

What and Why of Case Studies

By Prof. (Dr.) Ashok Kumar

Does the Government as an Actor Stimulate Innovation? A Case Study of Indian Pharmaceutical Industry

By Mr. Ganeswar Sahoo

Ruby Builders – Chennai

By Mr. Edwin T.S., Dr. A. Chandramohan,
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Survival to Innovation: A Case of Honda Cars India

By Dr. Shailja Dixit

Editor-in-Chief: Prof. V.P. Sahi
Editor: Prof. Manoj Joshi, Ph.D.

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To study law the case study method was first used in the nineteenth century and subsequently many disciplines realized its advantages and started using this method both for in-depth research and teaching. The present volume of Amity Business School Journal (ABJ) is devoted to case studies and it contains both research cases as well as teaching cases. While research cases primarily focus on research problems using micro approach of in-depth investigation, whereas teaching case present realistic situations allowing students to take decisions by applying various relevant theories and practices in balanced manner. In research cases the case writers present analysis and decision for the better understanding and cite other researchers and publications for more elaboration. In teaching cases situations are left without any analysis and decisions, no support references are given and students are encouraged to use their knowledge and creativity to come out with their unique solutions, thus learning that each situation and problem has multiple solutions. Both types of cases should have teaching notes. Some authors, as in this volume, do not write teaching notes in first go and they wait for class room discussions to pen down their teaching notes. Should teaching notes be given along with the case study is debatable issue? Those in favor say that it is useful to understand the purpose, application and issues of the case studies. Some argue that teaching notes become prescriptive and might discourage subsequent teachers to take independent views and rely too much on the interpretations already given in teaching notes.

The case studies given in this volume should be evaluated on the basis of completeness of the details, relevance to problems/issues raised by the author(s) of case studies and whether the case studies are stimulating and provide the scope of explaining more than one way of analysis, interpretation and decision.

The case study of Indian Pharmaceutical Industry is based on analysis of various trends, comparisons and the government interventions to help readers to understand and interpret the need and importance of innovation in this industry.

The case study on Ruby Builders – Chennai, is a teaching case for facilitating learning an entrepreneurial approach and initiative. The case also deals with issues of succession planning in family business.

The teaching case on the second innings of Narayan Murthy in Infosys raises issues of leadership in difficult time and provides scope of analyzing many HR related issues such as retaining talent, succession planning, motivating for achieving difficult targets etc.

The case on Honda Cars India gives analysis of the secondary data to facilitate learning on the importance of systems innovation in auto industry especially in crisis when sales are not picking-up.

How Self-Help Group (SHG) model may be used for empowering women entrepreneurs is the last case study in this volume. This case study will help readers to examine the replication of successful micro models in a vast and diversified country. The powerful micro-models such as SHG need analysis and interpretation of young creative minds to explore some revolutionary and exciting solutions for the problems of Indian women.

Hope, the present issue of ABJ devoted to case studies would be found useful to readers and based on the feed-back the editorial board of the Journal intends to bring out theme based issues on contemporary topics.

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What and Why of Case Studies

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Learning is essentially a continuous process for development of managers throughout their career right from the embryonic stage when they start studying management. Culture of learning is contributing significantly in making organizations progressively knowledge-based enterprises. Developing culture of learning has become a strong pursuit for many progressive organizations and management schools have become more responsive to the dynamics of change.

The process of learning is activated through various methods and case method continues to be one of the most effective methods of learning in various fields of studies including management. Case method has been established as an effective method to consolidate the learning process and to develop knowledge-creating organizations. Case study is increasingly being used because of its growing relevance in management education and training programs. Needs are being felt by students, academicians and practicing managers to develop insight and analytical capability in management through case studies.

Case study presents a sample of business life so that it may be studied in detail. To remain in tune with the changes in business scenario, development and writing of cases is essential for the maximum realization of the benefits of the case method of learning. Such writing shows the constant interaction by management trainers and academicians with practicing managers in real-life situations and application of the skill of writing cases. Cases bring students closer to the real-life situations. Yet they are away from the situation spatially and emotionally so that they can read and analyze the cases independently without any bias and combine theory with practice. It has been found immensely helpful in enabling involvement of

students in enriching their experiences, analyzing semblance of real-life situations, sharing learning and sharpening their managerial skills.

Cases can be broadly classified into two parts – cases for research and cases for study. Cases for research involve in-depth descriptions of representative situations in which a researcher is interested. One of the purposes is to generalize a viewpoint or concept from such descriptions. Such cases explain the problems and findings of a researcher in the study of these problems. It also describes how managers tried to cope with the problems and what were the results of their decisions or actions? The cases for study normally revolve around describing the problem or the dilemma which managers in organizations are facing in a situation. What they actually did is immaterial to the student. What is more important is to set a trigger in the mind of the participants to think through the issue and to learn from the discussion of the case. In the process they learn concepts, tools and techniques of management and understand decision-making and problem-solving processes in single function or multiple functions.

Participants in the case study method can best attain managerial understanding and develop competence through the study, contemplation and discussion of actual situations. It helps them to carry out rigorous analysis of the cases and they are enabled to inculcate habits of logical thinking and searching for as complete information as possible before reaching at conclusions. Experience in arguing a viewpoint in class room discussions also develops ability to communicate clearly. Basically use of cases helps students to develop their skill in discovering and defining the vital questions that need to be answered and then learn to find out the best possible answers. Its use in training for business also helps participants in becoming more knowledgeable and acquainted with business practices. In this endeavor research cases have special place and utility. These cases present the decisions and their analysis in a given context.

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A manager's primary job is to collect and analyze relevant information, take appropriate decisions and get them implemented. Mostly decisions are based on analysis of facts and other information as may be available. It is very rare that managers may have limitless time to acquire unlimited information and under conditions of uncertainty. They need to evaluate the options from implementation point of view also. Case method in management education has shown its potentials to improve the decision-making ability and implementation abilities of working managers and embryo managers.

Teaching and learning through a case may be used as a substitute for reality so learners can practice, exercise and develop their skills, especially the skills of diagnosis, prescription, and responsible implementation. It brings the process of learning in class closer to the process of learning in their real world. It emphasizes the live process of knowledge sharing, application of theory and conceptualization through observation, experience and experimentation.

Applying the Case Study

Quite often, participants expect a right answer to the questions asked in the case from trainer or teacher. They become quite frustrated also when they find no "right" answer to the case problem. But, later they appreciate that it develops a broader perspective and pros and cons of different alternatives. There may be degrees or shades of right and wrong, but the problem has to be seen as a whole in its total context. The realization comes that there is no single best solution. They use their own experience in analyzing the cases and derive management principles from the discussion of their analyses.

Case study analysis and discussion, as well as exposure to the experience and opinions of other students and trainee-managers, help participants to realize that there are several ways of looking at, thinking about and acting in a particular business situation. Thus, they are encouraged to develop flexibility in their approaches to organizational problems. It meets the objective of disseminating knowledge and facts, improving participants' skills in problem analysis, communication and decision-making. Advantages of case study may be best drawn by providing learning situation which depends on involvement and participation in group discussion for its success. A very good skill of teachers for discussion-leading techniques helps in achieving the purpose of using case study.

Case Writing

Characteristic of a good case is that it should be well documented and it contains all the information which is available to the case writer. Hence, case writing is the process whereby actual business and administrative situations are made known to readers for them to work with. The case writer needs to take detailed notes and collect statistics, operating statements and other exhibits containing information. The case writer may include some data which, in his opinion, is somewhat not directly relevant. Sometimes participants draw out meaningful inferences also from so-called not-directly-relevant information with their own judgement and analysis.

A successful case writer has to ensure that those who have really worked with the situations must be willing to share their experiences. To be able to accomplish their task, the case writer needs to learn the real facts and at times, therefore, will have to be entrusted with information which is normally available only to those immediately concerned. The whole world is a case and therefore one can get infinite number of cases. Case writer needs to interact with managers 'role set' to understand their situations, people, systems and practices from time to time. A case writer who typically thinks in terms of a curriculum is successful in selecting appropriate case problem, get a proper lead and develop case to help achieve Students Learning Objectives (SLOs). The first step is to find a lead which will act as the trigger for collecting data from an organization and its environment. The following steps are normally involved in the development of a case:

Selection of the Situation and the Enterprise

Selection of a situation is an important part of development of a case. It determines the type of case and the kind of enterprise in which to seek the material. One may come across a variety of situations around with people and/or incidences in an organization. It is preferable to select an organization in which the case writer is already known and accepted, particularly when it may be necessary to go into details of situations and sometimes obtaining vital information. It is believed that students prefer situations which are familiar to them in cases. But there are evidences that mature students in particular learn more from problem situations in unfamiliar industries. While they may be more interested and find it easier to deal with

cases written about a problem in a familiar environment, participants often display prejudice and blind spots and hence real learning does not take place.

Collection of the Data

The case writer needs to devote enough time and effort to collect the data. Objectivity in observation and collection of data is the most fundamental need. Once you get into the collecting process, you will almost certainly find that the facts vary from any preconceived pattern you may have formed. Sometimes we may find that the data will not serve as useful material for the case in a given functional area, but could be valuable in some other area. In spite of this, the facts, situations and every detail must be observed and recorded objectively and as completely as the situation needs to be explained in the case.

It may not be possible to observe and record a total picture even if the case writer is in the midst of events happening. One should try to record as many of the facts as possible immediately afterwards and before the memory starts fading away. One should take notes and collect exhibits of every situation or event bearing on the case and these should be arranged in a logical structure before writing.

Writing the Case

Relevance, practical usefulness and objectivity are the main criteria in selecting what a case writer will use from observations and how to write the case. Other criteria like length, structure, detail, method of presentation, literary standards and style follow subsequently. Sometimes we get material for two or more cases, each having different applications. It is advisable to separate out the material instead of combining them in one case itself. It should be kept in mind in some learning situations a series of cases, all drawn from one enterprise, allow the students or trainees to progress quickly from one aspect to another without wasting time in absorbing new background of each segment.

Since any case in all probability is going to be used over a long period in future, it should be written in past tense unless or otherwise required for some other reason. The first few sentences should be written in such a manner that the reader of the case is able to draw a mental picture of the situation and of the nature of problem with full interest and involvement. This should ensure that reader develops keen interest in reading the case material

without any burden or compulsion. Names and character in the case must be disguised; otherwise permission should be obtained to use the real name. Alterations should be made in such a manner that disguise shall not alter the basic facts and relationships. Changes in the type of industry or product should be avoided unless use of the real one would break the disguise. If such changes are made, the replacements must be selected with great care so that essential relationships are not destroyed. If required, name of location, country and characters can be changed to suit the requirements of discussion of the case in international setting.

Validation of the Case

The draft case may be prepared as explained above and draft may be validated by confirming its usefulness as teaching material in a pilot run. The draft case may be discussed with others to ensure clarity. A trail run may also be made in a group of some of actual participants, if possible. It will help in getting correct visualization of the broad picture and understanding of the details by them. Adequacy or inadequacy and redundancy of data may also be assessed. Discussion of subject-matter before and after the case may also be explored and looked into, in the context of the purpose of using the case. Mode of discussion of the case in a group, syndicate or individually may also be evaluated for its effectiveness.

Using the Case in Class

A teaching note should be prepared after discussion on the draft case and its pilot run. It may include learning objectives, positioning of the case in the course and session plan, pedagogy-strategies, time plan, plan for use of teaching aids (viz. black board/flip chart/overhead projection/multimedia etc.), points or issues to be highlighted, etc. Teaching note should be updated from time to time and salient features of discussion of the case used in a session should be appended. While initiating the case discussion, the faculty members should make up their minds whether the discussion should begin with the decision, the problem, the options, or the objectives. They may also decide the order in which issues should be discussed. It is always advisable to use your own written cases in class room. As per need one may use cases written by others. In such situation permission from the case writers/publishers should be obtained and teaching notes should be adapted by the teacher before using the case.

Case writing is a process that begins with the decision to use a case in a class room setting and ends with the use of the case in class. To derive maximum benefits of this methodology of teaching, the teachers themselves must write cases. There is

no substitute and shortcut for this. It may be part of research and/or consulting undertaken by the Faculty. The research, consulting and case writing go hand in hand and are complementary to each other.

Does the Government as an Actor Stimulate Innovation? A Case Study of Indian Pharmaceutical Industry

Ganeswar Sahoo*

Indian pharmaceutical industry is an important innovative industry and is the fastest growing pharmaceutical industry in the world. The pharmaceutical industry is a knowledge intensive industry which plays a vital role in driving the technology, R & D and innovation. Unlike high tech industry, R & D is very crucial to the pharma industry which can be very costly and risky. The Indian Patent Act 1972 that has significantly changed the pharma industry removing the product patents and shortening the patent statutory term to seven years. Post TRIPs regime, Indian pharma companies have responded to the innovation gap through a variety of tactics, from increasing investment on internal R & D to horizontal industry consolidation and an increased dependence on in-licensing from the biotechnology sector (Hughes et al; 2007). So, the journey of Indian pharmaceutical industry is today termed as "reverse engineering to reverse innovation". This case studies the role of government and how its pro-innovation policies have shaped the India's most innovative sector to a new height. The debate is "has the government policy successful or does the pharma industry still needs government intervention?" The attempt has been made to look at answers to research questions, which is eloquently addressed, based on theoretical review complemented with empirical data analysis.

Keywords: Pharmaceutical, India, Innovation, Policy, R & D, Patent

Introduction

India's pharmaceutical industry is one of the highly innovative and growing industries of India. The Pharmaceutical industry which is fueled by export has grown from mere US\$ 0.3 billion turnover in 1980 to about US\$ 21.73 billion in 2009-10 (Reddy 2013). Today, the Indian pharmaceutical industry is one of the developing world's largest and most developed, ranking 3rd in the world in terms of production volume and 14th in domestic consumption value (Dept. of Pharmaceuticals 2010) and is mostly dominated by Indian companies with a share of 77.3% (Chaudhry; 2005).

The pharmaceutical industry is a knowledge intensive industry which plays a vital role in driving the technology, R & D and innovation. Unlike high tech industry, R & D is very crucial to the pharma industry which can be very costly and risky. The Indian Patent Act 1972 that has significantly changed the pharma industry removing the product patents and shortening the patent statutory term to seven years. It started the era of reverse engineering where firms developed new products by changing their production processes. Reverse engineering is

broadly defined as the process of extracting know-how or knowledge from a human-made artifact (James, 2012)). During the last three decades the large private Indian pharmaceutical firms focused their efforts on reverse engineering oriented process R&D (Wendt, 2000). Accumulating extensive knowledge in process R & D, Indian pharmaceutical pharma has developed innovative R & D which is a successful case of indigenous self-reliant development.

India accepted the Trade related Intellectual Property Rights (TRIPs) agreement in 1995 and amended its patent law "Indian Patents (Amendments) Act 2005" that re-instituted the product patents and put a stop on 36 years of protection for Indian companies and terminated legal reverse engineering, or copying of patented foreign pharmaceutical drugs (Greene; 2007). When India joined the WTO in 1995, its pharmaceutical exports were valued at less than \$600 million. By 2005, its exports had grown to \$3.7 billion and accounted for more than 61 percent of industry turnover (Greene; 2007). The TRIPs Agreement has not only increased the R&D expenditure of the Indian pharmaceutical industry but has also changed its R&D structure. (Kamiike & Sato, 2011). Post TRIPs regime, Indian pharma companies have responded to the innovation gap through a variety of tactics, from increasing investment on internal R & D to horizontal industry consolidation and an

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increased dependence on in-licensing from the biotechnology sector (Hughes et al; 2007). So, the journey of Indian pharmaceutical industry is today termed as “reverse engineering to reverse innovation”.

The Evolution of the Pharma and Biotech Industry

Indian pharmaceutical industry is an important innovative industry and is the fastest growing pharmaceutical industry in the world. With a market value estimated worth US \$12.26 billion the Indian pharma industry is expected to reach around US \$ 19.22 billion by 2012 (Department of Pharmaceuticals). The Pharmaceutical industry of India is the world's 3rd largest in terms of volume and stands 14th in terms of value (Mahajan & Sharma, 2011)). So, Indian pharmaceutical market undoubtedly plays a major role not only domestically but also in the global market. With a consecutive domestic growth of 13.5% for the last five years (PwC, 2010) and composite CAGR at domestic level of 9.5% (IBEF, 2008), the Indian pharma market shows highly global strength in the world. In 2006-07, the domestic consumption was accounted 57% while the rest 43% was constituted by exports (IBEF 2008). Furthermore, according to IMS Health 2010, the emerging markets of Asia/Africa/Australia grew at a rate of 15.9% in 2009, as compared to much slower growth rates in North America (5.5%), Japan (7.6%) and Europe (4.8%) (PWC, 2011).

The evolution of today's billion dollar Indian pharmaceutical industry has come across a long way since 1970. The Pharmaceutical industry which is fueled by export has grown from mere US\$ 0.3 billion turnover in 1980 to about US\$ 21.73 billion in 2009-10 (Department of Pharmaceuticals). The Indian patent act 1970 played a significant role in driving the growth of Indian pharma industry giving power and protection of innovation to the pharma innovators in India.

In the post-independence era, the Indian pharmaceutical industry has gone through four stages. In the first stage, the Indian pharmaceutical market was largely dominated by the foreign MNCs. The Indian pharma industry was infant and was incapable to meet its domestic requirement due lack of skills and technology.

The second growth stage of pharma industry took place in 1970s and the enactment of government policies such as Indian Patent Act (IPA) 1970 and the New Drug Policy (NDP) 1978 are the important milestones. Another important milestone is the implementation of the Foreign Exchange Regulation Act (FERA) 1973 that allows foreign ownership up to 74 per cent for firms producing high technology drugs.

In the third stage of pharma industry growth, the domestic pharma companies invested more on research and development and on large-scale reverse engineering and process innovation which achieved near self-sufficiency in the technology and

production of bulk drugs. The development of this growth stage was extremely important for the pharma industry. During this period in 1991 Indian firms dominated the domestic market with about 70 and 80 per cent in the case of bulk drugs and formulations respectively.

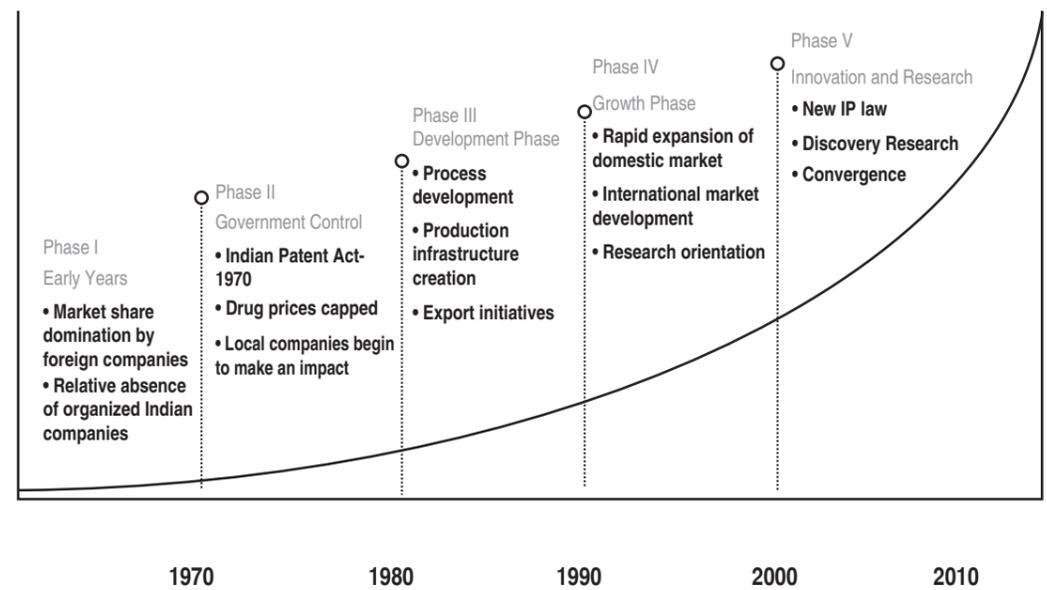
The fourth stage witnessed Indian pharma companies in a dominant position. This stages also witnessed further policy changes. The licensing requirement for drugs has been abolished, 100 per cent foreign investment is permitted under automatic route, and the scope of price control has been significantly reduced. India has amended three times in patent act 1970 three Amendments (March 1999, June 2002 and April 2005) in the Patent Act 1970 to bring Indian patent regime in harmony with the WTO agreement on the Trade Related Intellectual Property Rights (TRIPs). The Patents (Amendment) Act, 2005 came into force on 4th April 2005 and the patenting period has increased to a 20 year period. The changes in “the policy regime in the 1990s, thus, started a new chapter in the history of Indian pharmaceutical sector where free imports, foreign investment and technological superiority would determine the trade patterns and industrial performance” (Pradhan, 2006).

