Universal Leadership Approaches & Cultural Dimensions the Expression of Asian Leadership Traits

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From the Desk of the Editor-in-Chief

Dear Readers,

The first fourteen years of the 21st century have been hallmarked as the age of turbulence and the global meltdown reminds one of the 'necessary evils' that have characteristically accompanied the development of the human race. As basic tenets, principles, practices, codes and institutions get challenged; relationships get strained and blame games become the order of the day leading to depression and frustration.

Pragmatism shows that the best course of action is to set out a new beginning - indeed a 'Renaissance'.

Re-engineering and Reinventing 4 Ms (Men, Machinery, Material and Money) for 5 Ms (Manufacturing, Merging, Modifying, Multiplying and Managing Global Organisations) is the need of the hour. An effort in this direction is being made by Amity International Business School by presenting before you the pioneering works and innovative thoughts of eminent research scholars, academicians and industry professionals including senior representatives from institutes like University of Delhi, International School of Management (ISM), Paris, St. Cloud State University, Minnesota U.S.A, Nyenrode Business University, Netherland, Christ University, Bangalore, The Max Stern Academic College of Emek Yezreel, Institute of Management and Technology, Pune, AGBS, Singapore, Shri Ram Murti Smarak College of Engineering & Technology, Bareilly and Institute of Technology and Science, Ghaziabad.

The issue covers various areas of importance such as Competency of Employee, Leadership Approaches, Foreign Corrupt Practices, Marketing Management, Inventory Management, Financial Markets, General Business Management, Warranty Management, Green Marketing, and Future of Renewable Energy. The papers provide a glimpse & analytical assessment of the best practices &state of art in the subjects.

We are confident that the issue will immensely benefit the members of academia, managers, strategists, policy makers and vibrant students who are the bedrock of present day intelligentsia.

We eagerly look forward to enrich this journal with enlightened critique and feedback as we endeavor to encapsulate even better ideas in most creative expression for the perpetual intellectual delight of our readers.

Prof. (Dr.) Gurinder Singh
Editor-In-Chief
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Modeling Exchange Rate Dynamics in India Using Stock Market Indices and Macroeconomic Variables

Pankaj Sinha & Deepti Kohli

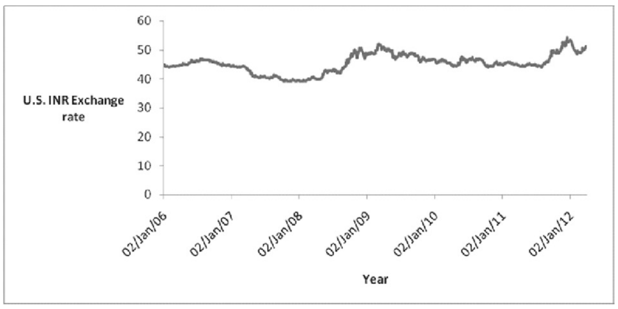
Predicting currency movements is perhaps one of the hardest exercises in economics as it has many variables affecting its market movement. This study concerns with some of the usual macroeconomic variables which, in theory, are expected to affect the exchange rate between two countries. Indian Rupee is currently losing its value to the Dollar which could certainly be seen to affect the Indian economy adversely. This paper attempts to investigate the interactions between the foreign exchange and stock market in India as well as determine some of the economic factors which could have influenced the Indian rupee vis-à-vis the US Dollar over the period 1990-2011. This paper studies the effect of exchange rate on three market indices; BSE Sensex index, BSE IT sector index and BSE Oil & Gas sector index for the period January 2006 to March 2012. No significant interactions were found between foreign exchange rate [USD/INR] and stock returns. Economic variables like inflation differential, lending interest rates and current account deficit (as a percentage of GDP) are found to significantly affect the exchange rate [USD/INR]. This study also analyzes how the real GDP of India is currently behaving with respect to the exchange rate. It is found that they share a negative relationship which is highly statistically significant.

Keywords: current account deficit as a percentage of GDP, exchange rate, GDP, inflation differential, IT, lending interest rates, Oil & Gas, public debt, stock price index, Sensex JEL Codes: E58, F31, F43, G10

Introduction

Many macroeconomic variables like inflation rate, stock prices, interest rates etc. are said to have an impact on the exchange rates (Singhal, 2012). Especially with the rise in the world trade and capital movements, exchange rate has become the most vital determinant of a country's relative economic health. In the past few months, the Indian Rupee has depreciated significantly against the U.S.D marking a new risk for the Indian economy. In 2009-10, the exchange rate was around 43-45 Rupees per Dollar and now it is around 55-56 Rupees per Dollar. Many probable reasons for the depreciation of the Rupee include problems of persistent inflation, high fiscal deficit, lack of reforms, global uncertainties etc. All these factors combined have made the foreign and domestic investors jittery about the current state of the Indian economy. Figure 1 below shows the variation of daily exchange rate over the period January'06 to March'12:

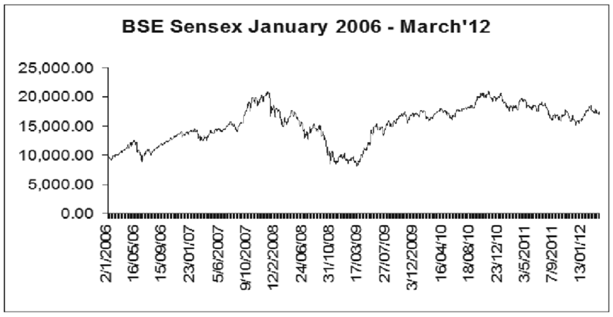
Figure 1: Daily Exchange Rate [USD/INR] from 2006-2012



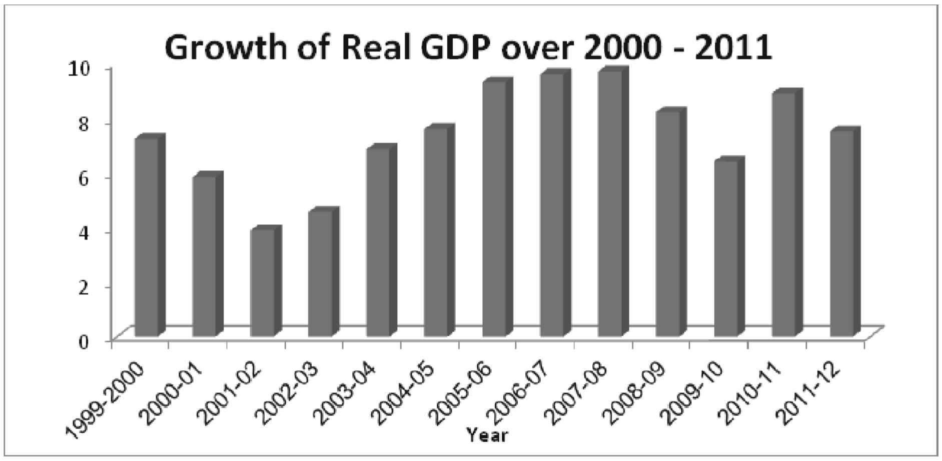
It is believed that the Rupee depreciation will have really unsettling consequences for the Indian economy as it will add further pressure on the overall domestic inflation and India, being an import intensive economy will have to bear the burden of higher domestic costs and higher fiscal and current account deficits. This study is concentrated on two models. The first model is aimed at examining the relationship between India's foreign exchange market and stock market index over the period January 2006 to March 2012. The stock market index has been studied on three fronts which are BSE Sensex, BSE IT sector index and BSE Oil and Gas sector index.

As per NASSCOM, India's IT industry has become a brand among the global countries over the years increasing its share in India's GDP from 1.2% in 1998 to 7.1 % in 2011. It is also expected to bring in revenue to the tune of 68 to 70 billion. This is significant at present with the ongoing debt crisis in European countries like Portugal, Spain and Greece and with the signs of slowing down of US economy. Heavy inflow of Foreign Direct Investment (FDI) in the IT sector in India is also expected to continue for coming years. In recent years, the inflow of large volumes of FDI in to the Indian IT markets has not only boosted the industry but also the entire Indian economy. The current depreciation of the Rupee may be a boon for the exporters in the IT sector but according to NASSCOM, the volatility of the currency is a concern which needs to be tackled urgently as it hinders the planning process and prevents long term investments into the economy.

With over 15 percent of the world's population in India, it has become a significant consumer of energy resources. India is dependent on imported crude oil to the extent that recently the US Energy Information Administration (EIA) has observed that India was the world's fifth largest net importer of oil in 2010, importing 70 percent of consumption. India's oil sector is dominated by state-owned enterprises, although the government has taken steps in recent years to deregulate the hydrocarbons industry and encourage greater foreign involvement. FDI up to 49 percent is permitted in petroleum refining by PSUs (Public Sector Units). The government has also eased norms in order to permit companies in the mining, exploration and refineries sectors to bring in external commercial borrowing (ECB) for Rupee expenditure up to USD 500 million. Previously the limit was USD 50 million. Because of these measures, the Oil and Gas sector could be expected to depend on the exchange rate movements. This is the crux of the first model.



The second model of the present study focuses on the factors that might have affected the exchange rate [USD/INR] over the period from 1990-2011. The first factor is the current account deficit as a percentage of GDP of India. Current account deficit (CAD) occurs when a country's total imports of goods, services and transfers are greater than the country's total exports of goods, services and transfers. This means that the country is spending more on foreign trade than it is earning and that it is borrowing capital from foreign sources to make up for the deficit requiring excess foreign currency which would lead to lowering of the exchange rate. According to the Reserve Bank of India (RBI), India's current account deficit widened to a level of 4.5 per cent of GDP in January-March period of 2011-12 due to higher imports of oil and gold. The second factor taken into consideration is the percentage change in public debt. Public debt or the government debt is a term for all the money owned at any given time by any branch of the government. It encompasses public debt owed by the central government, the state government, and even the municipal and local government. Nations with large public debts are less attractive to foreign investors as a large debt encourages inflation. Moreover, a large debt may prove worrisome to foreigners as they will be less willing to own securities denominated in a currency whose risk of default is great. For this reason, a country's debt rating is a crucial determinant of exchange rate. India's overall public debt increased marginally by 2.8% to Rs 27.77 lakh crore in the first half of 2010. According to a report by ASSOCHAM, India's per capita debt has increased from Rs 13,276.87 in 2005-06 to Rs 27,044.22 in 2011-12. Another factor that has been included in the model is the inflation differential between India and the U.S. For the past couple of years, India is experiencing very high inflation rates. It is known as a general rule that a country with consistently lower inflation rate exhibits a rising currency value, as its purchasing power increases relative to other currencies. Those countries with higher inflation typically see depreciation in their currency in relation to currencies of their trading partners. The fourth factor taken into consideration is the lending interest rate which is defined as the rate charged by banks on loans to primary customers. An unexpected rise in the rate of interest in a country relative to overseas would give the investors a higher return on that country's assets (relative to its foreign-currency equivalents) making them more attractive. This would raise the value of that country's currency, reduce the price of imports, and reduce demand for its goods and services abroad. Another part of model two in this paper is concerned with studying the relationship between real GDP of India and exchange rate [USD/INR] over the period 2000-2011. The graph below shows how India's real GDP has grown over 2000-2011. It can be seen that real GDP was decreasing from 1999 to 2001 but increased from 2002-07 to 9.2. It increased again in 2010 to 8.9 but reduced to 7.5 in 2011. The International Monetary Fund (IMF) lowered the real GDP forecast from 6.3 percent in July 2012 to 4.9 percent. So this study aims to check whether there is any significant relationship between exchange rate [USD/INR] and India's real GDP.



This study is entirely based on the two models described above. The paper is divided as follows: Section 2 contains a brief review of literature. Methodology and empirical results are presented in Section 3 and 4 respectively. Section 5 discusses some recent policy options used by the Reserve Bank of India (RBI) to control the current Rupee depreciation. Conclusion is given in Section 6.

Literature Review

Rahman and Uddin (2009) examined the relationship between exchange rates and stock prices of three emerging countries of South Asia named as Bangladesh, India and Pakistan. They considered average monthly nominal exchange rates of US Dollar in terms of Bangladeshi Taka, Indian Rupee and Pakistani Rupee and monthly values of Dhaka Stock Exchange General Index, Bombay Stock Exchange Index and Karachi Stock Exchange All Share Price Index for period of January 2003 to June 2008 to conduct the study. They found that there was no co-integrating relationship between stock prices and exchange rates. They also applied Granger causality test which showed there is no casual relationship between stock prices and exchange rates in the countries.

Franck and Young (1972) show that there is no significant interaction between exchange rate and stock price dynamics. Aggarwal (1981) discussed the relationship between exchange rates of US Dollar and changes in the indices of US stock prices and found a positive correlation. Giovannini and Jorion (1987) also considered the exchange rates and stock prices of USA and supported the conclusions of Aggarwal (1981). Soenen and Hennigar (1988) studied the same market but considered a different time period and in contrast with prior studies, they observed a significant negative relationship between the stock prices and the exchange rates.

Nath and Samanta (2003) studied the dynamic relation between exchange rates and stock prices for India. They used the daily stock market index (S&P CNX NIFTY of National Stock Exchange (NSE) and exchange rate (expressed in Indian Rupee per U.S. Dollar) for the period March 1993 to December 2002. Their empirical results suggest that returns in the foreign exchange and stock markets are not inter-related; although in the years 1993, 2001 and 2002, a unidirectional causal influence from stock index returns to returns in foreign exchange market is detected. Also very mild causal influence in reverse direction is found in the years 1997 and 2002. Phylaktis and Ravazzolo (2005) studied the long-run and short-run dynamics between stock prices and exchange rates and the channels through which exogenous shocks impact on these markets by using co-integration methodology and multivariate Granger causality tests. They also applied the analysis to a group of Pacific Basin countries over the period 1980 to 1998. Their analysis indicates a close association between stock and foreign exchange markets, which has implications for exchange rate policies. The positive association between the stock market and the real exchange rate implies that the degree of exchange rate flexibility has a role to play in that relationship.

Dimitrova (2005) examined the link between the stock market and exchange rates that might explain fluctuations in either market. He asserted that, in the short run, an upward trend in the stock market may cause currency depreciation, whereas weak currency may cause decline in the stock market. To test these assertions, he used a multivariate, open-economy, short-run model that allowed for simultaneous equilibrium in the goods, money, foreign exchange and stock markets in two countries. The focus is specifically on the United States and the United Kingdom over the period January 1990 through August 2004. The empirical results found were weaker than expected. He found support for the hypothesis that a depreciation of the currency may depress the stock market i.e. the stock market will react with a less than one percent decline to a one percent depreciation of the exchange rate. This also implies that an appreciating exchange rate boosts the stock market. As to his other assertion, that a booming stock market would lead to currency depreciation, he did not find support in the data for the US/ UK over 1990-2004. The results were insignificant.

Ayedimir and Demihan (2009) investigated the causal relationship between stock prices and exchange rates for Turkey, using data from 23 February 2001 to 11 January 2008. In this study, 100 services, financials, industrials, and technology indices were taken as stock price indices. The results of the empirical study indicated that there is a bidirectional causal relationship between exchange rate and all stock market indices. While the negative causality exists from services, financial and industrial indices to exchange rate, there is a positive causal relationship from technology indices to exchange rate. On the other hand, negative causal relationship from exchange rate to all stock market indices was determined.

Hatemi-J and Irandoust (2002) studied a possible causal relation between exchange rates and stock prices in Sweden. They used monthly nominal effective exchange rates and stock prices over the period 1993-98. They found that the Granger causality is unidirectional from stock prices to effective exchange rates. Chamberlain, Howe, and Popper (1997) found that the U.S. banking stock returns are very sensitive to exchange rate movements, but not for Japanese firms.

Singhal (2012) tried to identify the reasons which could lead to the Indian Rupee depreciation against the U.S. Dollar by analyzing data for exchange rate, balance of payments, FDI, FII, foreign exchange reserves over the period 2010 to 2011. It is concluded in this paper that persistent fiscal deficits, lack of meaningful reforms, persistent inflation and continued global uncertainty have led to a sharp depreciation of the Rupee.

Nucu (2011) explored the relationship between exchange rates and key macroeconomic indicators like GDP, inflation rate, money supply, interest rate and balance of payments for Romania. It is found in this study that there is an inverse relationship between exchange rate EUR/RON and gross domestic product and a direct relationship between exchange rate EUR/RON, inflation and interest rate. Correlation between exchange rate and balance of payments cannot be validated as the test statistic is not significant.

McMillin and Koray (2002) examined the effects of the market value of privately held U.S. and Canadian government debt on the real Canadian Dollar/U.S. Dollar exchange rate within a small vector autoregressive model that includes, in addition to debt and the exchange rate, output, price level, nominal money, interest rate, and government purchases variables for both the U.S. and Canada. Variance decompositions based on this model indicate significant effects of debt on the exchange rate, while impulse response functions indicate that debt shocks lead to a short-lived depreciation of the U.S. Dollar rather than to an appreciation. Calderon et al (2000) explored the determinants of current account deficit in developing countries. Two models were considered- within country and cross country model. They took 753 annual observations from 44 developing countries over the period 1966-95 and used the real exchange rate as a key variable. In the within country model there is a significant relationship between the real exchange rate and the current account deficit, but not in the cross country model.

Data and Methodology

The data used in this study for the first model are daily stock market index and exchange rate (expressed in Indian Rupee per U.S. Dollar) for India for the period January 2006 to March 2012. The stock indices chosen were SENSEX, BSE IT, and BSE Oil & Gas as these are one of the most robust indices available for the Indian stock market. The chosen stock price indices and exchange rate are denoted by SENSEX, BSEIT, BSEOG and EXR. The stock price indices were taken from the website of the Bombay

Stock Exchange (BSE) and the exchange rate data was taken from the archives of the International Monetary Fund (IMF) which were available on IMF's website. The stock prices were first made stationary by taking their natural logarithms and then taking their first difference. This first difference was then used to check whether there is any relationship between change in log of stock prices and exchange rate. The time period was also divided into three periods to get more conclusive results. First period was from 2006-09, second was from 2008-10 and the third from 2009-12.

For the second model, yearly data was taken for exchange rate (expressed in Indian Rupee per U.S. Dollar), percentage change in public debt, current account deficit (as a percentage of India's GDP), lending interest rates and difference in Indian and U.S. inflation rates. Yearly data for exchange rate [USD/INR] was taken from the website of the Reserve Bank of India (RBI) and that of lending interest rates and current account deficit as a percentage of GDP was taken from the website of the World Bank. The data for percentage change in India's public debt and Indian and U.S. inflation rates were taken from the website of the Central Intelligence Agency (CIA). The time period considered for this model was from 1990-2011. The variables for the second model were denoted by EXR, PDEBT, CADG, LRATE and DIFF.

Empirical Results

Testing the Data Series for Stationarity.

The results for the ADF tests for Stationarity of all the time series indicate that the first differences of all price series namely DLOG (SENPRICES), DLOG (ITPRICES) and DLOG (OGPRICES) were found to be stationary.

Least Square Regression for Model 1

OLS (Ordinary Least Square) regression was run on exchange rate series (EXR) and first difference of IT prices, Oil & Gas prices and Sensex prices. The results which are given in the appendix (see Tables 1, 2 and 3 from the appendix), indicate that in India, stock returns for the IT sector, Oil and Gas sector and Sensex did not have any significant effect on the exchange rate [USD/INR] for the period 2006-12.

The time period was also divided into three sub-periods to get more conclusive results. The results are provided in the appendix at the end of the paper (see Tables 4.1 to 6.3). Results for the three separate sub-periods 2006-09, 2008-10 and 2009-March 2012 show that none of the stock price indices had a statistically significant impact on the exchange rate [USD/INR] in any sub-period. In another OLS regression, exchange rate [USD/INR] series was taken to be the independent variable and Sensex stock price series as the dependent variable over the same time period. The regression was repeated for each IT and Oil & Gas stock price series as the dependent variables. This was done to check if exchange rate affected stock price indices. The empirical findings showed that Indian Rupee vis-à-vis U.S. Dollar had an insignificant impact on each of the price indices. Thus the impact of the foreign exchange rate on stock market returns is not significant (see Tables 7, 8 and 9 from the appendix).

These empirical findings lead us to the conclusion that a significant interaction between the foreign exchange and stock market does not exist for India over the period January 2006 – March 2012. The results remained insignificant even when the period in consideration was divided into three sub periods. So, it can be said that the stock prices do not influence exchange rates and past values of stock prices cannot be used to improve the forecast of future exchange rates.

Least Square Regression for Model 2

For model 2, simple OLS regression model was used with exchange rate [USD/INR] as the dependent variable and percentage change in debt, current account deficit as percentage of GDP, inflation differential and lending interest rates as the explanatory variables. The period in consideration is 1990-2011.

Variable	Coefficients	t-Statistic	Prob.
C (constant)	78.19572*	17.41922	0.0000
PDEBT (percentage change in debt)	0.399070***	1.690894	0.1091
DIFF (difference in India – U.S. inflation rates)	0.872599**	2.610361	0.0183

CADG (India's current account deficit as a percentage of GDP)	1.889250**	2.900101	0.0100
LRATE (lending interest rates)	-3.060247*	-9.256523	0.0000

*significant at 1% level

**significant at 5% level

***significant at 20% level

The empirical results provide an insight as to which of the considered factors had an impact on the exchange rate [USD/INR] over the time period 1990-2011 (refer Table 10 from the appendix). All the considered factors except PDEBT have a highly significant impact on the exchange rate [USD/INR] (PDEBT is significant only at the 20% level). The R-squared for the model is also high (84.07%). From these results, it can be said that as the lending rate increases, the Rupee will tend to appreciate. Also, when India experiences a higher inflation rate than the U.S. (which leads to an increase in the India-U.S. inflation differential) depreciation of the Rupee occurs. Finally it can be seen that as India's current account deficit (as a percentage of GDP) increases, it will lead to a depreciation of the Rupee vis-a-vis the U.S. Dollar.

Moving over to the relationship between real GDP and the exchange rate [USD/INR], it is seen that they share a negative relationship over the period 2000-11 (see Table 11 from the appendix). The coefficient of GDP is negative and significant at the 1% level. Here, the R-squared is 52%. This means that an increase in the real GDP would lead to an appreciation of the exchange rate [USD/INR] and a fall in the growth of the economy (measured by real GDP) would lead to a depreciation of the Rupee against the dollar. This is quite compatible with today's Indian scenario as the growth in real GDP is much lower and the depreciation in Rupee against the dollar is on a high.

Policy Options

Some suggested policy options for the RBI (Reserve Bank of India) to curb Rupee depreciation would be to raise policy rates to prevent sudden capital outflows. But RBI has already tightened policy rates significantly since March 2010 to tame inflation. Higher interest rates along with domestic and global factors have pushed growth to much lower levels. RBI has mentioned that India's interest rates are already higher than most countries but this has not led to higher capital inflows. So, there is a possibility that lower policy rates in future lead to further capital outflows. RBI can also sell foreign exchange reserves and buy Indian Rupees leading to an increase in the demand for Rupee. But using them up in large quantities to prevent depreciation may result in a deterioration of confidence in the economy's ability to meet even its short-term external obligations.

Recently, the RBI took some administrative measures to control the depreciation of the Rupee against the Dollar. The Central Bank directed exporters to convert up to 50 percent of their foreign currency holding with banks into Rupee balances. Exporters were earlier permitted to keep 100 percent of their foreign currency earnings with banks in an Exchange Earner's Foreign Currency (EEFC) account. The rupee rose by 1.6 percent after this announcement. RBI also took steps to encourage more Dollar flows into the country by increasing rates on foreign currency non-resident accounts and giving banks the flexibility to raise overseas funds at any cost to lend to exporters. Apart from these, certain measures were undertaken by the RBI to ease capital controls to allow more capital inflows. These include increasing the limit of overseas investment in government bonds by USD 5 billion to USD 20 billion, thus allowing Indian companies in manufacturing and infrastructure sector to avail of External Commercial Borrowings (ECB) for repayment of outstanding rupee loans towards capital expenditure. The overall ceiling for such ECBs is set at USD 10 billion. The terms and conditions for the scheme for FII (Foreign Institutional Investors) investment in infrastructure debt and the scheme for non-resident investment in Infrastructure Development Funds (IDFs) have also been rationalized. Further, Qualified Foreign Investors (QFIs) can now invest in those mutual funds (MF) schemes that hold at least 25 per cent of their assets (either in debt or in equity or both) in infrastructure sector under the current USD 3 billion sub-limit for investment in mutual funds related to infrastructure. The Government of India also opened up foreign direct investment (FDI) in the retail sector in September 2012. Up to 51% FDI was allowed in the multi-brand retail sector, up to 100%

in the single brand retail, 49% in aviation and up to 74% in the broadcast sector. It is being said that this decision has improved the market sentiment and helped the Rupee to rebound to a considerable extent as in June 2012 the Rupee had plummeted to a low of 57.15 to a Dollar but in September 2012 after the implementation of these reforms, it bounced up to 53.57 to a Dollar. Market sentiments also improved as BSE Sensex progressed during this period.

After these recent measures also, both domestic and global conditions are indicating that the downward pressure on the Indian Rupee is likely to remain in the near future. Hence, some strong and bold reforms are needed from the side of the Indian government and RBI which would help to curb Rupee depreciation and help the Indian economy to grow at a better rate

Conclusion

Two conclusions can be drawn based on the empirical analysis. Firstly, there is no inter-relation between the daily returns in the foreign exchange and the stock market of India for the period January 2006 to March 2012. The time period was also divided into three sub periods; first from 2006-09, second from 2008-10 and the third from 2009-12. The same conclusion was arrived at for these subsequent periods too. Secondly, factors like India-U.S. inflation differential, lending interest rate, current account deficit (as a percentage of India's GDP) and percentage change in India's public debt were found to be significantly linked to the exchange rate [USD/INR]. So, these factors could be seen as important determinants of the exchange rate movements for the period 1990-2011. Statistical results also show that there is a significant negative relationship between the real GDP of India and exchange rate [USD/INR] for the period 2000-2011. The paper also discusses what policy options the RBI has taken to control the free fall of the Rupee against the Dollar.

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Appendix: Regression Results for Model 1 and Model 2
Results for Model 1:

Table 1 Results of OLS run on EXR and SENSEX

Dependent Variable: EXR				
Method: Least Squares				
Date: 07/08/12 Time: 13:02				
Sample(adjusted): 2 1511				
Included observations: 1510 after adjusting endpoints				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	45.77293	0.284346	160.9759	0.0000
D(LOG(SENSEX))	-2.805305	15.36484	-0.182579	0.8552
R-squared	0.000022	Mean dependent var	45.77174	
Adjusted R-squared	-0.000641	S.D. dependent var	11.04292	
S.E. of regression	11.04646	Akaike info criterion	7.643420	
Sum squared resid	184012.5	Schwarz criterion	7.650466	
Log likelihood	-5768.782	F-statistic	0.033335	
Durbin-Watson stat	1.818157	Prob(F-statistic)	0.855153	

Table 2 Results of OLS run on EXR and BSEIT

Dependent Variable: EXR				
Method: Least Squares				
Date: 07/08/12 Time: 12:31				
Sample(adjusted): 2 1512				
Included observations: 1511 after adjusting endpoints				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	45.77692	0.284195	161.0757	0.0000
D(LOG(BSEIT))	5.834260	14.17723	0.411523	0.6807
R-squared	0.000112	Mean dependent var	45.77879	
Adjusted R-squared	-0.000550	S.D. dependent var	11.04266	
S.E. of regression	11.04570	Akaike info criterion	7.643282	
Sum squared resid	184109.2	Schwarz criterion	7.650324	
Log likelihood	-5772.499	F-statistic	0.169351	
Durbin-Watson stat	1.817475	Prob(F-statistic)	0.680747	

Table 3 Results of OLS run on EXR and BSEOG

Dependent Variable: EXR				
Method: Least Squares				
Date: 07/08/12 Time: 12:43				
Sample(adjusted): 2 1512				
Included observations: 1511 after adjusting endpoints				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	45.78082	0.284228	161.0707	0.0000

D(LOG(BSEOG))	-4.528726	13.44252	-0.336896	0.7362
R-squared	0.000075	Mean dependent var	45.77879	
Adjusted R-squared	-0.000587	S.D. dependent var	11.04266	
S.E. of regression	11.04590	Akaike info criterion	7.643319	
Sum squared resid	184116.0	Schwarz criterion	7.650361	
Log likelihood	-5772.527	F-statistic	0.113499	
Durbin-Watson stat	1.817436	Prob(F-statistic)	0.736242	

Table 4.1 Results of OLS run on EXR and SENSEX, 2006-09

Dependent Variable: EXR				
Method: Least Squares				
Date: 07/08/12 Time: 16:53				
Sample(adjusted): 2 954				
Included observations: 953 after adjusting endpoints				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	44.58965	0.108363	411.4832	0.0000
D(LOG(SENSEX))	-0.080272	5.034315	-0.015945	0.9873
R-squared	0.000000	Mean dependent var	44.58960	
Adjusted R-squared	-0.001051	S.D. dependent var	3.342078	
S.E. of regression	3.343834	Akaike info criterion	5.254210	
Sum squared resid	10633.35	Schwarz criterion	5.264408	
Log likelihood	-2501.631	F-statistic	0.000254	
Durbin-Watson stat	0.005018	Prob(F-statistic)	0.987282	

Table 4.2 Results of OLS run on EXR and BSEIT, 2006-09

Dependent Variable: EXR				
Method: Least Squares				
Date: 07/08/12 Time: 16:44				
Sample(adjusted): 2 954				
Included observations: 953 after adjusting endpoints				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	44.58857	0.108283	411.7785	0.0000
D(LOG(BSEIT))	4.061066	4.764073	0.852436	0.3942
R-squared	0.000764	Mean dependent var	44.58960	
Adjusted R-squared	-0.000287	S.D. dependent var	3.342078	
S.E. of regression	3.342558	Akaike info criterion	5.253446	
Sum squared resid	10625.23	Schwarz criterion	5.263645	
Log likelihood	-2501.267	F-statistic	0.726646	
Durbin-Watson stat	0.006562	Prob(F-statistic)	0.394187	

Table 4.3 Results of OLS run on EXR and BSEOG, 2006-09

Dependent Variable: EXR				
Method: Least Squares				
Date: 07/08/12 Time: 16:50				
Sample(adjusted): 2 954				
Included observations: 953 after adjusting endpoints				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	44.59217	0.108359	411.5209	0.0000
D(LOG(BSEOG))	-2.952980	4.396818	-0.671618	0.5020
R-squared	0.000474	Mean dependent var	44.58960	
Adjusted R-squared	-0.000577	S.D. dependent var	3.342078	
S.E. of regression	3.343042	Akaike info criterion	5.253736	
Sum squared resid	10628.31	Schwarz criterion	5.263934	
Log likelihood	-2501.405	F-statistic	0.451070	
Durbin-Watson stat	0.005939	Prob(F-statistic)	0.501990	

Table 5.1 Results of OLS run on EXR and SENSEX, 2008-10

Dependent Variable: EXR				
Method: Least Squares				
Date: 07/08/12 Time: 17:07				
Sample(adjusted): 2 707				
Included observations: 706 after adjusting endpoints				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	45.82964	0.113131	405.1035	0.0000
D(LOG(SENSEX))	2.842843	5.152989	0.551688	0.5813
R-squared	0.000432	Mean dependent var	45.82965	
Adjusted R-squared	-0.000988	S.D. dependent var	3.004474	
S.E. of regression	3.005958	Akaike info criterion	5.041898	
Sum squared resid	6361.191	Schwarz criterion	5.054815	
Log likelihood	-1777.790	F-statistic	0.304360	
Durbin-Watson stat	0.009769	Prob(F-statistic)	0.581337	

Table 5.2 Results of OLS run on EXR and BSEIT, 2008-10

Dependent Variable: EXR				
Method: Least Squares				
Date: 07/08/12 Time: 17:01				
Sample(adjusted): 2 707				
Included observations: 706 after adjusting endpoints				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	45.82884	0.113164	404.9759	0.0000
D(LOG(BSEIT))	1.823505	4.887432	0.373101	0.7092

R-squared	0.000198	Mean dependent var	45.82965	
Adjusted R-squared	-0.001222	S.D. dependent var	3.004474	
S.E. of regression	3.006310	Akaike info criterion	5.042133	
Sum squared resid	6362.683	Schwarz criterion	5.055050	
Log likelihood	-1777.873	F-statistic	0.139204	
Durbin-Watson stat	0.009556	Prob(F-statistic)	0.709186	

Table 5.3 Results of OLS run on EXR and BSEOG, 2008-10

Dependent Variable: EXR				
Method: Least Squares				
Date: 07/08/12 Time: 17:03				
Sample(adjusted): 2 707				
Included observations: 706 after adjusting endpoints				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	45.83022	0.113149	405.0434	0.0000
D(LOG(BSEOG))	1.898950	4.479678	0.423903	0.6718
R-squared	0.000255	Mean dependent var	45.82965	
Adjusted R-squared	-0.001165	S.D. dependent var	3.004474	
S.E. of regression	3.006224	Akaike info criterion	5.042075	
Sum squared resid	6362.317	Schwarz criterion	5.054992	
Log likelihood	-1777.853	F-statistic	0.179694	
Durbin-Watson stat	0.009396	Prob(F-statistic)	0.671766	

Table 6.1 Results of OLS run on EXR and SENSEX, Jan'09-March'12

Dependent Variable: EXR				
Method: Least Squares				
Date: 07/08/12 Time: 17:36				
Sample(adjusted): 2 792				
Included observations: 791 after adjusting endpoints				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	47.99163	0.522735	91.80873	0.0000
D(LOG(SENSEX))	-32.45290	33.57903	-0.966463	0.3341
R-squared	0.001182	Mean dependent var	47.96786	
Adjusted R-squared	-0.000083	S.D. dependent var	14.68488	
S.E. of regression	14.68550	Akaike info criterion	8.214123	
Sum squared resid	170158.7	Schwarz criterion	8.225939	
Log likelihood	-3246.686	F-statistic	0.934051	
Durbin-Watson stat	1.967311	Prob(F-statistic)	0.334109	

Table 6.2 Results of OLS run on EXR and BSEIT, Jan'09-March'12

Dependent Variable: EXR				
Method: Least Squares				
Date: 07/08/12 Time: 17:32				
Sample(adjusted): 2 792				
Included observations: 791 after adjusting endpoints				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	47.99021	0.523632	91.64882	0.0000
D(LOG(BSEIT))	-18.29112	30.05084	-0.608672	0.5429
R-squared	0.000469	Mean dependent var	47.96786	
Adjusted R-squared	-0.000797	S.D. dependent var	14.68488	
S.E. of regression	14.69074	Akaike info criterion	8.214837	
Sum squared resid	170280.2	Schwarz criterion	8.226653	
Log likelihood	-3246.968	F-statistic	0.370482	
Durbin-Watson stat	1.964809	Prob(F-statistic)	0.542917	

Table 6.3 Results of OLS run on EXR and BSEOG, Jan'09-March'12

Dependent Variable: EXR				
Method: Least Squares				
Date: 07/08/12 Time: 17:34				
Sample(adjusted): 2 792				
Included observations: 791 after adjusting endpoints				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	47.97799	0.522382	91.84468	0.0000
D(LOG(BSEOG))	-24.65519	29.79462	-0.827505	0.4082
R-squared	0.000867	Mean dependent var	47.96786	
Adjusted R-squared	-0.000399	S.D. dependent var	14.68488	
S.E. of regression	14.68781	Akaike info criterion	8.214439	
Sum squared resid	170212.4	Schwarz criterion	8.226255	
Log likelihood	-3246.810	F-statistic	0.684764	
Durbin-Watson stat	1.965723	Prob(F-statistic)	0.408201	

Table 7 Results of OLS run on SENSEX and EXR

Dependent Variable: D(LOG(SENSEX))				
Method: Least Squares				
Date: 07/20/12 Time: 19:46				
Sample(adjusted): 2 1511				
Included observations: 1510 after adjusting endpoints				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.000783	0.002032	0.385420	0.7000
EXR	-7.88E-06	4.32E-05	-0.182579	0.8552
R-squared	0.000022	Mean dependent var	0.000423	

Adjusted R-squared	-0.000641	S.D. dependent var	0.018508	
S.E. of regression	0.018514	Akaike info criterion	-5.139306	
Sum squared resid	0.516868	Schwarz criterion	-5.132260	
Log likelihood	3882.176	F-statistic	0.033335	
Durbin-Watson stat	1.857520	Prob(F-statistic)	0.855153	

Table 8 Results of OLS run on BSEIT and EXR

Dependent Variable: D(LOG(BSEIT))				
Method: Least Squares				
Date: 07/20/12 Time: 19:39				
Sample(adjusted): 2 1512				
Included observations: 1511 after adjusting endpoints				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.000560	0.002201	-0.254248	0.7993
EXR	1.92E-05	4.67E-05	0.411523	0.6807
R-squared	0.000112	Mean dependent var	0.000321	
Adjusted R-squared	-0.000550	S.D. dependent var	0.020050	
S.E. of regression	0.020055	Akaike info criterion	-4.979308	
Sum squared resid	0.606952	Schwarz criterion	-4.972265	
Log likelihood	3763.867	F-statistic	0.169351	
Durbin-Watson stat	1.960706	Prob(F-statistic)	0.680747	

Table 9 Results of OLS run on BSEOG and EXR

Dependent Variable: D(LOG(BSEOG))				
Method: Least Squares				
Date: 07/20/12 Time: 19:42				
Sample(adjusted): 2 1512				
Included observations: 1511 after adjusting endpoints				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.001210	0.002321	0.521067	0.6024
EXR	-1.66E-05	4.93E-05	-0.336896	0.7362
R-squared	0.000075	Mean dependent var	0.000449	
Adjusted R-squared	-0.000587	S.D. dependent var	0.021146	
S.E. of regression	0.021152	Akaike info criterion	-4.872804	
Sum squared resid	0.675163	Schwarz criterion	-4.865762	
Log likelihood	3683.403	F-statistic	0.113499	
Durbin-Watson stat	1.873623	Prob(F-statistic)	0.736242	

Results for Model 2:

Table 10 Results of OLS run on EXR, PDEBT, DIFF, CADG and LRATE

Dependent Variable: EXR				
Method: Least Squares				
Date: 01/10/13 Time: 19:02				
Sample(adjusted): 1 22				
Included observations: 22 after adjusting endpoints				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	78.19572	4.489048	17.41922	0.0000
PDEBT	0.399070	0.236011	1.690894	0.1091
DIFF	0.872599	0.334283	2.610361	0.0183
CADG	1.889250	0.651443	2.900101	0.0100
LRATE	-3.060247	0.330604	-9.256523	0.0000
R-squared	0.840796	Mean dependent var	39.31591	
Adjusted R-squared	0.803336	S.D. dependent var	8.702612	
S.E. of regression	3.859335	Akaike info criterion	5.735583	
Sum squared resid	253.2059	Schwarz criterion	5.983547	
Log likelihood	-58.09141	F-statistic	22.44523	
Durbin-Watson stat	1.613599	Prob(F-statistic)	0.000001	

Table 11 Results of OLS run on EXR and GDP

Dependent Variable: EXR				
Method: Least Squares				
Date: 01/10/13 Time: 16:31				
Sample(adjusted): 2 13				
Included observations: 12 after adjusting endpoints				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	51.18594	1.796950	28.48491	0.0000
GDP	-0.781187	0.236832	-3.298482	0.0080
R-squared	0.521072	Mean dependent var	45.43667	
Adjusted R-squared	0.473180	S.D. dependent var	2.085588	
S.E. of regression	1.513770	Akaike info criterion	3.818095	
Sum squared resid	22.91499	Schwarz criterion	3.898913	
Log likelihood	-20.90857	F-statistic	10.87998	
Durbin-Watson stat	2.389617	Prob(F-statistic)	0.008034	

Universal Leadership Approaches & Cultural Dimensions: The Expression of Asian Leadership Traits

Maria Pressentin

Question: To what extent do universal concepts of leadership need to be adapted to countries of dissimilar cultural dimensions, hence presumably with dissimilar expectations and needs? One way of analyzing this topic is to find out what common antecedents and outcomes of behaviors are appreciated by organizations and individuals working in them. Several studies on US based universal leadership concepts have been tested on their applicability in Asian organizational context (Singer et al, 2001; Linden, 2011; Lam et al, 2012). More focused local Chinese leadership traits have been researched in the attempt to ascertain that a big portion of the ethnic Asian culture made up of Chinese heritage comprises more complex and deepen traits, unlike many of the Western management traits (Min et al, 2012; Liu, 2013), suggesting that certain universal leadership models stemming from the USA may adapt better in certain countries than others in different scenarios (Ramkissoon). Reilly & Karounos further explored leadership effectiveness, basing in Hofstede's cultural dimensions to compare and contrast tri-regional clustered groupings of traits in association to behaviors and Emotional Intelligence. The literature in cultural management and effective leadership is immense and given the goal of this paper, the literature review herewith will be non-exhaustive. This paper will concentrate on 4 key topics to reach an exploratory articulation of how some of the literature in cultural dimensions, leadership models and emotional intelligence (EI), can relate to the case study presented herewith, based on a real M&A consulting case of two foreign corporate subsidiaries merging in Asia.

Four areas of focus:

1. Which universal leadership concepts may work more complimentarily in Asian cultures and why?
2. The need of leadership skills and enforcement of intra and inter personal capabilities (EI) to face the 21st Century Information Economy.
3. What behaviors employees in organizations appreciate most from leaders?
4. Real life M&A consulting case study from the period of 2009-2010: Company integration of a merger and acquisition in Asia, and how some of the universal leadership concepts could provide a fit.

Keywords: Leadership, Leadership Models, Universal Leadership Approaches, Asian Leadership Traits, Emotional Intelligence (EI), Cultural Dimensions, Multicultural Management.

Introduction

Globalization has brought the need for multinational organizations to invest on their people on vocational training, both in functional technical skills and in management and leadership skills, predicted still to be a major lack in Asian emerging countries in the next 20 years, by the several regional APAC governments and studies from the Asian Development Bank.

Leadership programs come to Asia, often, in the format of organizational budgeted trainings, westernized MBAs for professionals in Asia and leadership concepts primarily stemming from the USA, which in time, might converge, or at least align, the Asian management and leadership skills application with the Western societies (Linden, 2012).

With that said, much of the management and leadership content stems from the Western societies, primarily from the United States, that have influenced the Asian societies for their expandability through the English language, their marketing and distribution engines and because of their familiarity through media.

How applicable are such leadership models and concepts, taught in Asia, especially to leaders and subordinates in companies that follow a more traditional leadership mechanism?

Curiosity in this topic has brought experts in the development industry to adapt their global content into localized training content and claiming to be a unique value proposition for their clients. When it comes to leadership content, much of it is related to effective communication skills, management of change in organizations, and coaching, which are essentially a set of interpersonal skills, a foundation to support effective human interaction for achievement of goals. Much of which is based on the concept of emotional intelligence (EI).

This study will go beyond analyzing a single leadership or management training content. Rather, the interest of this study is to investigate what elements comprised by the expression of EI look like in a diverse cultural setting like Asia. The objective of this study is to initiate an understanding of the distinguishable elements that should be taken into account in cultural differences when applying universal leadership concepts related to interpersonal skills, in several of the Asian societies backed by different cultural background.

Literature Review

Asia is said to have a cultural context with values focused primarily on: power distance, paternalism, collectivism, and social relations. The essence of working in Asia is based on collectivism approach of groups and teams, whereas a certain emotional and social distance is preserved in the vertical relationships between supervisors and subordinates, in order to maintain their power distance, based on authority and control and to ensure compliance and respect by subordinates (Linden, 2012; Lam et al, 2013; Min et al, 2012).

GLOBE (Hoppe, 2007) has done a worldwide study on contextualizing leadership effectiveness, with the premise that this stems from societal and organizational norms, values and beliefs embedded in its people. Hence, the GLOBE study has established 9 cultural dimensions to ascertain differences and similarities of those embedded traits and practices in societies, built upon Hofstede et al's findings on cultural studies. They are: Power Distance, Uncertainty Avoidance, Humane Orientation, Collectivism I (Institutional), Collectivism II (In-Group), Assertiveness, Gender-Egalitarianism, Future Orientation and Performance Orientation. The major differences distinguishing GLOBE's 9 cultural dimensions from Hofstede's 5 dimensions lie on the addition of Humane Orientation (collective rewards of individuals for kindness and care for others); the split of Collectivism into Institutional (the collective reward of distribution of resources and action) and Collectivism of the In-Group (the expression of individual pride, loyalty and cohesiveness of belonging of an in-group of organizations or families, or teams); having adapted a combination of Masculinity and Individualism behaviors into Assertiveness (individual assertiveness, being upfront and confrontational in relation to others); Gender Egalitarian (where the collective reduces gender inequality); and finally Performance Orientation (the collective encourages and rewards performance improvement and excellence). These 9 dimensions permitted GLOBE to put a total of 60 of the 62 countries studied into country-clusters as presented in Illustration 1 below.

