheap parts are installed on the product and sold at a reduced price at a flea market or dollar store.

#### **Sell as New**

Some of the returned products are either unused or unopened; in such cases the manufacturer can repackage and sell it as new to the retailers or an outlet store, depending on the demand of the product. On the other hand some products like circuit breakers are not legally allowed to be sold once it has been returned even if it has been installed for a short period or never been installed at all.

#### **Sell Via Outlet or Discount**

If the product has been returned, or if the retailer has too large an inventory, it can be sold via an outlet store. Selling through outlet stores has a number of advantages like maintaining control over the products, and the knowledge of where the products are being sold.

#### **Sell to Secondary Market**

When a firm has been unable to sell a product, cannot return it to the vendor, and is unable to sell it at an outlet store, one of its final options is to sell it via the secondary market. The secondary market consists of firms that specialize in buying close-outs, surplus, and salvage items, at prices as low as ten cents on the dollar.

#### **Donate to Charity**

The products that cannot be sold to the retailers or vendors, because they need slight repair or cosmetic changes, manufacturers may choose to donate them to a charity. In

this case the manufacturer does not receive any money, but the image of the company will have a positive effect as a good corporate citizen.

### **Remanufacture/Refurbish**

Before a product is sent to recycling the manufacturer has the option to see if it can be repaired or reconditioned by either replacing parts of the item or by making cosmetic changes, so that it can be sold to the secondary market where they will be sold as reconditioned goods or remanufactured goods. But it is also necessary to make sure the product has never been used by the returning customer, because no matter how well the refurbishing or reconditioning process is it cannot be sold in some markets.

### **Materials Reclamation/Recycling/Landfill**

There are several reasons for sending an item to the landfill for example some goods cannot be resold in any form due to safety regulations. Another reason is when the manufacturer has found that there is no way to get any value from the returned item. The final option is to send it to material reclamation to take out the parts which can be recycled for material or the part itself. The other option is to recycle the material, like parts made out of plastic, metal etc...The last option is of course to send it to landfill. The items generally sent to landfill are considered as waste material, and which has no use to anybody.

### **Making the right choice**

Any of the choices described above can be successfully applied individually or in combinations by the manufacturer. The alternatives range from high cost and high management maintenance to profitable and low management maintenance. Making the right choice requires the ability to define the expected outcome, use the correct technique or combinations of the techniques and tools for each situation, and then

deliver the results as planned using the resources. Often companies use software and web based tools that help locating, tracking, and managing products as they are returned. However these solutions only help to get the product returned efficiently. Product quality still needs to be ensured to prepare it for the resale options. Outsourcing often generates more value provided a partner who has strategic value and can implement processes that fit the business need for the parent company is selected. The questions that need to be asked by the parent company can be along the lines of "How can you create a comprehensive returns management plan for our products that:

- ✓ helps to reduce the number of returns that must be dealt with from our customers,



- ✓ transforms inherently negative customer experiences into a valuable strategic asset, and
- ✓ generates profits from returns that were previously a loss?

In summary the critical points for returns management are:

“How do we create a comprehensive returns management plan that transforms inherently negative customer experiences into a valuable strategic asset?” “How do we reduce the number of returns that must be dealt with from our customers?”

Develop a holistic solution that will address returns from multiple angles and will likely provide benefits that extend far beyond the area of reverse logistics. Business models, product type, and market geography. These should minimize or eliminate costs, or generate a profit. The most productive solutions are developed from a grounded approach that is based on business needs that are comprehensive and forward looking. available for many product returns. These options should be evaluated by internal and external expertise to rethink the “as-is” process.

Below is a list of key reverse logistics management elements as given by Rogers and Tibben-Lembke (1998): ing Disposition Cycle Time

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