In the period of 2000, with international market development and research orientation, Indian pharma industry has gone through a see-saw changes which focused on rapid expansion of both domestic market and foreign export. In the phase -V in the period 2010, Indian pharma industry sets a huge competition at global market and focuses on

domestic challenges with new IP law. Industry analyst Price Waterhouse Coopers (PWC) predicts that domestic market will grow to approx. US\$ 50 billion - a Compounded Annual Growth Rate (CAGR) of 15%, with the potential to reach US\$74 billion – a CAGR of 20% by 2020 and export will rise from US \$ 8 billion in 2009 to approx. US \$ 20 billion by 2020. (PWC 2010, pp.5-10).

Figure 2 shows a radical shift of both domestic and export growth, which has boosted the Indian pharma industry. From a meager US \$ 48 million in 1973-74, today the total pharmaceuticals export crossed over US \$ 9 billion. Export as a percentage of total sales increased from 18% in 1994-95 to 52% in 2008-09 but it has been accompanied by MNCs, among the top 10 pharma companies in India, up to three from one in 1996-97. The total revenue generated by the top 10 firms accounted for 39% of total sales by all pharma companies of India (Taylor; 2010). Furthermore, with a rapid increase of export demand which was estimated with a CAGR of 41.6% in the regulated markets and CAGR of 25.6% in the semi-regulated markets and combined average CAGR of 32.1% for the period 2005-06 to 2010-11 (IBEF, 2008) and the sharp rise in the export revenue from US \$6.23 billion in 2006-07 to US \$8.7 billion in 2008-09 with a CAGR of 21.25%, the export market provides a platform to Indian pharma industry to play an eminent role in the global pharma market (Table 1). According to industry interview by PWC 2011, Indian pharma market is predominantly a branded generic market with 90% branded generic products and 10% accounted as other drugs.

Figure 1: Evolution of Indian Pharmaceutical Industry



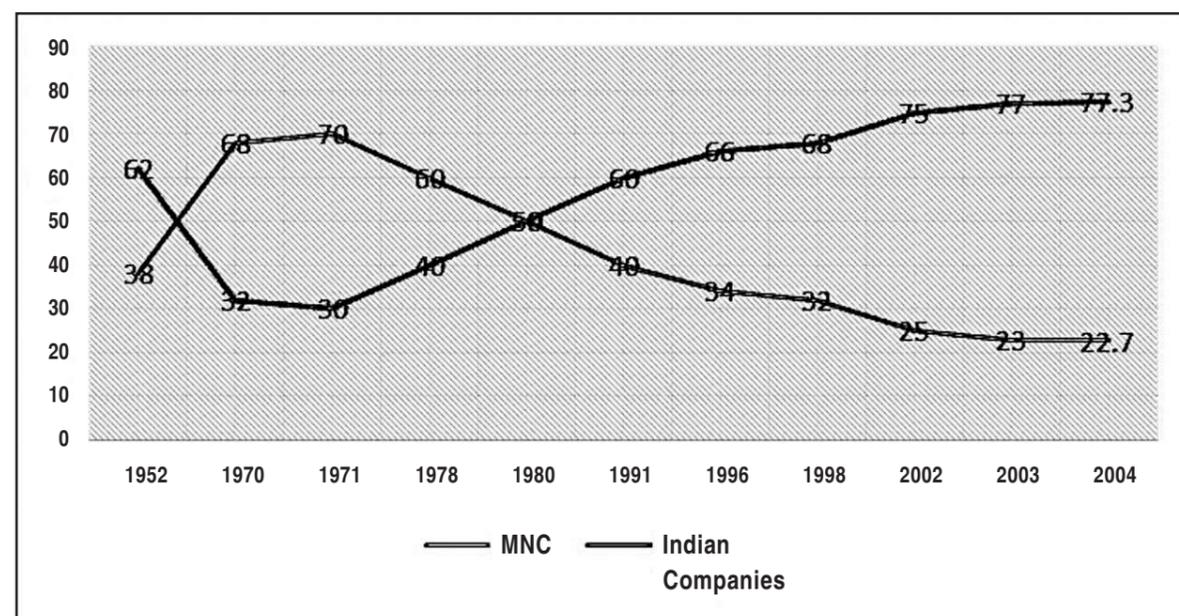
Source: Lal, Akshay (2006);

Figure 2: Domestic and Export Sales of Indian Pharma Industry (1994-95 to 2008-09)



Source: Taylor (2010); Department of Industrial Policy and Promotion; Figures in Indian Rupees Crores. Note: 1 Indian crore equal to 10 million Indian Rupees.

Figure 3: Market Share (%) of MNCs and Indian Companies in the Pharmaceutical Industry in India (1952-2004)



Source: Chaudhry (2005)

Figure 3 suggests there has been a significant change in the market share of both domestic and MNCs since 1952. It provides a clear image that the decades of foreign companies dominance in the Indian market has finally come to an end in the year 1980 when both MNCs and Indian companies acquired equal share in Indian market. From 1980 onwards Indian pharma industry has a tremendous growth in terms of both market share and export activity.

Having a closer study on the growth of pharmaceutical sales over the last decade, there has been a substantial growth of sales. Dr. Reddy's sale was 244.99 in 1996-97 and it reached 4394.9 resulting a growth of as high as 1693.91% whereas pharma

company Cipla has a growth of 963.93%. The average sales growth of the top 11 companies is 573.34% (Table 1).

With growing investment on R & D, Indian pharmaceutical industry "worked on the basis of reverse engineering and process innovation which achieved self-sufficiency in technology, and has been strengthening export orientation in the tide of economic liberalization since early 1980s" (Kamiike and Sato 2011). Pro-innovation policy and government supports has further contributed to the growth of Indian pharma sector that has been resulted a positive trade balance since 1987. The increasing globalization and competitiveness

Table 1: Per Cent age of Sales growth in Indian Pharma Company (1996-97 to 2008-09)

Pharma Company	Sales	Pharma Company	Sales	Growth	%age growth
1996-97		2008-09			
Ranbaxy	1146	Ranbaxy	4755,76	3609,76	314,99
Glaxosmithkline	699,63	Glaxosmithkline	1668,08	968,45	138,42
Cipla	451,88	Cipla	4807,67	4355,79	963,93
Piramal	319,28	Piramal	1565,42	1246,14	390,30
Cadila	255,48	Cadila	1765,4	1509,92	591,01
Dr. Reddy's	244,99	Dr. Reddy's	4394,9	4149,91	1693,91
Aventis	382,69	Lupin	2934,25	N/A	N/A
Alembic	282,38	Aurobindo	2730,75	N/A	N/A
Torrent	258,85	Sun Pharma	2830,86	N/A	N/A
Ipca	251,15	Wockhardt	1448,87	N/A	N/A
Total	4292,33		28901,96	24609,63	573,34

Source: Taylor (2010), DIPP

provide incentive to the pharma industry. The export has been the driving force of the pharma industry growth over the last two decades. While the Indian pharmaceutical industry grows at a rate of about 10%, the export growth occurs about at 20% showing importance on export-led growth of the Indian pharmaceutical industry at the global market (Fig. 4).

Table 2: ANDA Approvals (2007)

Country	Numbers
USA	169
India	132
Israel	40
Germany	25
Canada	24
Switzerland	19
Iceland	14
Jordan	11
Other	25

Source: Thomson Scientific,

Table 3: Patent Challenges (as on March 2008)

Country	Numbers
USA	200
India	113
Israel	89
Canada	43
Switzerland	34
Iceland	17
Germany	10
Other	32

Source: Thomson Scientific,

India has achieved a respected position in the global pharma industry. India's innovation in the pharmaceutical products has been an outstanding success that challenges countries like Germany, China, and Canada etc. Indian pharma companies today are able to achieve a challenging second position in patent challenges and Abbreviated New Drug Application approvals (Table 2 and 3). In a comparative study of drug master filings, India is ahead of China from 1998 to 2007 which demonstrates India's innovation capabilities in pharmaceutical products (Table 4).

Table 4: Comparison of Drug Master Filings (Type II) by India, China & World (1998-2007)

Year	India	China	World Total
1998	32	27	316
1999	26	6	199
2000	33	9	201
2001	47	6	238
2002	55	20	264
2003	115	19	360
2004	160	25	435
2005	233	70	615
2006	267	78	627
2007	274	90	656

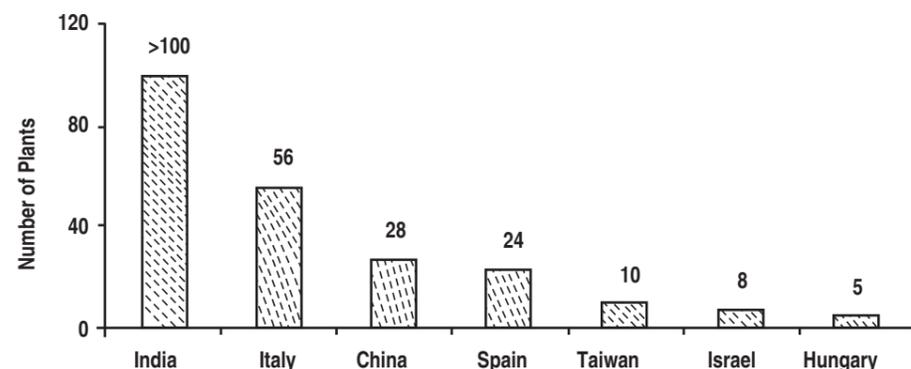
Source : Thomson Scientific

Leading Domestic Players: A Comparative Study

India's leading pharma companies play a tremendous role in driving the growth of pharma industry both in India and abroad. India's global pharma industry gives a solid boost in global competition with as low as 50% low cost production compared to the Western nations. India keeps a significantly low overall R&D costs about one-eighth and clinical trial expenses around one-tenth of Western levels (KPMG, 2006). With India's long-established manufacturing base and large pool of English-speaking workforce with 700,000 scientists and engineers graduating every year, including 122,000 chemists and chemical engineers, with 1,500 PhDs gives a clear signal that the Indian pharma industry is strengthening its global market share (KPMG, 2006 pp.7). PWC 2010 (pp.18) estimates the cost of conducting a trial cost as low as 50% than in the United States. With lower operational cost, the costs of pharmaceutical innovation in India are estimated as low as one-seventh of their levels in Europe, Indian prices for essential drugs are already the lowest in the world and (KPMG, 2006).

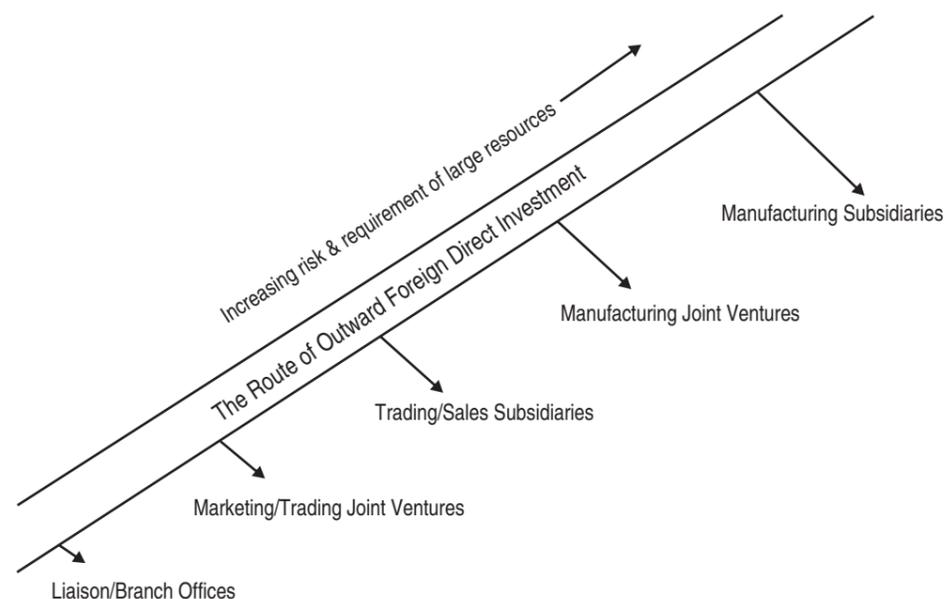
Research and development segment in pharma industry poses a critical task to the pharma companies. Companies are encouraged to involve in the New Drug Discovery Research (NDDR) with an "emerging pattern of diseases as well as responses in managing existing diseases" (Dept. of Pharmaceuticals). The Department of Pharmaceuticals further reported that "most of these companies have increased their R&D spending to over 5 per cent of their respective sales turnovers" and PwC 2010 studies show the top 10 drug firms spent US\$480 million on R&D in 2008. With low operating cost India has been the most favourable outsourcing destination compared to its western counterparts.

Figure 4: India has more US FDA-approved manufacturing plants than any country except the US



Source: Pwc 2010, pp. 12

Figure 5: Different Options for Indian Pharmaceutical SMEs in OFDI



Source: Pradhan and Sahu (2008, p.56)

Considering international support and infrastructure facilities, India has the highest number of US FDA approved manufacturing plants (Figure 5) and Many Indian companies are standardizing their plants to CGMP (Current Goods Manufacturing Practices) compliant. Furthermore, according to the Department of Pharmaceuticals, "Indian companies are proving to be better at developing Active Pharmaceutical Ingredients (APIs) than their competitors from target markets and that too with non-infringing processes" which shows why Indian pharma industry is consecutively growing at above average consistently and provides a stiff competition to the other leading players at the global market.

The market dominance of Indian domestic pharmaceutical companies provides a clear boost of innovation in Indian pharma industry and Indian favorable policy. India's domestic leading players such as Cipla, Ranbaxy, Dr. Reddy's, Lupin, and Sun Pharma provide a platform for other domestic industry in pharmaceutical innovation, outsourcing and contract manufacturing.

PwC study says that there is a high level of market fragmentation and as of 2009, there were more than 10,000 firms in the market, of which, around 200 of them collectively controlled about 70% of the market share. As the figure depicts, 9 out of the top 10 players in the market had growth rates of over 18% except Ranbaxy which did not manage to keep

the growth rate of 18% instead it had 15.5% for the 12 months ending July 2010. The study further said Cipla continued to have the largest market share of 5.2%, followed by Ranbaxy with a 4.7% share. Cipla is the number one domestic pharma company and growing at faster rate. In 2008, it has a market share of 5.38% with 924 products. Ranbaxy acquired the second position followed by GSK pharma.

Government Policies and Supports

The Government of India has introduced policies on drugs and pharmaceuticals from time to time to facilitate and to create market for companies to innovate in pharmaceutical products as well as for the welfare of its citizen in terms of supplying cost-effective pharmaceutical products.

a. **Drug Order (Price Control) 1979:** The special feature of "the order has exempted new bulk drugs which are developed through research originally made in India and are not produced anywhere else. With regard to other bulk drugs, every importer has to obtain previous approval from the Government. The order was "likely to safeguard the interests of the indigenous manufacturers" and after proper inquiry and supervision, the government was exercising "in fixing of the maximum price of the indigenous drugs".

b. **National Drug Policy 1986:** The Government of India introduced National Drug Policy 1986 on 17 March 1986 to implement The Narcotic Drugs and Psychotropic Substances (NDPS) Act 1985 to prevent illicit trafficking, rational use of drugs, quality control, pricing, licensing, duty rationalization and proper coordination between health and industry ministry.

The policy had a significant impact on pharmaceutical companies - on the one side it provides a platform of facilitation of quality and cost-effective production, on the other side it prevents illegal and misuse of drug consumption and pricing control.

c. **Drug Order (Price Control) 1995:** The Government of India introduced an updated version of previous price control order 1979 in 1995 with more execution power that enable government to power to recover overcharged amount, display of price of non-scheduled products, maintenance of records and production etc. The overall objective of this order is to curb the price of essential medicines for the welfare of the common man.

d. **National Institute of Pharmaceutical Education and Research (NIPER) Act 1998 & 2007** NPIER was set up in terms of provisions of NIPER Act, 1998 to nurture and promote pharmaceutical education & research at Post Graduate level. The NIPER Act, 1998 was subsequently amended by The National Institute of Pharmaceutical Education & Research (Amendment) Act, 2007. The Amendment Act, 2007 inter-alia empowered the Central Government to establish similar institutes in different parts of the country.

e. **Essential Commodity Act 1955:** The EC Act, 1955 gives powers to control production, supply, distribution etc. of essential commodities for maintaining or increasing supplies and for securing their equitable distribution and availability at fair prices. Using the powers under the Act, various Ministries/Departments of the Central Government have issued Control Orders for regulating production/distribution/quality aspects/movement etc. pertaining to the commodities which are essential and administered by them. An exemption was made to food-grains, edible oilseeds or edible oils and sugar.

f. **Drugs and Cosmetic Act 1954:** The Drugs and Cosmetic Act 1940 was revised further "to regulate the import, manufacture, distribution and sale of drugs [and cosmetics]". Under this act, the government constituted The Drugs Technical Advisory Board (") to advise the Central Government and the State Governments on technical matters arising out of the administration of this Act and to carry out the other functions assigned to it by this Act". Above all, the act gave government enormous power to supervise drugs productions and activities of the life science companies.

g. **National Pharmaceutical Policy 2002:** Emphasizing as one of the most important knowledge based industries in which India has a comparative advantage, the Prime Minister's Advisory Council on Trade and Industry has recommended several guidelines in National Pharmaceutical policy 2002. The objective of this policy is to strengthen the pharmaceutical industry to be able to face the new challenges of liberalization of Indian economy.

The policy emphasizes on industrial licensing, foreign investment up to 100%, automatic

approval for Foreign Technology Agreements, imports as per export- import (EXIM) policy and centralized system of registration, encouragement of research and development through "the establishment of the Pharmaceutical Research and Development Support Fund (PRDSF) under the administrative control of the Department of Science and Technology, which will also constitute a Drug Development Promotion Board (DDPB) on the lines of the Technology Development Board to administer the utilization of the PRDSF". Furthermore, the policy provides appropriate fiscal incentives to encourage "the generation of intellectual property and facilitating indigenous endeavours in pharma R&D". Industrial licensing for the manufacture of all drugs and pharmaceuticals has been abolished except for bulk drugs produced using DNA technology and foreign investment was raised to 100% through automatic route.

h. National Pharmaceutical Policy, 2006: The main objectives of National Pharmaceutical policy 2006 are:

- (a) To ensure availability at reasonable prices of good quality medicines within the country
- (b) To improve accessibility of essential medicines for common man particularly the poorer sections of the population
- (c) To facilitate higher investment for increased production of good quality medicines
- (d) To promote greater research and development in the pharmaceuticals sector by providing suitable incentives in this regard.
- (e) To enable domestic pharma companies to become internationally competitive by implementing CGMP, GLP, GCP and other established international guidelines
- (f) To facilitate higher growth in exports of APIs and formulations by reducing the barriers to international trade in pharmaceuticals sector

i. National Pharmaceuticals Pricing Policy was 2011: The main aim of this pricing policy to regulate the prices of formulations through Market Based Pricing (MBP). The earlier Drug

policy of 1994 was based on Cost Based Pricing (CBP). The essential basis of the pricing policy are:

- (1) Essentiality of Drugs
- (2) Market Based Pricing
- (3) Control of Formulations prices only

This policy proposal aims to bring 348 essential drugs under price control, so it will bring 60% of total market under price control which is currently only 10%. Though this policy will reduce profit and but benefits the people.

This policy (national pharmaceuticals pricing policy 2011) is yet to execute into law. The Supreme Court of India has asked the government to finalize it by september 27 and government may execute an interim policy.

Policy Mechanism, Fiscal Incentives and Pharmaceutical Innovation

Policy shapes business culture, facilitates innovation, creates market and develops future research and development. Through fiscal incentives mechanism, government attempts to encourage firms to carry out research and development and develops platform through infrastructure development which is the basis of innovation. The Government of India has introduced various policy and fiscal incentives from time and time for pharmaceutical innovation.

Through policy mechanism, the Government of India has facilitated various fiscal incentives and infrastructure development. The major initiatives are:

Fiscal Incentives

Fiscal incentives benefit pharma companies in R & D, skills improvement, export activities, contract and joint manufacturing and infrastructure development which are the basis for innovation to challenge the stiff competition. Besides, fiscal incentives provides concessional import duty on capital goods imported under the Export Promotion Capital Goods (EPCG) Scheme, reimbursement of customs and central excise duties, export production free of customs duty under the Duty Exemption Scheme. Tax incentives play a major relief to pharma companies to engage themselves in export and import and R & D activities. Moreover, it further benefits companies to take advantages of being located in the Special Economic Zones (SEZ) and being an Export Oriented Units (EOU)

(Pradhan and Sahu, 2008, p.64).