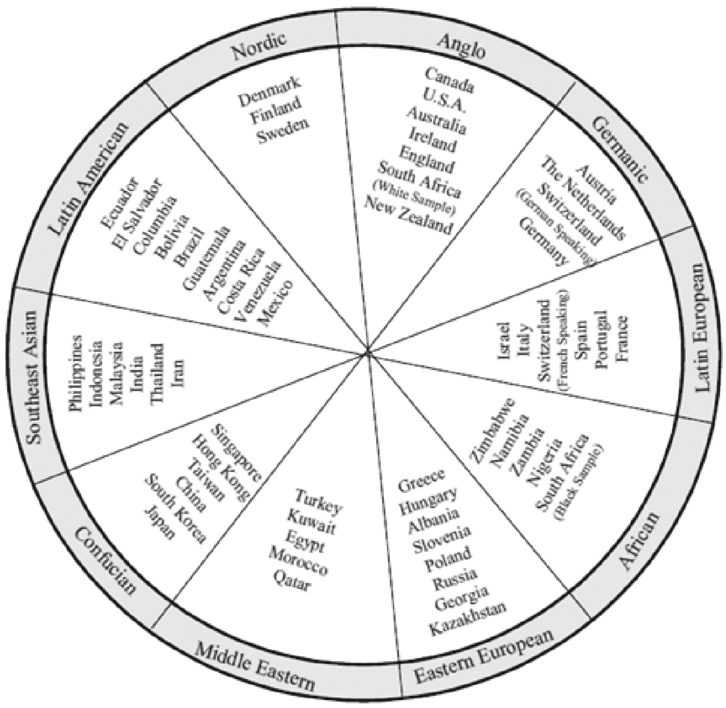

Illustration 1: Source Adapted from Hoppe, 2007, in House's 2004 Research.

For the purpose of this paper, we will be paying special attention to the Southeast Asian and the Confucian clusters.

Illustration 2 below confirms the Confucian and the South East Asian clusters of Asian context of power distance, paternalism, collectivism, and social relations shown by the red circle around the different GLOBE cultural dimensions. The Asian double-cluster idea of effective leadership is one where the leader is charismatic-performance oriented, team-oriented, less participative, more humane, autonomous and protective of self and/or the group.

Performance Oriented	Team Oriented	Participative	Humane	Autonomous	Self or Group-Protective
Higher	*Higher*	*Higher*	*Higher*	*Higher*	*Higher*
Anglo Germanic Nordic SE Asian L. European L. American	SE Asian Confucian L. American E. European African L. European Nordic Anglo Middle Eastern Germanic	Germanic Anglo Nordic	SE Asian Anglo African Confucian	Germanic E. European Confucian Nordic SE Asian Anglo African Middle Eastern L. European L. American	Middle Eastern Confucian SE Asian L. American E. European
Confucian African E. European		L. European L. American African	Germanic Middle Eastern L. American E. European		African L. European
Middle Eastern		E. European SE Asian Confucian Middle Eastern	L. European Nordic		Anglo Germanic Nordic
Lower	*Lower*	*Lower*	*Lower*	*Lower*	*Lower*
Performance Oriented	Team Oriented	Participative	Humane	Autonomous	Self or Group-Protective

Illustration 2: Source Adapted from Hoppe, 2007, in House's 2004 Research.

The Chinese leadership traits comprising of a paternalistic role of a father, of care taker, is benevolent towards their subordinates and authoritative to exercise control and power, as depicted by GLOBE's, 2004 research by House et al, described (Hoppe, 2007) – Illustration 2. Many of the leadership literature when depicting 'Asian traits' have put more emphasis on the countries of China, Hong Kong, Taiwan, Japan, and S. Korea and from the past decade with India included, since China and India are focused as next economic powers of the World. If we were to zoom in more closely into the Confucian societies depicted by GLOBE's study (Illustration 1) within the same country of China, there are different political and economical systems and therefore, different leadership traits combined, all happening under the different scenarios of multicultural dimensions. For example, the special economic zones of Macau and Hong Kong (the former under Portuguese colonial rule of 450 years and the latter under 100 years of British dominance) are much more westernized in education than PRC itself. Again, the independent territory of China, but internationally known and recognized as the Republic of Taiwan is also very different from these previously mentioned Chinese political and economic systems, as they are characterized as being more traditionally driven societies, prone to Confucius teachings. Again, Singapore for example, with a large influence of the British in the past, the country is composed of 75% of Chinese ethnic group and the remaining 25% mixed between Malays, Indians and other cultures; especially with a growing expatriate community in the country, with English being the only official language spoken by all parties, hence linking all international and ethnic communities, the Asian society and leadership in Singapore is more colorful than one can begin to read about, as there are ethnic cultures to respect, the Singaporean country culture as a norm that most ethnic groups would understand and the corporate cultures for employees to adapt to, representing a unique and extremely colorful experiences culminating in this small country. Nevertheless, perhaps the most widely researched Asian leadership traits are those stemming from the Chinese culture due to China's raising economic importance globally. With that, it is worth paying attention to what some authors found.

According to Sheh (2003) the Chinese leadership approach can be depicted into 4 strands:

1. The Humanistic strand (Confucius, Mencius)
2. The Legalistic strand (Han Fei Zi)
3. The Strategic strand (Sun Zi)
4. The Naturalistic strand (Lao Zi, Chuang Zi)

The Legalistic strand is about ruling by fear, as it is believed that men are born evil, so strict rules and laws with the consequence of severe punishment are required, similar to the theory of Manger X Vs Y by Douglas McGregor, where the X Manager believes that people are inherently lazy and need to be systematically controlled to achieve their goals, whereas the Y Manager is more self-directed and self-reliant in attaining their goals, so leaders need to be more enabling than directive compared to X Manager. The Strategic strand focuses in the 'art of war' by using traditional war-combat strategies to manage people. The Naturalistic strand is the Taoist approach to leadership, as the successful leader is not necessarily the one that obtains all the credit, but one that is barely noticed, very nurturing, always present, the leader is one that is barely bothered by inner emotions. The Confucian leader is one that is compassionate and benevolent, and his/her aim is to be there for the followers because they matter, so protecting them is the leader's core aim.

Between the Taoist (being present and nurturing) and the Confucian strands, similar Western models of the Servant Leadership, Situational Leadership and Transformational Leadership may be of resonance. In Servant Leadership the focus is on the followers and the leader shares the power with his/her main goal to serve the follower's needs. Situational Leadership is Servant Leadership objectified with the focus of a situation/goal/task (Shin et al, 2011; Ramkissoon). With Transformational Leadership the leader connects, inspires and motivates the followers by several mechanisms and one important one is to be their role model and to understand their strengths and weaknesses (Sheh, 2003; Henry; McGregor)

What we see in the corporate world in Asia today is rather a combination of the Western and Asian principles of leadership approaches, sometimes more heavily influenced by the cultural dimension intensity in one society than another. Much of the leadership and behavioral studies in organizations in China are demonstrated by leader-led behaviors, and less of a bottom up approach of studying followers led behaviors, whilst behaviors in leadership are mostly studied in the relationships between organizations and employees.

For example, in China transformation leadership from the West would have a certain degree of acceptance because of the link between the Chinese leader's emotional competence of using empathy or benevolence (in Confucius strand), as discussed by Chen et al (2004), he continued that transformational leadership coordinated best with organizations that were development-focused, whilst transactional leadership coordinated best with economic-oriented organizations. Yao & Jiang (2008) further explored and found that organizations that are more rule and goal based, the use of transactional leadership would bring about higher performance than through transformational leadership, whilst organizations driven by innovation and humanistic supportive culture, transformational leadership would be more effective. Transformational leadership also seemed to adapt well in environments of R&D focused of innovation, as group information sharing and transparency was enabled, whilst in the very collectivist society of Japan, where decision-making is based on consensus mostly, transformation leadership approach was an active-proponent of the culture (Lam et al, 2012).

Nevertheless, researchers that have studied Chinese leadership traits agree that they are one of a kind for its additional traits of paternalistic nature. Studies in the Chinese leadership concentrated in PR China have been split in 2 types. One, focused more on corporate China due to its Foreign Direct Investment: since China's economic development boom began over 30 years ago, many Western companies have built branches and subsidiaries in the country, creating a corporate China that is today a culture that is mingled with Western leadership aspects. On the other hand, we have the SME companies in China that have stayed traditionally managed (yet a fast growing sector in China): mostly inspired by the Taoist and Confucius strands of leadership, led by owners of first generation entrepreneurship with absolute authority and autonomy in decision making in most matters in the company, hence followers exert absolute obedience towards their leader in SMEs, no matter how experienced or how long they have been in the company or reporting to the same leader. The leader in a paternalistic environment is the father figure of the organization.

The paternalistic trait of leadership was also found in several other societies that have adopted the Confucius strand: Japan, South Korea, Malaysia together with the Chinese and the overseas Chinese societies around Asia. Research has proven that it is a trait that is well accepted when benevolence and protection combined are provided by the leader to the follower, thus, the higher the power distance created, the great the accepted of the paternalistic leadership style in that organization (Liu, 2013).

Furthermore, paternalistic leadership seems to be present to a general extent, across continents and not necessarily simply related to the Confucius strand of leadership behaviors merely concentrated in the Chinese dominated societies. In a literature review by Pallegrini et al (2008), paternalistic culture of leadership seems to be present also in parts of South America, in India and in societies that are less egalitarian, predominantly with higher power distance.

In their China research, Farh et al (2000) had proposed a framework of paternalist leadership based on 3 key elements: authoritarianism, benevolence and morality. Liu (2013) has further explored organizational culture as his a key paternalistic leadership antecedents, specified in the Chinese cultural context of PRC's SMEs. Based on Quinn's et al (1991) types of organizational culture (Group culture, Developmental culture, Hierarchical culture and Rational culture) and Cheng et al's (2000) paternalistic leadership style framework, Liu's study found that benevolence is an attribute of leaders representing malleability and adaptability towards any of the 4 organizational cultures. Morality is adopted purposefully to create stable structures and strict rules; all organizational cultures, except for development culture, had a positive impact with morality, however none were significantly impacted. Morality in China is perhaps dropping due to the competitive environment in the markets, and with the boom of SME expansion in the country, companies tended were becoming more goals and productivity oriented than humanistic virtues and morality, to face past years' economic crisis. On the other hand, authoritarianism has negatively impacted group and hierarchical organizational cultures, presumably because of the immigration of the different leadership and management concepts, whilst the SMEs' performance and productivity measures have become more refined and resources have turned more decentralized. The authoritarian leadership style is, hence, being more and more rejected by organizations with strict rules and stable structures, also discussed in Farh et al (2000), who also argued that the 3 types of paternalistic leadership can be regarded as separate leadership styles all together as the benevolent style cannot coexist with the authoritarian style, whilst the authoritarian was highly correlated with the moral style. They further suggested that all 3 styles cannot co-exist in a single leader but possible to co-exist in a group of leaders in the same organization. Lu's conclusion is that the authoritarian style is non-adaptable to the 4 organizational cultures, when benevolent is a most wanted style, then authoritarian cannot co-exist, which is the case for all 4 cultures and moral style is welcomed for hierarchical cultures. On a more recent research, Min (2012) found that authoritative leadership style could co-exist with the other 2, of benevolence and moral styles, if and only if the subordinates have understood that the authoritative leader means to show good intentions, whereby then trust is built and willingness to be led by this leader is exhibited.

Reiterating, the research by GLOBE, it has demonstrated that transformational leadership traits are most desired across cultures, when especially leaders exhibit aptitude in their social skills. In addition, despite the living facts of globalization, societal cultural differences have not minimized, especially when Hosftede's 5 cultural dimensions are still very present when multiple cultures in a group are working together illustrated by the below case study in M&A consulting. Notably, research has shown that effective Western leaders in one particular Asian cultural setting do not become automatically effective in another Asian cultural environment. Effectiveness is dependent on the leaders' ability to integrate the understanding of cultural differences and apply the appropriate leadership styles, in conjunction (Reilly et al). Goleman (1998) has explored the connection between leadership and emotional intelligence (the ability to have self-awareness and the awareness of others' emotions, the ability to self-regulate and to manage others' emotions). Goleman studied organizational leadership capabilities and determined 3 types of skills: technical, cognitive and emotional, whilst the latter was shown to be twice as important than the former 2, because it showed the ability for leaders to work effectively with others and to lead change, which was a critical ability required in all echelons of the organization; whereas technical and cognitive skills were argued to be most important at the entry level echelons or at the beginning of a role.

Goleman's previous research (1995, 1998) has emphasized the importance of linking emotional intelligence to effective leadership. Yet, effective leadership in the GLOBE study may show up very differently in culturally different societal clusters, for example: in South-Asian cluster (Malaysia, Philippines, Thailand, India, Indonesia and Iran) transformational-charismatic and team-orientation are seen as most effective leadership styles; in Latin-Europe, charismatic-values-based, team-oriented and participative leadership are effective; the Anglo-cluster (the highest income cluster) had essentially the same effective leadership characteristic-needs with the addition of the leader having to be inspirational, visionary and able to appeal to the followers' values. Subramanian et al (2013) advises that human resources professionals should consider applying proper recruitment policies and training implemented for organizational leaders as the implications of their studies have shown that leader-behaviors substantially influenced subordinates behavioral-outcomes in daily organizational interactions in Malaysia. Studies have reported that the Western model of emotional intelligence with attributes of openness and participative leadership may not be effective on a one-to-one basis in Chinese companies for the fact that Chinese expect hierarchy with their leaders and as such it is normal for them to show authority on their own interest and on for the collective well-being. To conclude, research has recognized that different national and organizational cultures will require that leaders adapt their leadership styles according to the citizenship of that society's beliefs, traits and organizational citizenship values and practices need to be understood and adapted too (Reilly et al). There is no one-size-fits-all leadership style (Blanchard, 1985).

21st Century Economy: Needs For Leadership & EI Skills

The Shift in Organizations

Across the Asian Pacific region, the age of senior leadership is getting younger. Although their cognitive stamina seems to be higher, due to this younger generations' opportunities to attend education and majority are now tertiary degree graduates, this is now a generation of consumers in the information era (or knowledge economy), thus, understanding their clients of similar demands and younger generations' requirements. Nevertheless, a lack of deeper wisdom that comes from social skills stemming from years of making complex decisions as well as relationships prior to the existence of social media and other technological advancements in communication, remains a fact (Rock, 2013).

Leaders that have been educated in their organizational careers, cultivated by the industrial economy (20th Century), have necessarily to adjust their leadership styles to the modern and most current information economy (21st Century) requirements.

More and more organizations are moving towards forming teams that are virtual and smaller in size, team leaders are becoming more are more a part of a team instead of the commander or controller of it, organizations are building networks of partners and valuing stakeholders contributions through their strength of cooperation and synergies, instead of merely shareholders' value maximization. The world of business is gearing for agility built from communities of strategic partnerships instead of the traditional more hierarchical customer-supplier relationships. Everyone needs to bring value, and each individual is essential to the success of others they impact, due to the massive opportunities of outsourcing for organizations to remain focused in their core competencies and offerings, as well as to bring value to their customers and to everyone that works with them.

To navigate successfully in the 21st Century, organizations need to move from slicing a piece of the pie from the market to creating new value for the customer, shifting mindsets from competing and dominating stemming from the 20th Century economy, to creating collaborative and innovative efforts and teams, and finally, instead of creating central powers of total command and control in their workplace to being of service and engaging as well as empowering the people they work with, so as to be agile in the business today.

The competitive advantage in markets is becoming less and less relevant in the information economy, as oftentimes companies with low margins with difficulties in ascertaining value for the overall value chain end up competing through price wars, working in silos and not being able to sustain long term business with low margins, as the market is becoming too saturated with little entry barriers for most products and services, as many companies are generating a 'me too' type of business (Lurie, Nov. 2014).

Companies that collaborate in network type of businesses, collaborate for similar goals and operate to increase the value of each relationship they make. It is a collaborative effort where each partnering relationship impacts one another with value brought within the network. No more slicing of the pie, but rather 'let's expand the pie for creating value for all of us'.

Leadership is an influencing process, to be effective the need to be focused in generating an environment where new value is built through collaboration of team efforts and engagement is abundant. Hence, empowering others to do their jobs by being more facilitators and coaches rather than controllers, coaches rather than supervisors and mentors, by serving the employees and giving them the development of knowledge and tools they need to achieve their goals and the goals of their organization for effective and profitable business to occur.

This will only happen when quantity and quality of conversations enable employee-manager to build trusted relationships through deeper meaningful connections. A most recent research has shown that 75% of people under 30 years of age own a Smartphone, and 61% of all working people own a Smartphone. Our ability to connect has never been easier and more real in time, yet, are we all really connected? This research by the Ken Blanchard Companies on Employee Work Passion Survey (2013) has shown that most workplaces fail to provide true connection between people, because they feel unconnected towards each other, despite the 24/7 electronic connection. So where it matters most is the human connectivity that is not happening in the workplace: 81% of leaders do not listen and 82% of leaders do not provide appropriate feedback, whilst only 34% of employees meet their bosses once a week. 28% of the employees never discuss future goals and 70% of them wished they did. 36% never receive performance feedback and 64% wished they could talk to their leaders about problems at work with their colleagues. People that feel more connected to their colleagues and leaders are also more likely to feel good about their workplace and jobs, and are definitely more motivated to stay. They are also more motivated to act in a way that they care and want to support the organization and its people and clients, amongst many in the form of willingly providing discretionary time and effort that no additional monetary benefit can buy. Motivation is an intrinsic element that cannot be externally maintained by monetary or material benefits – in the end human connection matters! Fowler talks about the three basic psychological human needs of 'ARC' – Autonomy, Relatedness and Competence. People want to feel they have autonomy in the work they do and make decisions or choices, while being competent and reaching mastery at what they do is vital. She also talks about relationships or relatedness, which is the proof that humans are social beings and as our basic foundation, we need and want to have relationships that function and are supportive of us achieving the autonomy and competence in whatever we do (The Ken Blanchard Companies & The Pew Research Center, 2013 and Fowler, 2012).

Behaviors Appreciated In Organizations

The Challenge of Changing Behavior

"Intellectual understanding is a threshold process, necessary for learning, but not sufficient for lasting improvement. Deep change required the retooling of ingrained habits of thought, feeling, and behavior"

Daniel Goleman (1998)

In other words, Goleman is talking about changes of behaviors require a deep unlearning and relearning process over time, it does not happen when someone intellectually understands what emotional intelligence is, and it certainly does not happen overnight.

Over the last 100 years, we have seen the transformation of our world economy in most parts of the business world shifting from the classical industrial economy to what we know today as the information economy, in the 21st Century. Companies have profited and strived due to the tremendous advancements in technology, because humans have made a conscious effort to develop it for greater gains. In the human behavioral perspective, humans have stood still without significant shifts in these 100 years people skills, when till very recently, companies often slashed skills development budgets when pockets are tighter. To add to the challenge as we know, our schools worldwide have not taught us that social skills were something we would be measured by when we have our careers as adults – hence, we do not know them from school, therefore, we do not talk about them. What we do not talk about, we do not consciously put an effort in because it is hard to operationalize and substantiate it. Round about 15-20 years ago, investment in human skills has been booming, showing an improvement on cost savings, over time, against high attrition and talent acquisition in organizations, as well as succession planning and appropriate leadership skills development, as people begin to work better with each other and results in behavioral shifts to accommodate a cohesive working environment is noticeable.

What top team leaders have begun to notice when making decisions for M&A's and start-ups' investments is that looking for synergies for technology investment is the goal, but when merging or acquiring with the goal to sustain a business with organic growth, they are actually looking into integrating the new team into the existing as they are also acquiring the human talent within. Therefore, they would look primarily at the human capabilities in leadership and collaboration such as: who the team is, and how they work together and manage their own dynamics, for instance in decision making, distributing tasks, handle difficult conversations or members that are not working out, thus essentially, how they cooperate and how innovative they are in that cooperation when challenges and changes show up.

The Convergence of Learning Needs in Organizations

Perhaps the biggest financial case for the organizations to become more emotional intelligence and the importance of attaining leadership skills are the trends that show how companies in the 21st Century are investing in plenty more on learning and development in people skills, where large corporations are setting up learning & development divisions or departments as part of the organizational structure, very often either reporting to the human resources officer or directly to the CEO. Annual commitment to training and development on behavioral skills are getting more and more popular in most parts of the world including in emerging markets.

In ASTD's State of Industry Report says that USD126 billion was spent during the recent economic downturn of the years 2008 to 2009. Before that training spending rose to 11% and although it had fallen to 6% during the economic crisis, spending per capita on training increased. Training and development is no longer just a spending item, it has become a strategic investment to build up talent and to retain employees.

The ASTD Executive Director, Pat Galagan says: *"It's becoming more apparent—and the recession showed this—that companies believe learning is a competitive advantage" during economic crisis. "It's the counterpoint to the old assumption that training is the first thing to cut when times get tough… Companies learned a lot about how to better spend their money. When things improve, companies now will be much better informed about how to invest their learning dollars."*

Deloitte's Managing Principal for Talent Development says: "We didn't back away from investments in learning just because the economy was down. Our clients still demand world-class professionals. You can't deliver world-class service if you cut training". Deloitte was one of several companies that had a year-over-year 10% spending increase in development for their employees without decreasing a cent during economic crisis period of 2008-2011, running a 2.4 million hours average of learning per annum (Source: Workforce.com).

Companies such as the Lotus Development Corporation typically makes start-up company investment decisions based on the emotional intelligence level of the organization they want to invest on. Key determinants of level of organizational emotional intelligence involve looking at: does this company have good relationships with all its stakeholders from the start-up time, from suppliers, to customers, employees and partners? The more arrogant and dishonest they have been, the more likely people are angry with them, the less they are considered by the investor, as such companies are more likely be getting themselves sued along their life cycle when profitability kicks in (Goleman, 1998). Organizations, as people, have styles which are accomplished by the system's norm or operations driven by their beliefs and cultural structure.

A high impact research sponsored by the Society of Human Resource Management in 1986, by Jac Fitx-Enz, with data collected from six hundred organizations across multiple industries, studying what high performing companies had in common. This study was able to identify similar "human assets" existed between such companies and top performing individuals (Goleman, 1998).

In another study by the Stanford University Coaching Survey show that:

1. 66% of the CEO's are lonely at the top. They do not receive outside advice and they all want it.
2. 100% CEO's want to be coached.
3. Although 60% of the CEO's responded that they want their progress to be kept private, the rest do share and researchers actually suggest that keeping the progress transparent to the board helps to foster bonds and ameliorate relationships with the board, as coaching is losing stigma in organizations, secrecies are also beginning to be removed.
4. Highest areas of concern for CEO's are the question of how to handle conflict in ranks.
5. The boards are eager for CEO's to improve talent development by providing more mentoring, leadership, delegations skills to the organization, providing development for internal talent and doing a proper succession planning.
6. CEO's hire coaching services to improve sharing leadership and delegation, conflict management, team building, and mentoring as the top investments by organizations (Illustration 3).

FROM 20th century industrial economy mindsets and skillsets	TO 21st century information economy mindsets and skillsets
Purpose of a company is make profits for shareholders	Purpose of a company is to create value for all stakeholders
Best way to make profits is to compete to win more share of an existing pie	Best way to create value is to collaborate and innovate to co-create and share in a new and much larger pie
The leader's job is to direct and motivate people to accomplish the company's goals	The leader's job is to engage and empower people to create value for all stakeholders, including themselves
People are selfish and will only look after themselves so you need to monitor them closely	People are naturally wired for fairness and reciprocity, and perform best when given autonomy, accountability and the ability to collaborate
As a leader you need to accumulate power and influence though securing scarce resources in well-protected silos	As a leader you need to facilitate open, value-creating networks that engage many people and multiply abundant resources
Change is threatening and likely to cause you to lose your hard won gains	Change is normal and necessary for continual value creation and growth

Illustration 3 - Source HBR.org

Such skills that are required and missing in the organizational leadership are the very foundation of human interaction behaviors that we value and respect people for. We all want to be able to be respected and valued mutually. Interaction norms in meetings and in team work are very often not set, but in group coaching such guidelines are very clear to those that have learned the skill, for example:

Coaching Literacy Norms

- Assume positive intentions
- Actively listen to one another
- Feel comfortable and respected if you disagree
- Be aware of your "air" time
- Honor peoples' time with starting and ending times
- Feel free to take risks in our safe environment
- Keep our conversations confidential when needed
- Operate in collegial, friendly, and supportive atmosphere
- Solicit sharing of ideas of everyone

(Source: Direct quote from Lieb "Principles of Adult Learning", 1991)

The coaching norms, herewith presented, encourage mutual respect and generate a safe space for mutual support and creative exploration of ideas. Again, these norms are common etiquette with coaches and people in the learning industry, which are not too visibly observed in the other industries and organizations. Building an organization that fosters self awareness and the awareness of the sentiments of others (EI) has been a true challenge for organizations that wish to build a consorted environment of high performance teams, because people are hired into an organization from different backgrounds and very diverse education and experiences. Depending on the lifecycle of the organization, whether the employees work passion and engagement ratios are high or low, its budgets for employee development and its cultural beliefs on its own people; having everyone equipped with EI and practicing may not be the easiest task over time.

However, if those leaders today had been given in their education when young, the opportunity to learn self awareness, awareness of emotions of others, as well as how to manage those emotions and how to interact with others, while incorporating leadership skills and generating a group effort of building a safe and emotionally satisfactory environment to work with each other from a younger age, organizations of today would be going through an easier job and spending less on foundational skills of human behavior and interaction for their employees. As a consequence of the challenges of sustainable human interaction behaviors in organizations, this discussion leads us to ascertain that:

Emotional Intelligence and Leadership skills are NOT Soft Skills – they are the foundation and pillars for strategy and the score card for financial sustainability and effective leadership over long term – see Neely et al (2002) – Performance Prism.

Emotional intelligence is a recession proof skill. It turns on human's capacity to adapt, be flexible, to collaborate and to innovate new ways of working together. It therefore, gives opportunity to try different things without sacrificing profit. The tangible fact seen in several economic recessions is that school text-books are a good business, whether there is recession or not, we need education, they get funding from the government on development, especially in the emerging markets.

Is Learning Strategic for Business?
In a recent survey (State of Industry Study) with over 600 respondents, by HCM Advisory Group sponsored by SABA, studying the attributes that would transform learning to be a strategic business enabler had three based respondent parameters:

1. Respondents that saw the learning function as a cost center
2. Respondents that saw the learning function as a necessary but a costly contribution
3. Respondents that saw the learning function as a strategic business enabler

Illustration 4: "Transforming learning into a Strategic Business Enabler" adapted – Three Respondent Parameters; HCM Advisory & SABA

The following key findings were identified based on the above distinctive contributors to the survey:

Trends

1. More CLO's (Chief Learning Officers) are being recruited out of the business leadership positions and not only exclusive to people with HR expertise.
2. Often CEO's would have CLO's directly reporting to them instead of leaving the learning function being a small division under an HR department, second priority to payroll functions.
3. Key internal customers for the Learning and Development departments comprise of line business units, leadership and customer service.
4. 1 in 3 learning organizations deliver training beyond their own employees as companies that see learning as strategic enablers.
5. Strategic Enablers (i.e. firms high in promoting organizational learning) have the tendency to engage and educate leaders about the value of training in organizations and have a process for it.

Gaps

1. There is a gap in perceived importance of the learning functions versus the organizational success. This gap is expressed in terms of the views of the learning leaders and the C-level leaders. Nevertheless, the gap is smaller than before and learning is more seen as a strategic enabler than a cost center.
2. Learning is still seen as necessary but costly contributor to business.

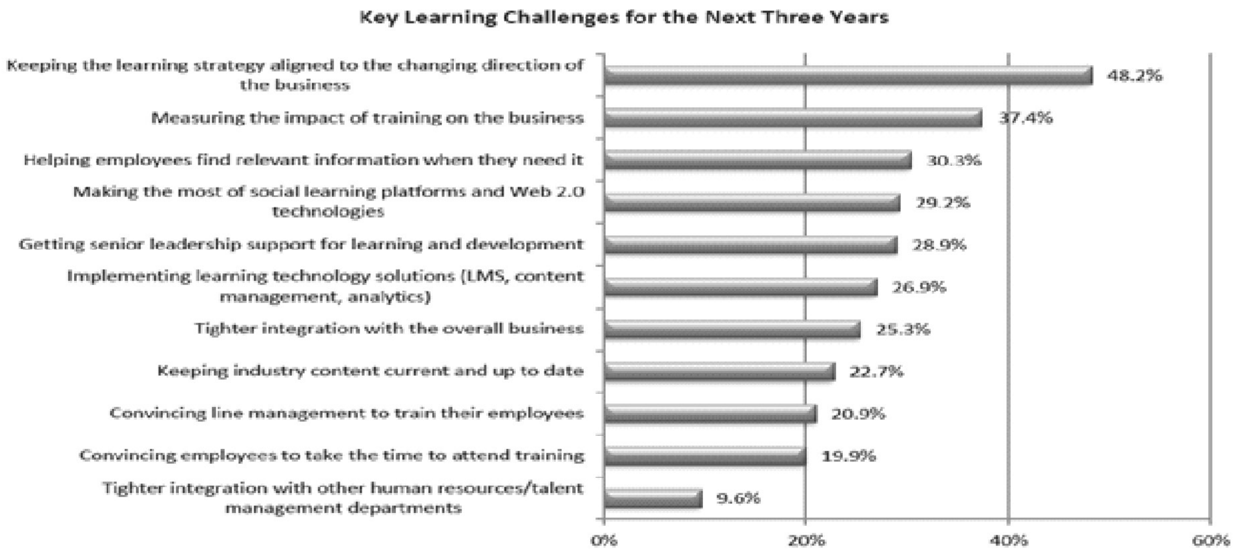

Illustration 5: "Carpe Diem: Seizing an Opportunity to Build an Agile Organization" adapted – Key Learnings and Challenges for the next 3 years chart; HCM Advisory & SABA

On a second study, (AMC Advisory & SABA, 2013) over 550 respondents replied to the survey on seizing opportunities to build an agile organization, presented the following findings:

Key Findings

1. Knowledge management and leadership development were the most common forms of raising organizational agility through learning.
2. Key obstacles to the learning function and implementing learning are organizational cultural issues, such as: organizational silos, resistance to change, unclear or conflicting goals amongst departments.
3. Companies that see learning as a strategic enabler and invest in L&D in the same manner are more focused in connecting people-to-people and to-content through the use of knowledge management systems through social technology. Other companies are still catching up.
4. The fascinating different between companies that see learning as a strategic enabler versus those that see learning as cost center is that, strategic enablers are mainly focused in changing the learning culture through leadership development. Those that see learning as a cost center see learning to pursue change management. The dramatic diversity amongst the two types of companies determines the company specific methodology in approaching their learning culture.

The last finding brings a focal point to attention. If the learning continuum (see Illustration 6 below) is measured by level of change in the organization against the behavioral progress of its people towards how they learn as a culture, then we can also estimate the level of energy people must be feeling towards that change whether it is more towards low or high energy during that change, seen by the behaviors and attitudes during that cycle of change. That energy in which is low or high can be further interpreted by the level of agility people are operating under (assuming that being agile takes effort, i.e. when not competent, the energy is lower than when if a person was competent and committed towards being agile in change), as shown in Illustration 6 below, where "Agility-" refers to low agility to cope with the level of change happening when people are low in competence in doing that change as they are still learning, so not creative enough to adapt the elements of change – "Beginner" level of the learning continuum. At the "Master" level of the learning continuum, the "Agility+" to adapt to changes is highest as they are competent with the content and able to adapt it to the organizational circumstances for productivity. Attitudes and behavioral progress also rises, as people are committed and confident towards what is being done.

The most interesting portion of the last finding in this survey was that companies that see learning as a cost center would invest in programs on change management, which is a vertical continuum in this graph identified by behavioral progress, so these companies are rather coping with changes to consolidate efforts for a change type (not level) they are not apt yet to cope with it in business transformation (e.g. a restructuring or acquisition) which requires an initiative, collaboration and positive outlook to activate that change. Those that invest on learning because they see it as a strategic business enabler would rather purchase programs in leadership that would transform the culture of learning, which is a horizontal continuum towards level of change in the learning continuum, perhaps to enhance collaboration in teams, transparency and building higher quality interactions that enhance productivity in the organization. The former is reactive and the latter is proactive attitudes and methodology to change, which determines the direction and the future of the organization, including its potential long term vitality.

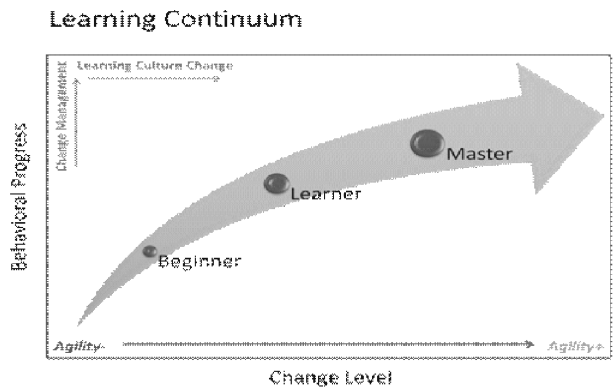

Illustration 6: "The Learning Continuum as a Measure of Organizational Agility" – original framework representation by Maria Pressentin.

Findings to this survey showed that key challenges in building an agile company depended still on keeping learning strategies aligned to the shifting directions of the business (42%), difficulty in measuring impact of the learning on business (37%) and helping employees find relevant information when needed (30%).

These have direct dependencies to whether an organization has created a platform of implementation after the learning through the working teams formed. In the information economy of the 21st century, to be agile is the only way to succeed as businesses are in constant expansion and consolidation, to be agile and seamlessly creating value for all parties involved (not just the customer and the shareholder but also to employees, suppliers and partners) it is important to extend the learning beyond the classroom.

Illustration 7: "Carpe Diem: Seizing an Opportunity to Build an Agile Organization" adapted – Obstacles to Increasing Organizational Agility chart; HCM Advisory & SABA

Illustration 7 above shows the obstacles to increasing organizational agility. Calling attention to the top 6:

1. Conflicting goals amongst departments
2. Long decisions making
3. Difficulty in measuring impact of learning
4. Lack of budget flexibility
5. Cultural slow adoption to innovation

These points clearly refer to the human development priorities equired by organizations across industries and cultures. Organizations are more and more paying attention to what teams can do to make them successful and profitable. Collaboration and innovation are essential to a competent and commitment work culture, however, the lack of budgets and autonomy to flexibly utilize them are the outcome of slow adoption to learning innovation driven by cultural and diversity factors.

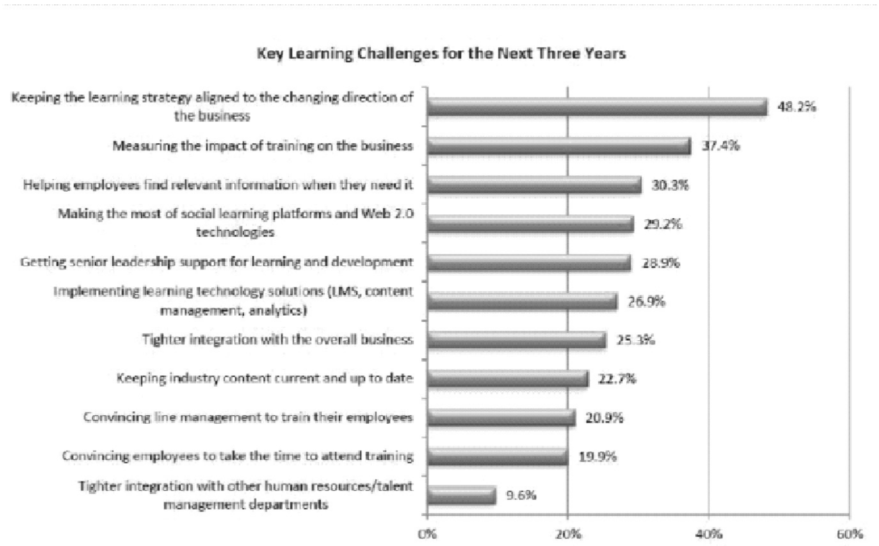

Illustration 8: "Carpe Diem: Seizing an Opportunity to Build an Agile Organization" adapted – Metrics Used to Measure Impact of L&D on Organizational Agility chart; HCM Advisory & SABA

It is hard to put metrics on something we have not been educated on in previous economic ages, as still today, not everyone embraces people skills in the same fashion (in schools, in universities), hence to enhance EI with 1 single leadership model is irrelevant given the diversity in cultures amongst 7 billion people Worldwide. Having said so, leadership skills driven by EI consciousness have been proven to be a necessity in our life-time and are here to stay in order for us to thrive as a society and as a global 21st century economy. What we need to begin understanding is that we cannot use the same traditional business metrics to measure human behavioral change in the same manner, as these graphs have shown the efforts of doing so demonstrate a lack of coherence in combining the two.

M&A Consulting Case Study, 2009-2010 Asian Indices of Cultural Dimensions

Hofstede's Cultural Dimensions

Countries	Power Distance (PD)	Individualism (IDV)	Masculinity (MAS)	Uncertainty Avoidance (UAI)	Long-term Orientation (LTO)
China	80	20	66	40	118
Hong Kong	68	25	57	29	96
Taiwan	58	17	45	69	87
Japan	54	46	95	92	80
South Korea	60	18	39	85	75
India	77	48	56	40	61
Thailand	64	20	34	64	56
Singapore	74	20	48	8	48
Philippines	94	32	64	44	19
Indonesia	78	14	46	48	
Malaysia	104	26	50	36	
Pakistan	55	14	50	70	

Intensity Scale

1-20	21-40	41-60	61-80	81-100	101-120

Low → High

Illustration 9: Hofstede's Cultural Dimensions, adapted from ClearlyCultural.com

Illustration 9 shows the Asian ratings in cultural dimensions based on Hofstede's Clearly Cultural site. The Asian society is clearly dominated by power distance, collectivism, a certain degree of femininity, some uncertainty avoidance and longer-term orientation. In organizations, western stemming skills such as coaching and facilitation skills are key skills that firms invest on today, especially those focused on human capital development as an agile strategy to enhance productivity and sustainable returns over time. Such skills also work on the principles of EI framework, which may be a difficult skill to introduce to high power distance (China, Malaysia, Philippines as examples), and high uncertainty avoidance cultures (S. Korea, Japan, Pakistan for instance). Illustration 10 shows a list of Asian societies measured in Power Distance and Uncertainty Avoidance, based on Hofstede's 5 Cultural Dimensions.

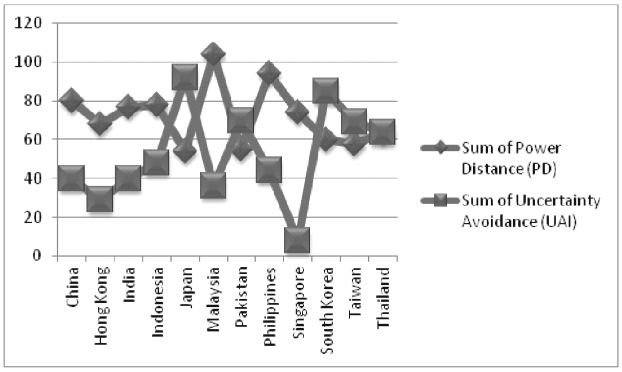

Illustration 10: Organizing within the Asian context.

In the globalization era, Asian employees with corporate international experience have gone through managerial concepts from the US some way or the other either by studying abroad or by means of vocational training in night schools, MBAs and through organizational development courses sponsored by their employers. Some of these concepts may involve for example: Management by Objectives which does not sit well with Asian cultures that highly dependent on paternalistic and traditional leadership decision making; the Matrix Structure of organizing may also not do particularly well in countries of high uncertainty avoidance that requires very clear structures and those with high power distance that centralize decision making power from the top will lack unity of command under the matrix format; lastly, Maslow's Hierarchy of Needs concept has been proven to be more universal within the United States and countries with similar cultural dimensions background, as for countries that are opposite in cultural dimensions to the United States, like those that are more collectivism centric, their social needs are of higher importance and for those that are of high uncertainty avoidance, then social needs will prevail for a much longer period of time since their people would seek for jobs that would support a life time employment rather than focused on interesting or challenging jobs (Hofstede, 2010).

To simplify, Hofstede has taught us how to perceptively analyze how an organization pays attention to its pillars by dividing its very attention into two major parts:

a) Who has the power to decide and on what goals?

b) What rules and procedures will be followed against those goals?

Question (a) pertains to the dimension of Power Distance and question (b) refers to the dimension of Uncertainty Avoidance. Individualism/Collectivism and Masculinity/Femininity are dimensions that pay attention to individual behaviors thereby affecting what people think of others rather than organizational dynamics. Long term/Short term orientation are a specific dimension that is very present in many of the Asian countries, especially where the Chinese culture and more traditional cultures prevail such as in countries and territories of: China, Hong Kong, Macau, Taiwan, Singapore, Malaysia, Japan, South Korea, India, Pakistan, Indonesia and Thailand.

To illustrate this, a case study will show the implications of Hofstede's cultural dimensions in organizational application in view of globalization and localization necessities.

Organizational Implications

The following case study example represents a set of issues we can perceive daily in cultures going through change under the environments when leaders from the West are put together with those stemming from the East (sometimes more or less traditional in leadership styles). The following case is the summary of a real organization-integration project by the author of this paper, commissioned by the company herewith described. The case will remain anonymous and the intention to share it is merely to show how Hofstede's cultural dimensions are useful to predict and to apply for a swift diagnosis on organizing strategies. Nevertheless, it is not intended to solve the organizational challenges but merely to share a reflection of alternative thinking.

Case: German/Japanese Merger

The German multinational is the number 1 and sometimes number 2 market-leaders mainly in the EU, USA and certain countries in Asia in supplying tools that cut machines. They are known for their innovative machines that fit any new requirements by their customers, as their turnaround R&D time is faster than their competitors as well as production of the tool itself. Their challenge is to reduce customers' maintenance costs since their quick turnaround prevents them to thoroughly test their tools to completion, which brings about dysfunctions on the tools, increasing customer maintenance bills, whilst complaints rise. For business expansion purposes, it has spurred them to merge with the Japanese competitor that is known for high quality, stable tools but with a turnaround time that is substantially slower due to very heavy production and design processes, their challenge is to meet customer demands on time.

Upon this merger, they struggled to work well together as both multinationals of equal percentage of ownership do not see eye to eye on the operations level, as no efforts of human and process integration have happened and all departments are working either in silos or in conflict, namely the following departments: German company sales (around the World), Japanese product development, German and Japanese maintenance and Japanese finance departments.

1. Diagnosis of the Situation
Organizational Analysis

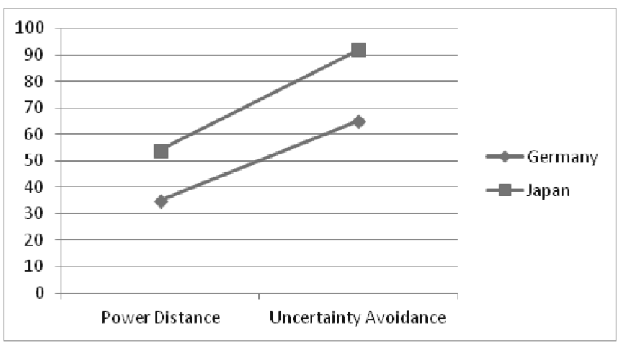

Illustration 11: Organizational Analysis – Comparison of Power Distance and Uncertainty Avoidance for German/Japanese Merger

	Power Distance	**Uncertainty Avoidance**
Germany	35	65
Japan	54	92

The working attitudes of the operations, maintenance, and sales managers are all very different from one company to another (Illustration 11). The German culture of low power distance (35) brings a tendency to speak up on their opinions and treat supervisors as equals, so if some of the departments have Japanese (54) individuals as supervisors in this integration, some clashes may happen. On the other hand, we also know that since the German company, being very innovative with quick turnarounds, their maintenance team has a very different working process than the Japanese team that is more thorough for its company values were to focus on quality instead of innovation, again the Japanese with higher power distance may not appreciate the maintenance processes from the Germans.