Further, Government provides grants for biotech start-ups and firms seeking to expand and establishes the Biotechnology Parks Society of India to support ten biotech parks by 2010. There is exemption from VAT and other fees, financial assistance with patents and subsidies on everything ranging from investment to land to utilities as support from government (Saxena, 2008).

Foreign Direct investment

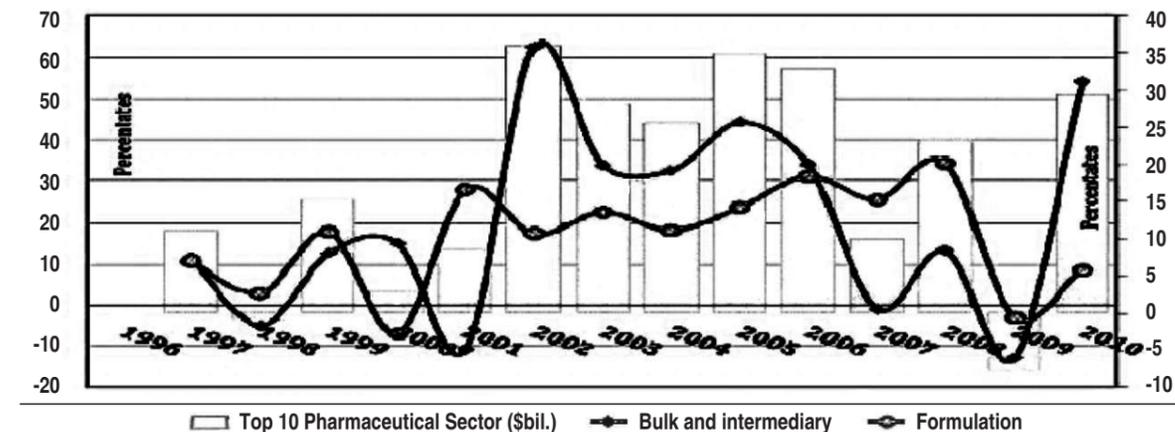
The Government has facilitated 100% Foreign Direct Investment (FDI) without seeking compulsory licensing from the government authority. The direct FDI policy certainly helps firms to overcome financial constraints. Besides, the government has approved Outward Foreign Direct Investment (OFDI) that pharmaceutical SMEs can compete in international market by investing overseas (Figure 6).

Export Dynamics, Destinations and Products

Export has been the keystone of Indian pharmaceutical sector that has driven the growth of pharmaceutical products and established the industry one of the most innovative industries of India. The fabulous achievement by the pharma industry is highly concentrated and export dynamics is highly organized and coordinated by other institutions.

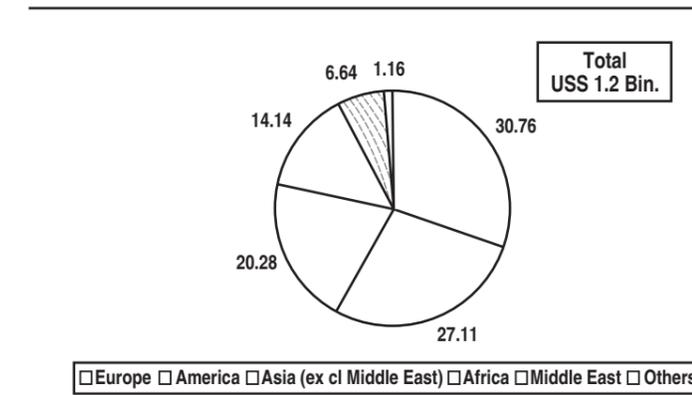
The export dynamics of top ten products contributes a larger share to the pharma industry in terms of growth and market size. Although the top ten products has been accounted for less than 2 percent of all pharmaceutical products in terms of numbers, but their market share in India's total pharmaceutical was on average 60 percent during 1996 to 2010. So, this suggests a high concentration of India's pharmaceutical exports in a few products. (Kallummal & Bugalya, 2012)

Figure 6: Segregated Annual Growth Trends of Top Ten Products of the Pharmaceutical Sector



Source: Kallummal & Bugalya, 2012, p26

Figure 7: Region wise destination of India's Export of Drugs and Pharmaceuticals (2006-07)



Source : Directorate General of Commercial Intelligence and Statistics

Source: Export Import Bank of India (2007)

It is necessary to keep the track of top 10 products that contributes 60% of total revenue. Studying the annual growth trends, Figure 7 suggests that there is a little impact of growth in formulation on the total export growth of the pharmaceutical industry and bulk and intermediary products has a higher impact.

Indian pharmaceutical products have gone global and India is exporting its pharmaceutical products across the globe. US is the major country of India's pharmaceutical products followed by Germany and Russia. UK and Brazil are in 4th and 5th positions respectively in the year 2006-07. In region wise product destination study, Europe is the top importer of Indian pharmaceutical products with 30.76% followed by America with 27.11% and Middle-East is the least importer with a 6.64% of total India's pharmaceutical exports in the period of 2006-07 (Figure 8).

There is shift in product destination in the year 2011. Although US continues to be the number one spot for the India's pharmaceutical products, but the UK has acquired 2nd spot from the 4th position in the year 2006-07. China and Canada are no longer the top ten product destinations and Netherlands and Turkey are the 9th and 10th position respectively in the year 2011. It is clear from the both table 10 and 11 that India's export is increasing through there is a geographical shift in the product destination.

Pharmaceutical Export Promotion Council of India (Pharmexcil)

The government has set up Pharmexcil in May 2004, the only authorized agency of the government of India for promotion of pharmaceutical exports from India. Various pharmaceutical products, namely, bulk drugs, formulations, Biotech Products, Indian Systems of medicines, herbal products, diagnostics, clinical research, etc. are covered under its purview. Pharmexcil takes up several external trade promotion activities by organizing trade delegations outside India, arranging buyer-seller meetings, international seminars, etc. The Indian pharmaceutical industry has become the third largest producer in the world and is poised to grow into an industry of \$ 20 billion in 2015 from the current turnover of \$ 12 billion (Pharmaceutical Industry of India, 2012).

Tax and Capital Subsidy

Tax subsidy provides a big relief to the pharma industry and encourages them for the enormous activities to supply cost-effective quality product. For example, 150 per cent tax deductions for R&D expenses encourages firms to do research and development. 115 scientific research and development expenses related to the business will continue to enjoy a deduction against business profits. Assets used in scientific research (other than land) would be permitted 100% depreciation. An

approved in-house R&D Facility will continue to enjoy 200% deduction of scientific research expenditure (other than expenditure on land and building) on scientific research under the DTC. The Department of Chemicals and Petrochemicals proposals to extend 5% interest subsidy to pharma small scale units for technology up-gradation on the basis of Schedule 'M' of Drugs and Cosmetic Rules, 1945 (Dept. of Science & Technology). The Central Sales Tax (CST) have reduced from 4% to 2%, it still continues to be a cost for the dealers, having inter-State transactions. PWC 2011, pp.40 The new tax code proposes a reduction in the corporate tax rate from the current 30% to 25% and an unlimited carry forward of business losses. pp27 Further, recently, a new provision has been added to provide 125% weighted deduction for expenditure incurred towards outsourcing of R&D activities. Income tax exemption on export profits in the first five years of operation, 50% exemption for the next five years, and 50% exemption on the reinvested export profits in the following five years (PwC2; 2010, p.27).

Foreign Collaboration and Partnership

Foreign collaboration and partnership is vital for new product & market initiative, growth and sustainability. Today, despite robust demand and continuous growth of Indian pharmaceutical industry, challenges have been very complex and unexampled. India needs new technology to drive its R & D, to monitor its progress and to meet market demand. Improving of R & D productivity,

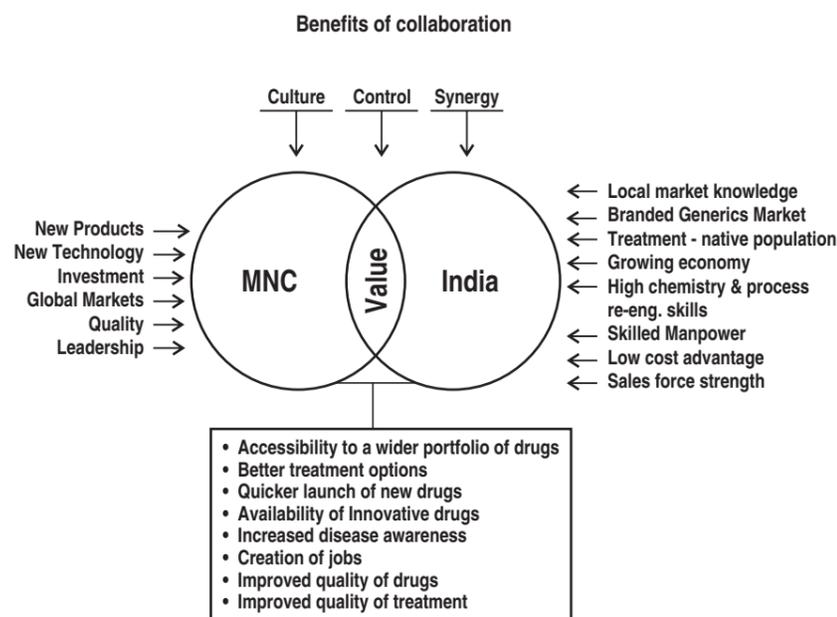
reducing of costs and managing outcomes are not easy tasks at all unless there is a sustainable and cost-effective approach, so foreign collaboration, joint production and partnership have been vital to the modern pharma industry in India.

Governmental Norms in Foreign Direct Investment

Government has facilitated FDI and currently 100% FDI is permitted via the automatic route. To prevent the monopoly approach of MNCs in the domestic market, Government of India has set up a high-level committee to look into the following:

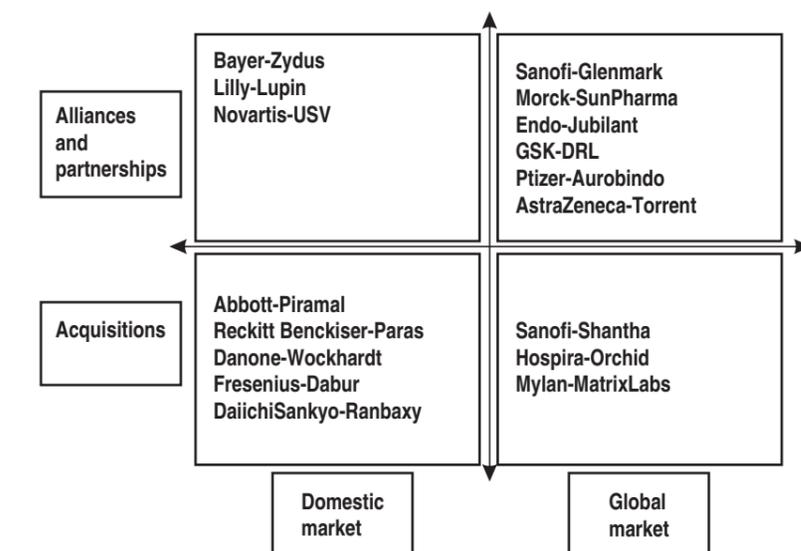
- 100 % FDI through the automatic route would be allowed for Greenfield projects.
- 100% FDI through the FIPB approval route for Brownfield investments in the pharma sector for a period of six months.
- During these six months, necessary enabling regulations will be put in place by the Competition Commission of India (CCI) for effective threshold limits on mergers and acquisitions to ensure that there is a balance between public health concerns and attracting FDI in the pharma sector.
- After six months the oversight will be done by the CCI entirely in accordance with the competition laws of the country (FIPB nod will not be required).

Figure 8:



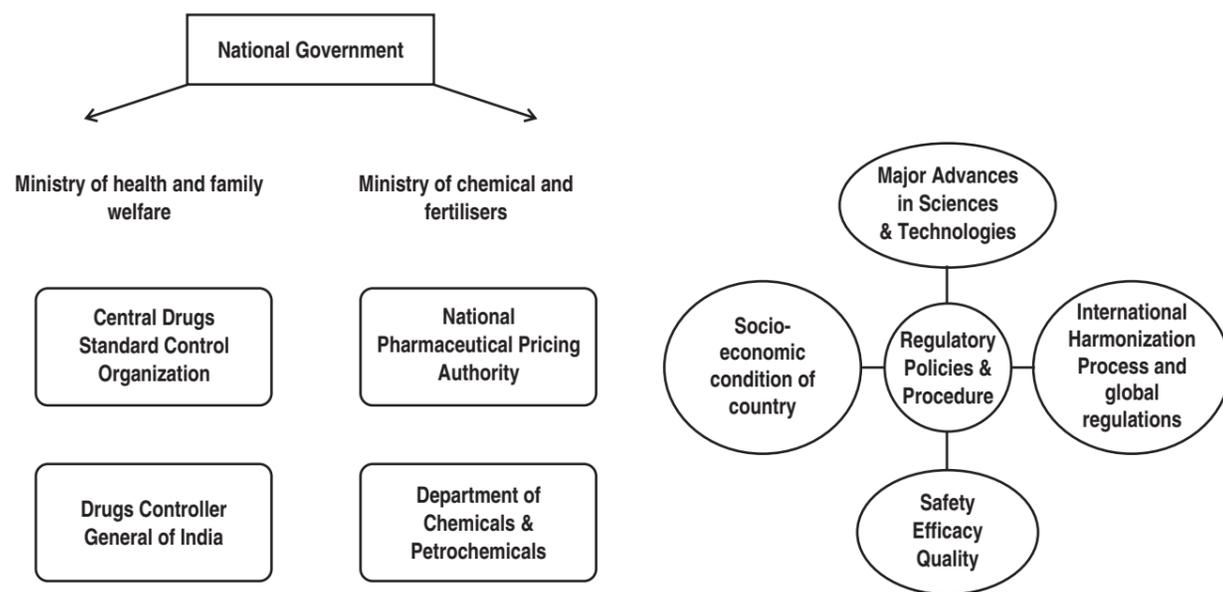
Source: Pwc-CII (2011)

Figure 9:



Source: Pwc-CII, 2011

Figure 10: Regulatory Bodies in India and What Decides the Regulatory Policies



Source: Sarda Rohit R et al. (2012)

Table 5: Recent M&A for addressing the Indian market

Year	Indian player	MNC	Nature of deal
2011	Wockhardt	Danone	Acquisition for US\$ 350 million
2010	Paras Pharma	Reckitt Benckiser	Acquisition for US\$ 726 million
2010	Piramal Healthcare	Abbott	Acquisition of domestic formulations business for US\$ 3.7 billion
2008	Dabur (*)	Fresenius	Acquisition of 73.3% stake for Euro 139 million
2008	Ranbaxy (*)	Daiichi Sankyo	Acquisition for US\$ 4.6 billion

Source : Industry reports, PwC analysis

(*) While these deals were Predominantly aimed at giving access to the domestic market, they also provided a platform for the acquirers to target global market

Indian pharmaceutical market has come across of alliances and partnerships with foreign companies for merger and acquisition to address the scarcity of assets and valuation of sectors that help the industry to bring into new technology, new process of production and new market expansion. A recent study by PwC shows the progress of MNCs companies in M & A of Indian firms aimed at gaining access to the domestic market and to provide a platform to target global market.

Foreign collaboration has not only limited to domestic market access, but also to look into the global opportunities. Table 5 shows the merger and acquisitions that aim to address the global

opportunities and foreign market. Foreign partnership plays an important role when it comes to joint R & D and contract manufacturing. Skills, capital techniques and labor can be more productive with joint research to find the skill gap and to address the problems with collaboration, co-operation and joint co-ordination. Indian pharma industry has made tremendous achievement and success in building partnership for product outsourcing. The main advantage of this type of deal is to facilitate high quality product at low cost that will earn more profits to both partner companies. This type collaboration mainly happens between developed and developing countries companies -

where the developed country firms can supply advanced technology and skilled personnel and the developing country firms can use its cheap labor and get advantage of its low cost production capabilities.

The Role of Government

The government plays a major role in driving growth of the pharma industry whether it is licensing or export promotion. Some of the major activities of government are as follow:

- Cooperating pharmaceutical innovation and coordinating joint public and private research
- Providing universal access to health and sanitation to create an environment of sustainable development
- Assisting firms to increase firms' competitive capabilities such as R & D, skills and productivity
- Supporting pharmaceutical clusters, training facilities and information facilitation
- Facilitates infrastructure development such as transportation, power, internet connection facilities, banking
- Ensure adequate and low cost finance and upgradation of technology
- Increasing public expenditure on healthcare to create a healthy market and job creation

The Indian Regulatory System in the Pharmaceutical Policy

The Indian pharmaceutical institutional structure is divided between centre and state authorities. While national government has higher authority in the implementation of policy, but state governmental authorities also play a major role executing them according to the cultural and environmental necessities.

The principal national authority is Central Drug Standards Control Organization (CDSCO) which is controlled by Drugs Controller General of India (DCGI). On the other hand, National Pharmaceutical Pricing Authority is controlled by Department of Chemicals and Petrochemicals set up by the Ministry of Chemicals and Fertilisers. In the state-level, there are 35 state-level Food and Drug Administrations that control, coordinate and monitor the drug and pharmaceutical policies in the respective states and union territories. While the ministry formulates policies, DCGI has been

responsible in approval of preclinical and clinical trials, new drug applications and the importation of new drugs from abroad. CDSCO works both at state and central level with different institutions and is responsible for the safety and quality of drug supply to the respective regions (Figure 10). Figure 10 suggests about import factors that must be taken into consideration while formulating policy, whereas figure 11 suggest about the regulatory control of pharmaceutical sector.

Recent Government Initiatives and its impact on Pharmaceutical Industry

The government has been continuously backing the pharma industry with various policy and price reforms. It has been investing on major medial infrastructure and facilitating the rural healthcare system.

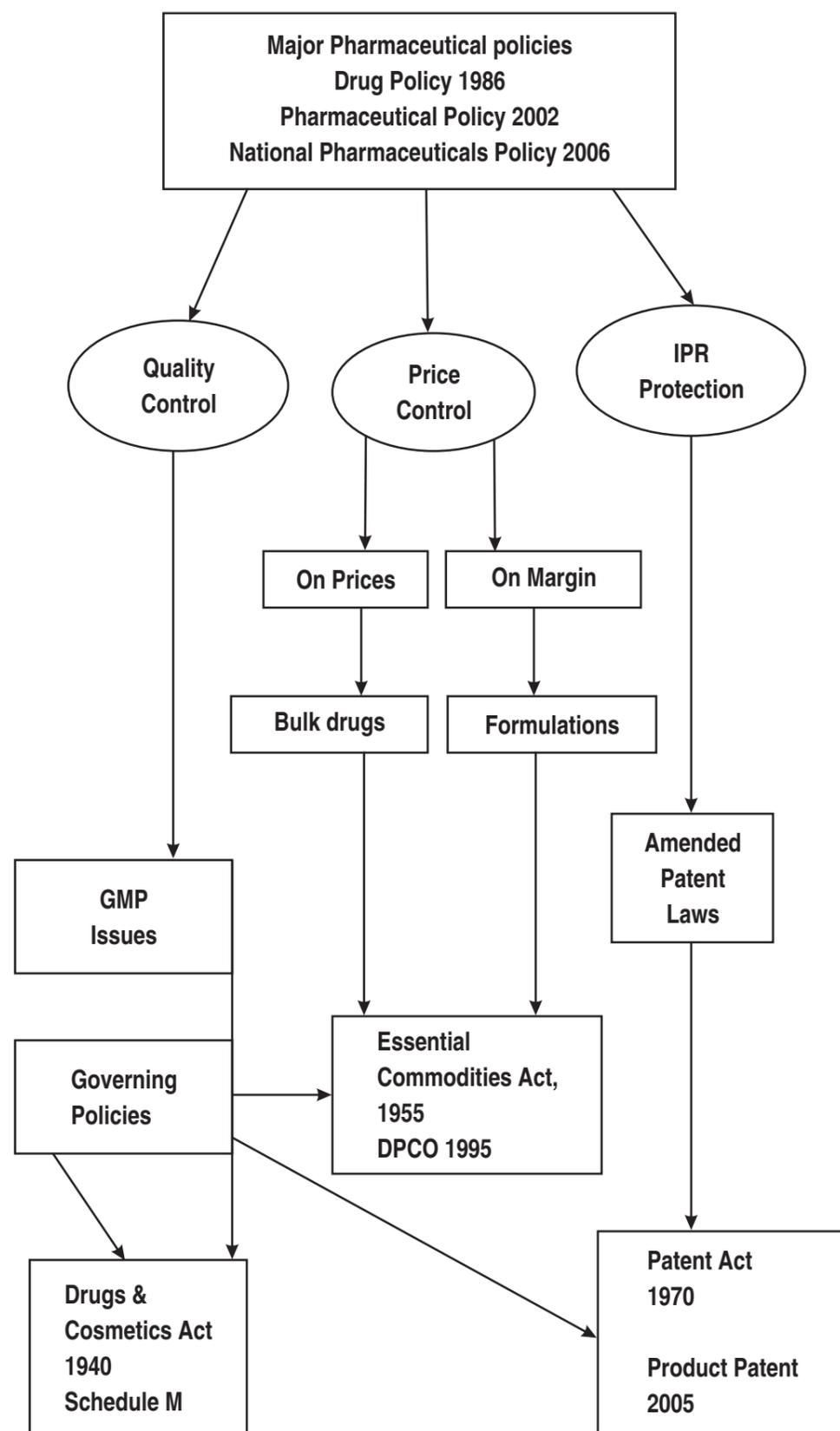
- 100 per cent FDI is permitted for health and medical services under the automatic route.
- The National Rural Health Mission (NHRM) had allocated US\$ 10.15 billion for the upgradation and capacity enhancement of healthcare facilities.
- To meet revised cost of construction, in March 2010 the Government allocated an additional US\$ 1.23 billion for six upcoming All India Institute of Medical Science (AIIMS)-like institutes and upgradation of 13 existing Government Medical Colleges.

With the policy reform and facilitation of FDI raised as much as US\$ 1.1 billion in the period of April 2000 to November 2011 (DIPP). FDI inflow further facilitated medical and surgical appliances worth of US\$ 472.6 million in the same period and the drugs and pharmaceuticals sector has attracted FDI worth US\$ 5.0 billion between April 2000 and November 2011.

Budget Measure: In the Budget 2012-13, the government has increased the budgetary allocation for healthcare spending. The weighted deduction on in-house R & D expenditure was increased to 200% for a period of five years, which provides incentives and encourages firms to invest more on R & D.

Policy Measure: In policy measures, the DCGI has made compulsory registration of clinical trials which was voluntary before June 15, 2009. The government of India now provides licences for narcotic drugs and psychotropic substances to be

Figure 11: Regulatory Control of Pharmaceutical Sector



Source: Iyer (2008) adopted from Dun & Bradstreet, 2007

issued by Central Licensing Approval Authority (CLAA) which were previously issued by state licensing authorities. And DCGI has discontinued the issuance of WHO-GMP certificate for both pharmaceutical products and plant audits (India Budget, 2010).

Major Challenges

In spite of rapid expansion of pharmaceutical market, the Indian pharma industry is facing some perennial major problems, they are as follow:

- 1. Price Controls:** Price control is one of the major challenges that the Indian pharma industry is continuously facing. India being one of the most price-controlled markets, Drugs Price Control Order (DPCO) is continuously monitoring both price and margin of product sales. The new draft of the National Pharmaceutical Pricing Policy (NPPP) 2011 aims to bring 60% total market under price control. Companies are likely to lose 1500 crore (approx. US \$ 272 million) worth revenue and the stockists and traders are likely to lose 2500 crore (approx. US\$ 453 million) worth revenue, if the policy executed (Neha, B. 2012).
- 2. Poor Infrastructures:** Poor infrastructure is a major barrier to the growth of pharmaceutical industry. The major infrastructural problems are insufficient energy and inadequate transport infrastructures, though they are continuously improving, but are incapable to meet global challenges and competition both at domestic and international market.
- 3. Counterfeiting Products in the market:** Counterfeiting product is another major problem that challenges the brand and goodwill of pharma industry. Counterfeiting products are sold at a lower cost than the market price and is putting pressure on incumbent firms on both sales and reputation. PwC 2010 report found that t only 0.046% of all medicines sold contained evidence of being spurious. International Pharmaceutical Federation financed by WHO said in a report that 3.1% of all drugs sold in India were spurious.
- 4. Skilled Labor Shortage:** A PwC 2010 study suggests that India is facing shortage of skilled labor in the pharmaceutical industry due to demand and supply imbalance which has led to an increase in wage rate and so is the cost of labor.
- 5. Intellectual Property:** Intellectual property is

another major issue the Indian pharma industry is facing. India accepted the Trade-Related Aspects of Intellectual Property Rights (TRIPS) in 1995. India made a policy reform of the Patent (Amendment) Act 2005 to make it accordance with the TRIPS policy. India has been currently facing continuous amendment in patents which is a problem for the enforcement of legal system which is too overburdened for the improvement. Various committees are suggesting government to improve its policy on intellectual property that it should focus on pro-patent policy and data protection (The Satwant Reddy Committee), patenting for incremental innovation, drugs at affordable price and prevention of frivolous patents and evergreening patents (The Mashelkar Report). PwC 2010

Conclusion

This research based case study looked at answers to research questions, which is eloquently addressed, based on theoretical review complemented with empirical data analysis. On one hand, it confirms the pro-innovation policy by the government that is increasingly focused on pharmaceutical export output, market position both at domestic and international market, revolutionary growth of industry from mere US\$ 0.3 billion turnover in 1980 to about US\$ 21.73 billion in 2009-10. Moreover, the increasing investment of R & D both by public and private collaboration and set up of CGMP (Current Goods Manufacturing Practices) as well as progressive standardization of manufacturing plants and international recognition such as US FDA approved manufacturing plants are sign of rapid progress of innovation in the pharmaceutical industry.

On the other hand, fiscal incentives such as tax subsidy, capital subsidy, facilitation both outward and inward FDI into the pharma industry, initiation of Export Promotion Capital Goods (EPCG) Scheme and allotment into the Special Economic Zone (SEZ) and setting up the Pharmaceutical Export Promotion Council of India (Pharmexcil) has boosted the pharma industry into multifold growth and is one of the most innovative industries of the country. Though domestic firms are dominating the Indian market and are continuously increasing exports, but the major challenges the Industry is facing are the difficult paths to go through. Without government measure, these challenges will be the

major barriers to the growth of the Indian pharmaceutical Industry.

In the end, it is vital to mention here that pharmaceutical industry is reliant on multidisciplinary factors and government is one of the most important factors that coordinate, collaborate, facilitate and implement policy that shapes both the industry and its innovation activities.

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RUBY BUILDERS - Chennai

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The case deals with a First generation entrepreneur who was born in a poor farmer family in Marayapuram. The case narrates the ideologies adopted and practiced by Dr. Ruby R.Manoharan (RM) who rightly made use of the opportunities available by organising and managing the resources. He operated keeping the following vision in mind "Make Chennai city living affordable for many staying in rented houses".

RM was born in a small village called Kunnathur near Kanyakumari district. RM came to Chennai after completing his basic education from Government school. He joined the Airforce in the year 1980 and travelled around the country to serve the nation. At the age of 35 he took up Voluntary Retirement in 1995 to take up real Estate business. In 1997, RM started his own company called "Ruby Builders and Promoters" (RB) named after his wife Mrs. Ruby.

RM he is known for his passion, dedication, hard work and social service. Since 1997, RB has constructed more than 4000 flats. They are now the market leader in the Chennai Southern Suburb. Identifying the requirement for basic materials like Ready mix concrete, Doors and Windows, etc they have developed in-house construction vertical. This has highly reduced their dependence on other suppliers and they are able to competitively fix the price.

The case study presents the challenge of expanding business to other parts of Chennai, Coimbatore, Trichy and Madurai. And also managing succession and grooming of his son to get involved in managerial decisions taken in RB. Being visionary RM has plans to expand his Corporate Social Responsibility by constructing Schools, Hospitals and Colleges.

Key Words: Entrepreneur, Family Business, Real Estate, Branding and CSR.

RUBY BUILDERS - Chennai

While millions of Indians are seeking for a job opportunity in and out of the country, a humble man changed the lifestyle of Chennai Sothern suburbs, Tamilnadu. The enormous change was led by a man known for his Passion, Dedication, Social service and much more – PMJF Ln.Dr.Ruby R. Manoharan (RM). He is a first generation entrepreneur and an Indian Air-Force Veteran. He is the Chairman and Managing Director of Ruby Builders, one of the leading Real Estate Companies with its presence in prime locations of Chennai viz. Tambaram, Pallavaram, Pallikaranai, Selaiyur, Rajakilpakkam, Medavakkam, Velacherry Main Road, Perungalathur, Vandalur, Mannivakkam, Padappai and transformed and upgraded South part of Chennai to the next higher grade city (Exhibit

1). The vision of RM is to make Chennai city living an affordable home for many staying in rented house.

Ruby Builders, Pioneer in the construction industry who identified South Chennai as one of the potential areas for development are now a name to reckon with and have created history by developing Tambaram & surrounding areas which was ignored for any development few decades ago. Now Tambaram is considered as "Gate way of Chennai" due to the majority of people moving from Chennai city to suburbs due to drinking water, less pollution, peaceful life, etc. These advantages are rightly used by him to initiate many residential projects since inception of the company.

About Entrepreneur Childhood

Manoharan was born on May 25, 1959 in Kanyakumari District, Tamilnadu, the second child of Ramaswamy Nadar and Selvi. There are around 5000 families in his village where less than 100 families led a better life, due to Government jobs. Others worked as daily wage labourers in Agricultural fields, Rice Mill, etc. His father worked as a Cooperative Society Sales Man with a very low income. Due to his father's low income his family struggled even for basic necessities. So at his tender

age, he started contributing to his family by doing small errands. Earning a livelihood and taking care of the members of the family became a primary matter of concern; education stands a little or, very often, no chance of pursuance. Education is perceived as a high-priced luxury. But after Perunthalaiver (Great Leader) Kamarajar's introduction of the Midday Meal Scheme, he started going to school at least to get one time good food in a day. He was an average student in his school. Due to his poverty he developed inferiority complex and made him to be alone in the class without many friends. After completing 11th standard he and his elder brother were interested in doing their higher studies but their family situations forced them to move to Chennai for employment.

Work Experience

At the age of 18, he was employed in a small showroom as a sales man, where he worked for 14 hours a day with a monthly salary of Rs.1200/-. Mean while he applied for ITI program in Chengelpet and PUC in Madras Christian College, but unfortunately he did not get seat from both the colleges. Through one of his relative he got introduced to Mr.Robinson, IAF Officer. Robinson advised Manoharan to apply for a job in Indian Air Force in the year 1978. He received interview letter from IAF, where 3000 people attended the interview and 300 selected for the post of Mechanical Transport Driver (MTD) and he was one among them. In 1979 he joined Indian Air Force with a salary of Rs.3000/-. First posting at 10 Air Force Hospital(10AH) located at Hasimara, West Bengal, which is considered one of the toughest places to work. Then he got transferred to Tambaram Airforce Station. After serving IAF for 15 years, he joined Airport Authority of India (AAI), Menambakkam in the year 1995 as a Fire Operator.

Employee to Entrepreneur

At the age of 31, he got married to Ruby, D/o Kurusumuthu. The bare reality of life made him to understand that you cannot wait for things to happen; you need to do something on your own to put your future in your hands. So he quit his job and decided to take up Real Estate Business.

Source of Fund for 1st Project

His brother Rajan, gave him 4800 sq.ft of vacant land for starting his construction work. For capital, he invested his own savings of Rs.5 Lakhs from hand and a part amount through finance loan. He was

also financially supported by his Father-in-law and his brothers. Collectively with an initial investment of Rs.15 Lakhs, he started constructing 12 units apartment. While his project nearing completion, still he could not able to sell even a single unit. After investing all his savings and borrowed huge sum of money, he was upset without knowing what to do next.

Turning Point to No Turning Back

A family friend of RM was a regular reader of newspapers gave him an idea of advertising in "The Hindu" newspaper which is No.1 newspaper. So he gave 2 lines classified advertisement in "The Hindu", for Rs.2000/- after which he started getting response. But converting the enquiry into business was his next major task because people call on landline and say I will come to Tambaram Bus stop at a specific time. So he will be waiting in bus stop to meet his potential customer, but many occasion they never turned up. Due to his determination he managed to convert the enquiries into sale and sold all the 12 units within 3 months of project completion at Rs.3.5 lakhs per unit. He earned a profit of Rs.17 lakhs from his 1st project itself, which really motivated him to do better and invested all his profits in buying lands in 3 places for his subsequent projects. After this achievement there is no turning back for RM.

Building Future Since 1997

RM was widely recognized for his visionary approach and contributions to construction industry through his pioneering role developer and corporate leader who has transformed the urban landscape of South Chennai by setting new standards in the affordable housing segment and urban development scenario, generating new employment opportunities & changing lifestyles.

Under his dynamic leadership and customer-centric approach, the company have created a track record by completing over 169 projects accommodating more than 4000 happy families amounting to the tune of appx.3.5 million square feet of residential space in a span of 17 years.

Expansion and Growth Strategy

RUBY Builders are further expanding their base with their on-going residential projects of around 1.5 million square feet with all types (low-rise, medium rise and multi-storied buildings) of residential buildings which are under various stages of development viz, RUBY GRAND at

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Selaiyur with 304 flats, RUBY Elite on the Velacherry Main road with 206 life style apartments, RUBY LANDMARK near Vandalur with 298 flats, RUBY REGENCY at Selaiyur with 144 flats, RUBY STAR CITY at Perungalathur with 154 flats, RUBY RESIDENCY at Tambaram with 160 flats, RUBY DELUXE near Vandalur with 80 flats, RUBY HOMES at Rajakilpakkam with 88 flats & RUBY PRIDE at Pallikaranai with 30 flats and the list goes on.(Exhibit 2). The immaculate design, location, affordable pricing, quality construction, on-time delivery are some of the fundamental principles of RUBY Builders.

Location Strategy

RUBY group emphasises more on finalizing the strategic location with a vision for the future while short-listing and finalizing the project site to have a potential for socio- infrastructure connectivity, employment zone, educations and health units developments to provide an inclusive growth opportunity for their customers. This futuristic approach of the RUBY group has attracted many customers to choose their preferred homes in RUBY. (Exhibit3)

Planning, Execution and Delivery

Team RUBY have well Experienced Architects, Consultants, Sub- contractors, Vendors, experienced in-house construction team to finalize the efficient floor plan layouts with facilities and amenities, execution of design into the finished product with the utmost care on quality control and quality assurance measures in compliance to the safety norms to deliver stable and safe homes to their esteemed customers.

Cost Affordability - Customer's Point of View

To achieve the objective of providing affordable homes to the buyers, RM has developed in-house construction vertical and mechanized the construction practices with own infrastructures facilities, modern machineries and equipments.

He has also ventured into backward integration of the business by setting up in-house ready mix concrete plant and other building materials facility to improve the construction cycle time, control of cost, overheads and to ensure on-time delivery of cost effective homes to RUBY's esteemed customers.(Exhibit4)

Customer Relationship Management at Ruby

RM follows the Principle of "Work is Worship" and "Customer is God". As a Mentor of the RUBY group, he advises his entire team to deal with every prospective and existing customer in a friendly manner and continue the cordial relationship even after the maintenance period of the project. This 360 degree of customer friendly approach continues to invite the customers for repeated purchase and also multifold the new customers list for the entire RUBY Group.

The success of the brand "RUBY" lies on the exclusive customer-centric approach right from Chairman to every associate. The feasible customisation of the designated layout of maintenance and support services even after completion of maintenance period are USP of the RUBY group. The continued repeated customer's responses have made TEAM RUBY to further sharpen their focus to cater for customer's increasing needs.

This customer centric approach continue to retain RUBY Builders as One Stop Destination for the Home buyers like how Stone RUBY is considered as One of the Precious stone in the Gemology.

Challenges

After being in the construction industry for more than 17 years, Ruby Builders (RB) has built a strong reputation and is known for offering exceptional services given to their customers. But off late they face competition from other players from the industry, who ventured into the Tambaram territory, of these some are local players and other national players. The modern age customers are price conscious and compare prices on social networking sites for different projects in the same locality. They look out for the projects with minimum price range and all other factors are secondary to them. Now RB must decide whether to continue the pricing strategies adopted earlier or to be low cost projects.

The next most important challenge RB faces is that of expansion. They intended to expand to other parts of Chennai and also places like Coimbatore, Trichy and Madurai. The reason being the fast development of neighbouring cities like Coimbatore which is one of the fastest growing tier-II cities in India and a major textile, industrial, commercial, educational, information technology,

healthcare and manufacturing hub of Tamil Nadu. So many people have started to settle in these regions for employment and businesses. But the problems are to find the ideal location and cost reduction to stay competitive and creating a brand.

Until now most of the key decisions were taken by RM for all his projects, but he wants his son to be actively engaged in all decisions taken at RBPL. Being an Architect by profession his son is doing an excellent job in conceptualizing the efficient master planning and lay-out of various projects but RM feels that involving his son in managerial roles will help their business to the next level.

Advisory Role Model for Budding Entrepreneurs

RM has also inspired many aspiring young minds to get into the construction industry by setting a great example. His book titled "NEENGALUM BUILDER AAGALAM" means "YOU TOO CAN BECOME BUILDER" written in Tamil has been a Guiding Manual for new and young entrepreneurs in the real estate and construction industry.

Many new developers still acknowledge that he is an inspirational personality to them and they follow his style of business model, since it is a proven way of success. He whole heartedly declares that his approach and business strategy, results and benefits should also be passed to the next generation.

He is an energetic, enthusiastic, affectionate, caring personality and easily approachable to each and everyone in the society- may it be a common man, customer, fellow members in the industry, media, and his employees as well to the site workmen. He is also holding the following positions in the Builders fraternity to share his experience and to scale up the industry to the next level:

- Member – Builders Association of India
- Member – CREDAI
- Member – Chennai Suburban Builders Association
- Member - Flat Promoters Association, Chennai North
- Past President & Advisor – Flat Promoters Association, Chennai South

Honours & Awards

RM, an altruistic person of great social values and passion towards hard work, devoted his time and

energy towards the inclusive growth opportunity for the society with an unparalleled desire for excellence and perfection with acumen for on-time deliverables to his esteemed customers.

This conviction crowned him with several awards for excellence viz,

1. Lifetime Achievement Award from Lions International Club - 2015
2. Excellence in affordable housing award for the two consecutive years, 2012 & 2013 by His Excellency Dr. K. Rosaiah, Governor of Tamil Nadu
3. "Araneri Annal" Award by S.V.V. Trust - 2010
4. Best flat promoter - Vanigamani award - 2009
5. THE SEVA RATNA, a Prestigious Award instituted for Corporate Social Responsibility by Parthasarathy International Cultural Academy - 2009
6. "Doctor in Philosophy" by the Inter-American University of Humanistic Studies for commendable contribution to Civil Accommodations - 2009
7. Best business entrepreneur award - 2004

Corporate Social Responsibility (CSR)

RM, hailing from Marthandam in Kanyakumari District has a natural interest in social development, chose to contribute for the society by delivering affordable homes through his deliverables and gained recognition and respect in the real estate industry and society. He is very passionate about charity services to the needy and poor people. Apart from his own extending whole hearted financial help, as a Regional Chairperson of Lions Club, he motivates all those who are closely associated with him to take active part in social service activities. He was instrumental in donating 50 Metric Tons of Rice to the economically weaker section through the Lions' Club, Tambaram and holds the position of Regional Chairperson, Lions' Club Dist 324 A 6 and Trustee, Lion's Foundation Hemodialysis Units at Chrompet (South Chennai) and Red hills (North Chennai).

He also extends help to the under privileged people of our society enabling them to attain education for their better future and growth in their economical status. To ensure much needed standard education is within the reach of students hailing from his Village at Marthandam, he as a Founder Trustee and Chairman has instituted Sri Krishna Vidyalaya

Matriculation School and is providing free education to the needy youth of our soil. He encourages and honors the Teachers and Academicians, who moulds today's students to become better face of Future India.

According to him, there is a huge gap in supply of housing unit's with respect to the current demand. He feels proud to be a part of building nation by joining the scheme of House for Everyone. He also stressed that there is a tremendous responsibility on the Real Estate Residential Developers to meet this huge demand in providing affordable homes to the society with efficient design and amenities, one of the fundamental needs of a common man, which is being fulfilled by RUBY.

About Entrepreneur Family

Mrs. RUBY, the Director of the group and wife of RM, a highly successful first generation woman entrepreneur and interior designer, is the source of strength for the Chairman and Managing director and also for the entire group to ensure continued success in all the efforts and endeavours.

Mr. ASHOK MANOR, a young entrepreneur and son of RM, is an Architect by profession, and also a Vice Chairman and Joint Managing Director of Ruby Builders and Promoters, who conceptualize the efficient master planning and lay-out of various projects.

Ms. CINDHYA MANOR, daughter of RM, pursues her under graduation in medical science to continue to carry forward the relay of his father's vision of providing social development in Health sector too.