The above analysis should be coupled with the higher rate of uncertainty avoidance from the Japanese (92) partner 'we will not sell the product until it has fully past all quality control tests'. The sales people in the German (65) organization are eager to sell through but with such technical delays from product development, they are having a hard time to adjust. The sales team around the world from the German organization is accustomed to asking for special pricing (special discounts for certain customers or new customers that are making a lot of sale pressure, this business is driven innovation and/or low cost). However, the Japanese pricing team is having a hard time rejecting the sales request for their power distance, since sales have a tendency to demand and escalate to the top leadership for approval of exceptional pricing, causing the Japanese pricing team to lose face; hence much frustration has been building up in both cultures.

Individual Analysis

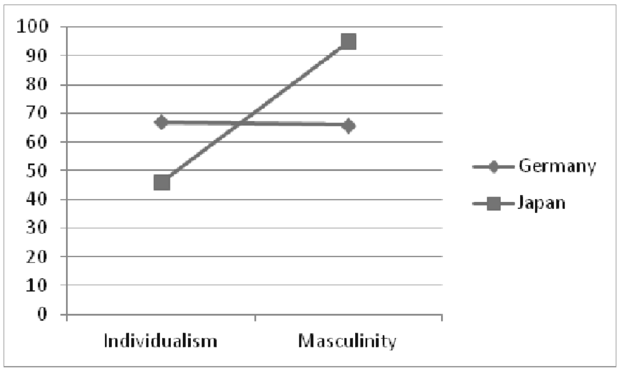

Illustration 12: Individual Analysis – Comparison of Individualism and Masculinity for German/ Japanese Merger

	Individualism	Masculinity
Germany	67	66
Japan	46	95

(Illustration 12) The German colleagues have a tendency to be very direct, which is normally perceived to be honesty in their culture and in fact they just believe in getting things done, believing in meritocracy by fulfilling their sales and maintenance targets, moving always forward towards a goal, since they have a higher rate of individualism (67) compared to Japan (46). Japan being a collective culture, they have a tendency to think in 'we' terms instead of 'I', while relationship at work is more important than the task of just getting something done, which the Germans may see it differently.

The Japanese colleagues show substantially higher rates on masculinity (95) than the Germans (66), although both are above average, they seem to be at least positive correlated on this dimension. However, with individuals of both groups hardly compromising for their high scale in masculinity, the new merged organization needs to set some collaboration boundaries for it to move forward.

1. Possibilities

A set of combined organizational development change strategies would be helpful because the major challenge in the Japanese and Germanic cultural dimensions is visible in the dichotomy between a Japanese collectivist culture Vs a Germanic individualistic culture in the company. A workshop to charter both groups' cultural differences in operating is very necessary, followed by a series of alignment meetings to co-create a new set of agreed company values, behaviors, procedures and operating norms with each other, mainly focused on creating their ideal organization of the future and that all efforts are geared towards that. Thus, essentially, empowering employees to lead change, followed by key departments beginning to modeling on the agreed values and behaviors so that the rest of the organization would follow by example, starting from the top management. Finally, should some of the agreed behaviors in leadership be missing in the current leadership team and operational management, then, their capabilities need to be fortified through training and coaching before the modeling of those behaviors begins.

2. Discussion

The case study shows different needs of empowerment requirements, where the German and Japanese partners merge and both disagree in their working approaches and processes, feeling completely unsynchronized and disempowered to move forward.

Quinn et al (1996) have researched on organizational need, purpose, want, characteristics of empowerment, how to facilitate empowerment through organizations and leaders as there is growing source of literature confirming that employee empowerment can become a major competitive advantage for firms, as the traditional top-down approach are less of a fit in today's markets, where the demand of individual employee initiative has become one of the core traits for hiring. Quinn et al's study has drawn from a decade of analysis and identified clear aspects of what it means 'to empower' employees, as they have found that normal traditional beliefs and practices of empowerment are very dissimilar to their framework. The traditional belief and practice of organizational empowerment meant top down goals and tasks given to the employee, specifying the corporate vision/mission/values and define roles, responsibilities and accountability for results per employee. Quinn's findings were that empowerment had to do with trust, personal development and risk taking (very much EI concept based on Golemen), which was an implicit strategy to empowerment rather than explicit. The empowered employee characteristics involved having a: sense of self-determination (not micro-managed and free to chose hot to perform their job); sense of meaning (they care about what they are doing); sense of competence (they know they can perform the task/goal); sense of impact (others listen to their ideas and feel they have influence on their work).

Whether there is a need to empower people, given the fact that a large amount of organizations today work in smaller teams, flatter hierarchies, markets are extremely competitive, when employees are empowered, firms can only benefit from this characteristic as research has shown that employees become more innovative, take initiative, and more transformational and less resistance to change, gain leadership skills and become more attractive to fast paced organizations.

Finally, what can leaders do to empower employees? The answer is if the leader does not feel empowered, then it is likely that he/she is unable to empower others. The research proposes a list of questions to be asked to leaders that embark in facilitating empowerment to their employees along the lines of the 4 levers suggesting that: clear vision and challenge, openness and teamwork collaboration, discipline and control as well as support and sense of security need to be continuously asked on a periodic basis as a sanity check list in order to facilitate empowerment in the organization, in addition to asking him/herself to what extent does he/she feel that he/she has a sense of: self-determination, meaning, competence and impact.

Ultimately, effective leadership is the result of a combination of factors amongst several, the need to be competent in emotional intelligence, as well as, cultural dimensions understanding and application of that understanding. Empowerment of others, as we understood, does rely on the leader to feel empowered him/herself first, in order to be of service to others, hence, empowerment can be seen as one of the potential outcomes to be studied in more detail of what effective universal leadership should look like.

Future Research

Upon finishing this paper, several topics have surged for future research possibilities, including the questions on the relationship of leadership models to emotional intelligence, to adult vocational and schooling education – all in the name of learning and human growth, as leaders creating a better world for everyone. Some interesting topics that could derive from this study:

1. How Emotional Intelligence impacts organizational culture in Asia?
2. What is the leadership style that presents most Emotional Intelligence attributes from Goleman's model, and can best adjust to Asian's cultural dimensions?
3. To what extent does the knowledge of Emotional Intelligence adapted to different organizational cultures correspond to employee work-passion and performance? Especially in Asian context?
4. Would the aptitude in emotional competence directly relate to effective leadership and therefore, empowerment is more likely in organizations where effective leadership and EI are applied?
5. How does globalization/fast-paced competition affect self-regulation, social skills and interpersonal relationships in the PRC Chinese social context?
6. What are the values and beliefs of employees of what an effective leader should stand for, based on what we know about effective leadership models from the leaders' perspective?
7. How do the elements of Goleman's EI model show up in organizations in Asia? Is the model as universal as it is described, or should it be rather interpreted by an invisible scale of EI to measure the compatibility and complementarities of Hofstede's cultural dimension?
8. Leadership in the 21st century economy needs to be more empowering for agility and high performance organizations to be enabled in the long term success. Oftentimes, empowerment in current literature reviewed refers to more collaboration in teams, higher quality and quantity of conversations amongst hierarchies and dismantling of silo behaviors in matrix organizations, enabled by leadership skills and EI, rather than autocratic behaviors of command and control, yet discipline and control are needed. To what extent do these two types of behaviors of support and direction compare and contrast in the different Asian countries given their different levels of cultural dimensions?

As future research topics, after the understanding of the current trends in learning and the needs we are geared towards becoming more agile in the 21st Century info-economy, it would be crucial to look at different forms of schooling systems that can enhance the EI/leadership skills for children at schooling age. That is not to say that vocational learning should not be further investigated, but if EI in leadership processes are integrated as an additional value system in teaching intra-personal and inter-personal skills, it would be curious to see if we would be flattening cultural differences across borders and making the human world drawing closer and closer together in terms of comparable behaviors in leadership from a young age. On the other hand, would the integration of the EI subject in schools drive cultural dimensions to certain gaps in understanding between the young and their parents or guardians? It may very well depend on where the EI schooling approach is introduced, whether to children whose parents have already taken EI or leadership driven skills in their organizations, therefore exposed to interpersonal skills, or to parents that have not had any relationship to these skills in the past.

Conclusion

The vertical relationships of manager-subordinate are most studied in research when it comes to leadership models, whilst there is a big gap in investment focused on top layer of leaders and less on their subordinates. The industry is currently accepting that most layers of the organization need to be involved in leading each other effectively through team-work, intra and inter personal skills that will accentuate the importance of being skilled in emotional intelligence.

Such skills are more prominently invested and comfortably used in the Western world than in Asia, but the latter is catching up fast due to globalization and new generations of people educated abroad in the West, whilst the information age, supported by knowledge easily obtained through technology is quickly spreading Western leadership models and other concepts across board.

Asian organizations, in the format of branches and subsidiaries, stemming from overseas Western mother companies tend to experience closer cultural dimensions to their mother company colleagues, due to their common link through corporate culture, somewhat dictated by the mother company, most times.

Smaller entrepreneurial type of Asian companies will have a tendency to remain paternalistic, a domineering leadership approach in more traditionally driven societies. Yet, their organizational processes and operating systems have, over the years, become more sophisticated with goals and measures in focus of results, thanks to the influence of international investments from the West, transfer of knowledge was possible.

Continuous learning for all cultures is a major strategic tool and enabler in creating agility to face the 21st Century information economy. The World is becoming similar and cultural diversity although still exists, to many, as a challenge; to others, several cultural diversity, or diversity per se, in organizations spurs them to further promote learning as a core focus in driving results, whilst appreciating the diversity embedded within. The ability to understand, to adapt to diversity, and to reply to their needs becomes an asset to organizational leadership. There is no 'one size fits all' leadership style, as different needs will require leaders to flex their styles according to their situations.

This paper has attempted to discuss and to link the importance of paying attention to Asian cultural dimensions that differ vastly from the Western societies, as the latter have come up with many leadership and behavioral models that have been deemed universal. Some may or may not be so easily applied in Asia due to the regions long traditions of paternalistic behaviors, more prominent perhaps, than in other parts of the world. The study has opened up several additional questions for future research all in the name of furthering the learning and growth of the human kind.

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A Study on Foreign Corrupt Practices Act: Compliance in India

Debjani Das & Janell M. Kurtz

Corruption hurts. It causes poverty; threatens security and the sustainability of natural resources; undermines democracy; and denies human rights. In business, corruption jeopardizes ethics, as well as sound business governance, and is a growing problem. In view of the current regulatory environment, it is imperative that business understand the law and take steps to prevent violations. This paper aims to study the Foreign Corrupt Practices Act: Compliance in India as many countries, including the United States and India, have become increasingly active in enforcing anti-bribery laws.

Introduction

Corruption hurts. It causes poverty; threatens security and the sustainability of natural resources; undermines democracy; and denies human rights. In business, corruption jeopardizes ethics, as well as sound business governance, and is a growing problem. Many countries, including the United States and India, have become increasingly active in enforcing anti-bribery laws. There are more U.S. Foreign Corrupt Practices Act (FCPA) cases being investigated than ever before according to William Jacobson, assistant chief in the Fraud Section of the U.S. Department of Justice's Criminal Division. Further, Ms. Navita Srikant, a Partner at Ernst & Young in Fraud Investigation & Dispute Services, states "if one would review FCPA enforcements over the last five years, India finds a name in over seventy enforcements."

The Law

The FCPA prohibits bribery of foreign—non U.S. government officials to obtain or retain business. Specifically, the law forbids covered entities/persons from making direct or indirect payments to foreign government officials with corrupt intent in order to obtain or retain business. Each of these elements and the penalties for violations of the FCPA are examined below.

Covered Entities/Persons

The reach of the FCPA is expansive. It potentially covers any firm, individual, officer, director, employee, agent and stockholder. Expressly, liability extends to "issuers," "domestic concerns," "foreign business," and "individuals."

Issuers are firms that have securities registered with the Securities and Exchange Commission's (SEC) or file periodic reports with the SEC. To trade on a U.S. national stock exchange such as the New York Stock Exchange (NYSE) or NASDAQ, the securities must be registered with the SEC. As a result, issuers under the FCPA include both U.S. and foreign public companies.

Furthermore, the U.S. has shown no reticence toward bringing actions against foreign companies. Consider for example Statoil's US $21 million settlement of FCPA charges in 2006. Statoil is a foreign public company organized under the laws of the Kingdom of Norway and headquartered in Norway. Statoil, however, has American Depositary Shares that trade on the NYSE and are registered with the SEC. Consequently, Statoil is required to file reports with the SEC, and thus, is an "issuer" under the FCPA.

Similarly, Siemens, a German corporation which trades on the New York Stock Exchange under the symbol SI, disclosed that both the U.S. Department of Justice (DOJ) and SEC is investigating possible violations of the FCPA, and announced that it has reserved €1 billion in connection with settlements being sought by German and U.S. authorities. iv Indian companies, such as Wipro Limited and Dr. Reddy's that trade on the New York Stock Exchange as well as Infosys Technologies Limited and Sify Technologies Limited that trade on the NASDAQ, are issuers under the FCPA.

Issuers may be held liable also for corrupt payments made indirectly through foreign subsidiary. In SEC v /s. Westinghouse Air Brake Technologies Corporation, the SEC sanctioned Westinghouse Air Brake Technologies Corporation, a U.S. issuer, for improper payments made by its Indian subsidiary, Pioneer Friction Limited, to Indian Government Employees. Domestic concerns include any individual who is a citizen, national, or resident of the United States, and any corporation, partnership, association, joint-stock company, business trust, unincorporated organization, or sole proprietorship which has its principal place of business in the United States, or which is organized under the laws of a State of the United States, or a territory, possession, or commonwealth of the United States.vi A Dutch company was recently deemed a domestic concern under the FCPA. In this case, Paradigm B.V. was a private limited liability company headquartered in the Netherlands. Its principal place of business, however, gradually shifted from Herzliya, Israel to Houston, Texas in the United States. Some of the factors that led the U.S. DOJ to determine that Paradigm's principal place of business were in the U.S. included:

(a) Retention of a Houston-based Chief Executive Officer;

(b) Moving key senior management positions from Herzliya, Israel to Houston;

(c) Retaining an outside auditor in Houston;

(d) Transitioning financial and accounting functions from Herzliya, Israel to Houston; and

(e) Moving the coordination of operational business activities from Herzliya to Houston.vii

Foreign companies are also covered by the FCPA if they cause, directly or through agents, an act in furtherance of a corrupt payment within the United States. The following cases are illustrative. SSI International Far East Ltd., a Korean subsidiary of U.S.-based Schnitzer Steel, entered a guilty plea to anti-bribery violations of the Foreign Corrupt Practices Act. Here, employees of SSI International Far East residing in Washington and Oregon facilitated the bribery by making wire transfers from Oregon. Similarly the wholly owned Taiwanese Subsidiary of Syncor International Corporation a U.S. Company, Syncor Taiwan pled guilty to bribery under the FCPA. In this case, the improper payments were authorized by the company's board chairman while he was in California.

Moreover, foreign companies may incur liability under the FCPA as agents of issuers. This was the basis for the U.S. Department of Justice's action against DPC (Tianjin) Ltd. Therein, DPC (Tianjin) Ltd., a Chinese subsidiary of U.S.-based Diagnostic Products Corporation (DPC), was charged with acting as DPC's agent in paying illegal bribes.

Individuals, including foreign nationals, are legally accountable for violations of the FCPA. Indeed, both the U.S. DOJ and the SEC are targeting individuals as a way to deter violations. Consider for example, the following cases against foreign nationals. Christian Sapsizian, a French citizen, was sentenced to thirty months in prison for participating in the payment of more than $2.5 million in bribes to senior Costa Rican government officials. At the time of the bribes, Sapsizian was deputy vice president for Alcatel; a French telecommunications company who's American Depositary Receipts was traded on the New York Stock Exchange. Also indicted in this case is Edgar Valverde Acosta, Sapsizian's subordinate and senior country officer at Alcatel de Costa Rica, Alcatel's local affiliate which handled Alcatel's day-to-day operations in Costa Rica. Valverde is a citizen of Costa Rica. Likewise, Misao Hioki, of Japan and former general manager of Bridgestone's International Engineered Products Department, pled guilty to charges of bribing foreign government officials. For this and conspiring to rig bids, Hioki was sentenced to serve two years in jail and pay an $80,000 criminal fine. A resident of Delhi India, Chandramowli Srinivasan, was subject to civil proceeding by the SEC. Srinivasan, as president of A.T. Kearney Ltd. – India, allegedly made illicit payments to employees of Indian state-owned enterprises. At the time, A.T. Kearney was a subsidiary of U.S. issuer Electronic Data Systems Corporation. Srinivasan settled the action agreeing to pay a $70,000 penalty.

Foreign Officials

The FCPA prohibits direct and indirect payments to foreign—non-U.S. officials, political parties, party officials and candidates for political office. Foreign officials are defined as:

1. any officers or employees of a foreign government including government departments, agencies or instrumentalities;
2. any officers or employees of a public international organization; or
3. any person acting in an official capacity for or on behalf of the foreign government or public international organization.

The rank or position of the public official is immaterial. Thus, payments to ministers and low-level officials are within the law. For example, in the enforcement action against Dow Chemical Company for FCPA record-keeping violations by its Indian subsidiary DE-Nocil, the alleged payments were made to a key official in India's Central Insecticides Board as well as state licensing, sales tax, excise tax and customs officials. Payments to some of the state officials were well under $100 per payment.

Moreover, the law extends beyond conventional government employees and officers. State-owned or controlled business enterprises have been found to be instrumentalities of foreign governments bringing their employees within the purview of the law. In a 1993 FCPA Opinion Procedure Release, the DOJ decided that a wholly state-owned and controlled quasi-commercial entity was an instrumentality of government. More recently, Baker Hughes plead guilty and settled an SEC enforcement action paying more than $44 million based in part on corrupt payments to officials of Kazakh oil, Kazakhstan's national oil company, and Kaz Trans Oil, the national oil transportation operator of Kazakhstan. Likewise, the case against DPC (Tianjin) Ltd. was based on payments to laboratory personnel and physicians employed by hospitals owned by the People's Republic of China. The hospitals were considered instrumentalities of the Chinese government making the employees foreign officials.

Payment

The FCPA forbids offering, paying, promising or authorizing to pay any money, gift, or anything of value. Thus although bribes frequently involve cash, the law is comprehensive and covers a wide-range of items and activities. Indeed, in the complaint against Srinivasan, the SEC alleged payments of cash transfers, gifts and services. Gifts in enforcement actions have included jewelry, gift certificates, perfume, laptop computers, and electronics.

Travel and entertainment expenditures can also be illegal payments. An enforcement action against Lucent Technologies Incorporated under the recordkeeping and accounting controls provisions of the FCPA provides some useful insight. Lucent spent millions of dollars on approximately 315 trips for Chinese government officials that involved primarily entertainment and leisure. Although purportedly for business, most of the time was spent sightseeing at tourist destinations such as Hawaii, Las Vegas, the Grand Canyon, Niagara Falls, Disney World, Universal Studios, and New York City. Lucent paid $2.5 million to settle this case, $1 million monetary fine to the U.S. Treasury and $1.5 million civil penalty to the SEC. There is provision in the law, however, for reasonable and bona fide expenditures, such as travel and lodging expenses when the payment is directly related to the promotion, demonstration, or explanation of products or services. Two FCPA Opinion Procedure Releases offer further guidance.

In Release No. 07-01, the Department of Justice determined that a company could pay the domestic expenses of a six-person delegation to tour one of its operational sites for educational and promotional purposes. The visit was for four days and the company proposed to pay for economy class travel, domestic lodging, local transport, and meals. With respect to the costs and expenses, the company made the following representations:

1. it intends to pay all costs directly to the providers; no funds will be paid directly to the foreign government or the delegates;
2. it will not pay any expenses for spouses, family, or other guests of the officials;
3. any souvenirs that the requestor may provide to the delegates would reflect the requestor's name and/or logo and would be of nominal value;
4. apart from meals and receptions connected to meetings, speakers, or events the requestor is planning for the officials, it will not fund, organize, or host any entertainment or leisure activities for the officials, nor will it provide the officials with any stipend or spending money

In approving this request, the Justice Department determined that the expenditures were reasonable and directly related to the promotion, demonstration or explanation of the company's products or services.

Release Number 07-02 involved a U.S. insurance company that sought to host six junior to mid-level foreign governmental officials for a five day educational program at it U.S. headquarters. The company proposed to pay for: domestic economy class air travel expenses to the company's headquarters; domestic lodging; local transport; modest meals and incidental expenses; and a modest four-hour city sightseeing tour. The insurance company asserted that:

1. It will host only the designated officials, and not their spouses or family members;
2. It intends to pay all costs directly to the provider; for expenses that requires reimbursement, the company will only do so, up to a modest daily minimum, upon presentation of a written receipt;
3. Any souvenirs would reflect the company's business and/or logo and would be of nominal value such as shirts or tote bags;
4. Apart from the expenses identified, the company would not compensate the foreign government or officials for their visit, nor fund, organize, or host nay other entertainment, side trips, or leisure activities or provide any stipend or spending money;
5. The training visit will be for a six-day period (five days of training plus travel time), and costs and expenses will be only those necessary and reasonable to educate the visiting officials about the operation of a U.S. company in insurance.

Again, the Department of Justice determined that the expenses were allowable.

Permissible Payments

The FCPA permits facilitating or expediting payments to secure or expedite performance of routine governmental actions. Routine governmental actions, as defined in the law, include only ordinarily and commonly performed acts by a foreign officials such as:

1. Obtaining permits, licenses, or other official documents to qualify a person to do business in a foreign country;
2. Processing governmental papers, such as visas and work orders;
3. Providing police protection, mail pick-up and delivery, or scheduling inspections associated with contract performance or inspections related to transit of goods across country;
4. Providing phone service, power and water supply, loading and unloading cargo, or protecting perishable products or commodities from deterioration.

Specifically excluded from the definition are decisions by a foreign official regarding new or continued business and actions taken by a foreign official involved in the decision making process to encourage a decision to award new or continue business.

Direct/Indirect Payment

The FCPA proscribes corrupt payment made directly to government officials as well as payments to any person "while knowing that all or a portion of the money or thing of value will be offered, given, or promised, directly or indirectly, to any foreign official, to any foreign political party or official thereof, or to any candidate for foreign political office." The Wabtec case involved direct payments by Pioneer, Wabtec's Indian subsidiary, to employees of the Indian government. To make the payments, Wabtec devised a scheme whereby marketing agents sent fabricated invoices to Pioneer. Upon payment of the invoice, the marketing agents cashed the checks returning cash to Pioneer. The cash was stored by Pioneer in a locked metal box and then used to make the corrupt payments.

Many of the anti-bribery cases, however, are based upon payments made indirectly through agents, suppliers, distributors or other business partners. With these payments, actual knowledge of the bribe is not required. The legislative history is instructive as to the requisite state of mind to meet the "knowing" standard:

"Simple negligence" or "mere foolishness" should not be the basis for liability. However, the so called 'head-in-the-sand' problem—variously described in the pertinent authorities as "conscious disregard," "willful blindness" or "deliberate ignorance" -- should be covered so that management officials could not take refuge from the act's prohibition by their unwarranted obliviousness to any action (or inaction), language or other "signaling device" that should reasonably alert them of the "high probability" of an FCPA violation.

DE-Nocil provides a representative example of indirect corrupt payments. To make the corrupt payments, DE-Nocil enlisted the support of one of its contractors, an Indian product formulator that mixed and packaged products for DE-Nocil. This contractor added fictitious incidental charges to its invoices. These funds were segregated by the contractor and dispersed to third party "consultants" as directed by DE-Nocil. These consultants delivered the funds to an Indian CIB official. Obviously, DE-Nocil had actual knowledge of the improper payment. Actual knowledge is not as readily apparent in a case involving York International's Indian subsidiary; nevertheless, the circumstances are such that "knowing" standard would be met. Out of $180,000 in commissions, York India's agent used $132,500 for improper payments.

Corrupt Intent

Under the FCPA, the person making or authorizing the payment must have a corrupt intent. Specifically, payments are unlawful if the purpose is to:

1. Influence an act or decision of a foreign official in his official capacity;
2. Induce a foreign official to do or omit to do an act in violation of a lawful duty;
3. Secure an improper advantage; or
4. Induce a foreign official to use his influence to affect or influence an act or decision of a foreign government or instrumentality.

The following cases illustrate corrupt intent. In the Wabtec case, Pioneer, the Indian subsidiary, paid employees of the Indian Railways Board (IRB), the operating arm of the Indian Ministry of Railroads, to influence the approval of Pioneer's contract price during competitive tender processes. The payments in the Srinivasan case were made to sway the senior employees not to cancel contracts despite performance difficulties. Indeed, the contracts were not cancelled and one of the companies involved awarded two additional contracts to ATKI. In the Dow Chemical Company case, bribes were paid to an influential member of the six-person Registration Committee—the committee responsible for determining whether and when to grant registrations for insecticides. This member was able to decide if and when a company's agricultural chemical product would be registered, and without a bribe, the official would refuse or delay registrations. For payments of approximately $32,000, the official expedited registration of three products.

The bribes in the cases discussed above achieved their intended results; success, however, is not necessary for a violation. A case involving Monsanto demonstrates this point. Monsanto paid $50,000 to an Indonesian Senior Environment Official to incentivize him to repeal a decree that had an adverse impact on products sold by Monsanto. Notwithstanding the payment, the decree was not withdrawn, and Monsanto paid $1.5 million in penalties for FCPA violations.

Business Purpose

The final element of the law is referred to as the business purpose test since the statute forbids payments made in order to assist in obtaining or retaining business. Bribes intended to obtain business such as those in the Wabtec case and bribes to retain business like in the Srinivasan case are clearly within the parameters of the law. The nexus between the bribe and business, however, does not have to be direct. This was the decision in one of the few cases actually litigated under the FCPA. In United States v. Kay, the Kays argued that bribes paid for favorable tax treatment were not payments made to obtain or retain business.

In other words, the payments did not lead to the award or renewal of contracts. The Fifth Circuit Court of Appeals rejected this narrow construction of the law finding that:

Congress intended for the FCPA to apply broadly to payments intended to assist the pay or, either directly or, in obtaining or retaining business for some person, and that bribes paid to foreign tax officials to secure illegally reduced customs and tax liability constitute a type of payment that can fall within this broad coverage. Thus, bribes which give an advantage, albeit indirectly, in obtaining or retaining business, such as tax savings, are improper.

Penalties

The FCPA provides for criminal and civil penalties. Criminal enforcement is handled by the Department of Justice, while the SEC is the civil enforcer with respect to issuers. For criminal violations, both the business entity and individuals are subject to penalties. Business entities face fine of $2 million as provided for in the FCPA or even more under the Alternative Fines Act which allows for fines of twice the benefit sought by the corrupt payment. Individuals can be imprisoned for up to five years and fined $100,000 or twice the benefit of the payment. An employer or principal may not pay an individual's criminal fine. For civil actions, the SEC may fine business and individuals up to $10,000 per violation. A court, however, may impose fines well beyond these dollar amounts.

In addition to fines and imprisonment, other remedial measures include:

- appointment of an independent monitor;

- implementation of a FCPA compliance program;
- debarment from the right to do business with the U.S. federal government;
- disgorgement of ill-gotten gains;
- Suspension or disbarment from securities business.

Understanding of the law is the first step in complying with the provisions of the FCPA; Awareness of the Indian culture is the second. Thus, before turning to recommendations, the Indian environment is examined.

The Culture

Rhetoric decrying corruption in India is volubly expressed. The former Indian President and Dr. A P J Abdul Kalam recently opined that corruption was the biggest evil plaguing India and that there was no hope of real all round progress if the scourge was not eliminated. Further, in a speech at the National Summit organized by the Foundation for Restoration of National Values, Shri L.K. Advani, India's opposition leader, on the pervasive corruption in India declared, "It threatens our democracy. It threatens our national security, because corrupt elements in the system can easily become tools of anti-national forces that want to spread terrorism and subversion. In the long run, it also threatens our nationhood. It is therefore imperative that all concerned and right-thinking people deliberate on how to stem this rot." The President of India, Pratibha Devisingh Patil, has asserted that "corruption today poses a grave challenge to our system and it is time that the nation begins to determinedly combat this menace," and declared that "it is the moral duty of each and every person to make society free from corruption." Yet corruption remains a way of life in India. According to Transparency International, India ranked 95th out of 180 countries for perceived corruption and the Corruption Perception Index indicated serious corruption problem in the public sector. The Bribe Paying Index placed India 19th in terms of the likelihood of companies to bribe out of the 22 most economically influential countries in the world. And, the 2007 Global Corruption Barometer reported that 25% of the Indian respondents indicated that they paid a bribe to obtain services. In view of the above, it is vital that businesses be prepared to respond to demands of bribes.

Suggestions for Preventing FCPA Violation

In view of the breadth of the law and the Indian business environment, businesses need to take compliance seriously. The following business practices may help reduce the risk of a FCPA violation.

- Leadership Tone: Company leaders who are committed to legal and ethical behavior and put those values into action are critical to a successful compliance program. A corporate culture that embraces ethics will encourage all decision-makers to follow the rules. TATA provides an exemplar for doing business in India.
- Policy on Corruption and FCPA: Companies should create and communicate a written corporate policy with regard to corruption and the FCPA. To be effective the policy needs to be clearly written and provide guidance in practical decision making. Consideration should also be given to translating the policy into Hindi and other pertinent languages. For example, CEVA's policy is translated into twenty-five languages including Hindi. Further, the policy needs to be dynamic document. In particular, decisions need to be based upon the policy.
- Training: Training on the FCPA should be part of new employee orientation and the topic should be revisited at least once a year. The focus of the training should be on practical issues with real-world examples.
- Advice and Hotline: Real-time resources should be available for employees to ask questions and raise concerns.
- Know your partners: Because liability can be based upon third party actions, it is imperative that you know your partners and those they embrace your corporate culture.
- Perform ongoing FCPA assessments and audits.

Conclusion

Corruption harms people, business entities and the economy. Furthermore, corruption violates the law. In view of the current regulatory environment, it is imperative that business understand the law and take steps to prevent violations.

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Growth of Inventory Models Under Trade Credit

Chandra K. Jaggi

In this paper, we have included the papers which show the recent advancement in credit financing for determining the EOQ. We classify all related previous research papers into five categories based on: (a) Net D Policy, (b) d/D1 net D Policy, (c) Two Stage Trade Credit, (d) Credit Linked Demand and (e) Partial Trade Credit.

Keywords: Lot-size model, trade credit, deterioration, demand, inventory.

Introduction:

In classical inventory analysis presented in most of the inventory literature, it was tacitly assumed that the supplier is paid for the items as soon as the buyer receives the items. But in real practice, supplier usually offers trade credit to the buyer. It is observed that the trade credit offered by the supplier encourages the buyer to buy more and it is also a powerful promotional tool that attracts new customers who consider it as an alternative incentive policy to quantity discounts. Also, the trade credit has important economic significance from both micro and macro-economic perspectives as a component of money supply, trade credit, in the form of accounts payable, exceeds the primary money supply by a factor of 1.5 on average. Clearly, efforts to control economic growth through monetary policy can be confounded by aggregate decisions of business to increase or decrease reliance on trade credit financing. Hence, trade credit can play a major role in inventory management for both the supplier as well as buyer. Owing to this fact, during the past few years, many articles dealing with various inventory models under various trade credit policies have appeared in various research journals. It is obvious that there is a growing research interest in this area. Consequently, in this paper, we present a review of the advances of the inventory lot-size models under trade credits. For simplicity, we classify the inventory lot-size models related to trade credits into five categories based on

(a) Net D Policy,

(b) d/D1 net D Policy,

(c) Two Stage Trade Credit,

(d) Credit Linked Demand,

(e) Partial Trade Credit

Assumptions and Notations

Assumption:

1. The supplier provides a fixed credit period M to settle the account to the retailer and retailer, in turn, passes on a maximum credit period N to its customers to settle the account. For simplicity, it is assumed that that the customer's credit period N is less than or equal to the retailer's credit period M. It is also assumed that the customers would settle their accounts only on the last day of the credit period N.
2. Replenishment is instantaneous.
3. Shortages are not allowed.
4. Lead-time is negligible.

Notation:

For convenience, the following notations are used throughout the paper.

D demand per unit of time

Q order quantity

T inventory cycle length

$q(t)$ the inventory level at time t

A ordering cost per order

C unit purchase price of the item

P unit selling price of the item

I inventory carrying charge per $ per unit time (excluding interest).

Ie interest rate that can be earned.

Ip interest rate payable per $ per unit time

M retailer's credit period offered by the supplier.

N customer's credit period offered by the retailer.

$Z(T, N)$ retailer's profit per unit time.

Mathematical Models and Results

In this section the inventory lot-size models related to trade credits which are divided into five categories based on (a) Net D Policy, (b) d/D1 net D Policy, (c) Two Stage Trade Credit, (d) Credit Linked Demand and (e) Partial Trade Credit are discussed thoroughly.

Model 1: Net D Policy

The net term means supplier allows a certain fixed credit period (D days) to the buyer for settling of the accounts. During this credit-period the supplier charges no interest, but beyond this period interest is charged by the supplier under the terms and conditions agreed upon, since inventories are usually financed through debt or equity. In case of debt financing, it is often a short-term financing. Thus, interest paid here is nothing but the cost of capital or opportunity cost. Also, short-term loans can be thought of as a return on investment since the money generated through revenue can be ploughed back into the business. Therefore, it makes economic sense for the buyer to delay the settlement of the replenishment account up to the last day of the credit period allowed by the supplier and buyer is also benefited by earning interest on revenues generated during the credit period. Hence, paying later indirectly reduces buyer's holding cost.

The retailer's objective is to minimize the total cost, *TC(T)* where *TC(T)* = purchasing cost + ordering cost + inventory carrying cost + interest payable - interest earned.

Since the supplier is offering credit period to the retailer, therefore, there will be two cases for interest payable and earned namely:

Case (1) when $M \leq T$ and Case (2) when $M \geq T$

The corresponding total costs are follows:

(1) $$Z_1(T) = \frac{2A + C\lambda M^2 (I_p - I_e)}{2T} + \frac{TC\lambda}{2}(I + I_p) - \lambda CMI_p$$

(2) $$Z_2(T) = \frac{A}{T} + \frac{C\lambda T}{2}(I + I_e) - \lambda CMI_e$$

The optimum value of T can be determined by differentiating above equation w.r.t. T and equating it to zero which gives and respectively. $T^* = \sqrt{\frac{2A + \lambda CM^2 (I_p - I_e)}{\lambda (I + I_p) C}}$ and $T^* = \sqrt{\frac{2A}{\lambda (I + I_e) C}}$ the corresponding optimal order quantities are $Q^* = \sqrt{\frac{\lambda \left[2A + \lambda CM^2 (I_p - I_e)\right]}{(I + I_p) C}}$ and $Q^* = \sqrt{\frac{2A\lambda}{(I + I_e) C}}$ (3)

While classical EOQ without trade credit is

$$Q^* = \sqrt{\frac{2A\lambda}{H}} \qquad (4)$$

As a result of permissible delay in settlement of the replenishment account, the order quantity as obtained is generally higher than the order quantity given by the classical economic order quantity model.

Model 2: d/D1 net D Policy

In "d/D1 net D" type credit policy supplier offers two payment options to the buyer: either take a prompt payment discount & pay within a specified number of days (d% discount if paid in D1 days, D1<D) or make full payment by the specified net date (net D). Net terms (e.g. net D) quote the number of days within which payment is due (D), but do not offer a discount for prompt payment.

Here the buyer faces the dilemma of deciding whether taking discount is advantageous or availing the full credit period. To resolve this dilemma two cases have been developed viz.

Case1: When discount is taken

This case presents the situation when purchases are made at the beginning of the cycle and payments are paid on the D1th day after taking the discount. The present worth of total variable cost for the cycle, Z1(T) consists of ordering cost, purchase cost and out of pocket inventory carrying cost. Using the Discounted cash flow approach, the present worth of total variable cost for the cycle can be expressed as

$$Z_1(T) = A + QC(1-d)e^{-rD_1} + IC(1-d)e^{-rD_1}\frac{QT}{2} \qquad (5)$$

Case2: When discount is not taken

In this case, purchases are made at the beginning of the cycle and payments are made on the Dth day ignoring the discount. Again using the DCF approach, the present worth of total variable cost for the cycle, Z2 (T) is

$$Z_2\left(T\right) = A + QCe^{-rD} + ICe^{-rD}\frac{QT}{2} \quad (6)$$

Further, it is also investigated under what conditions which case would be better for the buyer i.e. to avail the discount or to take the full credit-period.

Comparison of Two Cases

In this section we compare the two cases and find out which case would be better for the buyer i.e. to avail the discount or take the full credit-period.

We define, m the benefit as a percentage of total system cost when discount is taken, as

$$\mu = \frac{Z_2(T_2) - Z_1(T_1)}{Z_1(T_1)} = \frac{Z_2(T_2)}{Z_1(T_1)} - 1 \quad (7)$$

Now assuming there is long term relationship between buyers and suppliers, the ordering cost can be neglected i.e. A à 0, above equation simplifies to

$$\mu = \frac{e^{-rN}}{(1-d)} - 1 \qquad \text{where } N = D - D_1 \quad (8)$$

$$\frac{\partial d}{dN} = \frac{-re^{-rN}}{\left(1-d\right)} \le 0 \quad (9)$$

$$\frac{\partial d}{dr} = \frac{-Ne^{-rN}}{\left(1-d\right)} \le 0 \quad (10)$$

From the equation (9) & (10), it is clear that percentage benefit decreases with increase in N & r and in equation (1),

if rN is large enough, so that e-rN could be smaller than (1-d), which causes m to be negative that means it, would be better off for the buyer to forgo the discount.

Model 3: Two Stage Trade Credit

In the above models i.e. Model 1 and 2, only supplier is offering trade credit to his retailer which can be termed as One Stage Trade Credit. But in practice it is observed that the retailer also provide credit to his customers. This type of policy is termed as Two-stage credit policy. In two-stage credit policy, the supplier offers a credit period (M) to the retailer and the retailer in turn also offers a credit period N to each of his/her customer to stimulate the demands i.e. retailer sells off all his stock on credit from time 0 to T and starts getting actual sales revenues from time N to T+N.

Revenue Upto T

The retailer's objective is to minimize the total annual relevant cost. Following three cases may arise:

Case1: M £ T

The annual interest earned for the time period (M – N) is $\frac{CI_e\lambda(M^2 - N^2)}{2T}$

The annual interest charges payable for the time period (T–M) is $\frac{CI_p\lambda(T-M)^2}{2T}$

Hence, the annual total cost for the retailer is given by $Z_1(T) = \frac{A}{T} + \frac{\lambda Th}{2} + CI_p\lambda\frac{(T-M)^2}{2T} - CI_e\lambda\frac{(M^2-N^2)}{2T}$ (11)

Thus there exists a unique value of T which minimizes Z1(T) $T_1^* = \sqrt{\frac{2A + CI_p\lambda M^2 - pI_e\lambda(M^2-N^2)}{\lambda(h+CI_p)}}$ (12)

Provided $\Delta_1 = -2A + CI_e\lambda(M^2 - N^2) - M^2\lambda h \ge 0$

Case2: N £ T £ M

The annual interest earned for the time period (M – N) is $\frac{CI_e[\lambda(T^2 - N^2) + \lambda T(M-T)]}{2T}$ (13)

The annual interest charges payable = 0

Hence, the annual total cost for the retailer is given by $Z_2(T) = \frac{A}{T} + \frac{\lambda Th}{2} - \frac{CI_e[\lambda(T^2-N^2) + \lambda T(M-T)]}{2T}$ (14)

Thus there exists a unique value of T which minimizes Z2(T) $T_2^* = \sqrt{\frac{2A + CI_e\lambda N^2}{\lambda(h + CI_e)}}$ (15)

provided $\Delta_1 = -2A + CI_e\lambda(M^2 - N^2) - M^2\lambda h \le 0$ and

$$\Delta_2 = -2A + N^2\lambda h \ge 0$$

Case3: T £ N

The annual interest earned for the time period (M – N) is $\frac{CI_e\lambda T(M-N)}{T}$

The annual interest charges payable = 0

Hence, the annual total cost for the retailer is given by $Z_3(T) = \frac{A}{T} + \frac{\lambda Th}{2} - CI_e\lambda\frac{(M-N)}{T}$ (16)

Thus there exists a unique value of T which minimizes Z3(T), $T_3^* = \sqrt{\frac{2A}{\lambda h}}$ (17)

provided $\Delta_2 = -2A + N^2\lambda h \le 0$ Determination of Optimal Cycle Time

From the above arguments, we obtain the following theorem.

Theorem

- If Δ1 > 0 and Δ2 > 0, then Z(T*) = Z(T3).
- If Δ1 > 0 and Δ2 < 0, then Z(T*) = Z(T2).
- If Δ1 < 0, then Z(T*) = Z(T1).

Revenue Upto T+N

Here the supplier offers a credit period (M) to the retailer for settling the accounts and the retailer in turn also offers a credit period N (£ M) to each of his/her customer to stimulate the demands i.e. retailer sells off all his stock on credit from time 0 to T and starts getting actual sales revenues from time N to T+N.

Retailer's objective is to maximize the annual net profit (Z(T))

Z(T) = annual sales revenue - annual purchasing cost – annual ordering cost - annual inventory carrying cost - annual interest payable + annual interest earned.

Computation of Interest earned and Interest payable depends upon the values of N, M and T+N

Depending upon these vales five scenarios may arise which are as follows:

(i) N £ M £ T £ T+N.

(ii) N £ T £ M £ T+N.

(iii) T £ N £ M £ T+N

(iv) N £ T £ T+N £ M

(v) T £ N £ T+N £ M

It is quite clear that the first three cases are equivalent to M-N £ T and the last two cases are equivalent to T £ M-N. We discuss the cases one by one:

Case1: M-N £ T

The annual interest earned for the time period (M – N) is $\frac{I_eP\lambda(M-N)^2}{2T}$

The annual interest charges payable for the time period (T+N–M) is $\frac{I_pC\lambda}{T}(T+N-M)^2$

Hence, the annual total cost for the retailer is given by $Z_1(T) = P\lambda\left(1 + I_e\frac{(M-N)^2}{2T}\right) - \frac{A}{T} - \frac{IC\lambda T}{2} - \frac{I_pC\lambda}{T}(T+N-M)^2$ (18)

Thus there exists a unique value of T which minimizes Z1(T) $T_1^* = \sqrt{\frac{2A + (I_pC - I_eP)\lambda(M-N)^2}{\lambda C[I + I_p]}}$ (19)

provided $2A \ge [IC + I_eP]\lambda(M-N)^2$

Case 2: M-N ³ T

The annual interest earned for the time period N to

M is $\frac{I_e P}{T}\left[\frac{\lambda T^2}{2} + \lambda T\left(M - T - N\right)\right]$ (20)

The annual interest charges payable is 0

The annual net profit Z2(T) in this case becomes

$$Z_2(T) = P\lambda + P\lambda I_e\left(M - N - T/2\right) - \frac{A}{T} - \frac{IC\lambda T}{2} \quad (21)$$

The optimal cycle length can be obtained by maximizing the above profit function.

$$T_2^* = \sqrt{\frac{2A}{\lambda[I_e P + IC]}} \quad (22)$$

provided $[IC + I_e P]\lambda N^2 \le 2A \le [IC + I_e P]\lambda M^2$

Combining the two possible cases, we obtain the following theorems.

Theorem (for obtaining the optimal T)

(a) If $2A \ge [IC + I_e P]\lambda (M - N)^2$ then $T^* = T_1^*$

(b) If $[IC + I_e P]\lambda N^2 \le 2A \le [IC + I_e P]\lambda M^2$ then $T^* = T_2^*$

Model 4: Credit Linked Demand

Moreover, the presence of credit period has been incorporated in many inventory models but the impact of credit period on demand has been over looked by the researcher at large. However, it has been observed that the demand of an item does get influenced by the length of the credit period. Now, we will explore how the impact of credit period on demand under two levels of trade credit affects the inventory policy.

Model-4a:

Here, it is assumed that the supplier offers a delay period, M, to the retailer and the retailer, in turn, passes on a maximum credit period, N, to his customers to settle the account. But here at different points of time, the customer would get different lengths of credit period from the retailer i.e. If the customer makes the purchases at time t = 0, then he gets the maximum credit period N; the customer gets credit period equal to (N - t) if he makes the purchases between time 0 ≤ t ≤ N, However, no credit period is offered to the customer if he makes the purchases at time t ≥ N. For simplicity, it is assumed that that the customer's credit period N is less than or equal to the retailer's credit period M. Further, the retailer's optimal pricing and ordering policy when both the supplier as well as the retailer offers the credit period to their respective customers, in order to stimulate their respective demand, assuming that the retailer's sales are divided in two categories :

(i) Regular cash sales, (which is price sensitive) during 0 ≤ t ≤ T and

(ii) Credit sales, (which is a function of N) during 0 ≤ t ≤ N.