TEACHING NOTE

RUBY BUILDERS - Chennai

Case Synopsis:

The case deals with a First generation entrepreneur who was born in a poor farmer family in Marayapuram. The case narrates the ideologies adopted and practiced by Dr.Ruby R.Manoharan(RM) who rightly made use of the opportunities available by organising and managing the resources. He operated keeping the following vision in mind "Make Chennai city living affordable for many staying in rented houses".

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From MR to PMJF Lion Dr.Ruby R.Manoharan, he is known for his passion, dedication, hard work and social service. Since 1997, RB has constructed more than 4000 flats. They are now the market leader in the Chennai Southern Suburb. Identifying the requirement for basic materials like Ready mix concrete, Doors and Windows, etc they have developed in-house construction vertical. This has highly reduced their dependence on other suppliers and they are able to competitively fix the price.

The challenge that they now face is to expand to other parts of Chennai, Coimbatore, Trichy and Madurai. And also managing succession and grooming of his son to get involved in managerial decisions taken in RB. Being the visionary he is Lion Dr.Ruby R.Monoharan has plans to expand his Corporate Social Responsibility by constructing Schools, Hospitals and Colleges.

Key Words: Entrepreneur, Family Business, Real Estate, Branding and CSR.

Courses and Levels for which the case is intended:

Entrepreneurship courses in PG level programmes of Management

Teaching Objectives:

1. To encourage the students to become an Entrepreneur and to discuss the issues related to skills to be successful.
2. To teach the development of Business Plan.
3. To teach optimum utilization of resources available to stay competitive in the business.
4. To understand the strategy to be adopted at the time maturity stage.
5. To understand the importance of Corporate Social Responsibility.

Theory Application:

1. Entrepreneurial skills
2. Family Business and Succession Planning
3. Branding
4. Competitor Analysis
5. E-Commerce
6. Managerial Decision Making

Research Methods:

Primary Data Source : Personal Interview
Secondary Data Source : Websites, Magazines, Newspaper, etc

Suggested Teaching Methods:

The proposed pedagogical approach is to divide the students into teams. The team can use the case to identify the issues they must to answer at each stage. After completing, the team can present the case study in front of the other teams in the presence of faculty. The faculty and other teams can raise queries and get clarified their doubts in order to evaluate their solutions. After evaluation the best solution could be used for decision making.

The sequence and Key Learning Issues are:

Taking a decision to start Real Estate Business	Characteristics of an Entrepreneur, Identifying the Business Opportunity.
Evaluating the Business Idea	Measuring the window of opportunity, Feasibility Study, Market Research and Demand Forecasting.
Developing a Business Model	Business Model, Segmentation, Targeting, Positioning, SWOT, etc.
Branding	Using Social Networking Sites

Discussion Questions and Guideline to the Questions

Questions	Guidelines
How did Ruby R. Manoharan(RM) arrive at the Real Estate Business Idea? What factors influenced his decision?	Discuss about family situation, work experience, funding, etc.
Is risk taking will pay off for the entire entrepreneur's who wants to start business?	Discuss about how RM pledges all his life savings, loans, etc to start his business. And how he succeeds in his first project.
Is it taking the profits from the business for personal use a right decision?	Discuss if an entrepreneur made any profit, then they should invest the profit for further development of the business.
What promotional strategies to be adopted to stay in the competitive world?	Discuss about the modern customers who are tech savvy always compare the products/services available in the market also source reviews from other customer about their experience. So, how RB can promote their brand using Social Media.
How segmentation works in real estate business?	Discuss about the different types of projects RM initiated like Low, Medium and High Rise to cater the needs of customer.
If you are appointed as Business Development Manager in RBPL, what would be your plan of action to expand to other parts of state?	Location, Branding, Recruitment, In-house Management, Service Quality, etc
What pricing strategy should RM adopt to stay competitive in the Real Estate business?	Market oriented, Penetration pricing, etc can be used at the time of Maturity stage.
If you are in the shoes of RM, what will you do to motivate his son to actively take part in managerial roles?	Ask his son to start a project on his own from location identification to handing over the flats to their customers. Ask him to handle a problem which company is facing currently.
Is Corporate Social Responsibility must for all organizations?	Discuss the benefits of CSR and how it helps the business in a long run.

Questions:

1. What is the key learning's from this case study?
2. Can you suggest how RM can make his son to involve in key decision making role?
3. What pricing strategy could RM adopt for their upcoming projects in Chennai?
4. If RM wants to expand to other parts of the Tamilnadu, what strategy he must to adopt to succeed?

Exhibits



Exhibit 1

Low Rise – Ruby Residency



Medium Rise – Ruby Flamingo



High Rise – Ruby Landmark



Exhibit 2



Exhibit 3

Businesses in Ruby Builders, 2014: Turnover 2012 to 2014 (Rs. In Lakhs)

Company Names	31-03-2012	31-03-2013	31-03-2014
1. Ruby Builders and Promoters	6189	9239	10735
2. Ruby Manoharan Property Pvt. Ltd	1601	3075	3817
3. Ruby Ready Mix Concrete	NA	NA	NA
4. Ruby Doors and Windows	NA	NA	NA

Exhibit 4

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Narayana Murthy: The Table Turner in Troubled Times?

Pallavi Srivastava*

Swati Singh**

The present case revolves around the comeback of Narayana Murthy as executive chairman at Infosys and its aftereffects. The time span considered for the study is the period between May 2013 to July 2014. Infosys was leading the charts in the IT/ITES sector company in terms of both growth and profitability in industry till 2011. After the retirement of its chairman Narayana Murthy in August 2011 the company could not sustain the changing industry dynamics and went into a downslide in terms of its shares, growth rate and market share. These tried times called for the comeback of Narayana Murthy on June 1, 2013 as the Additional Director and Executive Chairman of the board for a period of five years replacing K V Kamath.

The reinduction of Murthy to Infosys is the trigger for this case and sets to examine the challenges faced by leadership in transforming and turning around an organization. It showcases the initiatives he took in this challenging situation and the changes that followed. The case ends with the appointment of Vishal Sikka as CEO of Infosys and subsequent departure of Murthy from the responsibilities of his organization.

Key Words: Succession Planning, Business Ethics, Leadership, Change Management, Corporate governance

Introduction

The year 2011 saw Infosys struggling to retain its bellwether position in the IT sector. Earlier it was the second largest IT exporter, but it lost that position to Cognizant in August 2012. From 2008 to 2011, its share price fluctuated a lot going a good 10 percentage points lower than the Sensex growth. Global uncertainties also dented the performance of Infosys. It started giving lower than expected revenue guidance of 6-10 percent growth for fiscal 2014, compared with the 12-14 per cent prediction by industry grouping NASSCOM. There was a decline in company's shares by 15 per cent, growth at half the rate at which rest of the industry expanded in 2012-13 and lots of criticism from investors for missing its earnings guidance and rivals poaching on its market share. Its main rival TCS had also increased its revenue lead over Infosys. It was consistently growing faster and in 2011-12 grew at 31 per cent versus Infosys that managed a full year growth of 23 per cent. (Exhibit1)

Things were not at all rosy for the company. This triggered the board's decision to call back Narayana Murthy's on June 1, 2013 as Executive Chairman at Infosys. This was aimed to regain some of its lost

position, and to help the company cope with current market realities. His reinduction was made keeping in mind his entrepreneurial and leadership record and his long experience as technology pioneer. He had displayed a tactical finesse that has earned him a reputation as one of India's canniest entrepreneurs. It was thought that he would be able to provide a strategic direction in troubled times and bring back its lost glory.

This news created ripples in the Indian IT/ITES industry. Headlines screamed of Narayana Murthy's return to Infosys as the Executive Chairman on the board. Murthy joined the legacy of Michael Dell, Steve Jobs and Howard Shulz, in the entrepreneurial hall of fame when he returned to his startup after stepping down from the board to become Chairman Emeritus in 2011 (Jayashankar, 2013). Economic Times stated "Narayana Murthy can change Infosys- the prisoner of his legacy".

Infosys' struggle with leadership transition and implementation of a consulting-led strategy for the past two years triggered the board to reinstate Narayana Murthy, 66, as the Additional Director and Executive Chairman of the board for a period of five years on June 1, 2013 replacing K V Kamath. This move rejoiced shareholders of Infosys. "We are happy that Murthy is coming back. We have an extended family and whenever a family member comes back, either invited or as a surprise, you are always happy," said Shashank Gupta, an assistant vice-president at India's second-largest software exporter (Prasad, 2013).

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The leader of IT/ ITES industry, Infosys, was facing turbulent times. But, the return of its chief mentor Narayan Murthy seemed to be a key deciding factor for the future of Infosys. He aimed to rebuild a “desirable” Infosys within 36 months with the help of high quality team and full dedication of every Infoscian.

Narayana Murthy and Infosys

Narayana Murthy, is one of the founders and the Chief Mentor of Infosys Technologies Limited which was founded in 1981. In 1987, Infosys opened its first international office in U.S.A. With the liberalization of Indian economy in 1990s, Infosys grew rapidly with its IPO coming in 1993. In 1995, Infosys set up development centres across cities in India and in 1996, it had set up its first office in Europe in Milton Keynes, UK. In 1999, Infosys became the first Indian company to be listed on NASDAQ. In 2002, Infosys was ranked No. 1 in the “Best Employers in India 2002” survey conducted by Hewitt and in the Business World's survey of “India's Most Respected Company”, conducted in the same year.

Along with the growth of Infosys, Narayana Murthy too grew in stature. He received many honours and awards. In June 2000, Asiaweek magazine featured him in a list of Asia's 50 Most Powerful People. In 2001, Narayana Murthy was named by TIME/CNN as one of the 25 most influential global executives. He was the first recipient of the Indo-French Forum Medal (2003) and was voted the World Entrepreneur of the Year - 2003 by Ernst and Young. The Economist ranked Narayana Murthy eighth on the list of the 15 most admired global leaders (2005) and Narayana Murthy also topped the Economic Times Corporate Dossier list of India's most powerful CEOs for two consecutive years - 2004 and 2005 (ABESIT, 2014).

Comeback Reports

When asked to comment on his comeback, Murthy said, “This calling was sudden, unexpected and most unusual. But, then, Infosys is my middle child. Therefore, I have put aside my plans-in-progress and accepted this responsibility. I am grateful to KV Kamath, the chairman, the board and every Infoscian for giving me this opportunity. I intend to do my best to add value to the company in this challenging situation”.

KV Kamath, chairman, Infosys said, “The board has taken this step keeping in mind the challenges that the technology industry and the company faces and

in the interest of all stakeholders, particularly shareholders large and small, who have asked for strengthening of the executive leadership during the challenging time. Murthy's entrepreneurial and leadership record and the long experience he had as a technology pioneer makes him eminently qualified to lead the company and provide strategic direction at this point in time” (Myiris, 2014).

“The challenge is daunting and the task is tough”, said Murthy in a candid address to shareholders at the 32nd Annual General Meeting here, two weeks after he was recalled and made Executive Chairman of Infosys which has reported poor earnings, hence disappointing investors (Rebuilding a., The Economic Times, 2013).

Initiating Change Strategies

He began his task by implementing measures to try and regain its market share, improving the confidence of investors by long term profitability and most importantly tackling the talent attrition from the organization. His focus was on getting things aligned, talking to clients and creating expertise on the product innovation side. The measures he took could easily be segregated into operational and talent management measures.

Operational strategies

The three major revenue generating streams for Infosys were opportunities from consulting-led end-to-end solutions, development of intellectual property-based solutions and outsourcing of projects. When Shibulal tookover as CEO he focused majorly on global delivery model on cloud computing. During this period Tata Consultancy Services (TCS), a competitor of Infosys widened its lead on outsourcing deals.

Since the company's focus on the third revenue stream was getting blurred, Murthy decided to refocus on winning large revenue-yielding outsourcing projects in the short-term. He was keen on getting outsourcing contracts for software development, network maintenance, writing application software and management of IT networks. Earlier through a bidding process such deals were easier to capture, but the current environment required high levels of customer engagement and the ability to propose solutions that address their business concerns. To attain these contracts Infosys required major change in strategies like, submission of more proposals, improvement in winning rates and bringing greater flexibility into pricing. This would eventually to

help regain its lost market share. At the same time, the company was also to ensure that it accelerates its progress in the first two streams in the medium to long term (Nandakumar, 2013).

Talent management strategies

Retaining top performers and hiring the best in the business were crucial to Murthy's plans for reviving the company and to rebuild a “desirable Infosys” within next three years. Top-tier software companies reported a decline in employee attrition during the same period. Attrition in its rival TCS stood at 10.6 per cent while Infosys stood at 16.3 per cent, compared with 14.7 per cent a year ago. Over the past two years, as Infosys struggled with leadership transition and implementation of a consulting-led strategy, the company became a fertile poaching ground for rivals. One of the most crucial steps he took was to try and coax back several rainmakers who left for rival companies. The names high on Murthy's list include Shaji Farooq, who was a senior vice-president and the head of consulting and system integration; Balaji Yellavalli, who was the head of client services in the US for financial services and insurance; and Ritesh Idnani, who was the chief operating officer of Infosys BPO (Joseph, 2013). The company's spokesperson highlighted it as “resignations to pursue interests outside of Infosys” (Exhibit 3).

At the same time, Murthy focused on reducing costs by trimming the number of senior employees and subcontractors at its on-site locations. Murthy, told analysts from British multinational bank Barclays that employee motivation in Infosys had improved and recent senior-level exits would only have limited impact on the company's performance. He confirmed that Infosys has a full bench of senior managers to fill in any gaps and secondly, most of the churn has been of the managers who were either not comfortable with the changed circumstance or for which the company thought that there was limited value addition.

Earlier in April 2012, the company's decision to freeze salaries when rest of the industry was giving out pay hikes had not gone down well with the employees. Murthy's return was taken as a big morale booster and employees hoped for timely salary increases and promotions. They were certain that Murthy would never compromise on increments. Murthy did not fail them and reciprocated with an increase in wages of 1.5 lakh company's employees. He announced an average increment of 8 per cent for Indian employees and 3 per cent for employees outside India effective July 1,

2013. The biggest push was for its global sales force which was to get a raise of 8 per cent effective May 2013. This move was taken to help stabilize things in the company.

An emphasis was also given on employee performance to revive a culture of meritocracy in the company that had underperformed in the industry for two years. He warned that Infosys would not shy away from replacing bottom-ranking sales people with smarter local hires. He stated that a robust and effective sales force would be crucial in any revival plan for Infosys, especially at a time the outsourcing industry was undergoing fundamental changes. The clients were keener on business results rather than just technology.

Among rivals, Cognizant Technology Solutions rewarded high-performers with bonus while Tata Consultancy Services handed out plum overseas assignments and learning opportunities. At some companies, employees could receive up to 200% of their variable pay. Similar payouts at Infosys could boost morale and help stem attrition. In order to increase the differential between high-performers and non-performers at Infosys, variable pay was used as one mechanism. In 2004, Infosys had officially suspended EPOS scheme. Hence the employees with the top ratings were to receive 50-90% of their variable salary while the lowest-rated ones would get only up to 30%. Typically, 10-25% of an executive's compensation could be variable, depending on seniority. In September 2013, the company also made an unusual provision of about 130 crore to pay bonus which was seen as a strategy to raise employee moral at a time Infosys is struggling to regain talent. Besides individual performance, the relative performance of the business unit also became a key deciding factor.

Murthy known for his equal status policy, made it a point to interact casually with even the most junior staff and making himself easily approachable. In words of an Infoscian “whenever he was in campus, he would come to cafeteria for lunch, stand in queue like one among us. We never saw Shibu (S D Shibulal) and Kris (S Gopalakrishnan) at cafeteria.”

The Murthy Effect

For employees of Infosys, the return of Narayana Murthy was the harbinger of better days, possibly with better pay and more positive energy among the ranks. Murthy decided to make changes in the way it would reward top performers by modifying its talent management platform, called iRace or Infosys Role and Career Enhancement (Exhibit 2). This HR

initiative was designed by consulting firm Mercer. It consisted of extremely large and complex exercise in which 25 career streams were created. This formed the basis for promotions by defining roles and linking them to employee strengths. iRace, rolled out in 2009, proved to be unpopular because it resulted in to 4,500 demotions in the first year of its introduction. Further, employees were upset about experience being ignored in favour of certain pre-determined skills when it came to deciding promotions and wage hikes.

Experts said that while the intent is desirable, implementing a scheme to reward high-performers better than the rest is not always easy. "All companies want to make a major differentiation between high-performers and non-performers. But in practice it is not easy to do this because measurement mechanisms are usually not perfect," said P Thiruvengadam, Senior Director for human capital advisory services at Deloitte India (Prasad & Shivapriya, 2013).

The prospect of a 'new, improved' Infosys is seen leading to a surge in job applications even in tepid market conditions. Earlier the number of job applicants at Infosys declined since FY11. From 8,29,800 in FY11, it dropped to 6,22,971 in FY12, and further to 3,79,000 in FY13. However with an announcement of 8% salary raise and a vision to build a "desirable" Infosys within 36 months shown by Executive Chairman Narayana Murthy may lead to an enhancement in the company's employer brand image. "Infosys may not demand so many employees but it will see at least a 20% increase in inbound resume, especially at lower levels and the middle management," said Surabhi Mathur Gandhi, senior vice-president of TeamLease.

Infosys had also prided itself of strong leadership development, with both internal and external training for senior leadership roles. Infosys had groomed a set of tier-I leaders and executive council members, many of whom have been with the company for years. It is surprising that Infosys has found it wanting when it came to finding the right person for leading the company at the very top.

Criticism for Infosys

Murthy's return was not smooth sailing for Infosys and the company had to make a lot of compromises. Till May 31, 2013, Infosys scored high on various corporate governance dimensions: one of few Indian companies to have an independent chairman on the board, to have retirement age limits for executive directors (60 years) and non-executive

directors (65 years), and probably the only Indian company to have a policy of not allowing founders' children to take executive roles in the company. Narayana Murthy was a living legend and an epitome of the fact that honesty, transparency, and moral integrity are not at variance with business acumen. He had set new standards in corporate governance and morality when he stepped down as the Executive Chairman of Infosys at the age of 60.

June 1, 2013 was the day when Infosys eschewed its principles for practicality. Murthy's decision to return raised much criticism. By reappointing Narayana Murthy as an executive chairman, the board and the nominations committee seemed to have been ineffective in arriving at an orderly succession plan and could not find leadership both inside and outside the company (Only Narayana..., The Economic Times, 2013).

Apart from Murthy's comeback the appointment of his son Rohan as his executive assistant raised eyebrows amongst the employees. Although the market cheered Murthy's second innings, a section of market observers felt that by returning to the company at his age, and showing nepotism, the Infosys co-founder compromised on the high corporate governance standards he had previously set. It was surprising that the executive chairman found it important to groom his son and induct him as executive assistant, rather than groom youngsters in the company for future leadership (Has Narayana..., The Economic Times, 2013)..

His return catapulted into more talent flight at strategic level from the organization. Apprehensions for reaching a career plateau upsurged in many contenders for the top posts. As a result Infosys witnessed parting of many top executives from the company. While global sales head Basab Pradhan quit in July 2013, Ashok Vemuri, Head-Americas and Global Head-Manufacturing & Engineering and Sudhir Chaturvedi, Head, Financial Services, Americas quit in August, the same year. Stephen Pratt, head of Infosys utilities and resources vertical for North America, quit in November 2013. December 2013 resulted in the departure of V. Balakrishnan, Head, BPO, Finacle and Chairman, Infosys Lodestone. A major setback for the company came in terms of resignation of B.G. Srinivas, President and Board Member at Infosys. Both Vemuri, and Srinivas were seen to be among the top three contenders to replace CEO SD Shibulal when he was to retire in 2015. Overall twelve such high profile departures took place within a year (John, 2013).

Challenges Ahead

The global IT landscape had changed significantly since Narayana Murthy gave up executive responsibilities. Murthy, now returning to lead Infosys as executive chairman, was likely to make changes to its delivery (Crabtree, 2013). He now aimed to bolster revenues from Infosys' products, platforms and services division (PPS), a unit perceived as being pushed into the background after his return. While announcing the launch of a new software platform TradeEdge, Murthy said there is an opportunity to derive much higher revenues from the PPS business, compared to traditional services such as developing custom software for corporations and maintaining their computer networks. TradeEdge is Infosys' third software platform aimed at retail firms in emerging markets (Phadnis, 2013).

Murthy also had to face competition from players such as Cognizant and HCL Technologies, which were relatively modest firms, when Murthy hung up his boots. The Q1 2014 results show that Cognizant has overtaken Infosys in terms of revenue size, HCL Technologies is leading the infrastructure-management segment, the line of business which has shown higher growth than traditional IT services and TCS has snatched away its bellwether tag.

The business of technology services is changing at its core and clients will no longer accept solutions that do not serve their strategic business goals. In a difficult operating environment the competitors had proved to be more flexible thus taking away the confidence of customers and investors in the company (Narayana Murthy... The Economic Times, 2013).

Infosys' own growth in the past few years when Murthy was not serving in an executive role also posed as a big challenge. With an increase in the size of workforce that was 1.6 lakh strong against 52,700 in FY06, Murthy also had to address a far bigger and perhaps more disgruntled workforce. As pointed out by him, he was also not very much in touch with the young blood at Infosys.

Factors like less appetite for risk, inflexibility in pricing and contracting, limited investment in client facing roles were established by its founders including Murthy to help the company scale new heights. Now the same factors had become inhibitors.

Nonetheless Murthy did a commendable job

although he had to take some tough decisions after his comeback. His three-pronged strategy to improve cost, sales and delivery effectiveness resulted in improved margins (risen by 25.5% by June 2014) brought about by lowering employee costs and subcontracting costs.

A New Dawn

On June 12, 2014, at a Press Conference in the Infosys campus, Murthy announced that his job was done and he was leaving the reins of Infosys in the very capable hands of a new CEO. Two days after, Infosys appointed, former SAP AG executive board member Vishal Sikka as CEO who will take over from SD Shibulal on August 1, 2014. It is for the first time Infosys has not chosen one of its founders for the role. Now the baton has been passed to newer hands. Will the dependence on Murthy ends here? Sikka's appointment was followed by the resignation of Infosys head of computers and communications division, K Murali Krishna, who became the thirteenth senior leader to quit the company in a year. Did Murthy take the right decision by appointing an outsider as a CEO as the leadership exodus is still there? Will it work? Infosys had been known for developing a robust leadership pipeline and now when there was a quest for the right leader, none of them stayed. What went wrong? Now the onus is on the New CEO to connect the dots and rebuild the leadership team. Time will tell whether Murthy's decision regarding the choice of new leadership would be able to rescue Infosys from being gobbled by morasses? Murthy's comeback was for five-years. Surprisingly, he announced his departure to be on October 10 this year, a little more than a year from his comeback. There had also been growing disgruntlement with the interference of Rohan Murthy in strategic matters of the company. Was it a wrong decision on Murthy's part to bring along his son as his executive assistant? With all the co-founders stepping down, and with so many high-profile exits, will Sikka get a free rein to transform Infosys? Would Murthy be able to break the shackles from being prisoner of his own legacy- the Infosys and keep himself detachedly attached from his organization as Chairman Emeritus? Would this lead to carving a new path for Infosys and be able to revive the lost glory? The hopes are high. All stakeholders now expect Infosys to rise from ashes as Phoenix did!

Exhibits

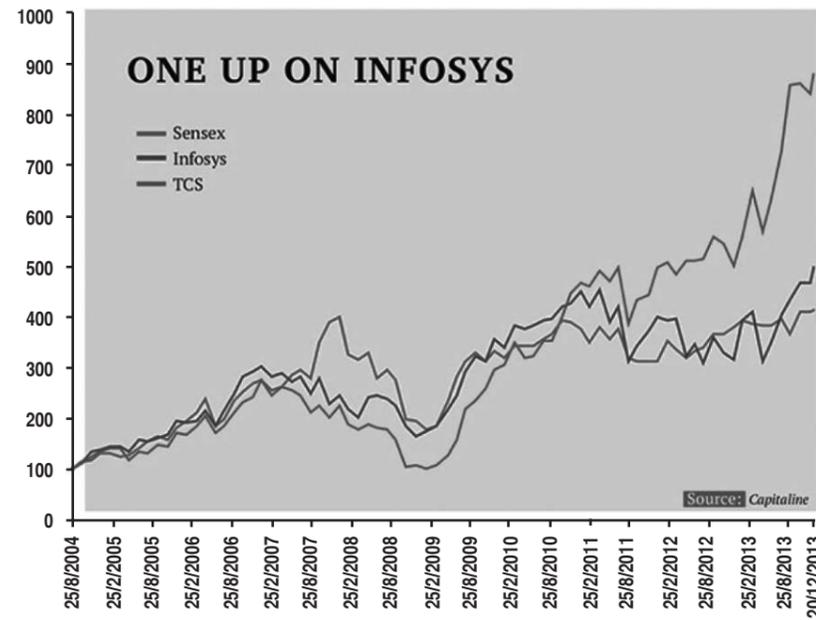
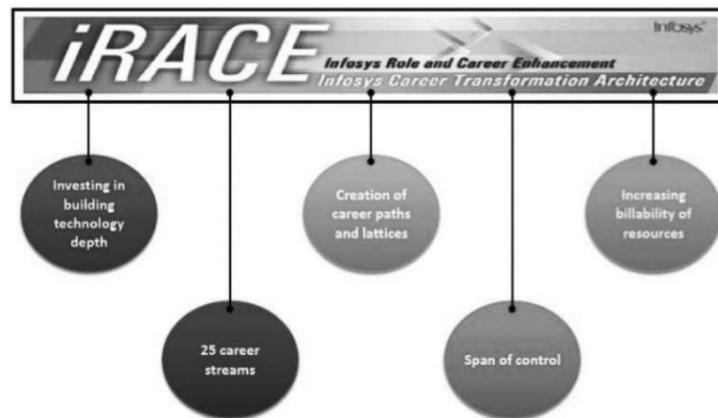


Exhibit1: A comparative analysis of performance of Infosys and TCS between 2004-2013

Source: <http://forbesindia.com/article/investment-guide-2014/tcs-vs-infosys-how-the-it-big-guns-will-fare/36921/1>



Implementation of iRace

- Phase 1 - Mapping of Employee's Strength.
- Phase 2 - Promotion and Hiring on Result Mapping.
- Phase 3 - Definition of Different Role Paths.
- Phase 4 – Deal with implementation of Performance Management.

Exhibit 2: Salient Features of iRace

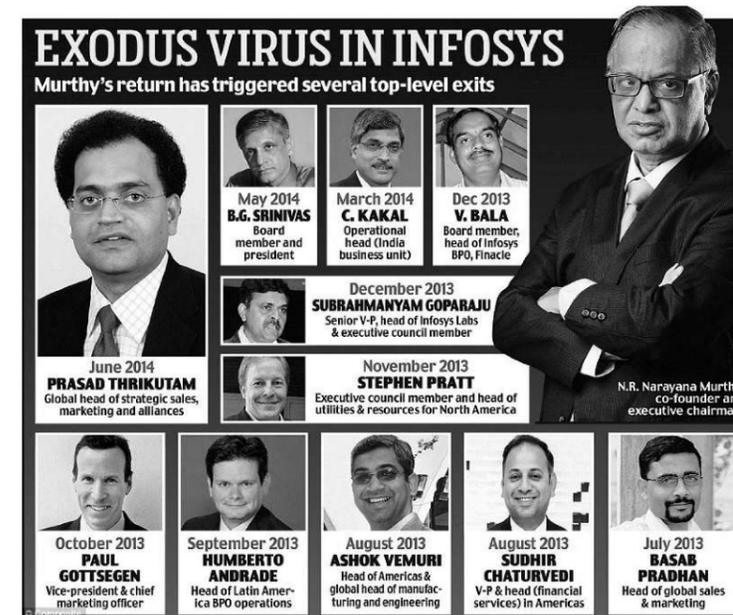


Exhibit 3: High-Profile exits in Infosys during the second inning of Narayana Murthy

(Source: <http://www.dailymail.co.uk/indiahome/indianews/article-2649936/MY-BIZ-Thrikutam-logs-sales-program.html>)

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Suggested Readings

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Great Companies Deserve Great Boards: A CEO's Guide to the Boardroom (2011), By Beverly Behan, Published by Palgrave MacMillan

The Leadership Challenge (2007), By James M. Kouzes and Barry Z. Posner, Published by Jossey-Bass

Survival to Innovation : A Case of Honda Cars India

Shailja Dixit*

Auto industry was severely hit by the economic crisis and the production fell to almost 50% of the capacity. During this period of crisis Honda Cars India claims (during press release September 4, 2013) to have achieved a sales increase of over 100% for the April-December 2013 period in the compact sedan segment from the Amaze launch in India. This innovative product of Honda - Amaze turned out to be a revolutionary product for Honda Cars India.

The automobile industry was worst hit by Global economic and financial crises in the last decade. The demand fell rapidly as consumers postponed costly purchases resulting fall in car sales. Cut throat competition, legislation, customer demand for more efficient cars and more value for money were already putting pressure on existing business models prior to the crisis and thereafter many companies are still struggling to remain competitive in the global market. Innovation does not require investment but implementation of innovation may require investment. The reduction in cash flows resulting from the crisis affected the necessary investments in innovation, e.g. in cleaner engines or batteries, making it more difficult for firms to meet emission reduction targets and regulatory measures leaving very little scope for companies to do innovation to meet the stakeholders' needs.

To meet the challenge Honda introduced Amaze. Is system innovative product the heart for survival during crisis? This case tries to analyse how companies in a global industry gets affected by crisis in a host country adversely affected by crisis and how innovation plays crucial role in combating such crisis. The case also highlights that how companies focus on innovation keeping in account the interest of their stakeholders. The case emphasizes on various aspects of Honda in meeting the challenge and sustain in the industry through its innovative product Amaze.

Keywords: Auto Industry, Innovation, Sustainability, Supply Chain, Supplier, Honda

Introduction

The automotive industry is going to change more in the next 10 or 20 years, than in the previous 50 to 100 years, from factors such as external competition and changing consumer needs." – Louis Yiakoumi, Group Publisher, Automotive Logistics (February 2014)

Auto industry is the leading driver of global economic growth, says the International Organization of Motor Vehicle Manufacturers, and is a leading employer throughout the world. This industry is labour and capital intensive, globalized and export-oriented. Auto industry has undergone major transformations in business model since globalization and was the sunrise industry with global presence till it was hit by economic crisis.

The automobile industry evolved in the Global North as a brown sunrise industry in the early 20th century and internationalized into the Global South already from the 1920s under the control of Western automakers (OEMs). The industry underwent three business revolutions: From a craft based organization to a 'brown' standard mass assembling industry (Fordism), then into a customized, but

divisional organized and vertically integrated mass production industry (GM's productive model), and further on into a production system of flexible specialization or lean manufacturing (Toyotism). Now it faces a fourth and 'green' revolution

(automotive sustainability) aiming to increase fuel efficiency and renewable energy, lowering emission and fuel insecurity, and pursuing complete recycling of scrap.

In recent decades, many developing countries have liberalized their automotive markets and allowed automobile TNCs to take majority control over joint ventures, transforming domestic automotive industries into foreign controlled sectors while leaving a few national automakers in developing countries viz-a-viz India, Malaysia and China. Decomposing and reorganizing the national value chain into regional and global automobile value chains OEMs and TNC original equipment suppliers (OESs) have off-shored and outsourced component and parts production to developing countries.

The global automobile crisis was a downward business cycle, not a structural crisis of the industry. Companies in the automotive industry responded with traditional crisis management (temporary downsizing, cost reductions, retraining, consolidation, innovation), and governments

launched traditional stimuli packages (cash-for clunkers, tax reductions on smaller and/or cleaner cars etc). Strategic initiatives were taken to improve the competitiveness of the domestic industry (consolidation, liberalization) on the one hand and to transform it from a brown industry to a "greener" industry on the other hand (tightening environmental regulations, fuel efficiency and emission standards, subsidizing purchases of smaller and "greener" cars, investing in appropriate infrastructure and green technology R&D).

Innovation is an important driver of industrial renewal. The introduction of innovation in the form of new consumer goods, new methods of production or transportation, new forms of industrial organization, or new services provides the impulse that sets and keeps the capitalist engine in motion (Schumpeter, 1942). Schumpeter portrayed long-term economic growth as driven by the innovative market entry of new successful firms that at the same time were destroying the value of established companies.

Almost all features of a car are dependent on innovation: fuel efficiency, emissions, safety and security, seamless connectivity, information and entertainment, driving dynamics and performance, comfort, flexibility and space, etc. Innovation is also important to respond to the continuous cost pressure in the industry created by legislation, competition, increasing risk and stagnating customer demand (in many markets). Thus innovation activities in the industry are aimed at both product innovation (with customer satisfaction in mind) and process innovation (for cost efficiency and productivity).

Honda – Amaze was innovative product launched

by Honda cars India to combat the global crisis and meet the consumers demand. This product benchmarked itself and changed the face of Indian Automobile industry demonstrating competitors on how to survive tough times in the industry.

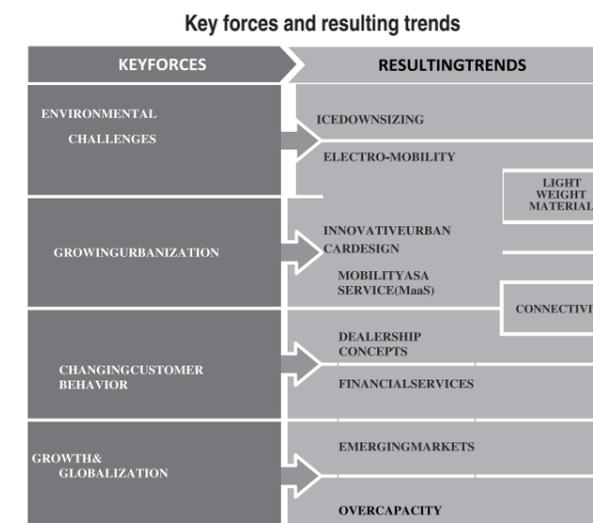
GLOBAL AUTO INDUSTRY

The Global Auto industry is constantly under transformation because three forces: changes in consumer demand, expanded regulatory requirements for safety and regulations and the increased availability of data and information. These three powerful forces are flinging the auto industry and driving the change. These trends impact the automotive manufacturers, wholesalers, retailers, customers and drivers over the next decade and bring revolution on the roads. Global auto giants are revisiting their strategies and focusing most on the challenge of the unevenness of global market apart from challenges like "Global" Vehicle Platforms, Internet of Automotive, Strict Global Norms, Electric/ Green Cars, Lightweight Materials and Consolidation among Auto Parts Suppliers. Leading US manufacturers include Ford, General Motors and the Chrysler Group. The European leading players include BMW, Fiat, Renault, Volkswagen, Volvo and Peugeot Citroën. Japanese Leading automotive manufacturers include Toyota, Suzuki, Honda, Isuzu, Mazda, Daihatsu, Yamaha and Kawasaki.

A research from KPMG (KPMG's Global Auto Executive Survey 2013) has broadly classified these into 4 forces which result in changed trends. Thus to innovate and upgrade constantly is imperative for survival in this cut throat competition.

The Exhibit (I) shows the factors that are changing the face of Global Automotive industry.

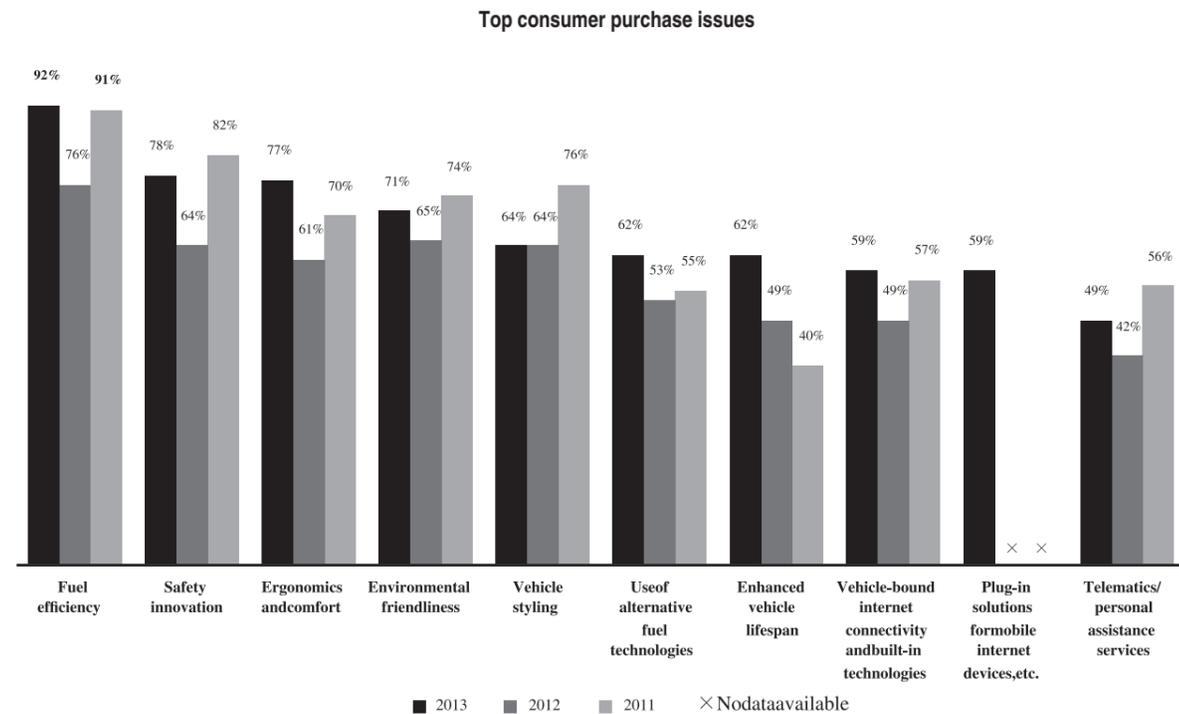
The Exhibit I Factors that are changing the face of Global Automotive industry.



Source: KPMG's Global Auto Executive Survey 2013

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Exhibit (II) : Top Consumer Purchase issues



Note: Percentage of respondents rating issues as 'extremely important' and 'very important'

Exhibit V Source: KPMG's Global Auto Executive Survey 2013

Global Value Chains in the Automotive Industry

"We plan to build 99% of our vehicles on nine global platforms by 2016, and further reduce the total to just eight. Presently, 90% of our models are built using 15 global platforms." – Raj Nair, VP and CTO, Ford (September 2014)

The automobile business is one of the most costly and complex to run. With demand for vehicles declining in most mature markets in the face of the global recession, high fuel costs, and urban driving restrictions, the industry is turning its attention even more strongly towards the expanding middle classes in the new powerhouses of China, India, Brazil, Russia and other growing nations.

The global value chains (GVCs) in the automotive industry are highly structured. There is a strong regional organization of the industry and the growing importance of globally engaged suppliers, and the persistence of "relational" linkages between lead firms (i.e., the automakers) and first tier suppliers.

Global integration has advanced as firms have sought to leverage engineering effort across products sold in multiple end markets. And, as

suppliers have taken on a larger role in design, they have established their own design centres close to those of their major customers to facilitate collaboration. On the production side, the dominant trend is regional integration, a pattern that has been intensifying since the mid-1980s for both political and technical reasons. Political pressure for local production has driven automakers to set up final assembly plants in many of the major established market areas and in the largest emerging market countries, such as Brazil, India, and China. The global supply networks are becoming increasingly important in the auto industry. The Assemblers and suppliers have developed parallel networks across the world.

The internationalization, regionalization and globalization of the Western and Japanese automotive industries sparked new trends in the automobile industries in developing countries. The economic geography of the automotive industry cannot be reduced to a set of national industries or a simple network of clusters. Business relationships now span the globe at several levels of the value chain. Automakers and first-tier suppliers have certainly forged such relationships, and as the fewer, larger suppliers that have survived have come to serve a wider range of customers, these

relationships have become very diverse. Assemblers and global mega-suppliers need global reach, innovation and design capabilities, as well as considerable financial resources for operations. Because of these deep interconnections globally the Global Economic Crisis had profound impact on automotive industry.

The Indian Automotive Industry

The Indian market was dominated by six manufacturers before liberalization. - Telco (now Tata Motors), Ashok Leyland, Mahindra & Mahindra, Hindustan Motors, Premier Automobiles and Bajaj Auto. It started its new journey from 1991 with Economic liberalization and delicensing of the sector and subsequent opening up for 100 percent FDI through automatic route and has grown at a spectacular rate of 17% on an average for last few years. Since then almost all the global majors have set up their facilities in India taking the production to multiple times.

The upwelling number of people with higher purchasing power along with strong growth in economy over a past few years attracted the major auto manufacturers to India. The market linked exchange rate and availability of trained manpower at competitive cost added to the attraction of Indian market. This increasing pull of Indian market on one hand and the near stagnant rate of growth in auto sector in markets of USA, EU and Japan; worked as a push factor for shifting of new capacities and capital in the auto industry to India. The increasing competition in auto companies not only resulted in a spurt in choices of Indian consumers at competitive costs, it also ensured an improvement in productivity by almost 20 percent a year in auto industry, taking it to one of the highest in Indian manufacturing sector.