Hence, the demand function representing the above scenario is given by

$$D(t) = \begin{cases} kp^{-e} + \alpha(N - t) & 0 \le t \le N \\ kp^{-e} & N \le t \le T \end{cases}$$

The order quantity can be calculated as

$$Q = \int_0^T D(t)dt = (\ ) + \frac{\acute{a}}{2}{}^2 \quad (23)$$

and the inventory level at any time t during the cycle is (figure 4.1)

$$= \begin{cases} q_2(t) = \lambda(p)(T - t) & T \ge t \ge N \\ q_1(t) = \lambda(p)(T - t) + \alpha(N - t)^2/2 & N \ge t \ge 0 \end{cases}$$

$$q(t) = \begin{cases} q_2(t) = q_1(N) - \int_N^t \lambda(p)dt & T \ge t \ge N \\ q_1(t) = Q - \int_0^t \{\lambda(p) + \alpha(N - t)\}dt & N \ge t \ge 0 \end{cases}$$

(24)

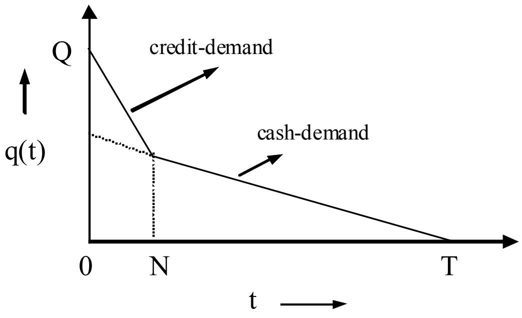

Figure 4.1

The retailer's annual profit consists of the following elements:

Sales revenue = pQ/T = $\frac{p}{T}\left(\lambda(p)T+\frac{\alpha N^2}{2}\right)$ (25)

Cost of placing orders = A/T (26)

Cost of purchasing units = CQ/T =

$$\frac{C}{T}\left(\lambda(p)T+\frac{\alpha N^2}{2}\right) \quad (27)$$

Cost of carrying inventory =

$$\frac{IC}{T}\left(\int_0^N q_1(t)dt+\int_N^T q_2(t)dt\right) =$$

$$\frac{IC}{2T}\left(\lambda(P)T^2+\alpha N^3/3\right) \quad (28)$$

The computation for interest earned and payable will depend on the following two possible cases based on the lengths of T and M:

Case1: M £ T

Consequently the interest earned per year is

$$\frac{I_e p}{T}\left\{\int_0^M \ddot{e}(p)tdt+\int_N^M \frac{\alpha N^2}{2}dt\right\}=\frac{I_e p}{2T}\left\{\ddot{e}(p)M^2+\alpha N^2(M-N)\right\}$$

And the interest payable per year is

$$\frac{I_p C}{T}\int_M^T q_2(t)dt=\frac{I_p C\lambda(p)}{2T}(T-M)^2$$

The retailer's annual profit Z1(T) can be expressed as

$$Z_1(T,p)=\frac{1}{2T}\left\{\begin{array}{l}(p-C)(2\lambda(p)T+\alpha N^2)+I_e p(\lambda(p)M^2+\alpha N^2(M-N))\\ -2A-IC(\lambda(p)T^2+\alpha N^3/3)\ -I_p C\lambda(p)(T-M)^2\end{array}\right\}$$

(29)

Case2: M ³ T

Here the credit period M is greater than or equal to the cycle T, so the retailer earns interest on cash-sales during the period (0, M) and also on credit-sales during the time period (N, M) but there is no interest payable.

Therefore, the interest earned per year is

$$\frac{I_e p}{T}\left\{\int_0^T \ddot{e}(p)tdt+\int_N^T \frac{\alpha N^2}{2}dt+\int_T^M Qdt\right\}$$

$$=\frac{I_e p}{2T}\left\{\ddot{e}(p)T(2M-T)+\alpha N^2(M-N)\right\}$$

The retailer's annual profit Z2(T) in this case is

$$Z_2(T,p)=\frac{1}{2T}\left\{\begin{array}{l}(p-C)(2\lambda(p)T+\alpha N^2)-IC(\lambda(p)T^2+\alpha N^3/3)\\ -2A+I_e p(\lambda(p)T(2M-T)+\alpha N^2(M-N))\end{array}\right\} \quad (30)$$

Therefore, the retailer's annual profit Z(T, P) is

$$Z(T,p)=\begin{cases} Z_1(T,p) & if \quad M\le T\\ Z_2(T,p) & if \quad M\ge T\end{cases} \quad (31)$$

Since thus Z(T, p) is a continuous and well-defined on T > 0.

Model 4b:

Further, it is observed in the above model that the credit sales are independent of price, however; in reality this may not be true. Hence in this model, it is considered that even the credit sales are also price sensitive. Therefore this model assumes that the demand is the function of selling price as well as the credit period offered by the retailer and has two parts, viz.:

(1) regular cash-demand, which is the function of selling price throughout the cycle and

(2) credit-demand, which is the function of selling

price as well as credit period
offered by the retailer i.e. during the time interval

$$D(t)=\begin{cases}\lambda(p)+R(p,t) & 0\le t\le N\\ \lambda(p) & N\le t\le T\end{cases}$$

Hence, demand function at any time t can be represented as:

where λ(p) is regular cash demand which is inversely proportional to price (p);

Here it is assumed that λ(p) = k1p-e where >0 and e>1. While R (p, t) is the demand on credit during the customer's credit period N, which is directly proportional to the credit period offered and inversely proportional to price. We assume R (p,t) =k2p-e (N - t), where 0 ≤ t ≤ N, e>1 and > 0.

Model 4c:
Here we look into totally different form of credit-linked demand function, using which a new inventory model has been formulated to determine the retailer's optimal credit as well as replenishment policy when both the supplier as well as the retailer offers the credit period to stimulate customer demand.

Mathematical Formulation:
The demand rate is a function of the customer's credit-period offered by the retailer (N). The demand function for any N can be represented as a differential difference equation:

$$D(N+1)-D(N)=r\{S-D(N)\}$$

where D(N) = demand rate which is a function of N,

S = maximum demand rate, and

R = rate of change of demand (which can be estimated using the past data)

The solution of the above difference equation under the condition that at N = 0, D(0) = s (initial demand), keeping other attributes like price, quantity etc. at constant level, is given by

$$D=s(1-r)^N+S\left(1-(1-r)^N\right)$$

i.e. $D=S-(S-s)(1-r)^N$

Using the above demand function, the various components of the retailer's profit per unit time, Z(T,N)

This demand function is an S-shaped curve (figure 4.2) that shows at initial stage credit period may not be effective in realizing the demand but as credit period increases it has a significant impact on demand and gradually reaches its saturation level. These types of demand functions are observed in consumer durables.

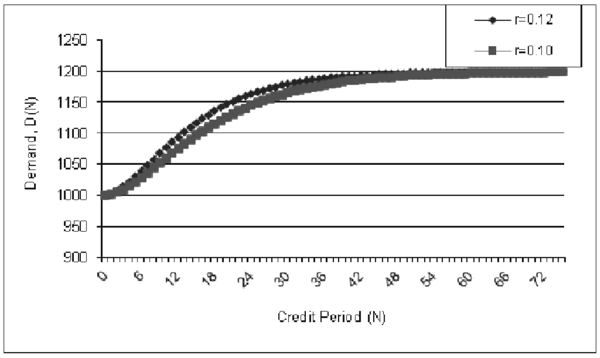

Figure 4.2

Using the above demand function, the various components of the retailer's profit per unit time, Z(T, N) are calculated which follows as:

(a) Sales revenue = PD (32)

(b) Cost of placing orders = A/T (33)

(c) Cost of purchasing units = CD (34)

(d) Cost of carrying inventory $\frac{ICDT}{2}$ (35)

The computation for interest earned and payable will depend on the following three possible cases based on the lengths of T, N and M:

Case1: N M T+N (Fig.4.3)

In this case, the retailer starts getting actual sales revenues from time N to M and earns interest on average sales revenue for the time-period (M-N). At M accounts are settled, if all the credit sales are not realized, the finances are to be arranged to make the payment to the supplier.

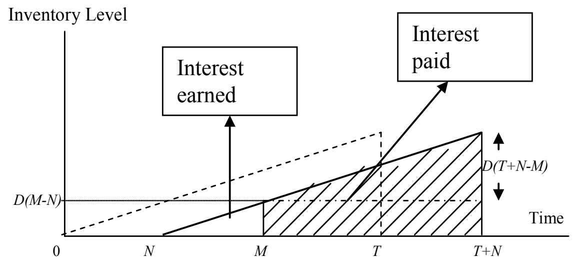

Figure 4.3. When $N \le M \le T+N$

(e) Consequently the interest earned per unit time is $\frac{I_e PD(M-N)^2}{2T}$ (36)

and

(f) Interest payable per unit time is $\frac{I_p CD(T+N-M)^2}{2T}$ (37)

The retailer's profit per unit time Z1(T,N) can be expressed as

$$Z_1(T,N)=(P-C)D-\frac{A}{T}+\frac{1}{2T}\left\{I_e P\left(D(M-N)^2\right)-ICDT^2-I_p CD(T+N-M)^2\right\} \quad (38)$$

Case2: N ≤ T+N ≤ M (Fig.4.4)

In this case, the retailer earns interest on average sales revenues received during the period (N, T+N) and on full sales revenue (PQ) for a period of (M – T – N) but no interest

is payable by the retailer.

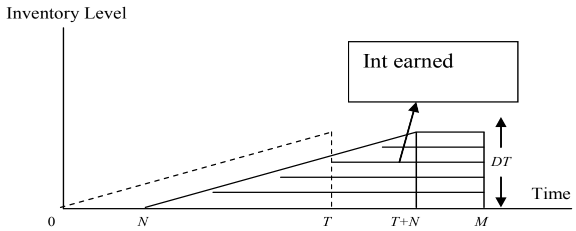

Figure 4.4. When $N \le T+N \le M$

(e) Consequently the interest earned per unit time is

$$= \frac{I_e P\{DT^2/2+DT(M-T-N)\}}{T}=I_e PD(M-N-T/2) \quad (39)$$

Therefore, the retailer's profit per unit time Z2(T,N) in this case is

$$Z_2(T,N)=(P-C)D-\frac{A}{T}-\frac{ICDT}{2}+I_e PD\left(M-N-\frac{T}{2}\right) \quad (40)$$

Case3: M ≤ N ≤ T+N (Fig. 4.5)

In this case, the retailer earns no interest but pays interest for a period of (N-M) and on average stock held during the cycle length (T).

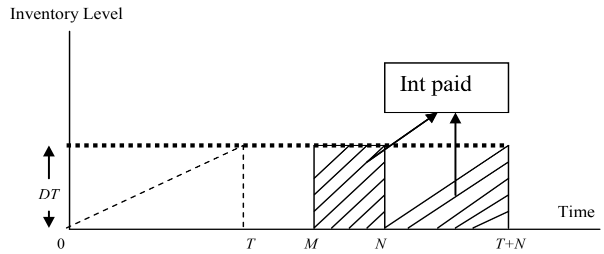

Figure 4.5. When $M \le N \le T+N$

(f) Consequently the interest payable per unit time is

$$= \frac{I_p C\{DT(N-M)+DT^2/2\}}{T}=I_p CD(N-M+T/2) \quad (41)$$

Thus, the retailer's profit per unit time Z3(T,N) in this case is

$$Z_3(T,N)=(P-C)D-\frac{A}{T}-\frac{ICDT}{2}-I_p CD\left(N-M+\frac{T}{2}\right) \quad (42)$$

Therefore, the retailer's profit per unit time Z(T, N) is

$$Z(T,N)=\begin{cases} Z_1(T,N) & if \quad N \le M \le T+N \\ Z_2(T,N) & if \quad N \le T+N \le M \\ Z_3(T,N) & if \quad M \le N \le T+N \end{cases} \quad (43)$$

which is a function of two variable T and N where T is continuous and N is discrete.

Model 5: Partial Trade Credit

Moreover, to reduce non-payment risks, a supplier/ retailer frequently offers a partial trade credit to its credit risk downstream member who must pay a portion of the purchase amount at the time of placing an order and then receives a permissible delay on the rest of the outstanding amount.

This model investigates the impact of partial trade credit financing for a two level of supply chain i.e. the retailer as well as the customer must make a partial payment initially in order to make them eligible for availing the delay period for the rest of their purchases. It is assumed that since the retailer offers its customers a permissible delay period , hence, he will receive its revenue from to and not from 0 to . The retailer's inventory system has been developed as a cost minimization problem to determine his optimal ordering policies.

Model Formulation:

The retailer's annual total relevant cost per unit time, can be expressed as

TRC(T) = Annual Purchase cost+ Annual ordering cost + Annual stock holding cost

\+ Annual interest payable - Annual interest earned

where

- Annual Purchase cost = cD
- Annual ordering cost = $\frac{A}{T}$
- Annual stock holding cost= $\frac{DTh}{2}$

To calculate annual interest charged and annual interest earned broadly two cases may arise:

(i) $\boldsymbol{N \leq M}$ and (ii) $\boldsymbol{N \geq M}$.

Case 1: N<M

Depending on the values of M and T, four sub-cases may arise:

Sub-case 1.1: $\boldsymbol{M \leq T}$, Sub-case 1.2: $\boldsymbol{T \leq M \leq T + N}$,

Sub-case 1.3: $\boldsymbol{T + N \leq M}$

The retailer's annual total relevant cost per unit time is given by

$$TRC_{11}(T) = \frac{A}{T} + \frac{hDT}{2} + \frac{cI_p}{T}\begin{pmatrix} \frac{(1-\alpha)^2 DT^2}{2} + (1-\alpha)DT(T+N) \\ + \frac{\beta D(T-M)^2}{2} + (1-\beta)\frac{D(T+N-M)^2}{2} \end{pmatrix} - \frac{pI_e}{T}\left[\frac{\beta DM^2}{2} + (1-\beta)\frac{D(M-N)^2}{2}\right]$$

$$TRC_{12}(T) = \frac{A}{T} + \frac{hDT}{2} + \frac{cI_p}{T}\left(\frac{(1-\alpha)^2 DT^2}{2} + (1-\alpha)DT(T+N) + \frac{(1-\beta)D(T+N-M)^2}{2}\right) - \frac{pI_e}{T}\left(\frac{\beta DT^2}{2} + \beta DT(M-T) + \frac{(1-\beta)D(M-N)^2}{2}\right)$$

$$TRC_{13}(T) = \frac{A}{T} + \frac{hDT}{2} + \frac{cI_p}{T}\left(\frac{(1-\alpha)^2 DT^2}{2} + (1-\alpha)DT(T+N)\right) - \frac{pI_e}{T}\left(\frac{DT^2}{2} + \beta DT(M-T) + (1-\beta)D(M-T-N)\right)$$

Case 2: N>M

Sub-case 2.1: , Sub-case 2.2:

The retailer's annual total relevant cost per unit time is given by

$$TRC_{21}(T) = \frac{A}{T} + \frac{hDT}{2} + \frac{cI_p}{T}\left(\frac{(1-\alpha)^2 DT^2}{2} + (1-\alpha)DT(T+N) + \frac{\beta D(T-M)^2}{2} + (1-\beta)D(\frac{T^2}{2} + T(N-M)\right) - \frac{pI_e}{T}\left[\frac{\beta DM^2}{2}\right]$$

and

$$TRC_{22}(T) = \frac{A}{T} + \frac{hDT}{2} + \frac{cI_p}{T}\left(\frac{(1-\alpha)^2 DT^2}{2} + (1-\alpha)DT(T+N) + (1-\beta)D(\frac{T^2}{2} + T(N-M)\right) - \frac{pI_e}{T}\left[\frac{\beta DT^2}{2} + \beta DT(M-T)\right]$$

- Equating the first order derivative of TRCij (T) = 0, we get the optimal replenishment cycle time for each of the cases.

1. Conclusion

This article provided an integrative review of several streams of the trade credit literature and deduced questions for future research.

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The Buurtzorg Case and Illustrations of Zorgaccent and Amstelring

Sharda Nandram

The Case of Buurtzorg Nederland

Buurtzorg Nederland is a community care organization which was founded by Jos de Blok, a community nurse by profession and manager of a home care organization. H is model has been awarded several prizes and has become a best practice for other existing home care organizations in the Netherlands and abroad, such as in the United States, Sweden, and Japan. Several organizations have even started to recognize the model as a best practice of organizational innovation in general. What makes Buurtzorg interesting? Key components are its development from scratch during a period where many organizations had difficulties in realizing financially sound outcomes, the huge growth it has realized, and the satisfied employees and clients that keep catching the attention of many to learn from its vision and operational approach. Several organizations are experimenting with self-managed team structures and decentralization of decision making at the level of frontline nurses and nurse assistants, but implementing the vision of Buurtzorg requires a more holistic approach. There are two organizations that have implemented the model in such a way, in close collaboration with the founder of Buurtzorg and the information technologies (IT) expert who has been considered the creative thinker for Buurtzorg. In this paper these two cases, Zorgaccent and Amstelring, will be explored, and the outcomes that can be realized with the Buurtzorg model will be discussed. But first the main features of Buurtzorg will be described, followed by these two cases, and finally an explanation will be given for the Buurtzorg way of working by briefly introducing a new theory that has been developed by studying Buurtzorg while applying the Grounded Theory Methodology. The rationale for this is that a theory provides the possibility to embrace the unique characteristics of the context where the principles could be applied, rather than implementing a model as a recipe.

Buurtzorg Model—The Vision

Below are the main features of Buurtzorg philosophy, which is changing the community of care by taking a patient-centered approach.

- It functions on ideals of community building.
- It acknowledges and respects each individual's professional expertise.
- It focuses on the needs of the clients.
- Every employee shares in the responsibility.
- It incorporates reflection, sharing, and dialogues to continuously rethink practices for improvement.
- Employees work from an open mind and self-motivation to build trust with their clients. Their main motivation is to serve their clients, not to clear their to-do lists. At the same time the to-do lists get effectively addressed. The employees are more autonomous in their tasks and the decisions they make.
- Their primary aim is to serve the client in the best possible way. They integrate their three-dimensional focuses of prevention, caring and curing, and achieving healthy economic outcomes.

Unique Features of The Business Model

At Buurtzorg the following innovative solutions were implemented:

- All the products were grouped together, resulting in an average fee instead of using several fees per category of care, prevention, and guidance, which has been the norm in the industry. Then the tasks that could be delivered for this fee were scheduled and offered while keeping the client as a main focus.
- Attention to overhead was observed. It was considered that high expenditures were partially caused by the increase of health care managers in many organizations. An aim at Buurtzorg was to keep the overhead costs as low as possible, around 0.5 percent.
- It was also decided to keep the organization of the work as simple as possible while bearing in mind the needs of the client to offer him the best possible care. This resulted in a small headquarters that supports the frontline nurses and nurse assistants. Additional expertise is

sought outside the formal structure, such as IT support and training in team dynamics.

- Another aim was to reduce the fragmentation of care per client by scheduling the work in such a way that the number of nurses and nurse assistants per client is reduced (by around three or four).
- The profession of the nurses was arranged in such a way that there was room again for their natural tendency to serve the client in the best possible way, which will revive the meaningful work for which they were trained. They get room for developing their entrepreneurial attitude and craftsmanship as a nurse.
- There are virtual platforms to enable effective schedule planning for the nurses and a forum for sharing experiences and developing innovative solutions to problems through joint effort and for sharing knowledge and e-learning modules.
- There is a management structure in the organization that is particularly suited for the business of community care, consisting of two directors and 14 coaches as facilitators of 630 self-managed teams spread all over the country.
- Coaches are appointed as facilitators of teams across the country. They have a nursing background themselves to be able to give the best guidance to the teams.

How It Works Operationally

Self-Managed Teams

Teams have decision power when it comes to day-to-day activities. According to the Buurtzorg principle, there is a difference between washing someone and bringing a solution to the client's problems. The latter requires a wholesome or integral view of the client and not the single task orientation. At other organizations you have one person for scheduling the work, but at Buurtzorg, the idea is that you have 8 to 12 nurses and caregivers per team. A larger team means greater potential for discovering solutions and an enrichment of ideas. A small headquarters facilitates the teams.

ICT Facilities

Information and communication technology (ICT) is part of the Buurtzorg model. Buurtzorg uses it to simplify tasks, lessen bureaucracy, communicate quickly and effectively, and support professionals in their daily work. Buurtzorg could not have performed the way it has without the ICT and ICT services they are using. In the start-up phase, Excel spreadsheets were used while a handful of nurses and two software developers started building a software system "from scratch." They had learned that traditional software did not serve the primary process in home care in the first place, let alone in a way that embraced the company's mission. Apart from the software, the overall ICT-landscape had to be defined, consisting of hardware, software, and staff to support ICT, including developers, a help desk, business intelligence (BI), maintenance, and consultancy. The founder and the ITC expert had learned from what they had witnessed in the companies they had worked for previously. They had seen excessive budgets and spending on ICT technology such as in-house servers, expensive software, numerous software packages, software installed on numerous personal computers, and staff necessary to manage this complexity.

Omaha Quality System

The client focus is facilitated by an electronic health record that allows assessing client needs from a holistic view on health and human functioning. The health record also automated the making of high-quality care plans, choosing interventions that are either evidence-based or best-practice based, and monitoring outcomes. The Omaha System was automated for this purpose. The Omaha System is a coded and validated classification system and taxonomy designed for home care and public health and to cover integrated care and support multidisciplinary work. The electronic health record ensured quality data collection that supports the professional and suits the vision on quality of care. The Omaha System also facilitates methodical ways of working, the use of a unified language and understandable terms, exchangeable data, and data that can be used for internal quality assurance and quality improvement purposes.

Coaches

The professional coaches act as facilitators to the teams. They usually have experience as community nurses to ensure that their facilitating expertise suits the context of community care. Their main tasks are to:

- Support new start-ups as well as established teams.

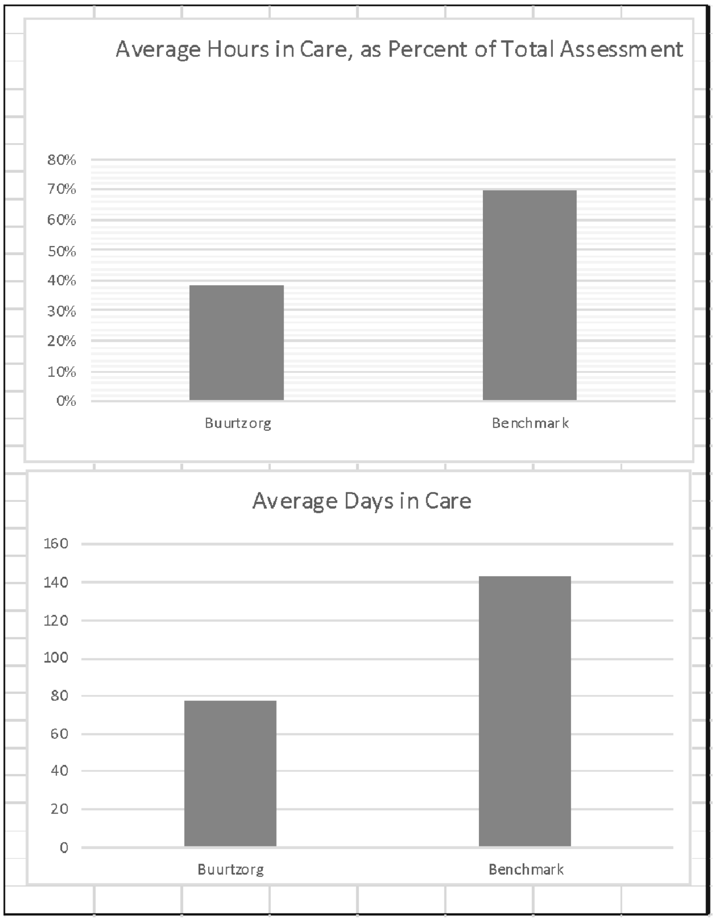
- Encourage teams to take responsibility and improve their problem-solving abilities.
- Coach and support teams and individual members in increasing their productivity and realizing other team outputs.
- Coach a team in coping with illness absences.
- Discuss the trends perceived in a team. A coach often facilitates about 30 to 40 teams and develops expertise to be shared when coaching other teams. He can share what has been a good practice somewhere else without proposing a specific approach, as teams have autonomy in developing approaches for their specific context.
- Discuss any deviances in regard to arrangements that have been agreed within a team, if there are deviances in team practices considering where policy and norms have been agreed upon in the whole organization.

The Clients—In Context of Community

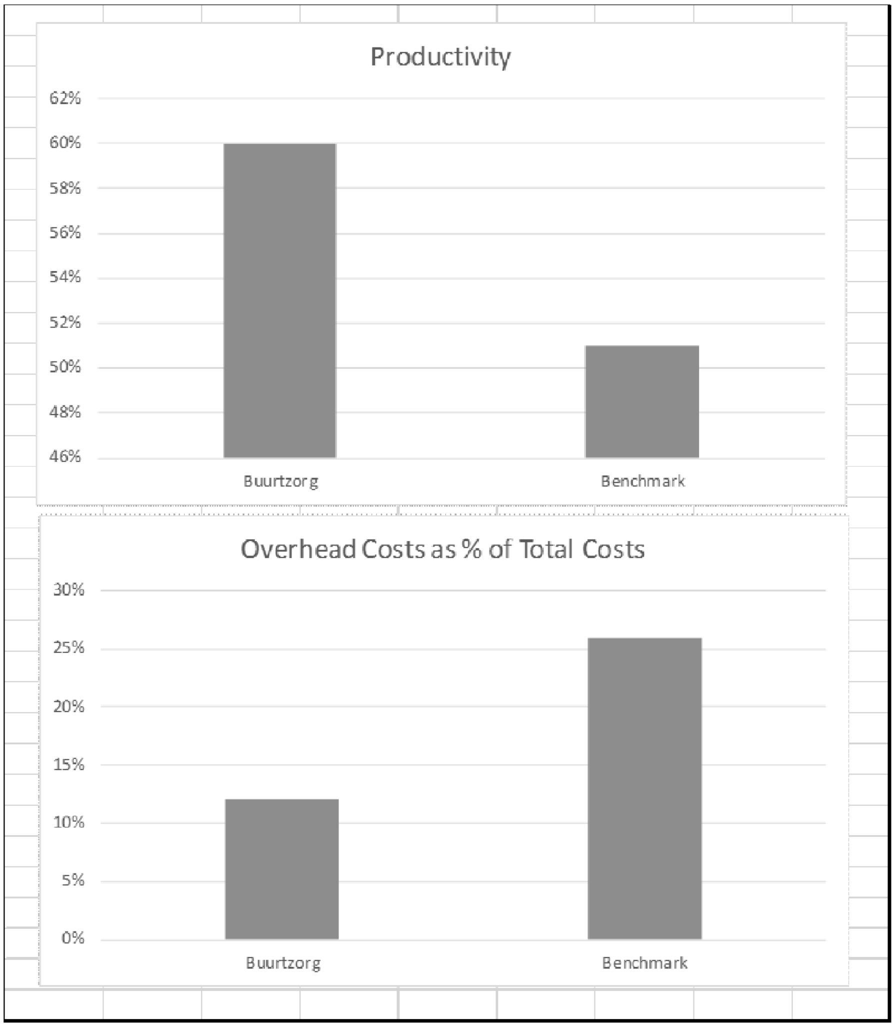
The nurses are generalists who can handle a full range of activities from personal care to highly technical care such as infusion therapy and palliative care with morphine therapy. The nurses help with personal care if needed. The nurses involve the clients' families making sure that they are fully equipped to take care of the clients in their absence. This is especially the case for chronically ill people, for example, those suffering from dementia. If required and the clients are open to it, volunteers in the community may be added to the team of helpers. They work with social workers, physiotherapists, therapists, and psychiatric nurses.

The Outcomes

A business case research project revealed several positive outcomes for Buurtzorg compared to a benchmark. The following figures demonstrate a few of these outcomes.



Source: Social Business Case.

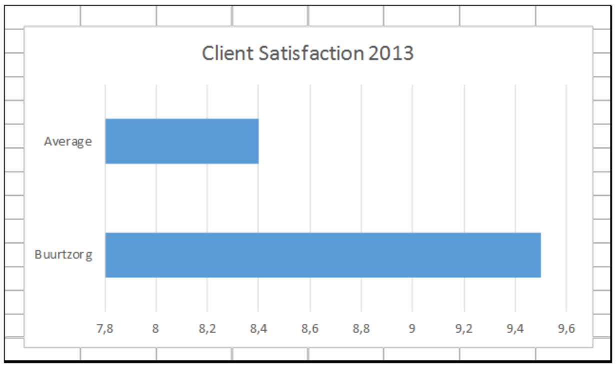


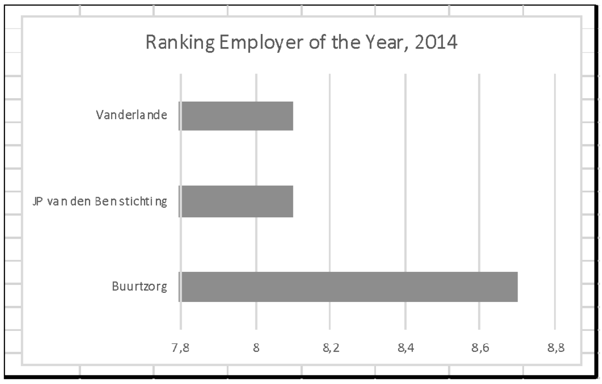
Source: Social Business Case.

Every year the overhead costs are kept low. The high growth in the past seven years is obvious. By the end of 2007, there were 300 clients. By the end of 2013, there were 55,000 clients served by 630 teams spread across the country. The growth is about 100 new locations in the period 2012–2013.

Based on the Consumer (Client) Quality Index of 2012, it can be concluded that clients' satisfaction is high, with a score of 9.1. In 2013 this index was even higher at 9.5.

The employee satisfaction score of 8.9 in 2013 is high as well, based on the study of Effectory, an independent market research institute. Buurtzorg was named best employer of the year in 2011, 2012, and 2014 (in 2013, Buurtzorg was the runner-up to KLM Royal Dutch Airlines). The next figure provides the scores for employee satisfaction on a 10-point scale of the top three in the ranking of best employer of the year.





KPMG study (source KPMG PLEXUS December 2014)

	Buurtzorg	Average in community care (N=606)
Costs per client in Euros	6,428	7,995
Costs including follow up care	15,357	15,856
Average price per hour	54,47	48,74
Average hours care per client	108	168
Average number of months in care	5,5	7,5

Recently held research shows the cost efficiency based on several indicators.

Figures from December 2013 show that teams were supported by a small headquarters comprised of 49 employees (39.44 full-time equivalent [FTE]), 14 coaches (12.72 FTE), and nine employees working on projects (6.77 FTE). By the end of 2013, the total number of employees was 7,188 and the turnover was 220 million euros. About one-third of employees are community nurses, one-third are nurses, and one-third are nurse assistants. By end of March 2014, the total number of employees was about 7,900.

Performance Indicators

End of Year	Number of Clients in December	Turnover in Millions	Number of Employees in December
2007	300	1	100
2008	5,000	12	1,000
2009	15,000	40	2,200
2010	25,000	80	3,000
2011	35,000	130	4,000
2012	45,000	180	5,500
2013	55,000	220	7,188

Source for 2007-2011: corporate presentation Buurtzorg,
Source: Annual reports 2012 and 2013 Stichting Buurtzorg Nederland

Furthermore, it is interesting to notice the continuous innovative attitude at Buurtzorg. There are a few spin-offs being executed, some in the pilot phase: 70 teams are delivering only household services (Buurtdiensten), with a turnover of 7 million. Buurtzorg Youth (Buurtzorg Jong) consists of 10 teams. Additionally, there is a program offering temporary care in nursing homes (Buurtzorgpension), and a program offering hospice care has just recently started (Buurtzorghuis).

The Buurtzorg Model at Zorgaccent and Amstelring

Two organizations have successfully transformed units by implementing the main features of the Buurtzorg model: Zorgaccent and Amstelring. Both were challenged by the increased bureaucracy and alienation of employees often leading to departure of highly qualified nurses. The impact of the transformation will be demonstrated here.

Zorgaccent

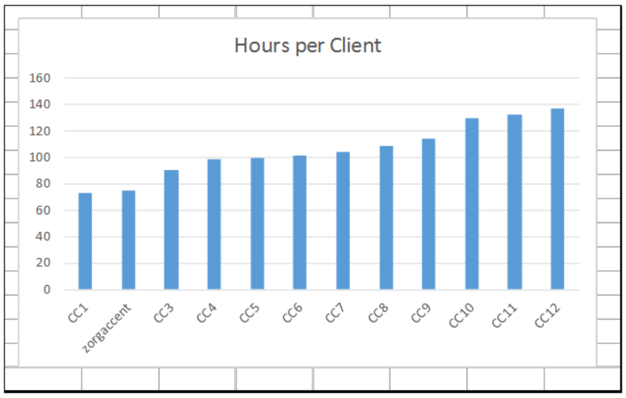
Zorgaccent provides community care and elderly care to 3,300 clients in a local region, close to the headquarters of Buurtzorg. Due to big losses of clients to competitors in 2010, the organization had chosen to reform its organization radically by introducing a policy with self-managed teams based on the approach of Buurtzorg. Implementing self-managed teams induced changes in the IT infrastructure as well. Two coaches were appointed to guide the transformation process: one for the overall process and one for the IT infrastructure. At the beginning of 2013, there were 55 self-managed teams. The mission is to simplify the organizing process for delivering humane and high-quality care.

Goals for the Transformation Process	Achievements at Zorgaccent
Reduction of overhead by 15%	The reduction is 20%

Simplifying the organization, communication, coordination, and administration	Decentralization Less hierarchy Integration of staff Reorganization of staff Decrease in number of nurses and nurse assistants per client from 12 to 7
Empowering the client	Average number of hours per client has decreased due to the empowerment approach (the average was higher than 10 and decreased to a maximum 7 hours per client)
Increase in employee satisfaction Decrease in turnover	Both goals realized; results could be felt in terms of job pride expressed by employees
Increase in client satisfaction	Increased from 3 to 4.5 on a 5-point scale
Increase in employee expertise	More highly educated (community) nurses increased from 20 to 45 FTE

Overall, researchers have concluded that there is 20 percent more care with only 1.3 percent more FTEs. Based on a benchmark with 11 other organizations, they estimated an overall cost reduction between 7 percent and 14 percent, based on the estimated budget per client. If other similar organizations would follow the Zorgaccent policy, they estimated a cost reduction of up to 25 percent in the public budget.

The number of hours per client, compared with the benchmark, reduced at Zorgaccent, positioning them second in this ranking.



Source: Terugkijken naar resultaat Rapportage retrospectieve analyse: Zorgaccent. Juli 2013. In voor zorg.

Amstelring

About mid-2012, Amstelring initiated a pilot inspired by the Buurtzorg concept with the mission to provide community care with self-managed teams. They operationalized this by focusing on leadership style, self-management, IT, and shared services founded on three core values: attentiveness, trustworthiness, and togetherness.

After half a year (June-November 2012) the productivity of the pilot teams improved from 64 percent to 71 percent. The productivity for the whole organization was 54 percent in 2012. The pilot teams already showed a high productivity at the start compared to the score in the whole organization. After half a year they increased their productivity. The goal set for the pilot teams is 70 percent based on results from the Buurtzorg model. Based on a survey among the pilot teams, several pieces of advice were gathered. It is interesting to note that the chief executive officer (CEO) of Amstelring was the overall coach for guiding the process at Zorgaccent. There she learned how the Buurtzorg approach could be implemented successfully. Because she had experienced the dynamics of the transformation at Zorgaccent, she knew how important it was to get the employees engaged from the start, resulting in a transformation from within while being guided by an external coach for the whole process. The professionals then naturally take ownership of the concept.

Currently there are 12 teams at Amstelring working according to the new approach. The CEO started with those who were willing to experiment, and now everyone knows that this will be the approach for some time to come. This has the advantage that the CEO could show results at a high pace, but the disadvantage is that the rest of the organization lags behind in thetransformation. Getting them on board requires a radical change in their mindset. While the vision is top-down, it fits the employees because of the idea that everyone will learn and experiment in this "adventure" on their way to the desired achievements and goals they set at the start.

Both CEOs, at Zorgaccent and Amstelring, stressed the importance of integrating the activities for realizing success, for example, by eliminating unnecessary hierarchy. At Amstelring, it almost becomes a norm that if someone has a question, she needs to call just one person to get the answer. Another norm is the question of added value. Managers were confronted with this question, making them realize that they matter only if they really add value to the primary process in some way. Integrating at Zorgaccent means working simultaneously on different dimensions, such as IT, organizational structure, organizational culture, and team building. Such approaches result in avoiding complexity and enhancing trust-building, enhancing learning, and empowering clients.

Integrating Simplification as the Core for Maximizing Value

If we consider these cases, we see several outcomes. The main outcomes are:

- highly satisfied clients
- empowered clients
- gratified employees
- good production rates
- Cost reduction.

In recent research, I have studied the Buurtzorg approach with the attempt to develop principles to be used in several contexts because I believe the principles rely on universal human values of caring for others. I have induced the theory of Integrating Simplification by using a grounded theory methodology. Buurtzorg Nederland provides an evidence-based organizational innovative practice. The theory of Integrating Simplification comprises a greater role for an entrepreneurial and innovative mindset and smart, simple, and systematic operational strategies and application of IT. It provides the ingredients for a new management paradigm at three levels:

- the mindset
- the organizational architecture
- Leadership.

Integrating Simplification is a process of engaging in simplicity and refraining from complexity to avoid organizational disintegration. Disintegration is wastage in the organization. Integrating is harmonizing toward a whole, a unity, or a common goal or higher purpose.5 Integrating Simplification has been defined as a form of organizational innovation consisting of three core concepts:

1. Systematically identifying and assessing what is needed by asking the questions: What are the needs of the client? Why do we do things as we always do? How does it help the client? This is the needing principle.
2. Continuously connecting and responding to different types of cues and reconstructing the perception of reality by asking: What is really going on? Is there a simpler way of doing things? How would this improve the client's quality of life? This is the rethinking principle.
3. Designing and implementing tasks according to the current circumstances or new perceived reality until this doesn't work because the context has changed again or someone has a better alternative. Questions that are being asked here are: What do I require for this novel approach? How do I bring this simpler method into practice? How does the new practice improve the client focus? This is called the common-sensing principle.

Integrating Simplification aims at avoiding what could lead to disintegration in the primary organizational process and avoiding any kind of wastage (in time, money, and material) in terms of unnecessary complexity in realizing organizational goals. It has as main building blocks or dimensions, a smart assessment of management resources, structures, and processes. Translating this into pragmatic approaches creates room for:

- an entrepreneurial mindset to enable innovation;
- a deep understanding and mindful assessment of the nature of craftsmanship;
- a holistic, physical, and emotional evaluation of the needs and capabilities of the client (as a whole person); and
- a dedication of the leader to a common higher purpose, leading to creating space for contribution by those who get themselves involved in the organization.

While this case has displayed several impressive outcomes and therefore indicated how to maximize value, there is more. Following the Integrating Simplification approach is a holistic way of managing and designing a client-focused approach that yields several additional outcomes that have not yet been assessed. In research so far, mainly client satisfaction, employee satisfaction, and productivity have been studied, hailing from an economic perspective. Given the conclusion that the approach at Buurtzorg covers the three levels— mindset, organizational architecture, and leadership—outcomes could be studied at these three levels as well, directly for the organization and indirectly for community care, the health industry in general, and even for societies. Hence, there are two potential fields for future policy and research: first, implementing the Integrating Simplification theory in other health care organizations while embracing their unique context; and second, building a holistic index for assessing the added value of such approaches. Both approaches will be helpful for building a high-performing health care system while caring for clients based on their needs.

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Managing Warranty Length & Price in the Presence of Customer Dissatisfaction

P.K. Kapur & Nitin Sachdeva

Warranties are an integral part of nearly all product purchases due to which manufacturer looks to provide various kinds of warranty policies as reinforcement to consumers regarding the quality and reliability of their products. When a product fails during the warranty period or immediately after the warranty period, consumers get dissatisfied with the product and the company. Therefore, manufacturer most often bears not only the direct warranty cost but also the indirect dissatisfaction cost. In this paper, under the combined Free Replacement & Pro-Rata Warranty (FRW/PRW) policy, and assuming that the consumer's expected life of the product is , we propose a profit function under the influence of warranty and dissatisfaction cost. Warranty cost is incurred only if the product fails under the warranty period, whereas the dissatisfaction function consists of three separate components for three different time periods. The first component is that an item fails in the time period [0, L), i.e. during the FRW policy, where L denotes the Lower Specification Limit (LSL) which coincides with the offered warranty period. In the second component an item fails in the time period [L, U), i.e. during the PRW policy, where U denotes the Upper Specification Limit (USL) to be the period around which the manufacturer expects his product to fail. Lastly in the third component an item fails post its Upper Specification Limit. Two-dimensional innovation diffusion model using Cobb Douglas production function incorporating both price and warranty length is employed to demonstrate product sales cycle. Exponential distribution is used to represent the lifetime of a product. To elucidate application of the model real data set is presented as illustration. Several scenarios are compared in order to effectively access the importance of introducing dissatisfaction as a cost in the profit function.

Keywords
Two Dimensional In.novation Diffusion Model, Warranty, Dissatisfaction Cost, Profit Maximization, Optimal Warranty Length & Price

Introduction

Profit maximization is the key objective of any business firm. In order to ensure long term profitability in the competitive market, manufacturer must convince consumers of its products quality & reliability. Warranty is manufacturer's pledge to buyer that the product or service is or shall be as represented. It may be considered to be a contractual agreement between the buyer and manufacturer, entered into upon the sale of the product or service. Warranty may be implicit or it may be explicitly stated. In broad terms, the purpose of a warranty is to establish liability among the two parties (manufacturer and buyer) in the event that an item fails. An item is said to fail when it is unable to perform satisfactorily its intended function when properly used. The contract specifies both the performance that is to be expected and the redress available to the buyer if a failure occurs. Warranties can be considered for both new and used products as a formal commitment by the manufacturer to undertake responsibilities for product quality after the sale of the product. To stimulate the purchasing willingness, manufacturers must convince consumers of the product quality and reliability and hence uses warranty as a means of advertising the quality of product to improve their sales and revenue (Chien and Chen 2007). Nowadays, product warranty has become increasingly important in consumer and commercial transactions, and is widely used (Wu and Xie 2008). Several researchers (Murthy and Blischke 2000; Murthy and Djamaludin 2002, Kapur et. al. (2014a)), in the last two decades have focused on how and why the warranty length can be considered as a signal regarding product quality in marketing. It is also important to understand that selecting a suitable warranty policy is an optimization process in which both costs and profits should be considered from a manufacturer's perspective but in the present study we have focused on studying the impact of revenue loss on profit which occurs due to warranty. On one hand, providing warranty leads to additional costs on maintaining the products within the warranty period while on the other hand warranties also serve as indicators to inform customers of the product quality and reliability that provides for competitive advantage in the market. It will not be wrong if we treat warranty as an instrument to catch customer's attention and construct faith relationship between the buyer and seller in product. Khetan was the first ceiling fan manufacturer in India to put forward seven years warranty. Warranties are also successful means of selling a product in the market when the company or product is not well branded. Or in other terms it serves as a foundation for broadening of an innovation in the market.

Several scenarios exist where a customer is faced with a situation of dissatisfaction either related to the product or the company. When a product fails during the warranty period or immediately after the warranty period, consumers are always dissatisfied with the product and the company. Patankar & Mitra (1996) indicated that there may be some consumer dissatisfaction when the product fails under warranty. The manufacturer most often bears not only the direct warranty cost but also the indirect dissatisfaction cost. Kelly (1996) also mentioned that the customer does not expect the products to last forever, but has certain expectation of the product. If the failure occurs somewhat early after the expiration of warranty, then the consumer may be dissatisfied. In this paper we consider that more often manufacturer tends to ignore customer's dissatisfaction as a major cost component while optimizing their profits and by all means over estimates the profit. In lieu of handling this scenario we consider three major components in this paper denoting dissatisfaction

The history of diffusion research in marketing is quite rich and ever growing. The famous new product diffusion model proposed by Bass (1969) still finds its place in almost all the research done in this respective area. Kapur et. al. (2011, 2010) extended the one-dimensional innovation diffusion model and introduced price of the product as an additional dimension to continuation time of the product, in modeling diffusion of new products. Additionally, Kapur et. al. (2012) proposed another framework which suggested how with the change of warranty length offered by the manufacturer, the overall profit significantly differs. In our work here we makes use of the two dimensional framework in order to evaluate both the optimal price and warranty length for a product to maximize profit for a firm.

After formulating the two dimensional model we focus on profit maximization that uses revenue, warranty & dissatisfaction cost functions and production function as simultaneous decision variables. The factors like fixed cost, production cost and inventory cost have also been considered in the problem of maximization of the profit in the past, Kapur et. al. (1999). The current paper takes into consideration two different warranty policies FRW and PRW and study them together to determine the optimal warranty length and price of the goods.

Our results suggest that there are indeed substantive insights to be gained from the results so obtained when dissatisfaction cost is also considered along with warranty cost. Although warranty as a cost during optimization of profit has been studied extensively in the literature but a significant difference is observed in the profit results when dissatisfaction as a cost is simultaneously included as well. It provides further insights in proposing optimal warranty length for a new product in the market which may be missing from the earlier literature.

In this paper, we include dissatisfaction cost as an additional cost component along with warranty & production cost in evaluating optimal profit for a manufacturer. In Section 2, we review the innovation diffusion literature along with key highlights of bringing in warranty in the profit function. In Section 3 we introduce the profit model by highlighting its components. In Section 4 we do the parameter estimation for the proposed model along with critical analysis of the model by comparing it with various scenarios. Lastly, Section 5 & 6 provides managerial implications & conclusions thus obtained from the study of the proposed model.

Literature Review – Innovation Diffusion Model

Diffusion research is the branch of marketing that aims to answer some important questions through modeling the life cycle of new products. Since its start in the 1960s, diffusion research has been, and still is, the only modeling framework in marketing that is targeted at modeling the entire life-cycle course of an innovation from the perspective of communications and consumer interactions. Earliest and most famous first purchase models of new product diffusion in marketing is by Fourt and Woodlock (1960), Mansfield (1961) and Bass (1969) that attempted to describe the penetration and saturation aspects of the diffusion process. However, the main impetus underlying diffusion research is the Bass model. It focuses on the development of a life cycle curve and serves the purpose of forecasting first purchase sales of innovation.

The Bass model is based on the assumption that there exists a finite population of prospective buyers who with time increasingly adopt the product. The buyers can be categorized as innovators and imitators depending upon the mode through which they receive the information about the product. Mathematically the model can be expressed as:

$$n(t) = \frac{dN(t)}{dt} = p[m - N(t)] + q\frac{N(t)}{m}[m - N(t)] \quad (1)$$

Solution of (1) under the initial condition N(0) = 0 is

$$N(t) = m\frac{1 - e^{-(p+q)t}}{1 + \left(\frac{q}{p}\right)e^{-(p+q)t}} \quad (2)$$

Bass model like most of the other diffusion models studies the time path of adoption or examines the individual's adoption of an innovation and doesn't spotlight on any other dimensions of marketing. However in today's scenario of marketing the sales rate is dependent not only on time but price is another one most important aspect that governs the pace of adoption. The application of time and price in managing sales and has significantly improved the landscape of management. This management in both manufacturing and service organizations has evolved tremendously over the years with the change in market requirements, Gunasekaran and Ngai (2012). Also, servicing a warranty involves additional costs to the manufacturer and this has an impact on the profit levels. Therefore the marketing diffusion model must incorporate marketing variables like price and marketing decisions must be made jointly so that the ultimate goal should be the result of improved effectiveness with an increase in the net profits to the firm.

In the proposed optimization problem we consider a two-dimensional technology diffusion innovation model proposed by Kapur et al. (2010) which combines the adoption time of technological diffusion and price of the technology product.

Using the mathematical structure of Cobb Douglas

$$x(t, r_s) = t^{\alpha}.r_s^{1-\alpha}$$

The two dimensional model considered in the paper is given by following differential equation.

$$\bar{n}(x) = \frac{d\bar{N}(x)}{dx} = p.\left(m - \bar{N}(x)\right) + \frac{q}{m}.\bar{N}(x).\left(m - \bar{N}(x)\right) \quad (3)$$

With the initial condition x(0,0)=0and N(0,0)=0, on solving Eq. (3) we have

$$\bar{N}(t, r_s) = m.\left(\frac{1 - e^{-(p+q)t^{\alpha}.r_s^{(1-\alpha)}}}{1 + \frac{q}{p}.e^{-(p+q)t^{\alpha}.r_s^{(1-\alpha)}}}\right) \quad (4)$$

After formulating the two dimensional model we focus on profit maximization that uses revenue, warranty & dissatisfaction cost functions and production function as simultaneous decision variables.

Warranty: Management's Perspective

When a product is purchased and used by a customer then it might be possible that a difference between the product performance and customer expectation crops in. As a result the insurance policy of warranty comes into the picture. Warranty in most of the literature has been defined as one time decision for the manufacturer wherein the producer generally incorporates the component of warranty cost to its overall profit, as and when a customer raises a concern and the company decides to replace the faulty product. By doing so, producer not only restores faith within the consumer regarding the product of its future usage but also provides producer with a chance to expect increase in sales later during the product life cycle. The amount of goodwill a producer earns by providing warranty during the initial life cycle of the product ensures its carry over effect over the next stages of the product life cycle.

Warranties offered by producers constitute one of the major characteristics of the quality of products. Many different warranty policies are available, and a summary of these may be found in Elsayed (1996), and references therein. An examination of the current literature on the subject reveals that most publications deal with the evaluation of the economic cost of various types of warranties and the best warranty policy for a given warranty period, Kapur et. al. (2014b, 2014c). None of these investigations has coped with the problem of determining the optimal warranty period. The closest treatment of optimal warranty was by Chun and Tang (1995), but they have dealt with the optimal warranty price as opposed to optimal warranty period.

According to a study by Ladany & Shore (2003), in which the manufacturer's lower specification limit (LSL) coincides with the offered warranty period, it was assumed therein that a longer warranty period increases the sale-price of the product, and the optimal warranty period, i.e., the optimal lower specification limit, was determined as to maximize the expected revenue per item. Further, they have extended their study and have addressed the problem of determining the optimal warranty period. In the present framework like Ladney & Shore, we have considered LSL to be the period upto which the manufactures provides warranty to the consumer and similarly upper specification limit (USL) to be the period around which the manufacturer wants his product to fail.

A recent study by Wu and Huang (2010) states that an important feature of a warranty policy is the form of compensation to a buyer as a product fails during the offered warranty period. The two commonly used policies are the free replacement warranty (FRW), and pro-rata warranty (PRW). Under the FRW policy, a product is replaced by an identical one free of charge if it fails during the warranty period. If the manufacturer agrees to refund the full purchase price, such policy is also called rebate FRW. In both cases, the buyer receives full compensation for all failures occurring during the warranty period. Under the PRW policy, the manufacturer gives the buyer a prorated compensation if the product fails during the warranty period.

Warranty policy
Warranties are an integral part of nearly all commercial and many government transactions that involve product purchases. Every buyer's point of view of warranty is different from that of the manufacturer. Therefore, manufacturer looks to provide various kinds of warranty policies as reinforcement to consumers regarding the quality and reliability of the products.

A combination of FRW and PRW is called the combined FRW/PRW policy. This policy is a combination of FRW and PRW in which the FRW is used during the period , and the PRW is used during the period , where are positive values.

Note that the FRW policy and PRW policy are both the special cases of the combined FRW/PRW policy. If , the combined policy becomes FRW policy, when , the combined policy becomes PRW policy.

Let be the sales price of a product. According to the combined FRW/PRW policy, the cost of reimbursing an item with lifetime is

$$C_s(t) = \begin{cases} r_s & \text{if } 0 < t < L \\ r_s\left(\dfrac{U-t}{U-L}\right) & \text{if } L \le t < U \\ 0 & \text{if } t \ge U \end{cases} \tag{5}$$

This is the manufacturer loss associated with setting up a warranty. We will now have a look at the methodology and modeling of the proposed profit function.

Optimal Price & Warranty Length
Price of the product has often been the key judgment criterion on which a company ensures its long run profit. In the presence of warranty it becomes imperative to provide optimal warranty length for the goods so as to incur minimal loss at times of realizing warranty. We consider overall maximization of profit as the goal for any manufacturer and treating price and warranty length as the decision variables. The next two subsections discuss about the modeling of profit function along with the decision variables considered.

1. Profit Maximization Problem
2. Determination of Optimal Price and Warranty Length

2.1. Profit Maximization Problem

In the combined FRW/PRW policy, two warranty lengths of a product must be specified: [0, L) & ([L, U). Before deciding the values of and L & U, one needs to consider the function of a warranty policy that measures the overall profit for a company when the product fails and the company redeems its warranty policy. The profit function defined in this paper consists of three parts. They are the revenue function $R(r_S,\, N(t,r_S))$, the warranty cost function $W(r_S,\, L,\, U,\, N(t,r_S))$, the dissatisfaction cost $D(t, L, U, N(t, r_S))$ and the production cost function $P(t, N(t,r_S))$. The proposed profit function $\varphi(L, N(t,r_S))$ is then given by (7). The following three subsections provide detailed discussions of these three parts.

(6)

$$\varphi(L, N(t,r_S)) = R(r_S, N(t,r_S)) - W(r_S, L, U, N(t,r_S)) - D(t, L, U, N(t, r_S)) - P(t, N(t,r_S))$$

Revenue Function

Warranty is often considered as a measure of quality of a product by the consumers. A warranty encourages sales of product because it ensures the buyer of a certain level of compensation should the product be faulty. With a warranty, the manufacturer may expect an increase in market share for the product, and hence expect an increase in the revenue generated. The revenue function at any time t represented as:

(7) $R(r_S, N(t,r_S)) = r_S.N(t,r_S)$

clearly indicates that in the presence of warranty as the number of adopters increases the expected revenue increases along.

Warranty Cost Function

The warranty cost function incorporates the cost of reimbursing an item times the expected number of items that fail under the warranty period including both FRW/PRW policies. The is defined by equation (5). For the expected number of failures, we consider an exponential distribution with probabilities of failure equal to , where is the cumulative distribution function. Thus, the warranty cost function can be written as

(8)

$$W\ r_S\ L\ U\ N\ t\ r_S = \left[r_S \int_0^{LSL} f\ t\ dtI_{[0,L)}\ t + r_S \left(\frac{USL - t}{USL - LSL} \right) \int_{LSL}^{USL} f\ t\ dtI_{[L,U)}\ t \right] N\ t\ r_S$$

Dissatisfaction Cost

The manufacturer's most often bears not the direct warranty cost but also the indirect dissatisfaction cost. When a product fails during the warranty period or immediately after the warranty period, consumers are always dissatisfied with the product and the company. Patankar & Mitra (1966) indicated that there may be some consumer dissatisfaction when the product fails under warranty. For example, in 1995, 17.8 million vehicles were recalled in the USA (Inman & Gonsalvez (1998)). Such inconvenience caused to the car owners certainly caused loss of future sales. Kelly (1996) also mentioned that the customer does not expect the products to last forever, but has certain expectation of the product. If the failure occurs somewhat early after the expiration of warranty, then the consumer may be dissatisfied.

Under the combined FRW/PRW policy, and assuming that the consumer's expected life of the product is , we propose a dissatisfaction cost function which consists of three components. The first component is that an item fails in the time period . Because the FRW is used in this period, we propose that the dissatisfaction cost is a proportion $r_L (0 < r_L < 1)$ of the sales price, multiplied by the expected number of failures. That is,

$$D_1(t, L, N(t,r_S)) = \left[r_S.r_L. \int_0^{LSL} f(t)dt \right] N(t,r_S)$$

The second component is that a failure occurs in the time period $[L,U)$. If an item fails in this period, we assume that the dissatisfaction cost of an item is a linearly decreasing function of time with maximum $r_S.r_L.$, and minimum $r_S.r_U$, where $0 < r_U < r_L < 1$. So the dissatisfaction cost function is:

$$D_2(t,L,U,N(t,r_S)) = \left[\{ r_S.r_L - (r_S.r_L - r_S.r_U).\left(\frac{t - LSL}{USL - LSL} \right) \}. \int_{LSL}^{USL} f(t)dt \right] N(t,r_S)$$

Even if the product fails after the expiration of the warranty, the customer may still be unsatisfied with the product unless its lifetime exceeds a specific value , where, . So the last component of dissatisfaction cost decreases linearly with lifetime, reaching zero when lifetime is . That is,

$$D_3(t,U,N(t,r_S)) = \left[r_S.r_U.\left(\frac{Life - t}{Life - USL} \right). \int_{USL}^{Life} f(t)dt \right] N(t,r_S)$$

Note that the value of Life can be considered to be the mean, median, or percentile of the posterior predictive distribution. It may also be chosen based on historical information or market surveys.

Finally, the dissatisfaction cost function is given by

$$D(t,L,U,N(t,r_S)) = D_1(t,L,N(t,r_S)) + D_2(t,L,U,N(t,r_S)) + D_3(t,U,N(t,r_S))$$

Production Cost

Let Q denotes the quantity produced by the manufacturer and is dependent on the demand of the product, expressed by number of units sold, , and on the product's sale price .The relationship between these factors is expressed by the Cobb-Douglas type production function,

(9) $Q(N,r_S) = \theta.N^{\eta}.r_S{}^{1-\eta}$

Where, θ *and* η are positive parameters.

Let $C_0, C_1,$ *and* C_2 denotes the set up cost, per unit production cost and per unit inventory carrying cost, respectively. The total cost comprising of fixed and the variable component at any time t and sales-price rs will be

(10) $P(t, N(t,r_s)) = \left[C_0 + C_1\left\{Q(N,r_s)\right\} + C_2\left\{Q(N,r_s) - N(t,r_s)\right\}\right]$

2.2. Determination of Optimal Price and Warranty Length

The optimal price and warranty length (L*, U*) are those which maximizes the overall profit function ,i.e. $\varphi(L, N(t,r_S))$ Which can be further expressed in terms of cumulative probability function F as follows:

$$\begin{aligned}
\varphi^*(L, N(t,r_S)) = {} & r_S.N(t,r_S) - \left[r_S.\int_0^{LSL} f(t)dtI_{[0,L)}(t) + \left[r_S.r_L.\int_0^{LSL} f(t)dtI_{[0,L)}(t)\right]\right].N(t,r_S) \\
& - \left[r_S.\left(\frac{USL - t}{USL - LSL}\right).\int_{LSL}^{USL} f(t)dtI_{[L,U)}(t) + \left[\{r_S.r_L - (r_S.r_L - r_S.r_U).\left(\frac{t-LSL}{USL-LSL}\right)\}.\int_{LSL}^{USL} f(t)dtI_{[L,U)}(t)\right]\right] N(t,r_S) \\
& - \left[r_S.r_U.\left(\frac{Life-t}{Life-USL}\right).\int_{USL}^{Life} f(t)dtI_{[U,Life)}(t)\right] N(t,r_S) \\
& - \left[C_0 + C_1\left\{Q(N,r_s)\right\} + C_2\left\{Q(N,r_s) - N(t,r_s)\right\}\right] \qquad (11)
\end{aligned}$$

where for convenience we replace (LSL, USL) by (L, U).

$$\begin{aligned}
\varphi^*(L, N(t,r_S)) = \varphi^*(L, N(t,r_S)) = {} & r_S.N(t,r_S) - \left[r_S.F(L) + \left[r_S.r_L.F(L)\right]\right].N(t,r_S) \\
& - \left[r_S.\left(\frac{U - t}{U - L}\right).\left(F(U) - F(L)\right) + \left[\{r_S.r_L - (r_S.r_L - r_S.r_U).\left(\frac{t-L}{U-L}\right)\}.\left(F(U) - F(L)\right)\right]\right] N(t,r_S) \\
& - \left[r_S.r_U.\left(\frac{Life-t}{Life-U}\right).\left(F(Life) - F(U)\right)\right] N(t,r_S) \\
& - \left[C_0 + C_1\left\{Q(N,r_s)\right\} + C_2\left\{Q(N,r_s) - N(t,r_s)\right\}\right]
\end{aligned}$$

(12)

We also consider that the sales-price of a product linearly increases with the warranty period, so we have,

(13) $r_S = a + b.LSL$

Given the parameters, a, b, U, C_0, C_1 & C_2 and also given the distribution of the life-time of the product, φ becomes a function of r_S, which would eventually help us in evaluating L. Our aim is to find the optimal L & r_S that maximizes .

In order to optimize , we kept a constraint on the minimum number of adopters along with minimum level of production at any time point. We made use of Non-Linear Optimization Technique with constraints in order to solve this problem. Although many software packages for numerical computation posses good optimization procedures and we utilized Maple Software with NLPSolve function of the software.

Estimation of Parameter, Model validation Data Set and Data Analysis

In order to validate our model, we tested it on real data sets for DRAM computers and used it for estimation of the model parameters. The results of the two-dimensional innovation diffusion model parameter estimation are given in the Table 1.

Table I: Parameter Estimates

Parameters	Estimates
m	315.679
p	0.003
q	0.994
	0.67

The exponential distribution is obviously a more realistic representation of the distribution of life-time. Suppose that x is exponentially distributed with parameter L. Hence,

$$F(L) = 1 - e^{-\lambda.L} = 1 - e^{-\lambda\left(\frac{r_S - a}{b}\right)} = F\left(\frac{r_S - a}{b}\right)$$

Now in order to solve the models proposed earlier, we have made use of the Maple software and the following numerical data:

a=3, b=0.4, U=24, λ=0.04, =0.2 =0.9, η=0.603 θ=4.

$$F(L) = 1 - \exp(-\lambda.L) = 1 - \exp\left(-\lambda.\left(\frac{r_S - a}{b}\right)\right)$$

$$= 1 - \exp^{-0.1000000000 * r_s + 0.3000000000}$$

$$F(U) = 1 - \exp(-\lambda.U) = 0.6171071140$$

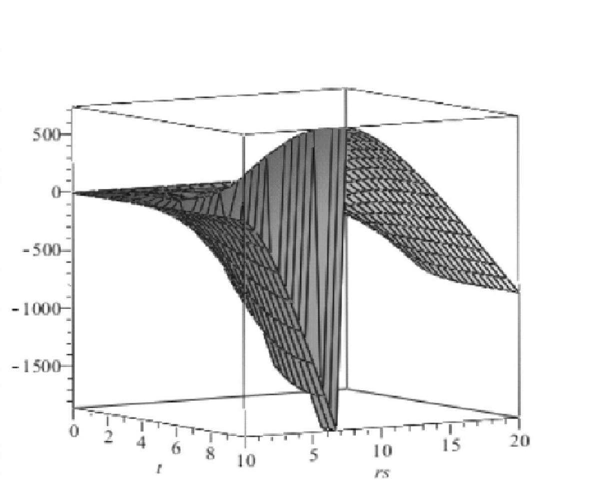
We apply the proposed model to a real data set of DRAM computers and results as shown in Table 2 are obtained. Further the behavior of profit function is shown in Fig. 1. Results of the proposed model are also compared with several other scenarios. We consider the following cases in order to effectively measure the impact of dissatisfaction cost over the manufacturer's profit. The following scenarios are considered:

- Manufacturer's Profit Function without Dissatisfaction Cost post USL (Table 3)
- Manufacturer's Profit Function without Production Cost (Table 4)
- Manufacturer's Profit Function without Dissatisfaction Cost (Table 5)
- Manufacturer's Profit Function without Dissatisfaction & Production Cost (Table 6)

Interesting analysis is drawn from the various results so obtained which clearly suggests that considering dissatisfaction cost not only provides greater insights in obtaining optimal profits but also how manufacturer can adjust its offered warranty period so as to maximize profits.

Table 2: Proposed Model Results

Figure 1. Behaviour of Proposed Profit Function

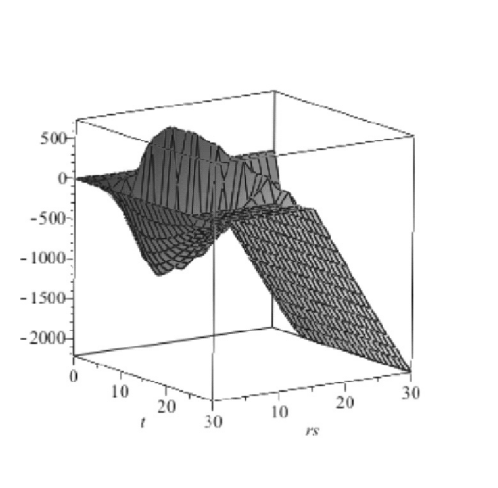


r_s	10.8909
L	19.72
φ	380

From Table 2 & 4 it is quite evident that when a manufacturer considers dissatisfaction as a cost among its customers along with the warranty cost, the revenue per unit obtained must be kept higher as compared to a scenario in which dissatisfaction cost is not considered. Additionally, a longer warranty period is also to be provided by the manufacturer so as to obtain maximum profit. The overall profit as expected comes out to be lower using the proposed profit model but seems more realistic from the managerial perspective.

Table 3: Proposed Model Results With No Dissatisfaction Cost Post Usl

Figure 2. Behaviour of Profit Function With No Dissatisfaction Cost Post USL



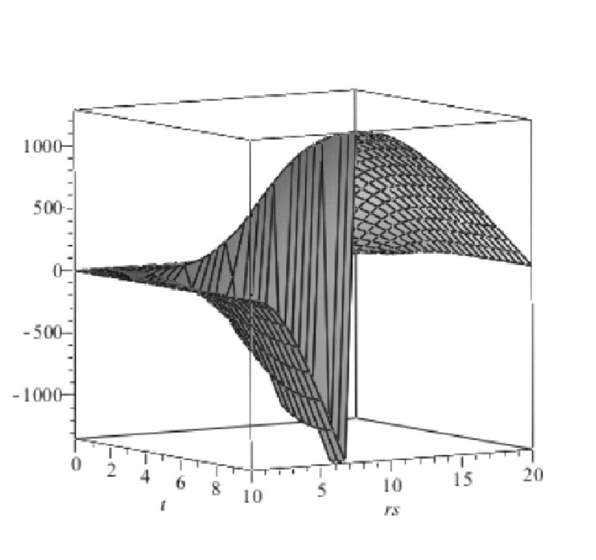
L	9.1326
r_s	15.33
φ	628

One may argue not to consider dissatisfaction cost post the Upper Specification Limit, as the manufacturer himself desired the product to fail post this limit. So we considered a scenario where the dissatisfaction of a customer post USL (as set by the manufacturer) doesn't have any impact on the overall profit function. Table 3 clearly suggests that a manufacturer can work with a shorter warranty length and generate higher profits in the absence of any dissatisfaction among consumers post USL. Although, not considering dissatisfaction cost post USL can add to maintaining a better profit level for the firm but in the longer run customer's dissatisfaction ruins firm's image in the market and thereby leads to increasing overall cost.

Table 4 suggests that if a firm decides not to consider production cost in deciding their future profits as the production cost more or less becomes constant over time then the overall estimated profit undoubtedly tends to elevate. The results also show that the optimal warranty length is not affected in the absence or presence of production cost alone.

Table 4: Profit Function Without Production Cost Results

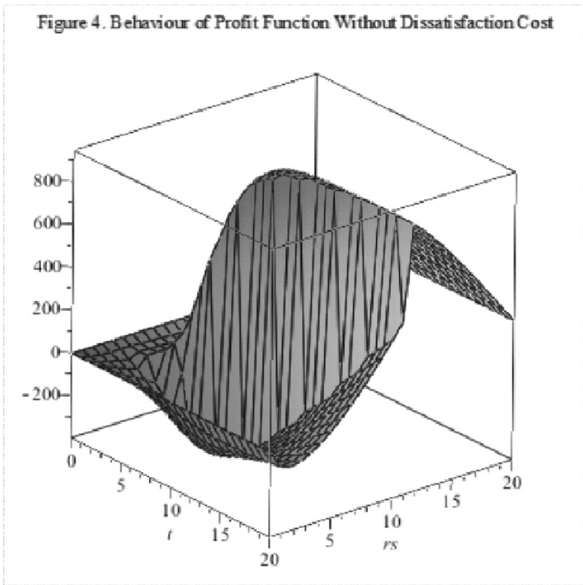
Figure 3. Behaviour of Profit Function Without Production Cost



L	9.1326
r_s	15.33
φ	1232

The real essence of including dissatisfaction as a cost component in optimizing profit is obtained when we consider profit function without dissatisfaction (Table 5) and without dissatisfaction & production cost both (Table 6) given by Kapur et al (2012). It is once again observed that the overall estimated profit tends to be more in these two cases and the optimal warranty length is slightly less as compared to the proposed profit function with both these costs being considered. It is evident that a manufacturer can assure better returns in the absence of dissatisfaction cost but the actual profits might be significantly different from estimated profits. Due to a significant contribution made by dissatisfaction component in the profit function it becomes imperative for a producer to include and measure customer's dissatisfaction effectively.

Table 5: Profit Function Without Dissatisfaction Cost Results

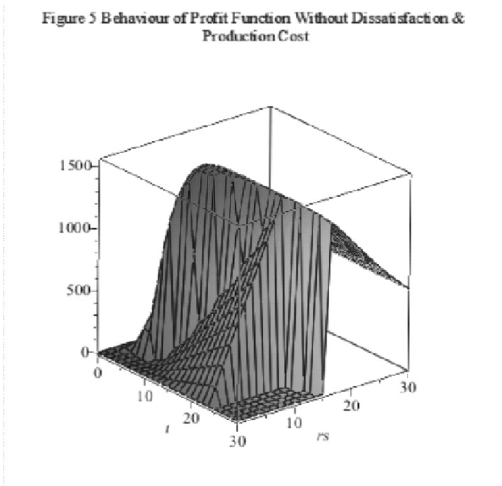


L	9.1326
r_s	15.33
φ	879

Kapur et al (2012) proposed a profit model treating optimal warranty length and price of goods as decision variables. In their work they did not consider the impact of customer's dissatisfaction in evaluating the firm's overall profit. Our results clearly suggests that dissatisfaction among consumers, if ignored may result in higher estimated profits with shorter warranty being offered but in the long run if the producer needs to establish itself as a strong contender of its products then they must include dissatisfaction as a cost while estimating overall profits. It is quite evident from Table 2 and Table 6 that when a firm ignores dissatisfaction as a cost component from their overall profits, how optimal warranty length, price of the goods and overall profit of a firm gets affected. Important point to note is that in order to maintain their profits, firms might have to raise their per unit product cost and provide longer warranty length for their products but on the whole its in their own benefit to give due importance to customer's satisfaction. Not only in the longer run producers would begin to loose their share from markets because of lack of goodwill (due to non-consideration of customer satisfaction) but also they would be overestimating their profits.

Our results provides deeper insights in evaluating firm's profits in a more prudent & efficient manner by considering customer's dissatisfaction as a cost to a company which indirectly is beared by firm. Thereby if firms begin to include this important component in their profit function, they would be able to efficiently manage their continuous growth in the future.

Table 6: Profit Function Without Dissatisfaction & Production Cost Results



r_s	9.1326
L	15.33
φ	1483

Managerial Implications

Providing warranty is a costly affair for an organization initially but in the long run overall profitability is maintained if organization judicially optimizes its warranty length along with the price of the product, maintaining a desired level of adoption. Organizations today need to focus more towards developing strategies to combat competition and overcome the initial hurdle of building reputation of a world class group. Therefore, in this paper we included an additional component of dissatisfaction as a cost in the overall profit function of a firm. It led us to some interesting facts that in order to maintain higher profits, a firm may employ a strategy of underestimating their cost by not considering dissatisfaction cost component while projecting their future profits but in the longer run would begin to lose their share from markets because of lack of goodwill (due to non-consideration of customer satisfaction). Therefore by considering this important component a firm is able to judicially estimate optimal warranty length for a product to penetrate into the market efficiently and manage its long term profit effectively.

Conclusion

Customer satisfaction has not been given due importance in the marketing literature where a firm looks to forecast its overall profit. Though customers look at warranty as a symbol of manufacturer's faith in the product and readily adopt goods with warranty benefits but are always dissatisfied if the product untimely fails during or just after the offered warranty period. Though a manufacturer bears the cost of warranty and somehow ensures profitability with optimal warranty length and price of the good. Ensuring producer's profitability in the long run requires appropriate estimation of customer dissatisfaction as a major cost while formulating future profit functions. We provide an approach to optimize warranty length along with the price of the product under the combined FRW/PRW policy by laying strong emphasis on including customer dissatisfaction as an important cost component. When compared with several practical scenarios we realized that though by adding the dissatisfaction cost component in the profit function, it tends to decrease the overall profit for a manufacturer but by providing optimal price and warranty length a firm can still sustain its profitability in the longer run. This approach is based on making use of profit function and Non-Linear optimization technique and can be of immense use to manufacturers.

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Reinventing the Art of Marketing in the Light of Digitalization and Neuroimaging

Kafeela Parvin Va

The global wind of change starting from globalization which blurred the geographical boundaries has now completely elucidated the barriers with tremendous changes in technology. Brands are investing radically on innovation and promotion to make customers dream their offering rather than meeting the dreams of customers. Times has come, where more than the product or service, people first look at the platform in which it is presented and marketed. Irony is that, Man Money Material and Machinery circle isn't complete and cannot touch the tangent Millions unless the Method of dialect between the brand and the prospective customer is unique, innovative and special. Mass media marketing and impersonal transactions cannot sell offerings anymore as customers interact with brands aggressively in the environment created by powerful modes of technology and satellites. Brands have to tailor their offerings and the methods of communicating the same in a way that it will touch the cognitive component of the customers, provide logical sense and make the end users feel it like the brand's personal conversation to them there by initiating stimulus which will lead to purchase. This is more like reinventing the marketing techniques each time when you are offering a product. The horizon broadens from traditional modes of advertising to guerrilla marketing, viral marketing and neuromarketing. Neuromarketing is a concept which deals with the cognitive component which stimulates response to the marketing stimuli. This article focuses on the spread of marketing from a way of communicating an offering to an inevitable multidimensional platform for the existence of an organization and the new methods of marketing with a special focus on neuromarketing and its possibilities in the near future.

Keywords: Neuromarketing, Viral marketing, Guerrilla marketing, Globalization, Digitalization

Introduction

Over the centuries marketing was considered as the process of selling the goods produced, in the world of business. The marketing techniques were focused on the unit of sales alone. Marketing is the way of communicating the offering to the customers in a way which attracts attention, convince people to buy and initiate purchase. The modes of communication have undergone various changes along years according to the changes in the operating environment of the business and consumer expectations. Times have changed, when people waited for newspapers in the mornings to see a new advertisement or to switch on the radios to listen to the radio jingles. Then came the era of television and 70% of marketing efforts were limited to television advertising for a period of time. And the time has again moved on. Marketing is no more a synonym for mere sales or advertising. It is a wide discipline of its own with so many branches like branding, advertising, sales, market research and market research analytics. It is a trend setter, value creator, brand builder and decision prompter. Now more than the physical features of an offering or its price, people first look at the platform in which it is presented and marketed. Irony is that, Man Money Material and Machinery circle isn't complete and cannot touch the tangent Millions unless the Method of dialect between the brand and the prospective customer is unique, innovative and special. Mass media marketing and impersonal transactions cannot sell offerings anymore as customers interact with brands aggressively in the environment created by powerful modes of technology and satellites. Brands have to tailor their offerings and the methods of communicating the same in a way that it will attract and retain interest of the prospective customer and create purchase. And for that it is inevitable to follow and adopt the trends in the business and outside environment like globalization and digitalization. Strategies have to be made on these in order to survive in the business world. Different types of market research and forecast is must to see the changes in advance before the competitor and adopt new thoughts and innovative ideas in to practice. Here comes the importance of neuromarketing which is a science based on neuroimaging from the medical field. It's a new light in the field of marketing which is yet to be properly explored.

From 3400 BC To 2015

The very first marketing activity in the world is reported as labelling a product in 3400 BC. The product was food storing jars labelled with ancient scripts in clay. In 2,560 BC ancient people from Minos started drawing, carving and painting illustrations of their products in front of their stores. The evolution of print media in 1609 opened a new window for advertising through newspapers. It became a good platform soon and continues to be the same even now. In 1870 Gillette adopted a new marketing technique called freebees where they distributed razors to sell shaving blades. The concept of direct marketing was invented in 1872 by Aaron Montgomery Ward. Direct marketing is the concept of selling products to the customers by the manufacturers without the involvement of intermediaries or middleman. In 1870 cold calling started began. Designer labelling started in 1918 when Coco Chanel opened a clothing store. In 1923 the first radio advertisement was broadcasted live John Brinkley in Kansas USA. The electric billboard advertising appeared first in Paris down the Eiffel tower with millions of electric bulbs was a new form of advertising later followed by various cities and organizations. In 1927 celebrity endorsements began. Nutrilite started the concept of multilevel marketing by selling distributorship and not the products in 1945. Guerrilla Marketing is a marketing tactic which uses unconventional interaction and elements of surprise to sell the product or service. It is a highly creative, less expensive and a very effective method. In 1984 Mr. Jay Conrad Levinson put forward this marketing idea and it encouraged marketers to look in to marketing in a different way characterised by low cost and high audience engagement. Viral marketing is another field of marketing which became quite popular with the extensive use of web. When people became tech and internet saavy, marketers started to turn the new platform for marketing as well. The term viral marketing indicates that an advertisement which could be a video, audio or any file introduced in to the web environment will be seen and shared exponentially just like a virus multiplies in its medium. After 2000, this technique started getting popularity and now it is one of the major widely used methods of marketing. Among all the techniques and methods of marketing available, which one is to be chosen by a company to advertise its offering is decided with the help of marketing research. In marketing research methods like, interviews, focus group discussions, observation and analyzing questionnaires filled up by the respondents etc are used to examine and measure the effectiveness of each marketing method used. But often it is observed that there is a big difference between what the consumers think they feel and what they actually feel about an offering or a marketing stimuli. In such a situation half of the efforts spend on marketing research is futile. Here comes the need of a technique that can actually measure what the consumer feels and identify his intrinsic human desires. Experts believe that by applying Neuroimaging techniques in the field of marketing this dilemma can be resolved.

Neuroimaging

Neuroimaging is the branch of medical science which uses modern technology to either directly or indirectly image the structure and functioning of the nervous system including the brain, spinal cord and nerves. It is relatively a new discipline in the medical field. It includes structural and functional imaging of the brain. The neuromarketing which is a new branch of marketing integrated with consumer psychology and neuroscience is based on the assumption that the brain contains information about human preferences and analysing the brain activity when it is exposed to a marketing stimulus will exhibit those intrinsic human preferences.

What Is Neuromarketing?

Neuromarketing is a branch of marketing which collides and reveals its associations with psychology and neuro science. It tries to decode sensory signals through neurons and brain leading to consumer purchase decisions and decipher what creates those signals. Consumer decisions are complex. They think purchases are made on a rational reasoning on the product attributes like features, functions, quality, price, utility etc, but they are decisions made deep within the brain and on an amalgam of thoughts and feelings. Neuromarketing attempts to reveal the emotional impact on purchase decisions arising from human intrinsic needs lies subtle in the subconscious. Usually advertising and marketing strategies are designed to touch and awake these subtle needs which are deep inside the human without them knowing. Once it is done, potential consumer is generated. Marketers use so many tactics and techniques to awake the consumer in each individual. It could be logical or emotional tactics. Most of the time people fall for emotional strategies which are designed to activate different parts of human brain. Neuromarketing studies the effect of each such tactic on the consumer brain and the extent to which those are converted in to consumer purchase decision. In simple words neuromarketing studies the response of consumer brains to marketing and advertising stimuli and the degree of it.

Each individual has a choice. But why we choose something over the other is a difficult question to answer. Often we try to support our choices with logical reasoning and attribute it to the physical features and tangible aspects of the offering. But the truth is our decisions are not always rational, but we tend to believe it is. “When we walk down an aisle in a grocery store, our purchasing decisions are made in less than four seconds, There is no way we can think about that in a complete way. Those decisions take place in the subconscious part of the brain.” said Martin Lindstrom, author of “Buyology: Truth and Lies about Why We Buy” and marketing expert. Hence, individual buying decisions are basically quick responses to certain marketing stimuli. It could be the product packaging, the platform in which the product or offering is presented, brand image, advertising strategies, colour, shape, pattern, logo, scent, tagline, anything. Neuromarketing uses innovative technologies to decipher and relate the marketing stimuli, response of the brain, subconscious reasoning, consumer behaviour, and consumer purchase decision. It examines the way in which consumers are actually responding to various marketing stimuli, and it could be different from what they say they are responding. The reason is, studies report there is a contradiction between what people actually feel and what people think they are feeling, because of brain activities in the subconscious level. Neuromarketing focuses on this contradiction unlike traditional marketing research and thus obtain more accurate inferences which could be used for fine tuning and altering the marketing strategies of the brands making the offerings more appealing to consumer’s eyes and brain. Different technologies are developed and used for this purpose which is highly expensive and innovative. Innovations in this field are faster as power brands like Google, Hyundai are leveraging on the outputs produced by neuromarketers to tailor their marketing communication and to increase the attention level, recall abilities and emotional engagement of consumers on what they communicate. New machines, software’s, applications and user-interfaces enables to decipher huge volume of data and to reveal the patterns of brain activity exhibited when marketing practices are experienced and choices are made. Neuro-marketing agencies like NeuroFocus, Nuerosenses and Neurensic employ techniques like Functional Magnetic Resonance Imaging (FMRI), Electroencephalography (EEG), Eyeball Tracking, Galvanic Skin Response (GSR), applied neuro science etc to study the consumer response to marketing messages. Among these FMRI and EEG are direct study techniques which focus on the human unconscious reasoning by analysing blood flow through different parts of the brain. Other techniques like GSR, eye ball tracking, testing the rate of inhalation and exhalation, heartbeat etc of the respondents are indirect neuromarketing techniques analysing human psychological state. These techniques are used as a replacement to traditional methods of assessing consumer behaviour like questionnaires, surveys, focus group discussions or along with any of these to ensure accuracy by eliminating chances for total contradiction.

Neuroimaging Techniques and Neuromarketing

Neuromarketing tries to decipher and interpret what stimulates the deep intrinsic needs of a buyer when he connects to a marketing message. It is done through different scientific techniques. This includes Functional Magnetic Resonance Imaging (FMRI), Electroencephalography (EEG), Eyeball Tracking, Galvanic Skin Response (GSR), applied neuroscience etc to study the consumer response to marketing messages. Among these FMRI and EEG are direct study techniques which focus on the human unconscious reasoning by analysing blood flow through different parts of the brain. Other techniques like GSR, eye ball tracking, testing the rate of inhalation and exhalation, heartbeat etc of the respondents are indirect neuromarketing techniques analysing human psychological state. These neuroimaging tools are the backbone of the emerging neuromarketing discipline.

Functional Magnetic Resonance Imaging (FMRI): FMRI machines are used to analyse the pattern of the respondent’s blood flow when he or she is exposed to marketing messages. This method needs experimental set ups and permission of the respondent to use.

Unlike normal MRIs radioactive substances are not necessary to administer the process. Hence it is not a threat to health even if the experiment has to be repeated on the same person in case of ambiguous situations.

In this method, the subjects (respondents of the study) are asked to get inside the magnetic resonance imaging system and different marketing messages are showcased to them. It could be an improved product package, new logo design, improvised product feature or any similar marketing message. Then using FMRI, the blood flow through different parts of the brain of the subject and the amount of oxygen used by each part is measured when he is engaged in purchase decision making process. Based on this, the brain activity is calculated. Subject's reaction in each stage is recorded starting from his response on the product packaging of to various minute and complex details. Each time the brain activity will be different resulting from the blood flow variations. It is recorded through FMRI. The principle used behind resonance imaging of the brain here is that neurons require certain amount of oxygen for their activity of receiving sensory impulses and transforming it in to neurotic signals which would lead to the activity of other human body parts. Here, whenever synapses are discharged, neurons extract more oxygen from the arteries, and it causes a change in the surrounding magnetic field. This technique is the most expensive and effective one so far invented and adopted in this field. It costs thousands of dollars for each test group containing 20-40 respondents.

Electroencephalography (EEG): It is a brain imaging method. In this method electrical impulses produced by the activity of the brain is recorded and analyzed to measure the subject's engagement on the advertising message shown. The type of engagement, whether it is positive, negative or neutral is also examined.

This technique is practiced in an experimental environment created and the set up includes a headset like shield with numerous sensors which can be fixed around the subject's head. The principle used behind this technique is the communication of neurons by passing electrical signals. EEG is used for picking up this neural activity. These activities will be recorded as EEG patterns with certain frequency and amplitude. The frequencies are classified in to different bands such as alpha beta and so on. The brain activity is measured and analysed according to the pattern showed in EEG. This method is less effective than FMRI, still it is widely used in the field of neuromarketing by researchers and advertisers since it can provide information about the emotional and engagement level of people.

Eyeball Tracking: In this method, the eyeball movement of the subject is recorded and analyzed to find out what invites the attention. The dilation and contraction of pupil of the eye indicates the subject's interest on a product. Through this technique, pattern of fixing the gaze, eyeball movement, dilation and contraction of the pupil and focus of the eye are measured. Most of the times rather than the composition or the ingredients of the product, pupil is dilated on the recognition of a brand name, logo or packaging. This pattern is analysed and what interests the people more, is figured out. Sometimes, the eyeball tracking method and the EEG method is synchronized to examine the relation between the contraction or dilation of the eyeball and the electrical signals produced in the brain.

Galvanic Skin Response (GSR): GSR checks the minute and subtle changes in the skin when people are exposed to a marketing stimulus. These changes could be the rise or fall in the body temperature, variations in the sweating level, or any other reaction of the human body which can be captured externally.

Magneto encephalography (MEG): In this technique, the magnetic field is created through the electrochemical signals produced by the activities of neurons is mapped. Later the magnitude, expansion and contraction of this magnitude are studied. Through this method, deep areas of the brain cannot be studied and the cost of the technique is very high.

Electromyography: This technique is called as facial recognition technique in our words. It measures movement of facial muscles with the help of electrodes. Different facial muscles like orbicular is and occipitofrontal react in accordance with the human emotions like excitement, happiness, pain, indifference etc. This is captured and measured to find the response to a marketing stimulus.

Through all these methods of neuromarketing the brain activity is measured. That is which part of the brain lights up and produces other neurotic impulses in the form of electric signals and initiates purchase decisions. But large experimental set ups are needed for this purpose with highly sophisticated technology.

Applications and Scope of Neuromarketing

Neuromarketing is a sophisticated approach in marketing. It initiated a scientific way of looking at consumer psychology. The beauty of neuromarketing is that it is interesting, innovative, and fact finding. It decodes the deep brain activities of the consumer and enables marketers to figure out different tactics and develop strategies in order to make the marketing efforts more fruitful. This is the reason why big brands hire neuromarketing firms and experts to conduct research for them even though the field is yet to come out of the shell. And here lies the scope of neuromarketing.

Practical applications

Designing brand logos and packaging: Brand logos and packaging designs are very important in brand building. These should attractive, simple, unique and easy to remember. Logos and packages communicate a lot to the public. They might look simple and easy but designing brand logos or packages are very difficult. The colours, symbols, shapes, patterns, fonts, font sizes etc you chose have more impact on people's subconscious mind than they think. That is the reason sometimes consumers cannot understand why they chose Pepsi over Cola where there is hardly any difference in their tastes. Neuroimaging techniques help to figure out which colour, pattern, shape font etc has more impact on people's subconscious than the other.

Designs of cover pages and websites: cover pages of various books and magazines are as important as the content inside. Attractive cover pages invite the reader's attention to take the book and flip through the pages. Studies have said that most of the consumer decisions are made in the first forty seconds of the customer's contact with the product. Similarly the structure and design of the website in the welcome page decides the amount of time spend by the user on that site. The colour scheme, patterns, designs, font and visuals used can increase the customer interaction in both the cases. Neuroimaging helps to analyse the pattern of choices.

Architecture and interior designs: Building designs, location, decor, store arrangements and designs have a very deep impact on the level of purchase. The level of brain activity in each environment is different. A vibrant environment characterised by lively colours, interesting arrangements with appropriate spacing and proper ventilation can induce more activity than in a subtle one.

Food and beverage Industry: Defining and developing taste is a complex process. Flavour is the amalgamation of different components and each individual's perception and reception of each flavour is highly varied. The process of perceiving flavour depends on sensory receptors and stimuli. Neuromarketing with the help of neuroimaging tools helps to understand which flavour induces maximum response from the customers and to develop recipes accordingly.

Advertising campaigns and promotions: human senses are difficult to understand. More often what we say makes us interested in something might not be the actual reason why we are interested in it. There is a difference between what we think is making us interested and what actually makes us attracted to a particular matter. When it comes to advertising and promotion strategies, they are designed to attract huge masses. It is a very expensive process. By applying neuromarketing in this area, which big brands have already started doing, advertising strategies can be tailored according to the inner drives of individuals.