The Honda Company

Corporate Profile

Honda Motor Co., Ltd. was established in the year 1948; Honda has remained on the leading edge by creating new value and providing products of the highest quality at a reasonable price, for worldwide customer satisfaction. With a global network of 369 subsidiaries and 86 affiliates accounted for under the equity method, Honda develops, manufactures and markets a wide variety of products to earn the Company an outstanding reputation from customers worldwide (Honda Company Report 2013).

Honda Cars India Ltd.

Honda Cars India Ltd., (HCIL) is a leading manufacturer of premium cars in India. The company was established in 1995 with a commitment to provide Honda's latest passenger car models and technologies, to the Indian customers. The company is a subsidiary of Honda Motor Co. Ltd., Japan.

HCIL's first manufacturing unit was set up at Greater Noida, U.P in 1997. The green field project is spread across 150 acres and has an annual production capacity of 100,000 units. The company's second manufacturing facility is in Tapukara, Rajasthan. This facility is spread over 450 acres and currently has a state-of-the-art Power train and Press shop. The first phase of this facility was inaugurated in September 2008.

The company's product range includes Honda Brio, Honda Amaze, Honda City, Honda Accord and Honda CR-V which are produced at the Greater Noida facility. Honda's models are strongly associated with advanced design and technology, apart from the established qualities of durability, reliability and fuel-efficiency.

Sales Network

Honda Cars India Ltd., (HCIL) has a strong sales and distribution network spread across the country. The network includes 159 authorised dealership facilities in 101 cities. HCIL dealerships are based on the "3S Facility" format, offering complete range of Sales, Service and Spares services to its customer.

HCIL produces the following vehicles in India for local and export markets:

- Honda City (Launched 1998)
- Honda Accord (Launched 2001, Production discontinued in 2013)
- Honda Civic (Launched 2006, Production discontinued in 2012)
- Honda Jazz (Launched 2009, Production temporarily discontinued in early 2013 in anticipation of all-new model)
- Honda Brio (Launched 2011)
- Honda CR-V (Imported since 2003; Since 2013, model locally assembled)
- Honda Amaze (launched April 2013)

The Problem : The Fall in Global Automobile Industry

It's important to understand the problems associated as to why there was a fall in the global automotive industry. Impact of global economic crisis is one major.

The Automotive Industry - The Impact Of The Global Economic Crisis

The global financial crisis that began in the fall of 2008 was felt intensely in the automotive industry, prompting governments around the world to intervene on a large scale. The crisis had proved itself to be the worst economic crisis since the Great Depression of the 1930s. There are several reasons for this.

Firstly, the industry, especially the value chains led by the American Big 3 automakers, was in a dire state to begin with. For companies already on life-support, the freezing of credit markets meant cancelled orders, unpaid supplier invoices, and 'temporarily' shuttered plants. Huge debt loads, high fixed-capital costs, high labor costs, and immense pension and health care commitments to retirees added to the immediacy of the damage.

Secondly, the high cost and growing longevity of motor vehicles prompted buyers to postpone purchases that they might have otherwise made. Consumers, especially in the world's largest national passenger vehicle market, the United States, found it difficult to obtain loans for purchase and, driven by fear of job loss, moved aggressively to increase their rate of saving. Vehicle sales plunged and as a result, beginning in the fall of 2008, pushing the industry into its most severe crisis since the Great Depression.

There are short-term as well as long-term factors in the crisis in the automotive industry. The short-term problem is simply the sudden and enormous collapse of sales. In an industry with high fixed costs, this had a dramatic effect on the companies. At a macro-level, the credit crunch and the deep recession explain this enormous collapse. At a micro-level, consumers' postponement of new car purchases resulted in more pronounced sales cycles than for any other consumer product. Furthermore, the fact that companies had "oversold" cars in the past, by pulling future sales into the present through cheap credit, discounting and sales to rental fleets, had exacerbated the decline in demand.

The outcomes of the crisis from a production perspective are in particular related to: liquidity shortages; massive restructuring due to the overcapacity in the market; layoffs of temporary and agency workers; and budget cuts in R&D. With 2.5 million cars stockpiled in Europe and 4 million in the United States, car producers halted production and extended holidays during the months of crisis, with suppliers following suit. The reduction of car sales across all markets worldwide by 10-20 per cent led to a drop in supplier revenues of 20-40 per cent. At the same time as revenues went down, the financial crisis reduced the willingness of banks to ensure liquidity of firms.

Thus, the automobile crisis is a downward business cycle, not a structural crisis of the industry. Companies in the automotive industry responded with traditional crisis management (temporary downsizing, cost reductions, retraining, consolidation, innovation), and governments launched traditional stimuli packages (cash-for-clunkers, tax reductions on smaller and/or cleaner cars etc). Strategic initiatives were taken to improve the competitiveness of the domestic industry (consolidation, liberalization) on the one hand and to transform it from a brown industry to a 'greener' industry on the other hand (tightening environmental regulations, fuel efficiency and emission standards, subsidizing purchases of smaller and 'greener' cars, investing in appropriate infrastructure and green technology R&D). Thereby, some developing countries and their surviving local automakers and partsmakers are leapfrogging into 'clean' technology frontiers competing head-to-head with global automakers or partnering with foreign firms in their common endeavour to manufacture green automobiles.

The impact was deeply felt in Indian Automotive Industry also due to the Business Model of the Industry.

The Fall in Indian Automobile Industry

The differences of context of the automotive industry in India and the ones in the OECD countries are immense. The Indian automotive industry shows the same features as the Chinese industry, although at policy level their approaches are different. India deals not only with direct consequences of the crisis, but also with indirect consequences, such as the dumping of Chinese manufactured cars on the Indian market. This has resulted in reduced working time, the transfer and

laying off of workers, and in certain companies the deferring of their investments.

Just as there are a number of mechanisms by which the global crisis impacted the Indian automobile industry, there were also multiple outcomes. The direct effects included the decreased demand for automobiles at home and abroad. An indirect result was therefore reduced demand for parts and components. Other effects included the impact of the financial crisis on Indian-invested automotive firms abroad, such as Tata's Jaguar-Land Rover (JLR) in the UK, and the impact of the crisis in the US automotive industry on information technology outsourcing to Indian firms, such as Tata Consulting Services and Satyam.

The high interest rates and lack of financing forced automobile producers to cut back on production by using partial plant shutdowns, layoffs and employee transfers, and to defer new investments and cancel new vehicle launches. For example, Tata Motors laid off 4,000 temporary workers and closed its Jamshedpur plant in Jharkhand state producing commercial vehicles for three days in November 2008. A three-wheeler manufacturer, Force Motors, reduced its working week to five days, while SKF (SvenskaKullagerfabriken), a components supplier, transferred some of its employees to other divisions. Honda-Siel, a joint venture, and Fiat with Mahindra & Mahindra (an Indian utility vehicle producer) postponed new investments.

The report from Indian Automobile Manufacturers (Exhibit III) shows that the year 2012-13 has been the

worst year of the decade with car sale showing decline of -30% in the month of Feb2013. The production also consequently declined making this growth industry of developing economy touching its all-time low.

The Fall at Honda

Honda Cars India Ltd. sold just 1,784 cars in the month of January 2012 (all models combined), compared to Jan 2011 sales figures, when Honda Cars Indiasold 5,838 units, this is a sharp 70% decline in sales. The main reasons behind this sharp decline in production are as under:

a) Unavailability of spares and raw materials Sources of Supply at Honda Motors.

Honda manufactures the major components and parts used in its products, including engines, frames and transmissions. Other components and parts, such as shock absorbers, electrical equipment and tires, are purchased from numerous suppliers. The principal raw materials used by Honda are steel plate, aluminium, special steels, steel tubes, paints, plastics and zinc, which are purchased from several suppliers. The most important raw material purchased is steel plate, accounting for approximately 41% of Honda's total purchases of raw materials.

Honda never had and thus never anticipated having any difficulty in obtaining its required

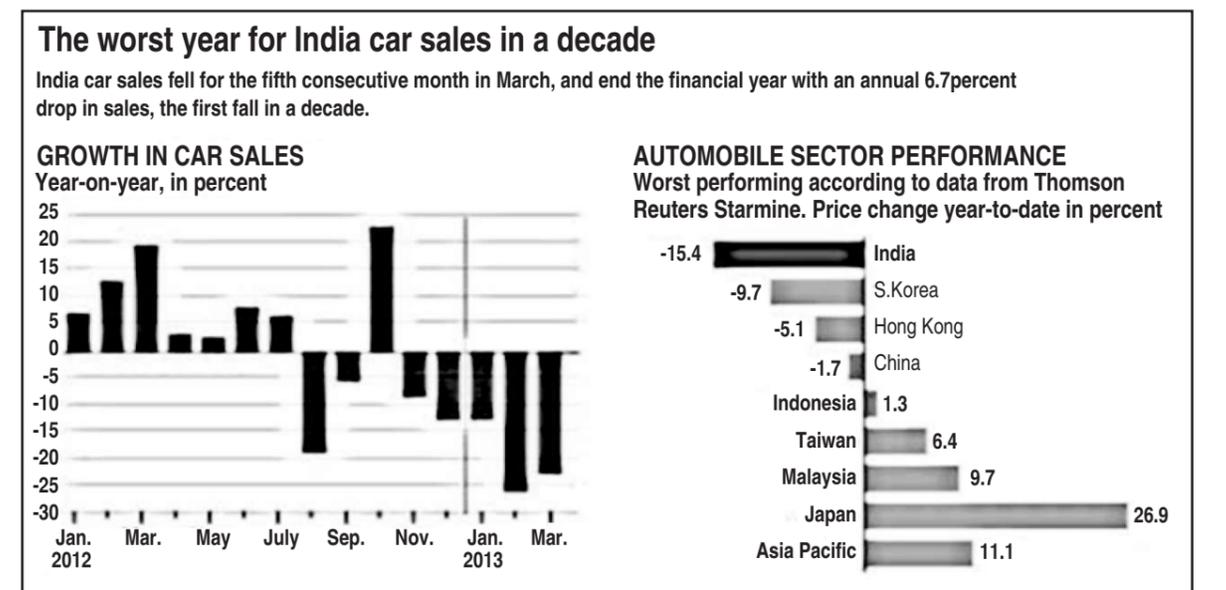


Exhibit III: The Indian Car sales in 2012-13 Source: Indian Automobile Manufacturer, Thomas Reuters

materials from suppliers and considers its contracts and business relations with the suppliers to be satisfactory. However, it should be noted that Japanese industry in general is heavily dependent on foreign suppliers for substantially all of its raw materials.

b) Earthquakes and tsunami in Japan in March 2011

It caused unimaginable damage to Japanese auto companies. Supply of components was hampered due to the floods that struck Thailand; this further aggravated the problem, thereby resulting in diminished sales during the month of January 2012.

Honda Cars India was functioning under reduced supply of spares and components since November 2011. Honda faced Global market fall and introduced various incentive programmes for its dealers for the sales of product.

c) Consumer not responding to Current Products

On Sept. 21, 2012 Takanobu Ito, CEO Honda Motor said that company was forced to deal with the unprecedented appreciation of the yen, temporary suspension of production around the world, and shortage of electricity due to the impact of the Great East Japan Earthquake and the flooding in Thailand. "However, thanks to the co-operation of our suppliers, business partners, and the efforts of Honda associates, we achieved a speedy recovery, and, as of today, we are ready to make a counter-attack," a release quoted him as saying. He also mentioned that Honda Motor will be using all-new diesel engines sequentially to new models starting from 2013-14 in India.

The table in Exhibit (IV) shows the year wise sale of Honda cars in India .

Exhibit IV Year wise sale of Honda cars in India

Year	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	
Overall	13,300	21,703	37,480	42,727	61,325	62,802	52,420	61,815	59,463	54,427	73,483	85,656	13,362 units in May 2014
												April – Dec 2013	11,040 units in April 2014
													18,426 units in March 2014
													14,543 units in February 2014
													15,714 units in January 2014

Exhibit (IV) Source: Official website of Honda <https://www.hondacarindia.com>

Amaze : The Magic Wand

"Maruti, hyundai car sales sluggish as amaze pushes Honda market" The PTI reports on June 1, 2013 that, with automobile market continuing to reel under a slump, major car makers Maruti Suzuki India and Toyota Kirloskar Motor reported decline in domestic sales in May but Honda and General Motors posted good growth riding on new models Amaze and Chevrolet Enjoy respectively. Commenting on sales, Toyota Kirloskar Motor (TKM) Deputy Managing Director and COO (Marketing and Commercial) Sandeep Singh said in May 2013: "The market continues to be sluggish. We have corrected the dealer's inventory levels and have been able to bring it down to less than 30 days."

HMIL (Hyundai Motor India Ltd.) Senior Vice-President, Sales and Marketing Rakesh Srivastava said the market was at the near bottom level and was expected to move into positive growth in the coming months as the demand for the petrol cars was improving. At the same time Honda Cars India (HCIL) reported 9.8 per cent increase in its domestic sales for May 2013 at 11,342 units, its highest ever monthly sales on the back of its newly launched sedan Amaze, which clocked 6,036 units during the month.

Commenting on the sales in press release in Dec 2, 2013, Hyundai Motor India Ltd. (HMIL) Senior Vice-President, Sales and Marketing, Rakesh Srivastava, said in a: "After the festival season, market has been sluggish due to unfavourable macro-economic factors and low market sentiments resulting lower customer enquiries." On the other hand, Honda Cars India reported over two-and-half fold increase in its domestic sales in November 2013 at 9,332 units as against 3,711 units in the same month last year.

The data shows a steady fall in sales of Honda cars and has gradually fallen since 2007-08 to 2011-12 (all models included), until Amaze was launched in 2013.

Exhibit Va Comparative analysis of individual Honda Brand car sales since its first launch of Honda city in 2002.

YEAR	CITY	CRV	BRIO	CIVIC	AMAZE	ACCORD	JAZZ	OVERALL
2002	Launched in 1998					Launched in 2001		
April								737
September								1,207
December								937
2003		Launched						
April								1,285
September								1,827
December	2,536							2,760
2004								
April								2,793
June								3,173
December								3,409
2005								
March	2,077	26				97		3,575
September								3,769
2006				Launched				
March								6,120
April	4,007	313				231		4,551
2007								
March	5,164	390		2,546		389		8,487
April	2,916	239		1,481		255		4,891
2008								
March	6492	32		2074				8,895
May								3,943
2009							Launched	
March	6040	282		720		326		7,368
May	3,638			223		212		4,073
2010								
March	4338	66		742		211	571	5928
April								3,578
September	4,251							5,518
2011			Launched					
March	2773	56		379		216	152	3,576
April	1,542	22		253		83	112	2,012
May						132		
December	5,819	26		330			600	6,907
2012								
March	3920	01	6355	104		101	535	11,016
December								3,711
2013								
Jan								5,451
March	3432	30	3917		Launched	113		10,044
April			NA		2552			NA
May			NA					NA
June								NA
September								NA
October	31	87	1472		9564	60		11,214
Nov		22	1,712		7,598			9,332
December			1,026		4,458	09		5,493
2014								
January	7,184	117	1,015		7,398			15,714

Domestic Car Sales Modelwise 2004-11						
Honda Accord	3 324 (05-06)	2,728 (06-07)	2,133	4,108 (FY09)	948 (Jan-Apr)	288 (Jan)
Honda Amaze						
Honda Brio						
Honda City	37 545 (2005-06)	40,464 (06-07)	40,536 (incl. Marina STW)		18,482 (Jan-Apr)	4,485 (Jan)
Honda Civic	na	16,262 (06-07)	16,723		2,386 (Jan-Apr)	644 (Jan)
Honda CR-V	1 858 (05-06)	1,873 (06-07)	3,425		501 (Jan-Mar)	76 (Jan)
Honda Jazz					3,069 (Jun-Jul)	490 (Jan)

007-08: Indicates April 2007-March 2008, FY09=Apr'08-Mar'09

06-07: Indicates April 2006-March 2007

* Incl. of exports

** Apr-Dec 2006

The data in Exhibit (V) shows a comparative analysis of individual Honda Brand car sales since its first launch of Honda city in 2002.

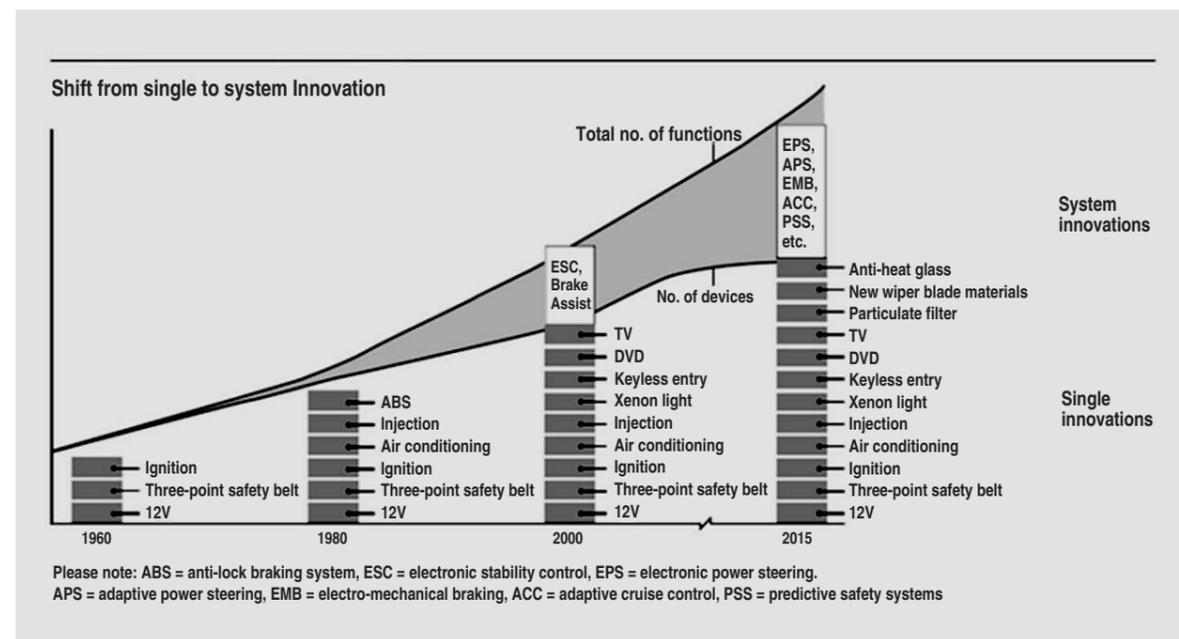
What makes the Amaze tick?

Relying on heavy market research and consumer feedback, Honda made sure to take its time in analysing the competition and understanding consumer behaviour before launching the product. This made it possible for it to find gaps in its rivals' offerings and incorporate those findings in product development.

Honda understood that consumer is looking for a system innovative product rather than a single innovation.

Design & Space

Existing Compact Sedans like Dzire and Indigo CS were heavily criticized for looking out of shape and boxy. Forcing the car to fit within the 4metre mark, the addition of the small boot makes it look disfigured. Honda paid attention to the customer feedback and had its engineers style the boot such that the car looks like a proper sedan and not a hatchback with an ill-designed boot. Honda succeeded with clever designing. The front seats are designed to be thinner at the middle thereby providing the rear passengers with a few more inches of comfort. Moreover, efficient utilization of space means that even after being a tad shorter than Dzire and Indigo CS, it is still roomier.



Attention to Detail with Surplus of USPs

Known for their painful attention to detail, Honda engineers have again proved why their products deserve to command a premium. The two tone beige and brown interiors are comfy and luxurious. The centre console unlike the traditional waterfall consoles is non-conventional and highly functional. Honda introduced India's first car with a Heat Absorbing Front Windshield. Keeping in mind our country's hot and humid climate, this vital innovation helped in positioning the product better.

Mileage & Diesel Engine Option

"Par deti kitna hai?" questions the young man to the rocket scientist. These lovable advertisements by Maruti Suzuki bought to light the most important thing which an Indian consumer looks for in a vehicle.

Amaze's (Diesel) gives a mileage of 25.8 kmpl as compared to Dzire diesel's 23.4 kmpl. Even Tata, otherwise known its vehicles' high running costs, comes close with 25 kmpl.

Coupled with bad driving and traffic conditions, Indian consumer specifically looks for mileage in the purchase of car. And especially Honda which for the first time indigenously developed a diesel engine. The buyers are extremely value conscious and when it comes to buying a car, they make sure that it has the cheapest cost of running.