Application from the industry

- Frito- Lay replaced their chips packaging with the help of neuromarketing seeing a negative effect on the sales
- Campbell's soup redesigned their packaging
- Nokia studied the effects of consultative selling process
- Effects of Coke- Pepsi blind test was studied with the help of neuroimaging

Limitations

Neuromarketing is a recent addition to the marketing branch which is indeed a phenomenon now. It is still on the early stages and is not widely adopted yet. It is an emerging trend and is facing so many barriers. Most predominant and obvious barrier is the cost of adopting the technique. Neuromarketing cannot be done in a real life situation. It needs a laboratory set up with sophisticated technologies and experts from the field of marketing, neuroscience, laboratory techniques and psychology which incurs high expenses. Because of this, neuromarketing techniques are not scalable and cannot be incorporated to the business of small and medium scale enterprises with less marketing and advertising budget. Some people argue that neuromarketing lacks credibility and the results are exaggerated and unreliable. The works done and published by neuromarketing firms can be biased in favour of themselves and results could be effectively manipulated. Even though the methods used are scientific, it is said that the results obtained cannot be proved scientifically and the same results cannot be reproduced in a different situation. Questions were raised about the neuromarketing techniques in use like EEG, FRMI &MEG in the health platform.

The brain activity and the subsequent processing of emotions and feelings are highly subjective. It is different and varies from individual to individual making the results impossible for generalization.

Besides these practical problems and arguments, there are ethical concerns related to neuromarketing. Through neuromarketing, individual's subconscious desires are analyzed. Later marketing techniques are designed to trigger on these desires and convert them in to human needs. Critics argue that this will lead to negative utilization of human emotions leading to overconsumption. Once if the major factor or the key trigger of initiating purchase is found out, companies can make people addictive to their offerings. This is against the natural laws and ethical codes which pose a threat to the further advancement of neuromarketing.

Conclusion

An era brought out major changes in the world through globalization, liberalization and digitalization is witnessing multiple influences of these changes in almost every field. Marketing is no different. Traditional marketing techniques like word of mouth and print media were replaced with new and improvised ways of marketing communication. Neuroimaging techniques applied in the marketing field opened a new marketing discipline called neuromarketing. It helps to decipher the intrinsic needs and preferences of customers which they cannot fully articulate verbally. This field has received considerable attention worldwide in medical science as well as in decision making science. But the area is still in the stage of pitching and questions regarding its scalability, reliability, effectiveness and ethics are yet to be answered. Even then, the future of neuromarketing is bright and promising as big companies are ready to invest in this field despite of all the questions. This technique once explored and properly defined, will mark a revolution in the field of marketing. All existing marketing techniques will have to be redesigned and reinvented in neuromarketing terms later in order to receive an mindful impact from the targeted group of customers.

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A Study on Public Goods and the Free Market Economy: The Environment and International Arrangements

Emanuel Gutmann, Gideon Doron & Ofer Arian

The article will explore and examine the various areas:

- Environmental resources are incorrectly defined as public resources whereas they should be considered economic resources.
- Attempts to solve environmental problems by formulating arrangements and/or reaching agreements on the international level have not succeeded up to now and there is no reason why they can or will succeed in the future.
- The establishment of international arrangements to control the allocation of environmental resources and manage their use through the imposition of fines, restrictions, or taxes on deviations from permitted levels of utilization is doomed to failure.
- The solution suggested in the article is: the creation of an International Environment Fund (IEF), which would undertake the distribution of direct economic incentives and be funded by fees paid for environmental preservation activities.

Introduction

Since the beginning of the previous century, the international community has been conducting an ongoing debate about policy surrounding the utilization of and actions related to various environmental resources. Starting with the 1970s, there has been an upsurge in international activity concerning the environment that has led to the signing of numerous international agreements. Of 140 such agreements, more than half of them were made since the 1970s (Levy 1993). In their estimate, Brown and his colleagues (Brown 1992) have also included regional agreements and calculate that as many as 900 such pacts were signed during the last three decades of the twentieth century. Among the more well-known treaties are the Basel Treaty (dangerous substances), the Montreal Protocol (substances that deplete the ozone layer), the MARPOL Convention (prevention of marine pollution from ships), the Rotterdam Treaty (dangerous substances), the Vienna Treaty (the ozone layer), and the Kyoto Treaty (air pollutants). Some of the treaties were adopted by most of the developed and underdeveloped nations alike; others (for example the agreement concerning the non-proliferation of nuclear weapons) were ratified by all of the developed countries and only some of the developing nations; and still others (the Kyoto Treaty for example) includes almost all of the developing countries as signatories, while certain developed nations (the USA, for example) have delayed ratification (http://unfccc.int/2860.php).

The long, complex, and complicated process—from the political, economic, and international standpoint—underscores only one (and not necessarily the most important) aspect of environmental arrangements in the modern era. What is far more important is the degree to which the international community has been able to realize change by means of the numerous treaties it has formulated. The data shows a small to almost infinitesimal change in the elements of environmental damage and the slow pace of progress being made towards implementing each of nation's commitments. The explanation for this has to do with the unique nature of the global environment and the essence of relations among countries. A realistic view of the objective and subjective difficulties arising from the attempt to make arrangements for the use of environmental resources by means of international agreements can been obtained by looking at what they all have in common: all of them stipulate that joining is voluntary and that decisions are made by majority rule; and all of them include the principle that approved solutions will be put into effect gradually. Moreover, all of these treaties are based on the establishment of binding norms as well as accepted sanctions intended to be carried out against those who break the established norms making it necessary, in turn, to set up monitoring and enforcement mechanisms on the international level. In addition, all of them have a built-in mechanism for distributing rewards or compensation aimed at encouraging countries to speed up the implementation of the norms they have all adopted. The economic means required for putting these treaties into practice, funding the monitoring and enforcing systems, and awarding compensatory incentives are contributed by the countries that signed the treaties. Since the sources for funding these systems are the budgets of the treaties' member countries, these incentives are transformed into a kind of economic taxation that gets rolled back onto the those countries and forces each one of them to levy new taxes earmarked for environmental purposes.

The greater the extent of their willingness to put processes of environmental preservation into practice, the greater the means required to fund the various forms of compensations, which means the imposition of additional taxes. Paradoxically, positive achievements in the environmental sphere become translated into an expanded economic burden on those very countries that have answered the call to find solutions on the global level and increase the positive economic incentives of the nations that have not been cooperating in this area. Consequently, the countries that take part in such treaties suffer from "a conflict of (environmental) interests." On the one hand, they are working toward the execution of the treaties, while on the other hand they are being punished economically for their positive action in this sphere.

The article starts out by challenging the following assumptions, which have constituted, for over three decades, the conceptual basis for formulating international agreements related to global environmental arrangements:

1. The assumption that environmental resources are public goods (Olson 1971), (Olson 1982) whose distribution is characterized by externalities (Coase 1992), Coase 1974) which therefore involves economic inefficiency that has to be resolved by means of legislated enforcement and regulation mechanisms, actions which are naturally detrimental to economic freedom of choice and place restrictions on the free market economy.
2. The assumption that environmental preservation inevitably causes harm to the economic product of the individual firm, of all the firms in a national society, and of the global national product, which leads to the conclusion that environmental preservation will increase the economic gaps between the developed and the undeveloped countries (Lyon 2004).
3. The assumption that political rationality in the global arena is identical to political rationality in the national sphere and that it is possible to anticipate political behavior on the global level on the basis of familiar political rationality assumptions (Downs 1957; Doron 2000; Doron 2001; Doron 2002).
4. The assumption that the allocation of economic resources in the global market functions under conditions of free and highly-developed competition; that economic markets operate in a balanced manner; that economic transactions are based on an ideal intersection between needs; that there is a free flow of information to which no costs are attached (Smith 2007).
5. The assumption that the sum total of a product's externalities always equals the difference between the total amount of benefit and the sum of the internal and external costs (i.e., = 0) (Coase 1974; Coase 1992; Coase 1994).

The article presents an alternative model for dealing with the environmental challenge in a way that will guarantee speedy, economically efficient, and socially beneficial implementation of the available technological solutions, and encourage investment and the search for other possible solutions.

What is the problem that exists today; or why has implementation been so slow and why have achievements been so limited?

- **The economic problems:**

Modern economics, which has been based, since 1776, on Adam Smith's theory of competition, separates the economic market from the environment in which it operates. It recognizes the mutual effects of the market on the environment in which it functions, and of the environment on the market operating within it. From this standpoint, the forces of supply and demand, which lead to the intersection between the needs of buyer and seller in any given market, express the sum total of all the economic variables operating in the market. Everything outside that market does not directly affect the array of forces described above and their impact (if it exists) is felt indirectly. This is why there is a definite distinction between an economic and a non-economic product. The consumption or supply of an economic product functions in relation to the compensation obtained— which is a multiple of the quantity and the cost of one unit— and is passed on to the consumer (or the supplier) in question. In contrast, there is no connection between consumption and payment, between supply and cost in regard to the consumption of noneconomic products. The absence of this connection relates in a fundamental way to the definition of the topic under discussion as a variable that exists outside the economic market, a situation which may be explained either as due to a lack of choice or to a conscious choice. As regards the final outcome, it makes no difference; in both cases, the system of economic supply does not function on the basis of the forces of supply and demand, but rather under external conditions imposed on the various players (Olson 1971). Many agree that the supply of public goods in modern societies has become one of the most conspicuous marks of economic-technological advancement (Crouch 1997; Giddens 2001), as manifested in the continued expansion of public expenditures in these societies since the end of the Second World War (Wilensky 1976; Esping-Andersen 1996; Esping-Andersen, Oslash et al. 2004; Wilensky 2004). Up to the last decade of the previous century, most public economic resources were expended on the establishment and operation of various welfare systems. In the 1990s, these resources also began to be allocated to deal with natural resources in the environment, resources which all societies rightfully considered as belonging to the public domain and available for public use as "public goods" originating in nature.

On the most basic level, the attitude whereby natural resources are considered public resources has not changed in any substantial way. What has changed, starting with the end of the previous century, is the public's willingness to allocate economic resources for the purpose of dealing with natural resources. This investment began to be considered vital in view of the cumulative damage being done to all of our natural resources and because of the increasing recognition of potential links between damage to the environment, and the future of the earth and the human race.

The question of the hour is why should we stop thinking of environmental resources as public goods? What is the theoretical justification for changing this approach, and what are the practical solutions available to the world?

For a long time, as noted, environmental resources have been perceived as being available to the entire public; and they were consumed (whether for economic purposes or for other reasons) freely and almost without limitations. The assumption underlying this attitude was that environmental resources were could be obtained in "unlimited" quantities in proportion to our demand for them. Consequently, the consumption of such a resource, fresh air for example—which enters our homes from the outside and undergoes a process of cooling or heating—cannot be, and in practice also does not affect, the amount of fresh air available to all the residents of a particular locale. In those areas where slightly different circumstances have transpired, where the limited availability of resources has become more concrete (for example, in urban areas where the level of air pollution has risen to a level that harms the quality of life or even the health of the area's residents), restrictions have been imposed on the use of fresh air (for instance: the taxation of industrial plants that emit pollutants; regulations restricting the emission of polluting substances into the air, etc.). Nonetheless, the imposition of restrictions on the use of environmental resources has not lead to any change in the public's perception of these resources as non-public goods. After all, air continues to be an integral part of the physical environment of the general population, which wants this situation to continue to exist in the future. As mentioned, no one is questioning the unique nature of public goods, i.e., goods whose consumption by any of its users does not detract from the ability of all other consumers to use it. Put another way: the supply of a product as "public goods" (whether out of choice or due to lack of choice) is what defines it as "public."

The problem is that the intensified technological development, which the world has undergone since the beginning of the nineteenth century, along with the significant increase of life expectancy (which is linked to new technologies and the rise in the standard of living), has radically changed the physical realities of our planet. Resources that once had been "unlimited" became scarce as the result of the significant rise in their consumption alongside the possibility of increasing their absolute quantity, for example, the amount of air in general, the amount of air with a certain level of pollutants, open areas, unpopulated areas, animal and plant life, etc.

As stated, the solution adopted was to apply various types of restraints that placed impediments on the use of natural resources, with the sole purpose of restricting the use of, or harm to these resources by making them relatively more expensive (whether by means of direct taxation or indirect administrative measures). This was the practice followed in the developed nations practically up to the end of the twentieth century, or more precisely, the beginning of the 1970s. From that time onward, more drastic procedures to restrict the use of nature's resources were required. It was no longer sufficient merely to set limitations that delineated the use of the various resources found within the borders of each country; solutions that arranged their utilization on a "global" level were required. The understanding that territorial boundaries are irrelevant when it comes to the utilization of natural resources lead to the conclusion that global cooperation which transcends territorial boundaries was absolutely vital if we were to achieve the desired goals in this area. Indeed there seemed to be an urgent needs to formulate international treaties, and the view was that as long as overall agreement is not achieved, damage to the environment would continue. This is, of course, an admirable reason for devising binding international agreements; however, the rationale behind the need for attaining such understandings is not new. It did not start spontaneously in the 1970s. Since the dawn of history, the utilization of these resources, as well as the damage done to them or to the environment (human or otherwise) has paid no attention to the borders drawn by human hands. What has changed is the ratio, discussed above, between the need to use a resource and the existing quantity of that resource. Increased demand and fixed quantities are what has made environmental resources more and scarcer.

This is also the interesting point, which for some reason has not been given proper consideration or at least not translated, in practice, into a formula by which mankind would limit (or even stop) the ongoing damage to various natural resources. The shift from the attempt to make arrangements for these issues on the national to the international–global level continues to be based on the fact that environmental resources are defined as public resources and on the assumption that cooperation on the international level will speed up the process of creating arrangements for environmental issues.

So why has this not happened? For the simple reason that the real change that should have taken place is associated with the issue of consciousness. What should have happened, and did not, is that Western societies should have changed their attitude toward environmental resources and stopped defining them as public resources. In the 1970s, they should already have decided that every environmental resource is an economic resource and established criteria to manage their consumption in terms of the cost of their use. But instead of adopting this change of attitude in the 1970s, sometime during that long ago decade, the watershed of environmental resources was reached, i.e., that point in time when the continued use of the environment's resources transformed them into scarce "goods" (as far as immediate consumption is concerned) and limited the ability of others to utilize them. From this point onward, there was no longer any theoretical (or other) basis for continuing to relate to environmental resources in time honored terms. Environmental resources ceased to be public resources (no matter how global society continued to define them) precisely at the point in time when their scarcity became a concrete reality. What could have been done as long as the scarcity of these resources was a theoretical issue for the future, became impossible (incorrect or ineffective) from that time when the negative effects of the continued use of environmental resources became obvious to the population at large.

In reality, not only did the development of international discourse on the future use of these resources and the attempt to formulate international treaties in this regard failed to help the environment, but this process also significantly delayed the search for real solutions. This argument must be advanced despite the commonly held opinion that the very existence of global discourse and the willingness of countries to join international covenants proves that nations have become aware of the necessity for an immediate change in the situation. Many of them understood that continuing to ignore the need for arrangements to deal with environmental resources would bring about ruin and destruction on everyone, and harm the direct interests of every single country on earth. Nonetheless, none of these countries was willing—and to a large extent they remain unwilling today—to limit the use they make of environmental resources on a unilateral basis, because such action would bring immediate ruin on their economies and force their citizens to lower their standards of living to an unacceptable level. In view of this situation, international discourse on the issue should have worked toward creating acceptance of the notion that change was possible only if all the countries jointly agree on the restrictive measures to be taken. This was necessary both because of the need to guarantee the ability to enforce such measures on the global level and because of the reluctance to harm certain countries disproportionately, while exempting others from any obligation, i.e., providing positive economic rewards to those countries that avoided restricting themselves with regard to the use of environmental resources.

Up to the present, none of the countries that have taken part in formulating the treaties have declared that the environmental resources within their territories are economic resources in the accepted (market) sense, in the same way that none of them have succeeded in bringing about real change in the consumption/damage patterns of dealing with these resources. If we look at the achievements of the various international treaties from a panoramic point of view, it is impossible to disagree with the statement that their accomplishments have been inadequate no matter by what criterion. Many tend to explain the paucity of achievements in two ways: 1. the countries' overlapping economic interests, which makes it difficult to put together a binding agreement; 2. the limitations of international law and the impracticability of imposing similar restrictions on developing nations.

Most tend to forget the key issue, the "free-riders" (Olson 1971; Olson and WladaverMoran 1992); Olson and Shadle 1996; Olson 2007), which may be directly linked to the nature of the utilization of public goods. In effect, as long as environmental resources were defined as public goods, there was no choice but to acknowledge the existence of the free riders issue. One of the more important conclusions to emerge from the work of Mancur Olson on this subject is that the supply of public goods cannot exist without some of them being consumed free of charge. Moreover, Olson also claims that there is a direct connection between the size of a reference group and the tendency to evade payment for public goods. He asserts that the larger the group, the less people feel committed to one another and the more interested they are in seeing profits rise to their maximum level, which leads them to prefer to use public resources without bearing the cost of their consumption and for as long as they can. Consequently, Olson goes on to describe a self-perpetuating scenario in which uninhibited utilization of public resources encourages increased consumption and forces suppliers to provide ever growing quantities. (This process feeds on itself: increased consumption demands increased supply, which encourages increased non-utilization and so forth).

Thus, it turns out, paradoxically, that the development which got underway with the shifting of environmental arrangements from the local to the global level—the sole aim of which was to improve the efficiency of dealing with environmental mistakes and reduce the ongoing harm being done to environmental resources by mankind—has achieved exactly the opposite effect. No only do such arrangements fail to provide more effective tools for meeting the environmental challenge, but they actually steer matters in exactly the opposite direction. They encourage increased consumption and intensify the diverse pressures within the different countries to find administrative solutions, which will enable them to maintain their ability to continue to use these resources as they had been from time immemorial. All this leads to the conclusion that, in the present era, environmental resources constitute economic resources whose utilization is restricted. It is precisely for this reason that the solution to the problem of their continued use cannot rely on public arrangements and supervision. We have shown that such measures cannot prevent the continued harm being perpetrated against environmental resources.

The issue of externalities and the environmental

Up to now we have explained why we should not continue to relate to environmental resources as public resources. We have shown that classifying them as such has slowed down the progress of coping with the environmental challenge and hindered the development of structured mechanisms to promote activity leading to the desired outcome. We have also discussed the relatively disappointing results of activity on the international level. In the paragraph below, we shall focus our discussion on the issue of the external costs, which have been associated over the years with society's consumption of natural resources. It seems that the accepted distinction between "normal" economic costs and those labeled "external" does not have to be exclusively tied to environmental issues; moreover, this distinction and has never been able to justify the inefficient economic use of those resources.

Somewhat ironically, we can actually attribute to Coase (Coase 1950; Coase 1974; Alchian 1977) the theoretical economic justification that was given over the years for defining environmental resources as unique and requiring economic discussion with regard to the issue of external costs. In his early work, Coase referred to three main conclusions (Coase 1939; Coase 1947; Coase 1950; Coase and Barrett 1968): First: that the economic inefficiency involved in government regulatory intervention (of any type, and on the level of both the individual firm and the entire society) can be proven; second, that the theoretical economic justification of Smith for such intervention in cases of "market failure" allows, analogously, regulatory intervention by the state in the "marketplace of free ideas"; third, that the claim according to which the supply of goods or services on the basis of uniform pricing systems is economically correct and socially warranted is fundamentally flawed. In consequence, he derived his famous insight that the total overall economic benefit is always equal to the total overall economic costs of a product or service. This subsequently served as the basis for his claim that an increase in one component of the cost (external or internal) will be offset in full by the remaining cost factor. His explanations about the mutual interrelations between the two types of costs and benefits are based on the understanding that every society determines the boundaries between "external" and "internal" in accordance with their varying preferences / caprices / considerations, and that there is no need to attach real importance to any of the existing boundaries. Savings in one entails increased expenses of the other, and vice versa. Now the irony we pointed out before becomes clear. Coase, whose work relies on the theory of competition expounded by Adam Smith, attempts to provide a theoretical basis for the link between the economic outcomes of the marketplace and the potential damage caused by government intervention. He was also the scholar who encouraged (based on the conclusions of his studies) the international community to think that international arrangements that would enforce uniform and restrictive rules of utilization for environmental resources could bring about real change and ensure a more "green" future for subsequent generations. The international community also mistakenly thinks— in view of the proven arithmetic equivalence between "the sum total of external and internal costs"—that the total external and internal benefits = 0, and that it is possible to achieve—by increasing the external costs for the utilization of environmental resources—a parallel reduction in the benefit of their use, until a point is reached whereby a new equilibrium is achieved, an equilibrium that will ensure the economically efficient use of natural resources, along with their essential preservation.

If this is true, why is this not taking place? Why is there no convergence around such a point of equilibrium? The findings of later studies, which deal with the limitations of public allocations, but not necessarily those associated with environmental resources, provide us with some explanations. Among the outstanding work in this area, mention must be made of the analyses of Stiglitz (Stiglitz 1986; Stiglitz 2000; Stiglitz, Edlin et al. 2008; Serra, xed et al. 2008) and North (North and Miller 1971; North 2005), as well as those of Kornai (Kornai 1967; Kornai 1971; Kornai 1990; Kornai, Mátyás et al. 2008).

The following is a summary of the conclusions emerging from this more contemporary research:

1. The gap between the advanced competition model and the perception of its feasible implementation, and mainly the fact that there is no practicable option that enables us to rely on the assumption of the free flow of information—i.e., the assumption that the cost of gathering information = 0— or the assumption that the economic market forces always converge around a point of equilibrium, demands an improvement of the macroeconomic tools in use.

2. The assumption that economic outcomes—whether on the level of the individual state, or the international-global level—are the result of independent interaction between the forces of supply and demand in a given market is not realistic and certainly not applicable to what is happening in the global-environmental arena of the twenty-first century.

3. Coase's assumption that the sum of the costs will always equal the sum of the outcomes, under conditions of advanced competition, can be realized if and only if the markets are dynamic, seek to achieve equilibrium (in the range of infinity), and exist under stable conditions.

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Enhancing Employee Competencies for Effective Delivery in Insurance Sector

Smriti Verma & Monica C. Singh

In service marketing, the link between employee behavior and customer satisfaction has been continually been reinforced. The organizational efficiency to a large extent depends on the effectiveness of the employees in understanding the customer and delivering service. Several studies have demonstrated the link between employees, customers and profitability. The Indian insurance industry is facing change on an extraordinary scale. As the industry moves forward, insurance companies must seek ways to improve profitability, while at the same time balance the demands of regulatory change. The complicated nature of an insurance policy has made the efficacy of distribution channels the key determinant in a company's profitability and effectiveness. Life insurance is a volume game. It cannot succeed if customers are few. Insurance by design works better within the law of large numbers. The agency sales accounts for 85 per cent of new business premiums. In this scenario where the agents represent the face of insurance company to the customers, their development would result in high efficiency for the organisations. The present paper discusses the way and means of training and developing agency force resulting in enhanced effectiveness for the insurance organizations in the market.

Keywords: Brand value, insurance, agents, training

Introduction

Role of employees in delivery process

Many studies indicate that effective management of service employee attitude can influence customer brand attitude (Parasuraman et al., 1985; Nickson et al., 2001) and result in better organizational performance (Kotter and Heskett, 1992; Thomson et al., 1999; Hankinson, 2002). Employers need to recruit the best talent as they select their potential target markets, to provide this talent with knowledge and understanding to assist them in performing their work, to motivate these new employees to actively commit to the company brand, and to consider the brand interest as they make decisions in their day-to-day work. In service marketing, the link between employee behavior and customer satisfaction has been continually reinforced (Bienstock et al., 2003; Hatch and Schultz, 1997, 2003; Zemke, 2002; Parasuraman et al., 1985). By studying the best service organizations in different industries, Heskett et al (1994) have demonstrated the link between employees, customers and profitability. In their service profit chain model, they explain that customer loyalty results directly from customer satisfaction largely influenced by the value of services provided to customers. The service value is created by satisfied, loyal and productive employees. Others researchers have also found strong correlations between employees' attitudes and the perceptions of service quality among customers of the same organization (Schneider and Bowen, 1995). A study conducted by Vilares and Coelho (2003) reveals that customers' perception on employee satisfaction, loyalty and commitment have an impact on customers' perception of product and service quality which in turn relates to customer satisfaction and loyalty. Bitner (1990, 1995) has demonstrated that customer's interaction with service staff through the service encounter plays a vital role in determining the customer's satisfaction with the brand. Butcher, Sparks, and O'Callaghan (2001) also demonstrate that service encounter satisfaction is significantly associated with customer loyalty.

Strategies for Employee development

1. **Effective internal communication**: An effective use of internal communication gives employees a deeper understanding of the brand and the role that employees play in enhancing the brand promise, and reducing brand positioning confusion resulting from misaligned messages (Interbrand Insights, 2001). If employees clearly understand the brand, and its brand promise, the total impact of the brand can be realized. A study by Schweiger (1998) provides strong evidence that internal communication can help increase the level of employee performance, commitment, job satisfaction, and employee perception of company trustworthiness, honesty and caring. Internal communication also makes employee comprehend their role and contribution to brand. This internal communication can be started in the orientation programs and continued in constant training programs.

2. **Empowerment**: In order to perform effectively, the employees need to be empowered to perform

the functions they are recruited for. These efforts also work as a node of involvement from organization's side. It has been asserted several times that employees tend to respond favorably to any positive attention they get from the organization and this is evident in performance. Dunmore (2002) shows that resources and activities experienced within an organization influence the nature of its culture and competitiveness as a route to achieving its purpose which can shape employee behaviour in directions that are compatible with an organization's purpose. In addition, according to a recent study by Ahmed et al. (2003), employer branding needs a more integrated internal marketing mix consisting of three groups, including; (1) top management support - empowerment, senior leadership, strategic rewards, and physical environment, (2) business process support - staffing, selection and succession, operational or process changes, and incentive systems, and (3) cross-functional coordination internal communication, training and development, and inter-functional co-ordination.

The degree of empowerment depends on the nature of the work, the willingness of employees to assume responsibility and the willingness of management to delegate it (Bowen and Lawler, 1992). To ensure employee participation and support, staff should be actively involved in die process of programme design (Jacobs, 2003). Identifying brand ambassadors or brand champions already active within the organisation and inviting them to focus groups is a good way of getting the necessary input from staff (Ind, 2001). Multi-directional communication is vital throughout the internal branding process (Sonnenberg, 1991) and is most successful where multiple channels are used as well (McKeefry, 2001; Bergstrom, Blumenthal and Crothers, 2002). In this context it is important to ensure a permeation of the message throughout the organisation. If team spirit and transparency are some of the brand values, they need to be reinforced through open-door policies among management and an appropriate reward system (Mortimer, 2002).

3. **Active participation**: The very initial step of motivation is the sense of ownership. Employees need to feel about the brand the way brand owners do, in fact, they need to share the ownership of the same. While doing so employees need to be made aware each step brand has taken or intends to take. Transparency enhances relationship. The first engagement the brand needs to make is with the employees, which is further handed over by these very employees to the customers. Employer branding is defined as a holistic process which presents the way the organization develops their employees' positive attitude and commitment with the organization (Ind, 2003). Employer branding is, in addition, defined as the task for organizations to differentiate themselves and to market the unique employment proposition they can offer (Ewing et al., 2002). Employer branding also focuses on employee behaviours in creating and maintaining the brand value by encouraging employees to think about the brand more consciously and actively consider the brand interest as they make decisions (Ind, 2003; Mitchell, 2002). More recently, the definition of employer branding is defined as "a targeted, long term strategy to manage the awareness and perceptions of employees, potential employees, and related stakeholders with regards to a particular firm" (Sullivan, 2004).

4. **Inspirational drive**: Actions speak louder than words. Organizations cannot build brands among employees by only entrusting responsibilities, each responsibility needs to be followed by rewards. Recruiting, motivating and rewarding staff (Bergstrom, Blumenthal and Crothers, 2002) are all aspects that can influence the readiness among employees to adopt a new or altered strategic direction with respect to the internal brand. This can be done by first developing precise standards of performance, measuring performance and then creating motivating rewards. This is no way similar to the monetary rewards given to sales people only. These refer to the further involvement of employees, all team members including sales, in building something that will reap results in the long run. Also attention needs to be paid that the complete team in the front-end as well as the backend needs to be involved in the process. Brand building is a culture not and activity. Consequently, like the organizational dimension, the staff dimension addresses the most favorable preconditions for internal branding (Thomson et al., 1999; Ind, 2001) as well as techniques capable of further enhancing the effectiveness of the programme

(Bowen and Lawler, 1992). Likewise, this dimension highlights the importance of gaining not only leadership support, but also the support of employees at all levels, since they constitute the largest audience for the internal branding programme. Employee branding like internal branding are deemed most effective where the programme has been designed in participation with employees (Thomson et al., 1999; Davis, 2001; Jacobs, 2003; Buckley, 2002; Papasolomou-Doukakis, 2003). Also, segmentation of the target audience may be useful, or indeed necessary, where significant differences exist between employee groups, as for example in the case of geographically or culturally separated business units (Joseph, 1996). In addition, Gombeski et al. (2004) make a case for regularly informing employees about the organisation's strategic direction in memos, publications and by way of an employee marketing committee. Information is the power of action.

5. **Magnetize stake holders**: While the involved, satisfied and inspired employees work in a well supported system, they not only pull customers to the brand but also other stakeholders, most importantly other employees. Customers as well as team members. Dunmore (2002) shows that resources and activities experienced within an organization influence the nature of its culture and competitiveness as a route to achieving its purpose which can shape employee behaviour in directions that are compatible with an organization's purpose. Customers hear a single loud voice which creates a picture about the brand in their brands. This gives then a precise idea of what the band is and what can it do for them. Whether the brand immediately appeals to them for purchase depends on their priority set but they are able to create a clear uncluttered image of the mind which if not used by self is communicated to other prospective customers. The chain of handholding moves from brand employee to employee customer. Of course, attention needs to be paid that the employee as individual does not override employee as brand representative. Also satisfied employees work as role models for other aspiring employees and while employee branding is in process, employer brand also gets build.

6. **Delivering the promised**: The promises set as standards and performance parameters should not be used like bonuses or incentives but have a special process of measuring performance and then recognizing contributions by employees. Care should be taken when designing bonus systems to ensure fairness and avoid fostering internal competition (Bak et al., 1994; Kelemen and Papasolomou-Doukakis, 2004). Non-monetary and work-related rewards give the organisation the opportunity to educate employees as well as management on particular issues in brand building. Brand seminars in attractive locations and internal award ceremonies are examples of such rewards (Jacobs, 2003; Turpin, 2003). Furthermore, through education, 'loose cannons' (Thomson et al., 1999) who are committed to goals but lack understanding can be converted into brand champions (Ind, 2001). Team spirit and brand commitment should also be visibly linked to promotional prospects to provide a further incentive for greater brand involvement. It is vital, however, to install objective measurement procedures for the assessment of such elusive concepts as 'brand commitment' in order to avoid rewards being arbitrarily or at least subjectively handed out by managers. Special treatment or bonuses awarded to colleagues without any visible difference to one's own performance will likely lead to frustration among the staff and reverse the motivational effect.

The Indian Insurance Sector

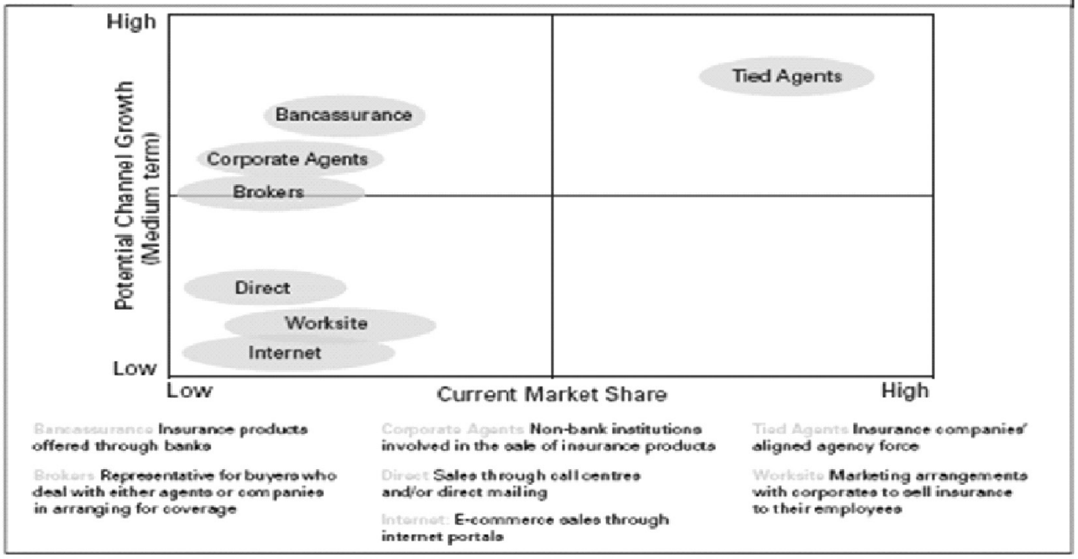
The Indian insurance industry is facing change on an extraordinary scale. As the industry moves forward, insurance companies must seek ways to improve profitability, while at the same time balance the demands of regulatory change. The opening of the insurance sector certainly helped increasing insurance penetration in India. The potential is unlimited, but unless the insurable population is catered with right products in the right way it would not be possible to enlist the new customers or to retain the existing customers (Kanagala 2010). In today's scenario, insurance companies must move from selling insurance to marketing an essential financial product. The distributors have to become trusted financial advisors for the clients and trusted business associates for the insurance companies (Ernst and Young CII Report, 2010). The complicated nature of an insurance policy has made the efficacy of distribution channels the key determinant in a company's profitability.

The Current Scenario

The figure provides the estimates of the current market share of the various distribution channels used by life insurers,

It is the traditionally tied agents that have been the primary channels of insurance distribution in the Indian market. These agents are from various segments in society and collectively cover the entire spectrum of the society.The agency sales accounts for 85 per cent of new business premiums. (Sud, 2012). Low financial literacy and poor access to financial services in India pose a problem in penetration of the right kinds of life insurance products - more in terms of the right mix of savings and protection. This is combined with the fact that consumers lack understanding of the true purpose of life insurance.. Consumers are not clued in about their life stage needs, and the product solutions suitable for such needs. This explains adequately the reasons for agents being indispensable.

Figure 2: Current market share and potential channel growth



Source: Watson Wyatt Analysis

Life insurers have also started focusing on Life Time Value of customers and train their agents. Accordingly. Researches reveal that every individual buys 6-7 policies during the life time. A research by LIMRA has shown that consumers prefer to buy life insurance face-to-face Life insurance buyers who meet face to face with the agents are the most likely to buy about 7 out of 10 On the other hand, life insurance buyers who use only the Internet while buying a product and never meet with anyone are the least likely to buy after the transaction - only 36 percent bought Those consumers who started shopping on the Internet and then met with an agent advisor were 1.5 times more likely to buy than those who only bought products online (Sud, 2012). Agency channel provides the opportunity to develop distribution relatively quickly across the country, including the rural sectors. As in other markets, the development of an agency channel in India is, however, not without its challenges. These include a dearth of qualified candidates willing to enter an agency career on a full-time basis, the difficulties in imparting agency training and education in remote parts of the country and the cost of recruiting, training and retraining agents.

Agency challenges

In addition, Indian insurers have been experiencing some of the more common agency challenges such as low productivity, high agent turnover, poor persistency, rebating and low case sizes. A particular issue in India is the low level of commission, which is blamed for the predominance of 'part-time' agency forces. (Morris and Krishnamurthy, 2012).Seeing that commissions, i.e., the variable costs paid across all channels should be the same, building the agency business incurs most fixed costs. The expansion in agency force would be the most expensive way forward, although it would potentially provide the best returns. Agent poaching and high attrition rates are some of the problems faced by insurers. (CII Report, 2011).It is estimated that insurers will spend approximately 25% of their development budget to improve and streamline the distribution process. Distribution costs affect insurers' profits, and it is difficult for insurers to find economic value from them (CIFP Report, 2012). Life insurance is a volume game. It cannot succeed if customers are few. Insurance by design works better within the law of large numbers. If we need volumes, the pull has to be so strong that a large number of people ask for It (Jain, 2011).

Insurers can realize the highest value from their agent distribution channels by developing an integrated suite of services oriented to driving sales and reducing servicing costs (CIFP Report, 2012). The tied agency, the predominant channel in insurance has had the biggest effect with the regulatory changes. The cost management area has resulted in a drop in commissions for tied agents. The proposed regulatory changes in terms of "Full Time" (policies per year), "Persistency norms" and "Un-tied" agency indicates that this segment would be the channel that takes the biggest hit if it does not make radical changes to the way it functions today. The way forward would require insurers to add value to the advisors through training, tools and market insights. (Jain, 2011). There are however several challenges associated with sales training. The scale of agent recruitment is high (many firms have over 1 lakh agents), agent churn is very high, and geographical spread of recruitment is vast; which poses 3 significant challenges:

1. Frequency of training modules needs to be high.
2. The training modules need to be spread across a vast area.
3. Training needs to be imparted in various languages..(Parekh, 2010)

In this scenario where the agents represent the face of insurance company to the customers, their development would result in high profitability and efficiency for the organisations. The present paper attempts to discuss the key strategies for the development of agency channel.

Designing an effective training module

Only a few firms still design and administer training in-house. Though most firms have outsourced training, the design of the plan/modules of training is customized according to the needs of the company. Several factors need careful consideration prior to designing an effective training plan:

- **Organizational and training objectives:**

All training modules must resonate with the organization's vision, mission and strategic objectives. The training plans must be designed keeping in mind the business plans, product portfolio, geographical span etc. The modules can focus on product specific training, sales effectiveness and effective communication. Further, the time frame of administering training must be taken into account prior to setting the objectives for the module. Time frame refers to the nature of audience and training modules can be distinguished as introductory, intermediate and advanced. While most modules for sales professionals are introductory in nature (due to the high recruitment of fresh graduates), other training modules are usually meant for the intermediate or the advanced population.

- **Competencies and job skills required:**

The training module must impart knowledge on job specific skills viz. sales effectiveness, insurance operations, customer servicing, risk management etc. . The module must also ensure that coaching related to soft-skills including leadership, communication etc. must be provided.

- **Methods and modes**

There are two main modes of delivering training – classroom and e-learning. A 2003 survey conducted by the American Society for Training and Development revealed that 72% of training at surveyed organizations (the survey was administered to 270 companies spanning all industry groups) is delivered in classrooms. However, since then, the use of e-learning has increased. This is due to the effect of expansion and globalization. E-learning has proved to be an efficient tool to administer a centrally controlled training module to a vastly dispersed audience. (Parekh, 2010)

Training of field force

IRDA mandates a minimum of 50 hours of training to agents prior to issuance of the license. Agent training is also imparted post the issuance of the license. The agent, in every customer interaction, must be able to judge the exact requirements swiftly. The following factors must be considered prior to need evaluation – the prospective customer's assets, liabilities, age and number of dependents. Training is essential to analyze all these factors in unison and determine the type of product and the value of sum assured that best suits the client's requirements. The agent should be able to choose a policy without going through any manuals in order to present a picture of confidence to the prospective client. Once the product's features and benefits have been delved upon, closing the sale is critical to bag the deal. This would only be possible post an extensive training on various products sold by the company. All good training modules will also budget a few hours on teaching the agents to close a deal. During the selling process and even in the after-sale period, it is essential to build a personal connect with the customer. This would also facilitate in need analysis and help the agent in making the primary sale as well as cross-sell other products. Soft-skills training to agents help in their personal growth and ultimately improve customer servicing (Parekh, 2010).

The field functionaries are the vanguards of their companies and are insurance advisors to would-be policy holders. The current structure of the mandatory training needs to be given a thorough revamping. In order to maintain continuity in learning, the renewal of license must be made more stringent, with greater stress on continuous up-gradation of knowledge. The Agents/Brokers training should be broad-based to understand needs of underwriting, claims management, and redressal of grievance process instead of the existing multiple subjects' exposure that has barely any measurable standards. Although regulations are in place and regulator is in full control of this particular programme, there is strong need to review the process and seek feedback from the user industry and insurance consumer to revamp the channel for the ultimate protection of policyholder's interest (Sarin, 2010)

Conclusion

Insurance in our country is still sold and not bought'. The key to selling the right amount and the right type of policy at a good rate is the job of a well learned and experienced agent. Change in consumer buying behavior today poses a challenge to the existing workforce to amend their ways of selling and providing after sales service. As the consumer are becoming more informed and learned on the availability of products, it becomes imperative for all sales teams to provide competent professional advice. The ambit of services now does not remain isolated to providing insurance cover but rather extends to complete financial planning for the client- from tax planning to investments an insurance advisor needs to develop a strategy for the client to build and manage their wealth and make it grow. The 'Agent' acts like a catalyst doctor who can instantly find the right pulse of his patient and provide immediate advice and treatment. Versatility of financial knowledge is the key to success. In a country like India where the medium of sale remains predominantly through the advisors, knowledge enrichment for them is vital to the growth, profitability and effective sustenance of the organisations. 85% of the industry's business is still being procured through the agent's channel. To maintain the same it is important that they are constantly groomed and trained to match up to the consumer's expectations levels.

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A Study on the Critical Success Factors of iPad Focusing on the Buyer Behaviour and Involvement

Easwaramoorthy Rangaswamy

Apple sells their own electronics, computer applications and personal computers to consumers and have been successful in variety of product lines namely iPhones, iPads, iPods, etc. Apple iPad is the product that has been chosen for this study. Apple products have a distinctive aesthetic appeal, which is easy to use, simply phrased as user friendliness (Adamson, 2008). However, there are many factors that could affect consumers to switch. Consumer's demands are unlike the past, their thoughts and needs are complicated. If they want to purchase an iPad, a decision-making process would be needed. Critical success factors including consumer's behaviour, involvement and satisfaction do have influences towards purchasing an iPad and are to be comprehensively explored and examined.

Research literature review has been conducted to take into consideration analyzing consumer buying behaviour towards critical success factors. Research method and design, realism philosophies, deductive approaches, quantitative research method, survey strategies, mono method, cross-sectional analysis, descriptive research design, questionnaires research instrument were used for the study. Hypotheses were constructed to examine the elements or the variables such as features, attitudes, behaviour and involvement.

The findings show the critical success factors of iPad including executive and managerial position might likely use iPad; as their working tools in the working environment and could also reflect the company's stability, trustworthiness and financial stability for business winning. Consumer involvement showed that consumers' feedback to Apple would be very beneficial for developing products that would fit in to their needs instead.

The recommendations to motivate the consumers' buying behaviour include positive reinforcement of unique value proposition and online reviews boost buying behaviour. To improve consumers' involvement, recommendations include alternating target market strategies, customer consultation and customization, campaign cause involvement in social status and content marketing strategies. To improve and increase consumers' satisfaction and needs, there needs to be more emphasis on after sales services and customer service treatment.

Keywords: Consumers Buying Behaviour, Apple, iPad, Customer Involvement Level and Consumers Satisfaction.

Introduction to the Critical Success factors of iPad

Apple is an American multinational company established in 1976. Apple's headquarters are located in Cupertino, California and is a company that designs, develops, and sells their own electronics, computer applications and personal computers to consumers. Apple has about 408 retail shops in 14 countries, online Apple Store and iTunes Stores. Apple has owned its own products such as MacBook Air, MacBook Pro, Mac mini, iMac, Mac Pro, iPad, iPod, iPhone and Apple TV. The product that has been chosen to study is iPad. (Apple Inc, 2014).

Consumers around the world have recognised Apple as a brand that has won consumers' trust in buying the products. Consumer buying behaviour is very much depending and influenced by the variety of matter. In fact, Social, psychological, personal and cultural factors do influence consumers purchase of goods and services. Therefore, Branding provides "strong rational and emotional reason of purchasing, which plays a significant role (LePla and Parke, 2000, p.257).

Situation Analysis

Consumer Buying Behaviour is the key critical success for marketers to develop products and promotional campaigns targeting particular segments. Since the industry is huge, it is important to study and identify the target markets and also to satisfy the consumers. However, there are various other factors that could distract the consumer to switch from one brand to another, so it is important to recognize the needs through the offerings. iPad marketing is more challenging than in the past as there are many different tablets available in the market.

Nowadays, consumers are better-educated, well-versed in technology and aware of the trends that the industry is offering. Their demands are also much higher than before as their requirements are getting sophisticated. Consumers' buying behaviours are getting unpredictable and they are no longer easily influenced, if there are not many factors that could benefit and satisfy their needs in this modern day. Marketers need to understand the factors that would affect and attract the consumer. Before consumer could buy the iPad, they would usually go through a decision-making process.

Different levels of involvement with the consumer could cause reaction from them and increase sales are essential to identify as it could be defined as heightened state of awareness (Edell and Keller, 1989). This motivates consumers to seek out, acquire, and to think about the product information before buying behaviour come about (Laura and Robert, 1991). As variables are elevated, Consumer's decision-making is influenced by variables and it is to be examined. Consumer would generate the relevant criteria such as, if the pricing is reasonable, the quality of the products, etc to make the decision (Owusu, 2013). A positive post-purchase behaviour of the functionality of iPad also could provide consumers' satisfaction and is to be evaluated as Maslow's Hierarchy Needs (Maslow, 1943) researched that consumers' needs are motivated and their satisfaction would be met.

Problem Statement

The fastest growing and dynamic factor any industry is Technology. Many companies would need to invest heavily in research, development and marketing such as design, manufacture and distribution of electronic devices and services. Apple, Samsung, Sony, Dell, Microsoft, Toshiba, ASUS, Amazon and Google are the global leaders in this sector. Consumers have many choices in the market with dozens of tablets to fit in their needs. The consumers buying behaviour and their involvement are crucial for survival of the business if not success of the business. Given the market where iPad is competing, buyer behaviour and involvement is key, as the competition level is intense.

Research Questions

The following are the research questions of this study,

- Why is it important to analyse consumers' buying behaviour towards iPad?
- Is it vital to evaluate various factors affecting consumers' buying behaviour and their satisfaction?
- Is consumers' involvement level in buying iPad important to assess consumers' buying behaviour?

Objectives of the Study

Consumer behaviour is comprised by the processes and activities that they engage in searching, selecting, purchasing, using, evaluating and products disposing and services so as to satisfy their needs and desires (Bosnjak, 2010). Therefore, the research objectives are:

- To evaluate the various factors affecting consumers' buying behaviour
- To understand consumers' involvement that impactsthe consumer behaviour of purchasing the iPad in certain level
- To unearth consumer's satisfaction level that could have been developed by the functionality of iPad

Scope of the Study

Apple is not the first company that introduce tablet computers, as there are many earlier tablets, which are from other companies that are not able to draw much attention from consumers. But somehow, Apple is the one, which could make the impact to draw the consumer attention greatly with functionality and thereby increasing the customers involvement level to new highs. The features that Apple offers has greatly influenced consumer decision-making and led to purchase the iPad. This becomes an issue of the research to understand Apple's iPad phenomenon of critical success in consumers' buying behaviour. However, it is normally a research problem in the industry, which the issue has to deal with. More competitors entering to the market has caused competition to be intense and sales would gradually go down. Competitors are fast in catching up with technology as such launching new products especially Samsung. They may create situation on an operating system, Android, which could be a challenge to Apple.

Hypotheses

The hypotheses were constructed to support the overall design and framework of the research. Hhypotheses were constructed to examine the elements or variables such as features, attitudes, behaviour, involvement and thought. The testing of hypotheses was to identify the measure factors influential the characteristics of the variables and consumer buying behaviour.

- H1: There is no significant influence between factors (social, psychological, cultural, personal) and buying behaviour towards purchasing iPad
- H2: There is no significant influence between consumer's involvement level and buying behaviour towards purchasing iPad
- H3: There is no significant influence between consumer's satisfactions and buying behaviour towards purchasing iPad

Reviews

Literature review is a summary of related published information in particular topic and interest. Literature review is usually organised with a description, summary, and critical evaluation of each source, and also identifies gaps that need further research.

Consumer Buying Behaviour

Consumer Buying Behaviour is behaviour that the final consumer buys products and services for consumption (Kotler, 2011). It is influenced by cultural, social, personal and psychological factors, which all these were uncontrollable (Fatimah, Malgorzata and Agata, 2012). They were analysing the factors that had influenced consumer purchase decision-making in the electric appliances market in Iraq. This was conducted through questionnaire in December 2011 in Basra, a city in southern Iraq. The study findings were social factors, physical factors, and marketing mix elements had strong connection with consumer buying behaviour. This could enable marketers to understand consumer behaviour and improve consumer satisfaction.

On another hand, Marylyn and Ahmad (2001) evaluated consumers' concern about the ethical behaviour and the effect of good and bad ethics on consumer purchase behaviour. Two focus groups were formed and split into male and female. They were in a group of 8 and 12 participants; ages were between 18 and 25 years old and were university educated. Qualitative research was used to conduct the study and indeed it did reveal a richer vein of information. The results were clear that though consumers in this era were getting more sophisticated, it did not translate into the buying behaviour, which favors ethical companies and punishes those were not. Yet, good morally and ethically were desirable in time to come as it would benefit the company.

Ghafran, et al. (2014) analysed companies that spent big portion budgets for sale promotion event and the ultimate goal was to offer more attractive and valuable merchandise. Their ideas were to conclude that the institutions were seeking to influence consumers' buying activities by having strong promotional campaigns such as reducing pricing strategies. The research studied consumer tastes by using various types of promotional tools. The study used descriptive method and questionnaire was used as a tool for research. 200 self-government respondent's data were collected and the main objective was to measure the questionnaires' reliability. Forms were collected and were recorded into SPSS for regression analysis. Research results revealed that free sample, discount rate and, physical and social environment were significant in the development of consumer buying behaviour during sales promotion. This study enabled the marketers to identify consumers' buying behaviour by using promotional techniques and situational factors to attract customers.

Kaplan and Zarilli (2000) had conducted a study on the fragrance's role in brand personality. It explored that brand personality at the point to purchase did impact to its packaging. This had helped to identify that the fragrance's contribution did provide insight to the marketing mix of consumer products goods. A study had also argued that the consumers' preference and awareness had impacted on external factors such as demographic, social, cultural, price, quality; product attributes did have high impact on purchasing behaviour of consumers (Vani, Ganesh and Panchanatham, 2010).

Customer Involvement Level

Consumers' involvement was about consumer understanding and recognition of the special product (Traylor, 1981) or a level of interest of the product without considering a specific condition (Zaichkowsky, 1985). Consumer involvement depended of the level of involvement such as high and low level, which would greatly affect the extensiveness of their purchase decision process (Krugman, 1965). High level of involvement consumers, their decisions of purchasing the specific brand were positive and low involvement consumers usually purchased various low-price brands in a stochastic manner (Anderson and Weitz, 1992; Gilles and Jean, 1985). Therefore, level of Consumer involvement did play an important role in purchasing decisions.

Neshat, Omid and Ahmad (2013) studied the relationship between consumer involvement and consumer purchase decision, which were used to predict and to recognise the target consumer in the market to purchase cell phone. A survey was conducted to collect data using a questionnaire from 372 university students. The outcome was that involvement could develop interest and sense of attachment to the product that would lead them to collect and interpret the data now or considering future decision-making to purchase the product. Furthermore, Judith (1985) highlighted on developing a scale to measure the involvement create impact to the purchase behaviour. This study was conducted with a semantic differential scale and 4 sets of data were given to 268 undergraduate psychology students and they were 49 MBA students, 57 clerical and administrative staff. The scale was to demonstrate the content validity by expert judges. Three categories of products were covered and had positive relationship between the involvement and the purchase behaviour.

Valéry and Sam (2010) aimed to offer suitable instruments to measure consumer involvement, which could have impacted on behaviours in ethical product consumption. Through the in-depth analysis of literature and specification of products, hypothetico-deductive approach was used to conduct the research and structural equation modeling to analyse. The findings indicated that the ethical aspect of product involvement had much stronger involvement than product category.

Harari and Hornic (2010) described that product involvement had a significant influence on the consumer decision-making process such as the product, the period that consumer search for information, consumer preferences, attitudes towards the product, perception of if there was any other same product category and brand loyalty. Slama and Tashchian (1985) argued that purchase involvement was a normal measurement of self-relevance activities in purchasing and two types of consumer involvement were found, which were product involvement and purchase involvement (Clarke and Belk, 1978).

Consumers Satisfaction

Consumer satisfaction is identified that consumer emphasized an evaluation process of perceived discrepancy between prior expectations and actual performance of the product (Tse and Wilton, 1988; Oliver, 1999). In order to satisfy consumers, products and services are considered the most important assets among the factors which lead to competitive advantage and success (Hennig-Thurau and Klee, 1997). Consumers' reactions to the state of satisfaction and to consumer's satisfaction judgment level are essential to the business content today (Deng et al., 2009). Apple's customer service ability could create high level of satisfaction by product differentiation and strong relationship development with the consumers.

Muzammil et al. (2010) research had shown that customer services and price fairness were very important factors derive consumer satisfaction. A survey was conducted to analyse customer services and price fairness had crucial influence to the business success and competitive advantage. 150 consumers of all ages participated in this study within Rawalpindi city of Pakistan. It had found that consumer satisfaction was created based on the sense of belonging, emotional binding and brand loyalty. The results testified that customer service was a powerful tool to stimulate brand loyalty, and price fairness would create a long-term retention relationship. Also Regina, et al., (2011) researched the concept of service quality impact on customer satisfaction. SERVQUAL model and a simple random sampling were conducted in this study. 40 customers of Alliance Media Ghana Limited selected for analysis using multiple regression. The results revealed that service quality – responsiveness and empathy, did have significant impact on customer satisfaction. This would recommend that firms should develop effective strategies to deliver service quality since there is an impact on customer satisfaction.

Soderlund and Roseengren (2008) also argued that the customer service officers' friendly attitude and courteous behaviour leave a deep and positive impression on the customer, which would lead to Consumer satisfaction. Additionally, if customer could get all the needed services accumulated, consumers would be more satisfied with the brand (Ahn, Han and Lee, 2006). However, Martin-Consuegra, Molina and Esteban (2007) also stated that Consumer's decision to pay for the price had a direct connection to the level of satisfaction and indirectly to loyalty. Price fairness that fixed and offered had a great impact on consumer satisfaction (Herrmann et al., 2007).

Gap Analysis

Gap analysis refers to a study activity between standards and the actual delivery differences (Makarand, 2013). This gap analysis would involve internal and external analysis, where external is about how it is communicated with the consumer, whereas internal is about how the firm determined the service or products. It is to aid in closing the gaps in order for business to achieve the highest potentials. In the review of Consumer Buying Behaviour, the findings showed that sales staff services, store atmosphere, product assortment, promotion, sample and brandings that could create consumer satisfaction could lead to buying behaviour. Consumer's involvement reviews had stated that ethical, pricing negotiation, feedback, interest of the products and product category could impact the level of consumer behaviour of purchasing. Consumer satisfaction research reviews had identified that servicing, complaint handling, expectation, price fairness, product functionality and quality could satisfy the needs to build the purchase decision making.

Research Methodology

Research method and design are to present the activities and procedures of how it would be done, in the process to establish the critical success factors of iPad on consumer buying behaviour. In the views of Saunders et al., the methodology was adapted basing on the research aim and research objectives. This was to ensure the results were effectively answered to the prevailing research questions.

Research Process

Research process consists of the research philosophy, research approach, strategy, choice, time horizon, techniques and procedures and data collection method which would provide the researcher the required knowledge to conduct the study (Saunders, Lewis and Thornhil, 2008).

Research Philosophy

Research Philosophy is to have a clear idea or objectives to obtain, interpretation and data collection analysis. As a research philosophy, realism was selected to work in this study. Saunders, Lewis and Thornhil, (2008) suggested that realism was a philosophy that based on scientific approach to develop the knowledge. It was the belief of a reality existing, which was the independent of human thought and belief or knowledge and was interpreted through social conditioning. The philosophy adoption research was influenced by the researcher's personal value, which often used in the study of human subjects to show the understanding of human social perception's interpretation and meaning.

Research Approach

In the research approach, deductive approach was chosen to work on the research as it was basing on the logical way of thinking and to draw conclusion from the theory (Saunders, Lewis and Thornhil, 2008). Deductive approach begins from the existing theory and model, which propositions were developed and also subsequently tested through empirical studies. Additionally, the research study would be a quantitative research with deductive approach. As quantitative method focuses on numbers and frequencies, it did not target on the experience and meanings but with the quantify data collection in which the data would be subject to rigorous and strict analysis (Kothari, Xu and Short, 2009). This research would give knowledge and truth-value to understand the real life situations.

Research Strategy

In order to establish the research process, survey strategy was used adopted for this study. It could study different size of populations and from this population to discover the relative incidence, distribution and sociological interrelations and psychological variables. However, Survey strategy could use to investigate the social and psychological factors that had impact on consumer buying behaviour of iPad (Saunders, Lewis and Thornhil, 2008).

Choices

Research choice of this study is mono method as a single quantitative data collection technique and related analysis procedures would be utilised. However, Maxwell (2005) stated that mono method is to be much easier to plan and carryout.

Time Horizons

A time horizon was identified as a time fixed target, which there was a time limit given to complete an activity (Saunders, Lewis and Thornhil, 2008). Cross sectional analysis was used in the study as the time was prefixed for the completion of a study, which would not require a long period of observation and unlike longitudinal research. Therefore, a time limit of completion of the study was to be done so that it could conduct the data collection from the samples selected. This study was conducted in Singapore.

Data Collection

Data collection is a research activity that provides the basis for answering research questions, which is a technique with a procedure (Bryman and Beardsworth, 2007). However, the research's reliability and validity were applied directly to measure the data (Wood, Ross-Kerr and Brink, 2006). Validity was concerned about if the findings were what they appeared to be study (Saunders, Lewis and Thornhil, 2008), which a quantitative research result's value measure was corresponded with the real value. Content and construct validity is used in this study research.

Validity Tests

Construct Validity is to ensure that the measurement was actually measuring what it was intended to measure during the statistical data analysis. If the measure was behaving the way it should be in terms if a pattern of inter-correlation with a variety of other variables, then there was an evidence of construct validity. Example the measurement of subject of happiness, which it was found that this measure was to be positively correlated to self esteem, positive emotions, and optimism and is negatively correlated with depression and neuroticism. Content validity was referred to the subjective agreement among the professionals that a scale logically appeared to accurately reflect what it was purported to measure. The scale appeared to be sufficient when the experts agreed the measure did appear to cover the concept. Clear and understandable questions would establish the criterion validity such as "How many tablets do you have?" Validity would require a high standard questionnaire design in order not be misinterpreted. In this study, the researchers had discussed with 4 subject matter experts, 2 from marketing academicians and 2 were from the Apple iPad sellers. This was to ensure that the content validity. However, the comments were taken and the research instrument was amended accordingly. For construct validity, the researchers had discussed with the statistics expert and had taken the suggestions to improve the instrument.

Reliability Tests

Reliability was whether the measurement was stabile or not because when during the analysing of the reliability, the participants might not reveal the real behaviour in their question answer (Kelly, 1977). Therefore, Cronbach's Alpha analysis was used to measure the correlation of each research instrument such as questionnaire was stable or not. The results would show a high level of correlation coefficient, which range between 0.74 to 0.95 and this indicated that it was reliable to use (Grogan et al., 2000). The reliability score is 0.88, which indicates that the reliability of the instrument is good.

Research Instrument

Questionnaire research instrument was to get relevant data from the participants and it was designed according to the research objectives with relation to the research topic. Closed ended questions, dichotomous questions, multiple-choice questions and Likert scales were employed to the research study.

Research Design

Research design referred to research's plan outline, structure and strategy in which to carry out the research, methodology and the techniques to achieve the research objectives. So a descriptive design was employed to study the factors that impact the critical success of buying behaviour. Descriptive study was aimed at portraying accurately the characteristic of a group or situation. It enabled the researchers to present the picture of phenomenon under the investigation (Saunders, Lewis and Thornhil, 2008).

Samples

Sample was about a smaller representation was chosen from the large population (Saunders, Lewis and Thornhil, 2008).

Sample Size and Sampling Techniques

As Singapore was one of the most iPad-crazy countries in the world as judged by the data from auction website eBay (Chee, 2010), a population of iPad user was chosen to conduct in this study. With convenience sampling, the sample size of 100 users was selected to be the participants on the survey. The participant were in the age band of 18 to 45 and a sample size of 10 was tested for pilot test. This pilot test was employed as a base in order to ensure the questionnaires were structured in a correct way so the data collection and analysis could have success. This research was carried out using non-probability sampling in which that everyone had the equal chance to be selected and was based on their availability and convenient time to work on the questionnaire (Bryman, 2001).

Results and Findings

The findings of the critical success factors of iPad are provided in the following: The analyses had shown that the numbers of female and male, and their age linked to the success factors of how Apple could benefit from them if the right strategy was used correctly. Male consumers aged from 25 to 30 along with 31 to 35 years old, who were in engineering and manufacturing industries, had engaged with Apple. Consumers were willing to spend money whose earnings were from $1,999 to $4,000 a month for both male and female. These earning had provided them the buying power. Those who were holding executive and managerial position might likely use iPad; as their working tools in the working environment and could also reflect the company's stability, trustworthy and finance stable for business winning.

Data on the consumer's buying behaviour suggested that 76% of the customer were Apple's loyal consumer but they might only purchase Apple's product occasionally. Nevertheless, this could also indicate that majority of the people had known Apple, as a brand that were been recognised as industry leader. Consumers would only visit Apple Store if there were certain events going on. Basing on the data, it had shown that consumers would not frequently buy Apple's products and is dependent on the offer that Apple was implementing. Consumer who bought Apple's products alone could have less confusion and less influence of opinions when purchasing. Consumers were also easily influenced by news and media. Some might also be influenced due to the peer pressure they encountered, as they did not want to be left out in the society.

Consumer iinvolvement showed that consumer's feedback to Apple would be very beneficial for developing products that would fit in to their needs instead. About 46% had interpreted that consumer who did not often visit Apple's website did tie well, as consumers were better influence by media, news and friends instead. Consumer had positioned Apple as superior brand to other brands by having Apple given them a status in the society. The data further had shown that consumers would be interested to visit Apple's products unless there were promotion campaign and it had tied in together with G as the culture (See : Table 1 : Correlation of Importance Level in Purchase Decision) and the expenses would make a lesser burden with promotion.

		A_Level Importance-iPad or Apple's product impact my life.	B_Level Importance-iPad or Apple's product impact my family.	C_Level Importance-Packaging affects my purchase decision.	D_Level Importance-Marketing techniques affect my purchase decision.	E_Level Importance-Apple's products stand among the similar products.	F_Level Importance-I would receive newletter/emails about the products modifications.	G_Level Importance-Promotional offers would influebce me to condsider buying.	H_Level importance-I will stop buying the brand if the celebriy that Apple engaged got involve in a scandal.
A_Level Importance-iPad or Apple's product impact my life.	Pearson Correlation	1	.313**	.134	.160	.710**	.238*	.760**	.134
	Sig. (2-tailed)		.002	.185	.111	.000	.017	.000	.185
	N	100	100	100	100	100	100	100	100
B_Level Importance-iPad or Apple's product impact my family.	Pearson Correlation	.313**	1	.293**	.277**	.270**	.014	.234*	.292**
	Sig. (2-tailed)	.002		.003	.005	.007	.889	.019	.003
	N	100	100	100	100	100	100	100	100
C_Level Importance-Packaging affects my purchase decision.	Pearson Correlation	.134	.293**	1	.452**	.335**	.231*	.467**	.514**
	Sig. (2-tailed)	.185	.003		.000	.001	.021	.000	.000
	N	100	100	100	100	100	100	100	100
D_Level Importance-Marketing techniques affect my purchase decision.	Pearson Correlation	.160	.277**	.452**	1	.301**	.553**	.183	.377**
	Sig. (2-tailed)	.111	.005	.000		.002	.000	.068	.000
	N	100	100	100	100	100	100	100	100
E_Level Importance-Apple's products stand among the similar products.	Pearson Correlation	.710**	.270**	.335**	.301**	1	.420**	.753**	.303**
	Sig. (2-tailed)	.000	.007	.001	.002		.000	.000	.002
	N	100	100	100	100	100	100	100	100
F_Level Importance-I would receive newletter/emails about the products modifications.	Pearson Correlation	.238*	.014	.231*	.553**	.420**	1	.371**	.154
	Sig. (2-tailed)	.017	.889	.021	.000	.000		.000	.127
	N	100	100	100	100	100	100	100	100
G_Level Importance-Promotional offers would influebce me to condsider buying.	Pearson Correlation	.760**	.234*	.467**	.183	.753**	.371**	1	.283**
	Sig. (2-tailed)	.000	.019	.000	.068	.000	.000		.004
	N	100	100	100	100	100	100	100	100
H_Level importance-I will stop buying the brand if the celebriy that Apple engaged got involve in a scandal.	Pearson Correlation	.134	.292**	.514**	.377**	.303**	.154	.283**	1
	Sig. (2-tailed)	.185	.003	.000	.000	.002	.127	.004	
	N	100	100	100	100	100	100	100	100

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

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

Table 1: Correlation of Importance Level in Purchase Decision

Correlation of Importance Level in Purchase Decision

Table 1 consisted of correlation between importance of the attributes that needed to be considered in the purchase decision. With the significance level at 0.01, the table indicated that A and B, E and G were positively correlated. The highest correlation for A was with G (0.760) and was closely followed by E (0.710). B had significance level were C, D, E and H, which the highest correlation were C (0,293) and then H (0,292), were positively correlated. C that had significance level with was D, E, G and H. The highest correlation was H (0.514). D had significance level with were E, F and H, which F holds the highest correlations of 0.563. E had significance level with F, G and H that G had the highest correlations of 0.753. F had significance level with G of 0.371 and G had significance level with H of 0.283. The highest correlations among them was A with G of significant level at 0.760, follow by E with G of significant level at 0.753 and A with E of significant level at 0.710. This infers that consumer had positioned Apple as superior brand than other brands and having Apple might give them a status in the society. With Table 1 : Correlation of Importance Level in Purchase Decision had shown that consumers would be interested in visit Apple's products unless there were promotion campaign and this had tied in together with G as the culture and the expenses would make a lesser burden with promotion.

Consumer satisfaction requires service representatives were essential to be well trained in marketing and with information technology knowledge. There was a very high chance that consumer would purchase Apple's product if they had encountered a positive experience. Yet in order for consumer to purchase more, service representative would be the key. Apple need to improve the extra features that embed into the products, type of special discounts packaging, type of services can offer and the package that Apple could add on to enhance the consumer's purchase decision. Consumers were quite happy and satisfied with Apple but Apple might need to consider improve the pricing and design as it might due to Apple has only one design to chose from and the price is on the high side.

Correlation of Agreeing Apple's Service and Value of Apple

Table 2: Correlation of Agreeing Apple's Service and Value of Apple

		A_Service representatives are well-trained.	B_Service representatives are well-supervised.	C_I will buy Apple's product again as I am having a great experience with Apple.	D_I afford to buy Apple;s products.	E_Apple's products are currently value for money spends.
`	Pearson Correlation	1	.139	.075	.123	-.015
	Sig. (2-tailed)		.169	.460	.221	.881
	N	100	100	100	100	100
B_Service representatives are well-supervised.	Pearson Correlation	.139	1	.301**	-.315**	-.242*
	Sig. (2-tailed)	.169		.002	.001	.015
	N	100	100	100	100	100
C_I will buy Apple's product again as I am having a great experience with Apple.	Pearson Correlation	.075	.301**	1	.149	0.000
	Sig. (2-tailed)	.460	.002		.140	1.000
	N	100	100	100	100	100
D_I afford to buy Apple;s products.	Pearson Correlation	.123	-.315**	.149	1	.308**
	Sig. (2-tailed)	.221	.001	.140		.002
	N	100	100	100	100	100
E_Apple's products are currently value for money spends.	Pearson Correlation	-.015	-.242*	0.000	.308**	1
	Sig. (2-tailed)	.881	.015	1.000	.002	
	N	100	100	100	100	100

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

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

Table 2 consisted of correlation between the agreements of Apple service and value were consumer consideration in purchase decision. With the significance level of 0.01, B with C had a positive correlation as C significant level at 0.301. But the Table also indicates a negative correlation of B with D of significant level of -0.315. This interpreted that there was a very high chance that consumer would purchase apple product if they had encountered a positive experience with Apple. Yet, in order for consumer to purchase more, service representative would be the key.

Factor Analysis of Respondents who influences Consumer's Purchase at Apple

Table 3: Factor Analysis of Respondents who influences Consumer's Purchase at Apple

Communalities

Respondent / Whom	Initial	Extraction
Purchase Influences by Friends	1.000	.866
Purchase Influences by Yourself	1.000	.538
Purchase Influences by Family	1.000	.677
Purchase Influences by Spouse	1.000	.684
Purchase Influences by News	1.000	.918
Purchase Influences by Media	1.000	.926
Purchase Influences by Sales Person	1.000	.696

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.652	37.892	37.892	2.652	37.892	37.892
2	1.625	23.211	61.104	1.625	23.211	61.104
3	1.027	14.669	75.772	1.027	14.669	75.772
4	.830	11.860	87.632			
5	.496	7.085	94.717			
6	.357	5.102	99.819			
7	.013	.181	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix[a]

Respondent / Whom	Component		
	1	2	3
Purchase Influences by Friends	.248	.015	.897
Purchase Influences by Yourself	.604	-.092	-.405
Purchase Influences by Family	-.104	.797	-.173
Purchase Influences by Spouse	.342	.753	-.024
Purchase Influences by News	.932	-.221	-.030
Purchase Influences by Media	.921	-.272	-.059
Purchase Influences by Sales Person	.617	.540	.153

Extraction Method: Principal Component Analysis.
a. 3 components extracted.

The analysis extracted from the factor analysis indicates that (Table 3) media and news had the highest percentage of 91.8% and 92.6% of influence to the consumer buying Apple's products. Friends could influences consumer had 85.6% and, Family and Sales had 67.7% and 69.6% respectively. The lowest percentage that could influence consumer was themselves (53.8%). Consumers who were easily influences by news and media might due to the peer pressure they encountered, as they did not want to be left out in the society.

Correlation of Agreeing Apple's Service and Value of Apple

Table 4 consists of correlation between the agreements of Apple service and consumer consideration in purchase decision. With the significance level of 0.01, B with C had a positive correlation as C significant level at 0.301. We can infer that a negative correlation of B with D at significant level of -0.315. This interpreted that there was a very high chance that consumer would purchase apple product if they had encountered a positive experience with Apple. Yet, in order for consumer to purchase more, Service Representative would be the key.

Table 4: Correlation of Agreeing Apple's Service and Value of Apple

		A_Service representatives are well-trained.	B_Service representatives are well-supervised.	C_I will buy Apple's product again as I am having a great experience with Apple.	D_I afford to buy Apple;s products.	E_Apple's products are currently value for money spends.
`	Pearson Correlation	1	.139	.075	.123	-.015
	Sig. (2-tailed)		.169	.460	.221	.881
	N	100	100	100	100	100
B_Service representatives are well-supervised.	Pearson Correlation	.139	1	.301**	-.315**	-.242*
	Sig. (2-tailed)	.169		.002	.001	.015
	N	100	100	100	100	100
C_I will buy Apple's product again as I am having a great experience with Apple.	Pearson Correlation	.075	.301**	1	.149	0.000
	Sig. (2-tailed)	.460	.002		.140	1.000
	N	100	100	100	100	100
D_I afford to buy Apple;s products.	Pearson Correlation	.123	-.315**	.149	1	.308**
	Sig. (2-tailed)	.221	.001	.140		.002
	N	100	100	100	100	100
E_Apple's products are currently value for money spends.	Pearson Correlation	-.015	-.242*	0.000	.308**	1
	Sig. (2-tailed)	.881	.015	1.000	.002	
	N	100	100	100	100	100

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

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

Rank Correlation of Paying More for Apple Products

Table 5 shows correlation between the rankings of the factors for consumer to make a purchase decision. With the significance level of 0.01, the Table had shown there was negative correlation of A with B, which the significance level at -0.324. B with D was also had a negative correlation of -0.543 and so do C with E, which significant level at -0.648. This interpret that Apple would need to improve on the extra features that embedded into the products, type of special discounts, packaging, type of services could offer and the package that Apple could add on to enhance the consumer's purchase decision.

Table 5: Rank Correlation of Paying More for Apple Products

		A_Ranking-Extra Features	B_Ranking-Special Discounts	C_Ranking-Extended Warranty	D_Ranking-Customer Service	E_Ranking-Free Goodies
A_Ranking-Extra Features	Correlation Coefficient	1.000	-.324**	-.201*	-.104	-.140
	Sig. (2-tailed)		.001	.045	.301	.165
	N	100	100	100	100	100
B_Ranking-Special Discounts	Correlation Coefficient	-.324**	1.000	-.151	-.543**	-.085
	Sig. (2-tailed)	.001		.134	.000	.403
	N	100	100	100	100	100
C_Ranking-Extended Warranty	Correlation Coefficient	-.201*	-.151	1.000	.179	-.648**
	Sig. (2-tailed)	.045	.134		.074	.000
	N	100	100	100	100	100
D_Ranking-Customer Service	Correlation Coefficient	-.104	-.543**	.179	1.000	-.190
	Sig. (2-tailed)	.301	.000	.074		.058
	N	100	100	100	100	100
E_Ranking-Free Goodies	Correlation Coefficient	-.140	-.085	-.648**	-.190	1.000
	Sig. (2-tailed)	.165	.403	.000	.058	
	N	100	100	100	100	100

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

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

Factor Analysis of Respondents who Satisfied Apple's Factors

Table 6: Factor Analysis of Respondents who Satisfied Apple's Factors

Communalities

Respondent / Factors	Initial	Extraction
Factors-During Counter Sales	1.000	.821
Factors-Purchase experience	1.000	.851
Factors-Price	1.000	.625
Factors-Quality	1.000	.866
Factors-Usage experience	1.000	.816
Factors-Functionality	1.000	.846
Factors-Brand	1.000	.793
Factors-Product Availability	1.000	.700
Factors-Product Design	1.000	.696
Factors-Apps Availability	1.000	.814
Factors-After Sales Service	1.000	.838

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.885	53.497	53.497	5.885	53.497	53.497
2	1.706	15.513	69.010	1.706	15.513	69.010
3	1.074	9.760	78.770	1.074	9.760	78.770
4	.549	4.993	83.763			
5	.516	4.694	88.457			
6	.375	3.408	91.865			
7	.322	2.927	94.792			
8	.183	1.663	96.456			
9	.175	1.589	98.045			
10	.118	1.075	99.119			
11	.097	0.881	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix[a]

Respondent / Factors	Component		
	1	2	3
Factors-During Counter Sales	.642	.530	-.356
Factors-Purchase experience	.687	.613	-.053
Factors-Price	.607	.503	.060
Factors-Quality	.864	-.165	-.305
Factors-Usage experience	.782	-.361	-.274
Factors-Functionality	.716	-.450	-.360
Factors-Brand	.875	.067	.149
Factors-Product Availability	.793	.234	.127
Factors-Product Design	.713	-.429	.067
Factors-Apps Availability	.684	-.436	.396
Factors-After Sales Service	.625	.063	.666

Extraction Method: Principal Component Analysis.
a. 3 components extracted.

The factor analysis in Table 6 shows that During Counter Sales, Purchase experience, Quality, Usage experience, Functionality, Apps availability and After Sales Service had the highest percentage from 86.6% to 814%. This was followed by Brand and Product availability, which had 79.3% and 70% respectively. The least factors that consumers satisfied were Price and Product Design, which were 62.5% and 69.6%. This infers that consumer were quite happy and satisfied with Apple. But Apple might need to consider improve the Pricing and Design as has only one design to choice from and the price was quite on the high side.

Verification Hypotheses

In the research, survey is used to conduct the effect of developing consumer buying behaviour and three hypotheses are formulated and empirically tested.

H1: There is a positive significance influence between factors (social, psychological, cultural, personal) and buying behaviour towards purchasing iPad.

The first hypothesis is that factors such as social, psychological, cultural, and personal are important determinant of influence. They show a positive direction that could lead to the developing consumer buying behaviour. Their environment and their lifestyle have shaded them to rely on basing the surround to effect. The scores led to the conclusion of accepting the hypothesis.

H2: There is a positive significance influence between consumer's involvement level and buying behaviour towards purchasing iPad,

The second hypothesis is that to identify the interest of the consumers, which make them involve to the products and to cause a buying behaviour. The statistically significant value and the positive sign of regression coefficient have proven the hypotheses are true, hence it is accepted. Consumers will put in effort to search more info of the products and to recognise the features Apple has offered to fit in to their value and life.

H3: There is a positive significance influence between consumer's satisfactions between buying behaviour towards purchasing iPad,

The third hypothesis is that to explore the satisfaction factors that consumer's needs that will create buying behaviour. The statistically significant value and the positive sign of the regression coefficient have proven the hypothesis is true. The hypothesis is accepted. Consumer will only spend money on products that it could satisfy their needs and which is of value to them.

Recommendations

For Apple to be successful in selling their Products has been underlined through this research. The critical success factor from the analysis has shown that Apple as a premium brand with superior quality has been known by majority consumers. They could able to satisfy consumer needs around the world and bring convenience to consumers and also bring good deal to purchase iPad. Below are recommendations that correspond with the objectives of study.

Motivate Consumer Buying Behaviour

Motivation can drive consumers to develop purchase behaviour and it is the need that lead consumer to want to satisfy it. Currently, there are many people engaged on online game and stay at home to enjoy the excitement. Apple could develop a new product that caters for this group of gamers and this market is rather big. Apple should partners with the gaming companies in order to provide in the system that requires playing in case consumer is out from home. With this development, it can enhance consumer buying behaviour.

- **Positive reinforcement of Unique Value Proposition**

To capture and retain consumer attention is getting difficult. It is depending on the individual activity and the other stimuli in the environment. For brands and advertisers to be successfully attracted and to create more attentive for consumer to stimuli related to a need, unique value proposition must bring a difference from its competitors. An innovative advertising or a marketing message is more likely to be remembered by consumers. Apple could build a good image and a product that are high demand to create a positive reinforcement. This strategy with real assets could meet the needs of its customers and also increase consumer buying behaviour level.

- **Online reviews boost Buying Behaviour**

As internet has become part of everyone's life, it has become a norm for anyone to leave any comments online. People start to share idea and make friends online, therefore, more people are getting to know different views of products or topics they have come across. As consumer buy products from Apple, Apple encourage consumers to post their reviews to the social media properties such as Facebook, Twitter, Google+, Linkedin, Youtube and Yelp online and will reward them with points or cash rebate once feedback is completed. This act could give a push to engage other consumers to boost buying behaviour. An effective branding strategy will attract and involve consumer to leave a positive impression in the minds that Apple products are good which cannot be missed.

Improving the Consumer's Involvement

- **Alternate Target Market Strategies**

As Apple is well known and has successfully targeted the segment of age from 25 to 35 years old and income from $1,999 to $4,000 a month, perhaps Apple could also target consumer from 36 year to 55 years old consumers. There are a big groups of baby boomers in Singapore, who earning may not be as much as the younger but yet, it can increase the sales if these groups of baby boomers successfully buy products from Apple.

- **Customer Consultation and Customisation**

Majority of the consumer would only show interest when they are some sorts of promotion is going, they will start to get involve and to get consultation. But it has stated that consumer's who bought product by themselves rather than bringing any one with them to avoid confusion. Apple could develop a team to help the consumer to analyse the products and the needs of getting type of products that suit them the most.

• **Campaign cause involvement in Social Status**
Involvement concept is originated in social psychology and was developed (Sherif and Cantril, 1947; Sherif and Hovland, 1961, Sherif, Sherif, and Nebergall, 1965). It is defined that an object or idea is centrally related to the value system of an individual (Ostrom and Brock, 1968). Ego involvement is about consumer-engaged value when purchasing a product. Apple could organise a fashion show campaign to showcase its products. This event that Apple invited is to target consumer involvement in their social status. Consumer with ego involvement will be attracted with the exclusive packaging that Apple has planned in the events. This will give them visuals of how they will be in the social environment, which involve providing them with confidence and value to their life.

• **Content Marketing Strategies**
Content marketing strategies attract and retain consumers by sharing and creating valuable free content to communicate with the consumers and without selling technique involved. Apple could utilise new technologies to drive the need of content marketing to reach out to the audience. Without needed to pitch the Apple products, the strategy will help to deliver the information to the consumers. The essence of this will reward Apple with business return on investment and loyalty. Therefore, in order Apple to achieve the quality content, Apple's marketer need to be very clear with the business objective. Then, It is important to listen to the target audience and to discover their needs and satisfaction. Getting the content's clues to engaging with its audience is important. Alert the audience that they are not aware of and this is the way to produce and distinguish the content in the audience's mind.

Consumer Satisfaction

• **Improve and Increase Consumer's Satisfaction and Needs**
As service representative is a key player who is the people that get connected to the consumer, it is important that they are well trained in consumer service, as it will help to create their experience. There are all sort of consumers so service representative will need to trained in handling difficult situation they faced, this would enhance the impression and brand to the consumers that they will feel Apple does value them. Other areas that Apple could enhance consumer satisfaction are to prepare a list of package such as some free goodies, discounts or trial products so that the consumer would feel worth of purchase Apple products. Instead of having only one type of design, Apple could develop a few designs that consumer could choose from.

• **More Emphasis on After Sales Services**
Apple could set up a team to service the consumers who are required comparison of the area they wish to know and this will enhance their confirmation that the product they purchase is what they want. For those who are impulse in their decision purchase, Apple could provide a service that consumer could consult the offices of how to use the product and what features does the products offer that can improve their life when they use it.

• **Customer Service Treatment**
Consumer is getting complex, Apple needs to re-strategise to increase and enhance their satisfaction. There was a report stated that 2 out of 3 consumers were experiencing bad customer service (Singapore Business Review, 2014). Many consumers are looking out for good customer service from the company. Therefore, this is an opportunity that Apple can stand out among the competitors. Apple could provide special treatment strategy to the consumer who spends a certain amount in a year by simply service their needs by one to one service. This strategy not only will increase the consumer loyalty but also develop value to the consumers.

Conclusions

The research concludes that the study on the critical success factors of iPad focusing on the buyer behaviour and involvement is an important area to study on the success of the product. Consumers around the world have recognised Apple as a brand that has won consumers' trust in buying the products. Consumer buying behaviour is very much depends and influence by the variety of matter. There are different factors that could affect the consumer to switch from one brand to another, so identify the needs through the offerings is important. In this modern day, consumer's demands are very much higher than before, as their requirements are getting sophisticated. Therefore, it is much harder to influence them if the products do not have many benefits factors and not able to satisfy their needs.

However, before consumer decides to buy iPad, they would usually go through a decision-making process. There are few subjects that are important to be studied that could confirm if these are the real reasons of the critical success factors Apple holds. iPad's factors namely consumer's involvement, satisfaction and consumer buyer behaviour towards purchasing an iPad are comprehensively explored and examined.

Hypotheses were primarily sufficient and realistic in supporting the overall design and framework of the research. However, hypotheses were constructed to examine the elements or the variables such as features, attitudes, behaviour, involvement and thought. This testing of hypotheses were identified the measure of the influential factors and mastering behind characteristic of the variables, which helped to develop consumer buying behaviour.

Limitations and future research

There are several limitations while conducting the research to find out the relationship between the identified variables namely buyer behaviuor and consumer's involvement level which affect buying behaviour of an iPad. The assumed variables, which could be included in future research as highlighted above, would play an important role influencing the buying behaviour.

There could be a certain level that the data might not be accurate, which prevail as the questionnaires were administered to a randomly selected sample frame of 100 participants. Thereby, these might not be fully representative of the entire iPad population. Cross Sectional Analysis would affect the convenience sampling as there was no control over the exposure of interest and it was a problem of temporality as not able to measure incidence. It measures behaviour and attitudes at a point of time.

Consumer's buying behaviour was unlikely to be significantly similar to every individual because each individual belong to different culture, belief, value, and lifestyle. So with different countries and different background cultural could also be easily influence buying behaviour (Ranjbarian, Rojuee and Mirzaei, 2010). iPad was been classified as luxurious products and countries that were less developed may not consider getting iPad, as they would rather spend on their basic needs such as food, clothing and shelter. iPad was a luxury rather than necessity.

Future research can include the other critical success factors like consumer decision making, brand positioning strategies, etc that influence the purchase of ipads. The results of such studies may provide awareness and open up new strategies for retailers, marketers and managers. The findings would guide on the marketing department and advertising agencies on planning for the media and communication campaign to ensure that it is successful in getting the higher appeal to the specific target audience.

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Are they Really Green: Flipping the Second Side of Green Marketing Coin - A Critical Analysis Using Selected Cases?

Sumit Saxena

Green marketing, Eco-friendly Products, Energy conservation, Sustainable development, environmentally safe & Recyclable Products are some of the buzzing words used since last few years. These terms has changed the scenario in society both from customers and producers point of view. Customers feel proud to be called environmentally conscious consumer and producer takes green marketing logo as their enhanced Brand Image. But what is interesting is that the present ecological data does not completely support the above concept. If really companies are more adaptive to environmental standards then why the CO2 emission levels are still above the set bench marks or why there is not any substantial decline in pollution levels. This somewhere indicates that these terms are just used by companies to enhance their brand image thereby selling products in market and their practical implementation is far away from reality. Under the above discussed background this paper attempts to make a critical review of selected cases where companies are making false claims on environmental concerns. This false claim of being Green is called by few Management gurus as Green Washing Concept. Paper tries to flip the second side of Green marketing which is not as rosy as the first side. Data sourced is mostly secondary in nature with precised justification. Main suggestions and conclusions are drawn on how society can be immune to false claims made by companies.

Key Words: Green Marketing, Green Washing, Green Products, Green Consumers.

Introduction:

Everyone is talking about green products, energy conservation & sustainable developments. All these terms no doubt has created very ambient surrounding environment as if looking very positive for society, consumers, producers and government. But if we look on the other side it's not the same as it appears. Best example is lots of shoes manufacturer are using a logo now a days of GREEN products where they claim to be using less leather or similar synthetic material. Question is how can be leather in any form less or more can be justified to be greener because leather tanning is itself the most polluting activity. This paper tries to find out such facts and false claims which are not completely justified. In other words paper is focused upon Green washing concept. It tries to figure out what companies are saying and also what they are doing but not saying representing both sides of the issue. However the darker side is discussed more in this paper. Data used is secondary and conclusion is highlighted on ways through which companies can act more responsibly and greener.

Literature Review:

Out of the vast available literature on green marketing - a short chronological data is created to highlight the research dimensions used by different authors and cited by other authors on yearly basis. It clearly reflects the scanty literate available on green washing since last few years.

The term Green Marketing came into prominence in the late 1980s and early 1990s. The American Marketing Association (AMA) held the first workshop on "Ecological Marketing" in 1975. The proceedings of this workshop resulted in one of the first books on green marketing entitled "Ecological Marketing". Two tangible milestones for wave of green marketing came in the form of published books, both of which were called Green Marketing. They were by Ken Peattie (1992) in the United Kingdom and by Jacquelyn Ottman (1993) in the United States of America. According to Jacquelyn Ottman, (author of "The New Rules of Green Marketing: Strategies, Tools, and Inspiration for Sustainable Branding" (Greenleaf Publishing and Berrett- Koehler Publishers, February 2011)) from an organizational standpoint, environmental considerations should be integrated into all aspects of marketing — new product development and communications and all points in between.

Contributions from few authors in Green marketing domain:

- Consumers become more willing to purchase products which are more environmental friendly (Krause, 1993).

- Companies can utilize the idea of green marketing to generate and to facilitate any exchange intended to satisfy customers' environmental needs or wants (Polonsky, 1994).
- Companies have been adopted green marketing activities under the pressure of legislative measures. (Singh and Pandey, 2012).
- Green marketing is a much broader concept which encompasses all marketing activities that are developed to stimulate and to sustain consumers' environmental friendly attitudes and behaviors (Jain and Kaur, 2004).
- Baker & Sinkula, (2005) argued that environmental marketing formation is driven by internal rather than external forces.
- Environmental marketing initiatives are related to long term sustainability and corporate managers are often prefer to allocate available resources to more tangible and immediately pressing issues (Rojsek, 2001).
- According to Roper Survey (2002) green consumers can be segmented into four parts: True Blue Greens (9%), Greenback Greens (6%), Sprouts (31%), Grousers (19%)
- There is a scientific evidence to show that a positive relationship exists between environmental attitude and behavior (Rashid, 2009).
- According to Rashid in 2009, "Green purchase intention is conceptualized as the probability and willingness of a person to give preference to products having eco-friendly features over other traditional products in their purchase considerations".
- The term "Greenwash" came into existence in mid 1980s which is now widely accepted and people are familiar with the very word which means the practice of exaggerated and undeserved claims of environmental friendliness of a company in trying to get the larger market share. The propagation of false environmental claims or green washing has become so common practice of the modern companies that EnviroMedia developed the Greenwashing Index to monitor environmental claims used by manufacturers (Miller, 2008).
- In 2009 TerraChoice, a North American company, had its research team categorized sins of greenwashing into seven categories- Sin of the hidden trade-off, Sin of no proofed,Sin of vagueness, Sin of irrelevance, Sin of lesser of two evils, Sin of fibbing and Sin of false labels.

Objective of Paper:

Mainly focused upon green washing concept

- To carefully understand Claims made by companies regarding GREENER IMAGE
- To find the activities or process inside the company which doesn't justify their claims.
- To find the ill effects of these false claims or greater consequences.
- To provide suitable suggestions for Industry for right ethical sustainable practices.

Research Approach: A descriptive kind of approach is used for doing research where secondary data is collected from various journals, trade reports, online web portals, magazines and newspapers. Out of the various industrial sectors few sectors are taken into consideration for analysis.

Case of Cosmetic Companies:

One of the vibrant Industry is Cosmetic industry. Every single cosmetic product comes with varying claims like fairness, fragrance, purity, softness etc in different segments. One of the most buzzing trend is in the segment of herbal shampoos.

In every third Retail counter herbal shampoos of different companies can be seen claiming something natural. Some of their claims are as follows:

- 100% natural
- Only Organic ingredients no harmful chemicals
- Made of Natural extracts
- Contain herbal oils

On careful investigation it is found all these products claiming to be natural like natural shampoos, creams and face wash contains formaldehyde which is highly polluting agent and is no way a natural ingredient.

All the extracts are not natural, few of them are artificial extracts and do have some harmful effect on skin and body.

Case Of Beverages:

Most of the Beverage Manufacturers are claiming natural pure ingredients in their drinks. One of them was 7 up which has been in news for the same issue when CSPI (centre for science in the public interest) law suit against Cadbury-Schweppes. 7 up drink claim in its TV commercial to be 100% natural. Advertisement was tagged with following statement - 7 Up - "Now 100% Natural". But on careful investigation it was found that 7 up contain high fructose corn syrup with sugar much higher than the dietary guidelines. Dietary guidelines recommend that there should be approx. 8 tsp of sugar a day for an average 2000-calorie diet. While one 20 oz bottle of the new 7-Up contains more than 15 tsp. Also it contains EDTA (a flavor preservative). This is just one example there may be many such issues in beverage industry.

Case Of Fmcg Packaging Industry:

Most of the FMCG companies are claiming their packaging of products to be safer for environment due to recyclable nature of it. But they does not make it clear as to which part of product packaging is recyclable i.e. outer carton, carybag printed with their brand name, Byproducts of the main item or any other thing. This creates ambiguousness.

ECM Biofilm Company claim that it can manufacture plastic that is biodegradable and based on that many companies start marketing their plastic packaged product as ecofriendly due to use of that additives in their product. Later on FTC (federal Trade Commission) alleged that the certifications provided by ECM biofilm was not justified because company rely on American Society for Testing and Materials ("ASTM") International D5511 standard (a test standard commonly used in the additive industry) which is unwarranted, because the standard did not accurately measure the rate or extent to which biodegradation would occur in typical disposal conditions. Recently FTC launched GREEN GUIDES policy for deceptive misleading claims versus true green claims.

Case Of Baby Care Wipes: Baby Saniation & Hygeine Industry

Less explored industry but still picture of false claim comes in front when a famous company Kimberly-Clark's Diaper Brand P&N states their diaper to be made of soft organic cotton with green coloring trees and leaves, in contrast to conventional Huggies. FTC alleged company that P&N diapers didn't differ materially from other Huggies. "First, while the product contains organic cotton, the cotton is only on the outside of the diaper and therefore never actually comes into contact with the ultimate user, the baby," defying reasonable consumers' expectations that the total diaper is organic cotton. Second, the diaper liner includes "unnatural and potentially harmful ingredients, such as polypropylene and sodium polyacrylate, which are components of Defendant's traditional diapers," and the actual composition isn't disclosed.

Case Of Bottled Drinking Water:

Local vendors filling the tap water in Plastic Bottles are common issue but even big companies are doing something similar to it. False claim of NESTLE comes into picture when it claims to be presenting its bottled Tap water as naturally Spring water and sued by A Chicago-based company Faucet Shoppe that the five gallon jugs of Ice Mountain Water it purchased for its office dispensers were not upto the promised standards and found to be just filled with regular tap water. Although Marketing team of company asserts that the water has been filtered through mineral-rich aquaifers and can be traced back thousands of years to the last ice age when melting glaciers fed rivers and springs. The website even boasts environmental stewardship and a commitment to preserve and protect Ice Mountain Water's natural springs. Later on it was found that Ice Mountain Water brand does offer some products that are sourced from natural springs but five gallon jugs that are sold to businesses and homes for dispensers are filled with a different kind of water. The kind that's classified as "drinking water" or municipal water although transformed through state-of-the-art processing techniques, which remove excess minerals and impurities. This information isn't indicated on the Ice Mountain Water website, nor on the five gallon jugs, and it's easy to assume that the contents of the jugs are identical to the water in the smaller bottles that do contain natural spring water. Finally NESTLE has settle the suit for $10 million in charitable contributions and discounts.

Conclusion:

False and partially justified claims would result in creating negative image of green projects and true efforts made by selected companies. It will dilute the green environment initiatives. It will create confusion for consumers and small traders in general. Big stakeholders will lose interest in investment on green projects. Business will face adverse effects both in terms of revenue and Brand image. At last but not the least it will truly affect the environment and expedite the depletion of natural resources making this world a worse place to live.

So it's the high time to think before action and make every possible effort to solve this issue. Companies should themselves realize its long term adverse effects and stop green washing. Consumers should become aware about such happenings and wake for mass campaigning against unethical practices. Government should make stricter norms and better strategies to make their norms implement with effectiveness. Strategies should be designed to work at each level of the country may be a village, taluka, district, state and the centre with complete infrastructure and policy support for both private and public enterprises engaged in any form of industrial activity responsible for polluting the environment.

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Strategic Competition for a Pie in the Ever Expanding Family Global Brand

Vijesh Jain

MeethaShop's is an established name in Indian traditional sweets, snacks and savories. A strong brand name, MeethaShops's has graduated from 'just another brand' to a 'mature and trained' brand, over the years. Today MeethaShop's is a global phenomenon. It is selling the India influenced snacks and savories to the worldwide consumers, Indians and foreigners alike. The company achieved the covetous status of a premium global brand by adopting a strong focus on brand building. For this the company adopted a smart mix of marketing strategies which are discussed in this case study.

What started as a small town enterprises in Rajasthan way back in 1940, is today the market leader in Indian traditional sweets, snacks and namkeen. With India's growth story still continuing, despite the global economic recession, the disposable incomes in the country are rising. Coupled with the increase in 'eating out' culture, volume of the 'fast food and snacks' business is rising rapidly. This situation has ensured that the brand continues to grow in foreseeable future. However despite several opportunities, the Meethashop's is faced with several internal and external threats, some very serious in nature. Internal threat comes from its own family members who are running similar business under similar brand name and fight with each other for the territory. The brand faces stiff competition in India as well as abroad from competitors who are very successful, organized and professionally managed. Within India the brand has to face the competition from the fast mushrooming unorganized sweets and namkeen shops too. There are some real challenges for the brand in the future which it will have to face in a most professional manner. It is still to be seen if the brand can pass these hurdles and remain the market leader in India and abroad in medium to long term future. While the case study is inspired with a real case, the names are changed to make it suitable for academic purpose only.

Keywords: Fast foods business, International marketing, Strategy, Family business, Entrepreneurship, exports, imports, Indian Sweets, Namkeens, Internationalization, Brand ownership

Learning Objectives

In this case study, a management student should be able to appreciate the concept of Indian entrepreneurship and what it takes to be successful in the Indian SME (small and medium enterprises) sector. The student should also understand the concept of brand building especially in the context of India market and in the context of Indian brands selling abroad. The case study should also sensitize the students to the concept of marketing mix management and formulation of marketing strategies for running the business successfully. The case should enable a management student to identify and understand what are the real challenges faced by an Indian market leader to maintain its leadership in India and to expand internationally. The case should also sensitize about the concepts of brand positioning in the overseas markets. Most importantly the case study focuses on family businesses and internal family challenges faced by the 2nd and 3rd generations of family businesses.

Subjects covered

Indian entrepreneurship, Family businesses, Brand management, Marketing mix management, Marketing strategy, Global product positioning, Managing point of purchase (POP), Fast food marketing in India, Global marketing strategies, Services marketing, Global services marketing, Business Strategy

Introduction

MeethaShop's, a well established brand in India, is predominantly into the business of manufacturing and marketing Indian traditional snacks, sweets and namkeen. It is also into restaurants selling Indian traditional food and delicacies. Started in Rajasthan as a small sweet shop in 1940, by Shri Meetharam (shop was better known as Meetha's Shop there); it was a very small business competing directly with several similar sweet shops in a small town in Rajasthan. What began as a small town enterprise over there, it is today a global phenomenon. MeethaShop's is a household name in India, the products of which are most savored by all, especially among consumers of 30 plus age category. The products are generally liked by most of the Indian living in India and abroad. The MeethaShop's products however are little expensive for an average Indian citizen. The business of MeethaShop's has grown rapidly in last decade. In 2001, the turnover of the MeethaShop's group was 4 billion rupees. Today it is 15 billion rupees (see table 1).

For several decades, MeethaShop's has had continuous growth. A general change in the people's lifestyle in India and growth of the 'eating out' culture of the population in most Indian cities, coupled with rising family disposable incomes, business has steadily grown for the company. The company has religiously focused on maintaining the quality of its products and gradually enhanced the production capacities to meet growing demand. However, analysts feel that the company may face several hurdles in future to maintain this growth path. At present company is faced with stiff competition in domestic as well as overseas markets. In the Indian market the competition is from the traditional as well as a breed of 'new generation' competitors. Companies like Nirula's, Bikanerwala, SM foods, Frito Lay, Bakeman's and Britannia, among a host of others, are effectively competing in several products categories with MeethaShop's. The competition is getting fiercer by the day. Adding to the problems of MeethaShop's, it faces strong competition from the unorganized retailers in its core products domain within Indian market. In certain product segments, MeethaShop's is unable to compete even with the relatively smaller players. For example in the children and teen segments the brand presence is very low when compared with even new entrants in the Indian market.

In the early 1990s, the family conflict within Meetharam family resulted in an informal split between three principal operational units of MeethaShop's (at Kolkata, Nagpur and Delhi). Today all these three units even compete among themselves in the International market while retaining the use of same brand MeethaShop's (They distinguish the brand through different designs of logo in overseas markets and have different website each claiming to be the only and original MeethaShop). Within Indian market, after a court verdict in late nineties, the three units are operating in separately defined geographical territories. However in the overseas markets the three main units compete with each other using the same umbrella brand adding to the confusion among the customers there.

With an earlier announcement and entry of Nirula's and other Indian brands like Bikanerwala to enter into International market on the lines of MeethaShop's, competition has become fiercer overseas for India influenced fast food business.

History of the company

Bhujia sev, a popular Indian salty snack manufactured by Shri Meetharam, was very famous in Rajasthan. However the Bhujia was not manufactured for the first time by Shri Meetharam. This credit goes to his grandfather, as the local history reports. It is believed that the crispness of this snack is the key which is the result of the use of the quality of water available only the Rajasthan town he belonged to. Even today all the manufacturing units of MeethaShop's group boasts of a water tank in front of their manufacturing facilities, claimed to be containing the water brought from its native place for manufacturing the iconic MeethaShop's Bhujia and other savories. In fact it is said that these tanks are regularly worshiped by the respective Meetharam family members supervising the particular manufacturing facility.

The Kolkata branch of MeethaShop's was established in late nineties by the son of Shri Meetharam. This was the first time that the brand name MeethaShop Bhujiawala was commercially used. The Nagpur operation, which was the largest operation of that time, was started in 1970s by another son. Delhi operation was started in 1980s with a small shop in Chandni Chowk, the commercial hub of Delhi. The primary focus of Delhi initiative was to serve sweets and namkeen directly to the consumers as well as the trade. This outlet not only became popular among Delhites but also among the tourists visiting Delhi, including the foreign tourists. Legend has it that at least seven other Indian sweets brands owned by other similar business groups had unsuccessfully tried their luck on the same location (supposedly jinxed) where MeethaShop's became a household rage in whole of northern India.

The Kolkata operations were soon aided by Grandson of Shri Meetharam. He is still the chairman of the Kolkata operation. The Kolkata operation originally focused on the Indian namkeen. He led the business to diversify into Indian sweets too. The growing demand led to increasing production. The company now has several well established showrooms in Kolkata and many franchises, the important one being a showroom cum manufacturing unit near the airport, inaugurated in late nineties and covering an area of a record breaking hundred thousand square feet. Almost one thousand different items are manufactured here which include Indian sweets, namkeen, syrups, tin packed sweets, gift packs, pickles, papad, dry fruits and 'ready to eat' snacks/ vegetables curries.

The Meetharam family was always conscious of the fact that in their kind of business, 'customer satisfaction' is the key for all round success. They always maintained utmost hygiene in the manufacturing of its products, served in a clean environment. This appealed to the people of different age groups. The brand employed the best available technology in manufacturing and packing of the goods in most hygienic manner. They always had the best production monitoring and quality control with the help of well equipped laboratory to monitor the quality in all its manufacturing units. Given the increasing popularity, group continuously planned to expand its business not only in India but also overseas. Thereby MeethaShop's focused on the expansion of both production and distribution activities. Distribution was arranged through own outlets as well as through outlets of other private retailers dealing with similar items or groceries.

MeethaShop's achieved significant growth in 1980s and 90s. In 1990s, Gurgaon operations were started on a very large scale with a massive retail outlet attached to it. This facility was an instant success as was the similar showroom on Delhi - Mathura Road. Since both these roads are having very large movement of traffic from Delhi to Agra and Jaipur and are parts of the famous golden tourist triangle of Delhi – Agra – Jaipur, business has been always brisk.

In early 1990s, MeethaShop's syrups and crushes were successfully launched in the market. In 1995 a restaurant was opened in Delhi. In 1997 another manufacturing facility was setup for exclusively manufacturing namkeen, located in Noida, Uttar Pradesh near Delhi. Around the same time, to add potato products to its range of packed items, machinery was imported from other countries, specifically from US. During the same period MeethaShop's added bakery items, dairy products, sherbets and ice creams to its product portfolio.

In the new millennium, MeethaShop's food products reached millions of consumers in India and abroad. The products are now exported to 55 countries including US, Canada, UK, UAE, Australia, New Zealand, Sri Lanka, Nepal, Japan, Thailand, Mauritius, Pakistan etc. In 2005, MeethaShop's exported 100000 kg of Pani Puri. Most of these countries have large Indian population, very fond of MeethaShop's products. However the products are bought by both Indians as well as by persons of other nationalities in these countries.

Analysts feel that the growing popularity of MeethaShop products is the result of a constant focus on the quality and offering of a large range of innovative and traditional Indian products, sold in most hygienic environment, using modern state of the art techniques. The goods are mostly served as self service fast food items. As far as restaurant business is concerned, the company has expanded through its own outlets, fully self owned and closely monitored for quality and hygiene. However packed food items and snacks are available in the open market through several retailers and stockiest.

The MeethaShop's Success Factors

The core policy of MeethaShop's has been a focus on customer satisfaction ever since it started operations. However the focus on different elements of marketing and operational strategies has resulted in MeethaShop's consistently remaining a market leader in several of its product categories, especially traditional Indian sweets and savories. There are several firsts, to MeethaShop's credit. This has ensured that the group gets the first mover advantage in a 'not so much organized' Indian market for traditional fast food snacks, savories and sweets. For one, MeethaShop group was the first to introduce branded namkeen, which were traditionally sold as 'unbranded' by popular retailers in their own geographical areas of influence, through out India. The group also pioneered specialized packing of namkeen which resulted in among other benefits to the consumers, a shelf life increased many folds. It also was first to introduce the concept of a fast food restaurant offering Indian 'street snacks' like Pani Puri, Bhalla Papri, Indian snack variants as well as several new innovations in the category. MeethaShop's was also perhaps the first to retail Indian snacks in the organized sector in India as well as abroad. MeethaShop's was also the first Indian company offering such a large range of Indian snacks, sweets and namkeen sold through its own large and swanky world class retail outlets. Bigger and swankiest of these outlets were located mainly in the outskirts of main cities like Delhi and Kolkata. Competitive pricing (although more expensive than any other brands available in the similar format) coupled with focus on overall customer satisfaction and lingering taste has ensured that MeethaShop's has sustained and grown in spite of a very competitive environment in the Indian snacks and sweets market. On the operation side, although MeethaShop's does not claim to have the world class supply chain, it still is the best among other Indian companies offering similar items from and within India. State of the art production facilities equipped with scientific monitoring systems and food laboratories have ensured that the products can be produced with utmost hygiene and quality with a lingering taste appealing to most Indians. High product acceptance by the consumers and high degree of brand awareness have ensured that MeethaShop's can play 'pull marketing' strategy even without making major expenditure on advertising (see Table 1). In fact before 2005, MeethaShop's was not spending any significant money on advertising at all. In spite of this situation, the distributors and the stockiest competed with each other to stock and sell MeethaShop's packaged products, since the volume of sale has been very high and commissions to the intermediaries has been reasonably good.

Managing Director of MeethaShop's, Delhi, claims that the main tenet of their success has been the 'timing' of its several launches of products and showrooms at new well chosen locations. Rest of the success came from natural growth and favorable trends in the market.

Marketing strategies of MeethaShop's

In order to understand what kind of marketing mix has been used by MeethaShop's in the past and what can make the company maintain its path of success, an account of company's core marketing strategies has been given in the following paragraphs.

Product strategies of MeethaShop's

The products offered under MeethaShop brand name are of highest quality while the range of offerings is fairly large. The large range of products has ensured that one or the other items are relished in different parts of India. The variety of goods comes from the traditional snacks, savories, confectionary and sweets commonly sold in different parts of the country. Neat and rich packing, several innovative shapes and styles of commonly sold sweets are liked by many Indians living in India and abroad. MeethaShop's is a member of Snacks Food Association of America (SFA) and European Snacks Food Association. The company has won prestigious international food award from TROFEO International Alimentocian of Barcelona Spain in 1999 and HACCP certification by Det Norske Veritas of Netherlands.

By specializing in the manufacturing of namkeen the company has ensured a niche market for itself with good product margins. Not surprisingly, the namkeen brings 60% of the overall revenue (See table 2). The Nagpur unit manufactures almost 60 varieties of namkeen, while Kolkata unit manufactures 40 varieties. Similarly Delhi unit also manufactures 30 varieties of namkeen. With their strong success in overseas markets, new innovative namkeen products are to be manufactured in several new manufacturing facilities already being planned by the group in India as well as abroad.

MeethaShop's has also attempted to customize its products to suit the taste of people from different parts of the country as well as abroad. This customization also includes meeting the needs of the customers in different months of the year. For example, customized branded gift packs for Diwali season are among the top revenue earners and are available in specially made gift packs during the festival season. A very large variety of colors shapes and sizes of these packs with wide combination of contents and items mix have ensured that the company is able to compete easily in the highly competitive business environment of festival season in India.

One of the most important aspects of MeethaShop's strategies is the focus on the packaging especially of the namkeen which are packed in very attractive packages. Namkeen are highly 'impulse buying' items and are required to be available in very attractive colors and prints. The packing is done in a very hygienic environment. MeethaShop's used the latest technology for doing this. Food items are packed in nitrogen filled packages/pouches, which increased the shelf life of the products considerably. In fact the latest packaging technology gave a strong competitive edge to MeethaShop's with respect to the competitors.

Sensing the strategies of the new breed of competitors to woo the children and teens, MeethaShop's introduced newer products which are based on certain tastes and shapes liked by this segment. For health conscious customers, MeethaShop's introduced certain items in its restaurants, one of which is 'one go salad', available at some places as a 'self service buffet' product.

For its international marketing strategy, MeethaShop's seems to be adapting to the local tastes while ensuring the product integration to its roots in India. Similar strategy is used by most global fast food chains like McDonald's, Pizza Hut etc. In most countries MeethaShop's is finding a large pool of Indian Diaspora which is serving as the critical mass of the loyal customers. This has helped the company to sustain its business in overseas market to start with. By adapting to the local tastes and preferences MeethaShop's seeks to spread its customer base to include the local foreign population in these overseas markets. Local production in the host country itself, of the selected MeethaShop products is also part of this strategy. 'Think London' strategy of MeethaShop's is a good example of the same strategy in action. While its London strategy revolves around a million people of Indian origin living in Britain, MeethaShop's is also keen to use this launch as a way to enter into entire European palate. If successful the same strategy can be replicated profitably in other western locations. In other words, it plans to use London as a base for the grand European launch of its operations which include manufacturing facilities, branded snack stores and restaurants, adapting to the European market conditions and preferences. In London, although the snacks offered are India influenced, they are prepared to suit the British palates. Whether this initiative will bring the desired results is not sure.

Distribution/Place strategies of MeethaShop's

In both domestic and overseas markets, MeethaShop's tried to create strong distribution network of clearing and forwarding agents, distributors, retailers and overseas stockiest (see table 3). With a network of more than 0.75 million retail outlets in India alone and growing, MeethaShop's is a highly distributed and organized sweets and snacks brand available almost in the entire parts of India.

In the distribution chain, a commission of 5% is received by the clearing and forwarding agent while a distributor earns around 8 to 10%. Retailer is able to earn a comfortable margin of between 15 to 30%. MeethaShop products are now also distributed through the large organized retail chains and gift websites in India. Deliveries by gift websites can be made not only in India but in several other international locations through other local gift websites. The demand for MeethaShop products is so high that distributors/stockiest compete with each other to stock these products. Region specific gift websites add value to the offerings of MeethaShop's. Indiamart.com caters to the most potential northern India market. Mumbaiflowersgifts.com caters to Mumbai and surrounding areas. Chennaiflowersgifts.com caters to several locations in Tamilnadu. Host of other websites also compete with each other on better offered term (delivery on different websites can vary between 24 hours to 7 days). Other value additions are personal messages, occasion specific packing, free delivery etc.

Location is another key element of MeethaShop's distribution strategy. Most of the branded snack stores and restaurants of MeethaShop's are located in most high traffic locations in those cities where there exists high demand for the MeethaShop products. A very good example of location strategy for MeethaShop's is the location of the two Gurgaon based outlets. Both these locations are high traffic locations with one outlet being a very popular location for Delhi - Jaipur highway travelers. With a few more new smaller outlets being opened in other malls in Gurgaon, MeethaShop's seems to be adopting newer distribution strategies using franchising model.

Nagpur unit of MeethaShop's adopted a unique distribution strategy for its snacks and food products, especially for their restaurant products. They made it possible for the train passengers traveling through Nagpur station to order any of the MeethaShop's Nagpur products through several stockiest anywhere in their areas of operation. The food as ordered was delivered to the passengers at the Nagpur station right on their coach seats while the train rested for few minutes on the Nagpur station. This strategy also gave a fair amount of promotion of the MeethaShop's Nagpur products and also provided an opportunity to new customers to taste the products.

From the international marketing point of view, even the recent 'Think London' strategy of MeethaShop's acknowledges the choice of London city as launching pad for Pan European service operations, based on the location advantages offered by London for production and storage. 'Specially because of the city's great connectivity, proximity to Heathrow for logistics, availability of skilled workforce and target customers and, crucially, a homely atmosphere for our workers – all make London the perfect place for us.' Says Managing Director, MeethaShop Products, Delhi.

Promotion Strategies of MeethaShop's

Advertising at MeethaShop's have been traditionally very low key with extremely low promotion budgets. In fact until 2001 there was no serious budget allocation to advertising. Till those years MeethaShop's concentrated mainly on the dealers and below the line activities. This ensured that several organized competitors emerged with large advertising budgets and innovative ways to compete with MeethaShop's in a range of snack and namkeen products, especially targeting the young and teen segment, which was hitherto ignored by MeethaShop's all these years. The result was that MeethaShop's remained a strong brand for 30 plus age category of consumers for quite sometime and still lagging behind some of the competitors in younger segments. The younger generation did not connect well to the MeethaShop's brand until as late as 2004. Thereafter serious efforts have been made to ensure that the MeethaShop's brand is well associated with the younger generation. Traditionally the approach of MeethaShop's has been on 'brand building' through focus on products quality, timing of product introduction & new showrooms launches, a large option of products to choose from, meeting festival season requirements, using high traffic footfalls on the well located snacks outlets and restaurant. Printed promotional material was distributed through a very large network of dealers across the country. This approach ensured the adverting budget of MeethaShop's remained extremely modest in comparison to its other counterparts both in the Indian market as well as abroad. For example compare the advertising spends of MeethaShop's in 2005 which was just Rs. 20 million rupees with that of Fritto Lay in 'new generation munchy products' who spent Rs. 300 million in the same year (see table1). In fact MeethaShop's first ever TV commercial was aired in 2005. By 2005 they were already in the chips market since 2000. Their success in the 'new generation products' coincided with their serious efforts to spend more on adverting, started off mainly in 2005.

The history of promotional activities at MeethaShop's dates back to almost early 1990s when they appointed 'Swift Advertising' as their principal advertising agency to handle the communication with the customers. Swift Advertising consistently worked for MeethaShop's despite being given extremely low key budgets. Over the years they have been able to understand a typical Indian customer of MeethaShop's. By 2004, MeethaShop's had advertising budget of the order of 4 to 5 million rupees which were to be spent on mainly print and radio ads. They also focused on hoardings and posters in high traffic areas like railway stations and bus depots/stands. With the entry of MeethaShop's in branded chips market in 2000 and competition getting fiercer by 2005, TV commercials budget made the job of Swift Advertising even more challenging since the budget was still very low when compared with other Indian and foreign brands in the branded snacks category. Increase of adverting budget of 2005 by 60% (see table1) indicated the changed direction of the MeethaShop's marketing strategy which till the time was based on high retail margins and stray advertising, focusing on the regional customers.

Talking about the new approach to advertising and importantly the need for it, Swift Advertising CEO said in 2004, "Having worked in nurturing the brand for almost 14 years, we felt it was time for MeethaShop's to realize the essential fact that, as a company it has been perceived largely as a brand addressing the 35 years plus category. However, with the introduction of packaged chips and other 'ready to eat' snacks in the pipeline, it was important for MeethaShop's to be accepted across the board in all age groups from 4 to 70 years." Since kids becoming increasingly important in the household decision making process and with pester power at its peak; targeting the lower age segments, i.e. four - 30 years; who have had no regular association with MeethaShop's in the past, seemed to be the ideal thing to do. The major campaign for MeethaShop's northern region for the chips in the year 2004 had a tag line of 'Munch Karo Yaaro ' and connected to all age groups.

The soft launch of another campaign which was called a 'remix campaign' was initiated in the first week of January 2004 in both print and radio. The remix campaign with the tag line of 'Ab Aya Naya Taste' aimed to drive home the point that a whole lot of new, never-eaten-before recipes can be created out of a single pack of namkeen, instead of the only earlier option of just eating it simply out of the pack. What with the television being expensive for advertising, MeethaShop's had decided to stick to print and radio for this campaign. Swift CEO had said, "As of now we are using the radio and the press for three months each. We have 160 seconds of commercial time on Radio Mirchi thrown in with some remix contests everyday. The ads are being published in women centric magazines like Femina, Filmfare, Cosmopolitan, Savvy, Meri Saheli and Grihshobha. By the end of the month ads will also be placed in the publications like Delhi Times and HT City. The remix commercial we guess, would now be stage two."

The age old MeethaShop's Bhujia, which was originally perceived as a brand for the 30+ age group, was looking to cater to the younger lot. The conservative brand was out with the above 'recipe remix' campaign (which took eight months for Swift Adverting to convince the client to go ahead) with a view to create a workable product extension for the packaged goodies. With this campaign MeethaShop's also hoped to form a long term relationship with its existing and potential clientele 35 plus category customers.

By 2004, the competition in the 'ready-to-eat' snacks market in India was intensifying. Frito Lay India Ltd. (Frito Lay), one of MeethaShop's major competitors, was expanding its market share. Instead of directly competing with the market leader, Frito Lay launched innovative products in the market and backed them with heavy publicity. Frito Lay's product range consisted of a mixture of traditional Indian and western flavors which appealed to younger and older generations alike. Its products included Leher Namkeen, Leher Kurkure (snack sticks), Lays (flavored Chips), Cheetos (snack balls), Uncle Chips and Nutyumz (nut snacks). Frito Lay was the first company to launch small 35 gm packs of namkeen, priced at Rs. 5 and also the first company in the organized sector to launch Aloo Bhujia in branded poly pack. Frito Lay with a market share of 45% in the branded snacks is the market leader in this category. Another competitor, SM Foods, introduced a range of innovative products in similar categories. The company launched India's first non-wafer chips in 1988. SM foods offered products under two main brands - Peppy and Piknik. Under Peppy, it had sub brands such as Cheese Balls, Ringos, Hi Protein Crispies, Potato Rackets, Hearts, Veggie Treat, Mixtures and Minerette. Under Piknik, it had Protein Pin, Junior and Corn Puffs.

As mentioned earlier, MeethaShop's product promotion had been low key until competition intensified in the snacks market. Focus on print media gave deciding edge to the MeethaShop's. Attractive posters, brochures and mailers were designed to enhance the visibility of the MeethaShop's brand. Different varieties of posters were designed to appeal to the different segments. The punch line for MeethaShop's products was, 'forever in good taste.' Advertisements depicting the entire range of MeethaShop's sweets and namkeen were published in the print media (magazines and newspapers). These advertisements had captions such as 'millions of tongues can always be right,' 'What are you waiting for this Diwali?' and 'Caring for your taste buds on their toes'. Similar concepts were used by MeethaShop's in the overseas market. However in the international market, interestingly all main three Indian units of MeethaShop have been competed with each other. MeethaShopusa.com (managed by Delhi unit of MeethaShop's) claims in the very first few lines of the home page, that they are the original MeethaShop's brand. The websites of the other two units of MeethaShop's also have similar claims. They seem to be clearly competing with each other as if all three units of MeethaShop's are the different business entities. In fact from all practical purposes the three units of MeethaShop's indeed are separate business entities with different 'balance sheets'. Only common factor among them is the same brand name which they share and all three units have the same family origins. Why they do not compete with each other in the Indian market is because of the settlement of territory dispute within the family which went to the court and was settled in late nineties. According to the settlement, the geographical territories in India are well defined among the three units. And therefore the products of Delhi unit can only be found in the northern region of India. Outside India there are no such territory demarcations and therefore each unit competes with each other freely there.

Pricing strategies of MeethaShop's

MeethaShop's price strategies have traditionally been influenced by two major considerations in the past. One is the fact that the product range of MeethaShop's mainly competed with the unorganized sweets and savories manufacturers working on very low overhead bases. Most of them do not spend much on the advertising and packaging. To compete with these competitors, MeethaShop's needed to keep the prices within the reach of the common man's expectations. Another major consideration of MeethaShop's pricing strategies has been the fact that Indian consumer is anyway price conscious especially when it comes to the food items including sweets and savories. However the fact that a large population of Indians buys sweets and savories quite frequently makes it important for MeethaShop's to target the market on the larger quantities rather than on very high margins. The strategy of MeethaShop's has been to keep the prices affordable if not cheaper while ensuring hygienically manufactured and packed food. This ensured that MeethaShop's could charge decidedly more price than the competition for most of its products.

MeethaShop's played the price strategy card in two ways. First of all, it kept the prices affordable but higher than the average unorganized sector prices. Secondly MeethaShop's packaged the food items in convenient and multi sized packing, the prices of which were kept matching the several customer sensitive critical price points. For example the retail poly packs of MeethaShop's Bhujia started from 30 gm and went up to 500 gm. Price ranged from 10 rupees to 100 rupees. This ensured the retail sizes and prices matched the affordability of different kinds of customers located in different part of the country.

Off late however the consideration of pricing strategies of MeethaShop's in India is shifting to keep prices based on 'what the market can buy'. It is also influenced by the level of pricing of the organized competitors in certain categories. Given the fact that advertising budgets will surely go northwards in the future, MeethaShop's can no more remain affordable to the common men in India. Moreover the focus of MeethaShop's is shifting towards differentiation by introducing several new products with innovative packaging while keeping prices in such a way to get higher margins on these novelties.

Similarly in the overseas markets the prices of MeethaShop's packaged goods varied from country to country. As a whole, average prices in overseas markets are significantly higher than the Indian prices (See the table 4).

Product Positioning

As far as customer in India and the Indian Diaspora abroad are concerned, MeethaShop's have tried to position its products as 'high touch' products, savored by rich Indian population anywhere on the globe. The high touch factor coupled with strong brand image has made its products suitable for being positioned in the international market on the concept of Global Consumer Culture positioning (GCCP). What this means is that, MeethaShop's products are well accepted by not only India's Diaspora but also the non Indian cosmopolitan population located in big cities all over the world. However this positioning posed another challenge for MeethaShop's - that is to adopt suitable strategies to maintain high touch character of its product in the overseas market. The challenge for the brand is to be able to match the expectations of the foreign customers in terms of quality and hygiene.

In the Indian market MeethaShop products are already positioned as high touch items, so much so that among some customers, in certain income levels, the most favored brand for 'gifts' for traditional Indian sweets and namkeen, especially during festival season, is MeethaShop's only. For the 'new generation products', however MeethaShop's has still to well position its products to the young and teen population. This can only be achieved through expensive communication via multiple media, as is being done by the several organized competitors of MeethaShop's.

From the very beginning, MeethaShop's focused on brand building while keeping promotion cost low. It managed to well position its brand with perfect timing of introduction of products and putting in place the best front end distribution strategies for the Indian market. By keeping the promotion costs in check, MeethaShop's achieved an edge over its competitors and this helped it to focus on the 'point of purchase' (POP) i.e. on the several swanky MeethaShop's outlets. Starting with 'just any other brand', MeethaShop's gradually and steadily achieved the status of a 'trained brand' which helped it to become both national and international brand, positioned as a quality supplier of Indian traditional sweets and savories.

The perceived future of MeethaShop's

Past tells a confident tale of a bright future for MeethaShop's. The brand has sustained and conquered in the Indian minds for decades and still flourishing. Hardly anyone can think of its decline in near future. However, MeethaShop's have to face several hurdles in the future, specially from the organized competitors like Frito Lay, SM foods, ITC, Britannia Industries, Bikanerwala, Nirula's and the likes. In the overseas markets, competition will be of another level and will include the competition from host country local brands as also competing Indian brands and global brands.

If three different units of MeethaShop's compete with each other fiercely and negatively in the overseas market, the brand can never become a global brand. Moreover, any mistakes by any of these three units in overseas markets can play havoc for the overall business of MeethaShop's. The claims and counter claims by the different family units of MeethaShop's are leading to confusion among the overseas customers and doubts will continue to be raised on the veracity of Individual claims. Customer will start shying away from the brand in presence of such confusion over a longer period of time.

Within India too different branches of MeethaShop family are popping up with new brand names. While all these brands are owned within the family members, these sub brands can seriously dent the main brand i.e. MeethaShop's. In fact this damage has already started happening albeit in a smaller way.

Another challenging area for MeethaShop's is that it can no longer keep its promotion budgets low and still remain a market leader. The present day competition is forcing it to increase advertising budgets to the level of industry norms. In the 'children and teen' influenced products, MeethaShop's still lags behind its competitors both in India as well as overseas. Similarly, some competitors are directly challenging MeethaShop's in its core areas of business. The notable among them is Bikanerwala foods, which is coming out with more swanky and larger food outlets complete with snacks bar and large dining areas, coupled with strong promotional campaigns.

Another area of concern for MeethaShop's is their supposed lack of customer service. Lack of parking areas outside MeethaShop's outlets, display of price lists in the outlets which exclude local and central taxes, crowded locations of the outlets are some of the major areas of concerns for the customers.

Recent report of the owner of Kolkata unit being involved in the incident of manhandling a customer, only deteriorate the customer service record of MeethaShop's. This is likely to be a major area of concern for International expansion of MeethaShop's business, where such issues can be taken very seriously by the public as well as the local governments.

On the distribution side it may be noted that till date MeethaShop's uses a manual process to keep track of its various goods packed at several manufacturing locations and distributed worldwide. Additionally, it is worth noting that there is unlikely to be any major expansion of the traditional Indian snacks market in India. Therefore MeethaShop's need to focus on the 'new generation products' targeted to the younger population. In order to succeed in this area, mere brand building will not help and very high degree of professional media communication and advertising may be required. Traditional strategies of MeethaShop's may not actually work for these new segments. In addition, the expansion of Indian market for core products of MeethaShop's has very limited scope. Therefore, MeethaShop's needs to increase its focus on the international market expansion. At present revenues from international market accounts for a fraction of the total revenue. There exists tremendous scope for expansion in the international markets.

Summary of major challenges being faced by MeethaShop's

At present MeethaShop's faces tough competition in its own forte. The biggest competition stems from the new entrants who are spending a lot on advertising. In the children and teen segment, MeethaShop's have already lost to the new entrants. Some of the major challenges faced by MeethaShop's are

Increasing competition in the domestic market as a whole

With the changing lifestyles, increasing disposable incomes and rise of organized retail in India, the phenomenon of 'eating out' is increasing in the Indian market, across the country. With liberal foreign investment policies in this sector and rising interest of domestic business groups, competition is increasing very rapidly. The competition in the 'ready to eat' sector is even fiercer with most players spending big money on advertising. This poses one of the major challenges for MeethaShop's which has traditionally relied on 'word of mouth' promotion of the business.

Aggressive marketing by certain brands

Certain competitors like Fritto Lay and Bikanerwala have directly competed with MeethaShop's in several product categories with aggressive marketing. In fact these competitors have taken advantage of a 'low profile' approach of MeethaShop's as far as advertising is concerned. It seems that due to its own peculiar problems and internal structure, MeethaShop's is unable to go full throttle in the national level advertising of its brand. Due to territorial agreements between the different family units of MeethaShop's across India (Delhi, Nagpur, Kolkata), each unit find it more prudent to focus on the regional level advertising relying mainly on the print media and the hoardings.

Big challenges in International market expansion

With the Indian economy getting integrated with the global markets, increasing population of Indian Diaspora, changing tastes of the customers worldwide, it makes more sense than ever to rapidly expand internationally. For MeethaShop's, in spite of being a household name among several Indians living abroad, it may not be a cake walk in the overseas markets.

Improving customer services

With Indian customer becoming more and more demanding in recent years and having several eating options available in a competitive market, it has become very important for fast food companies like MeethaShop's to focus on the continuous improvement of its customer service record. The challenge is compounded by the fact that MeethaShop's brand is used by three separate business entities albeit from the same family with different territorial rights (in India). This makes all three businesses vulnerable to a specific bad customer service incident recorded on account of any one of the three units.

Expansion in the Indian market

The way foreign business players have expanded in the Indian market in comparison to their Indian counterparts, speaks volumes about the lack of professionalism with Indian brands which have generally failed to capitalize on the opportunities offered by the expanding customer base in India, especially in the 'eating' business. A very good example of this phenomenon is the take over of the Nirula's, a purely Indian outfit till recently, by a Malaysian company. Soon after the takeover, the number of outlets of Nirula's started multiplying, defying imagination of the industry watchers who had ruled out the company in the play. It is remarkable to note that Indian owners failed to expand the operations in a way the foreign owners have done so professionally and so quickly. In case of MeethaShop's while expansion of the market for its packaged products have taken place using traditional distribution network of Indian market, it failed to expand in domain of 'eating outlets'. Most of the outlets of MeethaShop's are fully owned and directly run by Meetharam family. The result has been slow growth of outlets in spite of the fact that potential had been extremely high due to popularity of the brand. A strong competition from the sub-brands floated by different family members has also resulted in slow growth of the eating outlets.

Operations management within India as well as abroad

If MeethaShop's succeeds in deciding a competing model of domestic and international expansion in line with the requirements of the present business era, the biggest challenge for the organization would be to manage a very large operational base in India as well as abroad. Even today the size of the business is fairly large being a business to consumer (B2C) format. It makes manual management of operations inadequate.

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Review Questions

1. Discuss and critique the different marketing strategies adopted by MeethaShop's to maintain its leadership position in domestic market.
2. What are the key success factors (KSFs) of MeethaShop's business in India? Has the company been able to leverage these success factors effectively?
3. Discuss the reasons why MeethaShop's failed to maintain its brand image among young customers in India. Is it important for MeethaShop's to consolidate its position in the young and teen market, in order to maintain its overall market leadership in its core business? Give examples of other brands which have faced similar kind of situation. How did they respond to it?
4. What are the challenges for MeethaShop's for its international expansion? Discuss the international expansion strategies of MeethaShop's. How important is it to woo the foreign nationalities in overseas market for MeethaShop's?
5. What are the challenges MeethaShop's faces in terms of being a family run business? How can a family run business like MeethaShop's meet these challenges for a healthy growth of family business? Discuss.
6. What are the several business challenges MeethaShop's is likely to face in near future? Discuss and critique several alternative strategic choices which the company has in order to face these challenges.

Annexure - 1

Table 1: MeethaShop's Revenue - Advertising budgets model

	Revenue*			Ad Budget**		Exports*	
Year	All Units	Kolkata Unit	Delhi Unit	Nagpur Unit	All Units	All units	Delhi Unit
2001	3.80	1.25	1.85	0.70	0.75	0.25	0.14
2002	4.10	1.40	1.95	0.75	0.90	0.40	0.20
2003	4.55	1.50	2.20	0.85	1.00	0.50	0.25
2004	5.10	1.60	2.35	1.15	1.25	0.60	0.30
2005	6.50	2.05	3.05	1.40	2.00	0.70	0.32
2006	7.25	2.50	3.25	1.50	2.10	0.75	0.36
2007	7.95	2.75	3.50	1.70	2.25	1.00	0.50
2008	8.95	2.95	4.00	2.00	2.50	1.40	0.70
2009	9.50	3.50	4.95	2.85	3.25	2.35	1.05
2010	10.10	4.12	5.15	3.05	3.75	2.95	1.55
2012	11.95	4.45	5.55	3.95	4.15	3.45	2.05

Source:
Multiple sources

* In billion rupees
** In million rupees

Table 2: Product Range (Revenue Model)

Product	Contribution to Revenue
Namkeen	60%
Sweets and Sherbets	30%
Milk and Dairy products and others	10%

Table 3 : Vital Statistics of MeethaShop's

Retail Outlets (Delhi and Nagpur Units) (2013)	1 Million
C&F agents (Delhi Unit) (2012)	50
C&F agents (Nagpur Unit) (2013)	50
Distributors (Nagpur) (2012)	500
Distributors (Delhi) (2012)	1000
No of international stockiest/ Sole Distributors	200
Brand Valuation (2012)	25 Billion Rs.
No. of Mfg Units (2012)	10
Areas where they have exclusive outlets	Delhi, Bikaner, Nagpur and Kolkata
Qty of production of Namkeen and Bhujia	150 tonnes per day
Varieties of sweets	125
Total number of restaurants (2013)	40
Market Share in India (2012)	25%
Current Domestic Growth rate	15%
Current Overseas Market Growth Rate	40%

Table 4: Prices Of Some Of The Fast Selling Items Of Meethashop's

(in USD per unit)					
	USA	**India**	**UK**	**Australia**	**Japan**
Namkeen					
Aloo Bhujia (400 gm)	4.50	1.50	7.00	10.00	6.50
Bhelpuri (200 gm)	3.00	0.60	5.00	7.00	5.00
Madrasi Mixture (200gm)	2.50	0.50	4.00	5.00	4.50
Salted Banana Chips (200 gm)	3.00	0.75	4.50	6.00	4.00
Sweets					
Coconut Burfee (400 gm)	10.00	2.00	12.00	14.00	12.00
Dodha Burfee (400 gm)	10.00	2.00	12.00	14.00	12.00
Dry Petha (400 gm)	7.00	1.00	9.00	11.00	9.00
Kaju Burfee (500 gm)	11.00	4.00	13.00	15.00	12.50
Plain Burfee (500 gm)	10.00	2.00	11.00	13.00	11.50
Gulab Jamun (1000 g)	6.00	4.00	8.50	10.00	10.00
Soan Papdi (250 gm)	4.00	1.50	5.00	6.00	5.00
Ready to eat					
Chholey (300 gm)	2.50	1.00	3.00	3.25	3.25
Dal Makhani	2.50	1.00	3.00	3.25	3.25

Source: Multiple sources

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