Generous price disparity between petrol and diesel prompted consumers to go for diesel cars due to their lower cost of running. Hence, it was imperative for Honda to develop a diesel engine for India, to capture diesel buyers and deploy in future models too.

Conclusion

In the world of tremendous opportunities and risks, economies driven by innovation and knowledge and companies with complex business models companies are engaged in intense competition and constant renewal, companies face persistent pressure to innovate in order to gain and retain a competitive edge.

Till now Honda has had a steady presence in India, mostly in the premium segments. This has meant the development of enviable brand equity, which could never translate into healthy volumes leading to a miniscule market share. The previous two offerings, Jazz and Brio, also failed to create much buzz in the market. It was not because of weak product offerings but because they were not in sync with what customers wanted. With the launch of Amaze a lot has changed. It seems that Honda has finally cracked the code for the Indian market. Is this change permanent? Only time will tell if HCIL will be able to carry this modus operandi forward in a market which is extremely volatile, rapidly changing and without much policy stabilization.

Teaching Notes

Synopsis of the Case:

The case deals with the automobile industry the leading driver of global economic growth which was observing near stagnant rate of growth globally. The case showcases how difficult manufacturing condition coupled with the changing consumer demand can lead to the downfall of a big industry.

The case also highlights the issues in auto sector in markets of USA, EU and Japan and the increasing attraction of Indian market that forced the global player to eye Indian Market for production and sales. The increasing competition in auto companies not only resulted in a spurt in choices of Indian consumers at competitive costs, it also ensured an improvement in productivity by almost 20 percent a year in auto industry, taking it to one of the highest in Indian manufacturing sector.

The Global Economic crisis deeply impacted this industry and it was one of the worst hit industries globally due to its globally linked production process and complex structure. The trickling down effect of this downfall impacted the Indian Automobile Industry and it witnessed a step downfall. The worst hit company was Honda which was one of the leading Auto players in 2010-12.

The launch of Amaze in 2013 was a game changer for Honda. Amaze turned out to be an innovative product form the company which riding on the road of success with best ever sales in decade. In India where companies like Maruti, Tata, Mahindra, Hyundai, GM, Ford are passing through the worst phase Honda is writing a new success story.

Learning Objectives

- a) To understand the conducive working environment (both internal and external) for the success of an industry?
- b) To encourage the students to understand the importance of Global supply chain network in globalized economy
- c) To teach the students how globalization has changed the working models of Automobile Industry.
- d) To analysis changing consumer behaviour towards purchase of complex buying
- e) To understand the interlinkages between the Innovation and sustainability of companies
- f) Effect of External and Internal environment on companies operating globally

Intended Course (s)/Subject(s):

- 1) International Business and Practices
- 2) International Marketing
- 3) Consumer Behaviour
- 4) Business Environment
- 5) Innovation & Competitiveness
- 6) Supply chain Management
- 7) Strategic Management

Questions/Issues Raised in the Case

- a) What are the reasons of shift in Automobile companies manufacturing base from developed country to developing country?
- b) How has globalization changed the working model of Automobile Industry?
- c) Critically evaluate the Global supply network of the Industry?
- d) How Great Crisis that took place in USA did impact the Auto industry in India? Reasons and Solutions

- e) How does changing external environment affect the consumer buying behaviour (in context with the Automobile industry)?
- f) How innovation does helps the companies to maintain its sustainability in the ever changing business environment.

Views/Opinion of Case Instructor:

The automotive industry is undergoing a major transformation, which creates new opportunities but, at the same time, represents major challenges for the industry, its employees and the territories in which the sector operates.

1) Business Model of Global Automotive Industry:

It is felt that the crisis impacted globally due to faulty business model of the industry.

What is wrong with the current business model?

- Overcompetition on new cars
- Premature obsolescence
- Price wars
- Break-even points far too high
- Excessive pressure on suppliers
- Limited real innovation
- Protected channels
- Aftermarket rip-off

Let us analyse why is it that virtually all of the auto manufacturers are in varying states of deep distress?

The answer lies in the nature of the automobile business, and strategic decisions made on the basis of dream-like optimism. This is reflected in the staggering levels of over-capacity in auto manufacturing worldwide. Presently the combined capacity of all the carmakers throughout the world amounts to more than 90 million cars annually. The deadly demand destruction being inflicted by the Global Economic Crisis has reduced purchases to about 50 million units per years, meaning that the world's auto companies have nearly double the productive capacity that can be absorbed by current consumer demand.

The automobile business is one of the most costly and complex to run. The industry produces a consumer product annually in the tens of millions of units that is costly, complex and customized. The productive infrastructure required is both vast and exceedingly expensive. Before the onset of the Global Economic Crisis, the world's carmakers bet heavily on a rising global marketplace that could annually absorb up to 100 million cars annually, and leveraged themselves to the maximum extent to finance the creation of the global network of assembly plants, parts manufacturing factories and distribution networks. The business model became far more globalized, adding another layer of complexity. For example, a U.S. customer who purchases a certain VW model will end up owning a car assembled in Germany, but equipped with an engine built in Mexico. In other words, a Mexican VW plant builds an engine, sends it across the Atlantic Ocean to Germany, which in turn sends it back across the Ocean in the form of an assembled car, to be purchased at an American dealership. This global supply chain is expensive, fragile, and only makes economic sense if all the manufacturing components of the business are operating at full capacity. With the collapse in demand caused by the Global Economic Crisis, practically every major auto manufacturer is faced with the identical problem; over-capacity that was established with high margins of leverage, leading to massive losses with a worldwide demand for only 50 million cars each year.

The manufacturing is falling steeply as per the data shown by OICA for first 6 months globally according to data by OICA.

2013 PRODUCTION STATISTICS – FIRST 6 MONTHS

Country	Cars	Commercial vehicles	Total	% change
Total	32,574,703	10,972,288	43,546,991	1.60%
Argentina	261,866	132,684	394,550	18.90%
Australia	80,370	13,600	93,970	-6.40%
Austria	76,044	8,861	84,905	14.70%
Belgium	164,700	14,910	179,610	-14.60%
Brazil	1,408,094	448,711	1,856,805	18.10%
Canada	495,163	710,451	1,205,614	-6.80%
China	8,664,502	2,087,181	10,751,683	12.80%
Czech Rep.	575,835	2,629	578,464	-13.00%
Egypt	29,380	7,310	36,690	34.20%
Finland	2,310		2,310	14.40%
France	788,100	122,000	910,100	-20.00%
Germany	2,738,155	128,966	2,867,121	-3.10%
Hungary	96,400	0	96,400	2.10%
India	1,612,988	416,601	2,029,589	-8.70%
Indonesia	442,241	144,309	586,550	11.70%
Iran	310,600	49,070	359,670	-38.50%
Italy	222,848	144,780	367,628	-3.10%
Japan	3,959,320	701,626	4,660,946	-11.20%
Malaysia	264,487	29,024	293,511	4.10%
Mexico	944,525	601,718	1,546,243	4.40%
Netherlands		700	700	-96.10%
Poland	254,800	58,168	312,968	-13.80%
Portugal	59,502	24,758	84,260	-13.10%
Romania	224,759	14	224,773	36.60%
Russia	927,014	117,309	1,044,323	-3.50%
Serbia	4,080	150	4,230	-0.90%
Slovakia	515,071	0	515,071	11.50%
Slovenia	51,900	2,221	54,121	-29.70%
South Africa	143,487	140,737	284,224	15.30%
South Korea	2,086,596	197,288	2,283,884	-4.10%
Spain	948,867	207,034	1,155,901	5.50%
Sweden	81,163	N.A.	81,163	-14.20%
Taiwan	141,189	21,685	162,874	-3.60%
Thailand	592,101	748,809	1,340,910	27.70%
Turkey	303,783	265,562	569,345	0.80%
Ukraine	16,746	1,502	18,248	-54.20%
UK	764,390	48,517	812,907	0.90%
USA	2,270,985	3,394,500	5,665,485	5.40%
Uzbekistan	88,100	13,000	101,100	-0.70%
Others	91,403	24,232	115,635	-26.60%

2) The Driving Force Behind Honda: Effective Management of the Supply Chain via Honda Trading

Steel, plastic, aluminum, rubber are the basic stuff automotive dreams are made of. Each year thousands of parts are fashioned from these basic materials, from the tiniest screws to large engine assemblies. Just gathering the raw materials that support the manufacturing process is a major part of the automotive supply chain. That is where a company such as the Honda Trading America Corp. can be very effective.

"Our role is primarily support for Honda manufacturing operations directly, and also for a lot of their first and second tier parts suppliers," says Greg Norval, senior manager for Honda Trading.

Wherever a Honda assembly facility exists, Honda Trading is there to procure raw materials and to facilitate the lower levels of the company's supply chain management. In the US, Honda Trading offices are found in Marysville, Ohio and Torrance, California.

By centralizing procurement, Honda Trading is able to control quality, guarantee availability of product, accurately determine delivery schedules, and establish consistent costs for Honda, as well as pricing for its major suppliers. "That's the difference between our system and the systems the other automobile manufacturers have," says Lisa Gimeson, manager of the steel group. "We actually manage that inventory, which allows us to control the raw material price and associated costs at a greater level of detail than outsourcing."

Managing such a complicated supply chain is no easy task, as parts' management alone is often performed up to 4 months in advance. Honda Trading America uses distribution software to manage product flow within its network. Benefits of the Honda supply chain:

- Assures Spare parts quality
- Controls availability
- Guarantees delivery
- Provides consistent materials pricing

The software provides inventory management, tracks the various types of materials in the system and their locations, maintains databases of customers, provides accounting and profitability profiles, and delivers timely reports.

The procurement process begins with the purchasing group at Honda America Manufacturing. The unit forecasts production quotas, determines the parts needed, and issues purchase orders to key suppliers to meet the demands for the current month plus two additional months.

Once suppliers receive the purchase orders from Honda Manufacturing, they determine the amount of raw materials they will need to produce the parts. The suppliers then deliver their own purchase orders to Honda Trading, which handles procurement of raw materials. Stamping facilities, for example, order coiled steel to produce a wide range of materials. Die cast companies, meanwhile, need raw aluminum ingots to produce engine parts.

Next, Honda Trading consolidates all of the materials requests from the various suppliers. Such consolidation allows it to leverage the economics of large-quantity purchases. It calculates what is needed and sends out purchase orders to steel mills, plastic producers, and aluminum manufacturers.

"Keeping all of these materials consolidated under one purchase order allows us to assure every manufacturer that needs to make a part for Honda has access to materials," says Gimeson.

The large-volume purchases also allow Honda to provide accurate forecasts of its own costs.

"We give the suppliers annual pricing for their raw materials," says Norval. "That way we can fix the cost for parts that will go into each model-year car. It's a win-win for parts makers and for Honda."

3) *The Paradigm Shift in Consumer Perception and Buying Behavior: Consumers are feeling the pinch*

It is a well-accepted fact that the automotive industry is a volume driven industry and a certain critical mass is a pre-requisite for attracting the much needed investment in Research and Development and New Product Design and Development. R&D investment is needed for innovations which is the life-line for achieving and retaining the competitiveness in the industry. This competitiveness in turn depends on the capacity and the speed of the industry to innovate and upgrade. The above factors are changing the face of Global Automotive industry.

Vehicle purchase decisions appear to be driven more by hard-headed financial factors than a desire to be green. The survey's by KPMG participant's rate fuel efficiency as the number one priority for consumers over the next 5 years, reflecting the rising cost of filling the tanks of their cars. Although growing in importance since last year's survey, environmental friendliness is only ranked fourth. The proportion of buyers seeking an enhanced vehicle lifespan has also jumped for the third consecutive year to 62 percent, which is a further sign of prudent belt-tightening from buyers.

The changing PESTLE factors are changing the consumer buying behaviour of the automobile. The research shows that Fuel efficiency being on the top followed by safety innovation the top consideration in purchasing the product. Also the demand for luxury class vehicle will be far less than compact, subcompact and SUV.

With demand for vehicles declining in most mature markets in the face of the global recession, high fuel costs and urban driving restrictions, the industry is turning its attention even more strongly towards the expanding middle classes in the new powerhouses of China, India, Brazil, Russia and other growing nations.

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Kudumbashree: Promoting Self-Help Group Model of Empowerment in Women Entrepreneurship in the Context to Kerala - A Case Study

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Women are the basic unit of the society. They become even more critical as a long-term solution to a sustainable livelihood. The women entrepreneurship through empowerment aims to create human resources within the productive sector and to sustain for the further development process. Kerala is only the state in India that attained a remarkable status fulfilling all the criterion of various social well-beings compare with some of the developed countries in the world, which is widely known as 'Kerala model of development'. This achievement reflects in respect of literacy level of women, salary or wage structure of employment, technical and professional services, women got equality with men. This Political and socio-economic scenario within the state, reinforce to redefine the consciousness about poverty concept. In this sense, poverty is dynamically viewed as freedom of choice from a socio-economic functioning than only the concern of income or money. Again, poverty reduction is not only the matter of an overall economic growth in a society, but also that interconnected with various social aspects like women empowerment and women entrepreneurship. All these multi-dimensional approach lead the government to form a female community intended poverty reduction project in the state and results to the birth of "Kudumbashree". The mission has set as self-help groups (SHG) model of women empowerment to encouraging the wide range of female entrepreneurial activities. Now Kudumbashree became one of the largest women's movements in Asia. The aim of this case study is to explore the activities and influence of Kudumbashree and the way it stimulates women empowerment, as well as female entrepreneurship in Kerala India.

Key Words: Women entrepreneurship; self-help group; MSME; Economic development; Kudumbashree.

Introduction

"The principle of gender equality is enshrined in the Indian Constitution in its Preamble, Fundamental Rights, Fundamental Duties and Directive Principles. The Constitution not only grants equality to women, but also empowers the State to adopt measures of positive discrimination in favor of women". (National Policy For The Empowerment of Women 2001 & Articles 14, 15, 15(3), 16, 39(a), 39(b), 39(c) and 42 of the Constitution of India).

In the early days, the primary role of most adult women was to care for their family and home and the role of men was at the outside of the home to assure the income for the household expenditure. But the modern world considers women are the basic unit as they make a family, a family makes a home and homes make a society. In the last few decades, the role of women in society has been

greatly overseen to a more perspective to people. In addition to unpaid family workers and caretakers of the family, they also involved in earnings and economic activities by the choice of a career or entrepreneurship. The increase in the number of women in the labor market signifies an important trend regarding women's employment (Preet Rustagi; 2010). Frequently, they are the sole breadwinner of the family, and even they become more crucial as a long-term solution to a sustainable livelihood. There are number of advantages laying with women over men which lead to a positive influence into become a successful entrepreneur. From the various observations and studies, it can be understood that, women are more into social networking; they always like to talk, mingle and share. They have the ability to understand another person instinctively, without the need for rational conscious faster than men. Also, tolerance, the capability of multi-tasking, patience, and listening etc. are far better than a man.

Gender equality and women's empowerment are significantly interconnected. Gender places a vital role in power. It embraces legal and casual rights, access to resources, and the quest for learning and individual goals and cuts crosswise over most areas

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in family culture and society. Critically, men have a tendency to reveal the power more prominent than women, and quite often it domains, even have power over women (Kishor, S; 2006). Empowering women means enabling women to participate completely in economic life over all segments through all levels of essential economic activities, like “build strong economies; establish more stable and just societies; achieve internationally-agreed goals for development, sustainability and human rights; improve quality of life for women, men, families and communities; and propel businesses' operations and goals”. And one of the principles of the women's empowerment says Implement enterprise development, supply chain and marketing practices that empower women”(UN Women & UNGC).Ascher, J. (2012) illustrate that women have greater confidence in their skills and abilities to build their enterprises. This shows that women entrepreneurship has a significant role in women's empowerment, i.e. women have to be a powerful source in socio-economic development through gender equality.

The globalization era opens new employment opportunities that increasing their economic security and well-being. The educated women class in the modern society is enough advance to compete with the demands in technology and the modern automation in the world (S. Mohan Kumar 2013). Nowadays, women make independent decisions on their personal growth, effective in crisis and urgent circumstances as well as for projects that need to be executed in a particular way, especially in an urban society. Eagly, Johannesen-Schmidt, and Van Engen (2003) says, “Female leaders were more transformational than male leaders and also engaged in more of the contingent reward behaviors that are a component of transactional leadership”. The reports of UNIDO (2003) shows a large number of women are mainly engaged in subsistence agriculture as well as in micro and small-scale enterprises (MSE). Worldwide, women comprise up one-quarter to one-third of the total business population and one-third of the global labor force in manufacturing in the MSE sector. These all are point out that, women entrepreneurship is a significant source of economic growth.

Woman Empowerment and Entrepreneurship in India: An Outline.

Women's security, power to decision-making, and mobility are the three pointers of women's empowerment. In India, to a greater extent in rural

and less educated women, these three markers are altogether low (Upadhyay, R; 2010). Advancing women's education, minimizing feminized poverty, preventing and demolition of violence against women, etc. are not resolved up to the mark (Hazarika, D;2011), even though, the government has initiated various steps for women's empowerment. This is mainly due to the consequential gaps between policy advancements and practice at the community level (Upadhyay, R; 2010). However Individual motivation and family structure, education and unemployment, demography and socio-economic ambiance are the main risk perceptions in the female entrepreneurial process. Women empowerment is a continuous process of interconnected, reciprocal socio-economic components and Education is one of the most important factors which reduce the inequalities and improving their status within the family and the position of a woman in a society (Suguna. M;2011).

The studies by VikasNandal, Ms. Rajnish (2014)point out that, recent years; there are substantial changes in the role of women undergone due to the globalization and commercialism in India. Technically, any woman with considerable initiative and risk, who organizes and manages any enterprise, is known as, a 'women entrepreneur' (SharmaYogita; 2013). There are three different roles has been identified for the participation of women in the unregistered Micro, Small & Medium Enterprises (MSME) sector. They are owners, managers and employees of the women enterprise. A women enterprise defined as “In concern to ownership, in unregistered MSMEs managed by one or more women entrepreneurs in concern with proprietary, or in which she individually or they jointly have a share capital of not less than 51% as partners or shareholders or directors of private limited company otherwise members of co-operative society. is called a women Enterprise” (MSMED Act 2006). The fundamental aim of entrepreneurship development is to create productive human resources in a society and to sustain the same for a further development process. The successful income procreating women has the characteristics of striving for independence, gets support from her family, abilities to market, strong objectives towards the life achievements. Since the entrepreneurial functions are same, a woman entrepreneur ought to possess all the qualities that need for a flourishing entrepreneur.

In India, overall men entrepreneurial activity rates

at 18.21% and 9.66% for women, which is almost half of the proportion of men (GEM Executive Report; 2007). Fourth all India MSME census (2007) shows no. of women enterprises are 2.15 Lakh in registered sector (13.72%) and 18.06 Lakh in unregistered sector (9.09%) out of 26.61 Lakh in total. In contrast, Kerala is one of the states, among other few states the share of women's employment was significantly higher, i.e. more than 20 % (Annual Report 2013-2014). In the Indian context this entrepreneurial activity gap is immense and this is the challenge and opportunities to socio- economic factors of entrepreneurship environment.

Role of Woman Empowerment and Entrepreneurship in poverty reduction.

Poverty is a widespread phenomenon in all over the world, but and it has many dimensions. Poverty is not simple as like any other social issues. Economic, political, historical, geographical and cultural aspects always influence the poverty and accordingly measure for assessing poverty always varies. Besides, the first and the direct impact of poverty are always to the women, especially in a society that has the unbalance gender equality.

The sense of poverty is not a self-explainable. It has viewed in to two broad concepts as relative and absolute poverty. Bellù, L. G., &Liberati, P; (2005) defines “Poverty is the lack of or the inability to achieve, a socially acceptable standard of living”. This contains incapability and lack command over socio-economic participation in a society according to the acceptable standard of living at the particular time. Here often income is used as an indicator to represent the poverty. This is regarded as in relative poverty and the space of economic welfare is defined by the standard of living. In this situation, a 'uni-dimensional approach' is considered to measure the poverty.

In contrast, AmartyaSen (1999) defines “poverty is the freedom of choice from a socio-economic functioning that achieving what one need”. This indicates poverty cannot be only considered in the sense of money, but more basically a matter of life dignity, basic human rights and freedom (Hunt, P., Nowak, M., &Osmani, S; 2005). Education, health, employment, gender equity, women empowerment, and the right to social and economic security, etc. are considered here as the choice preferences. This condition is known as absolute poverty. Here a 'multi-dimensional approach' is required, that not only considers the income as an

indicator, but also like health, family status, etc.

There are two major observations emerge from the above views. First, relative poverty is a narrower concept than well-being as this condition only consider in the sense of money. Second, absolute poverty closer to well-being as the other welfare indicators support income to measure poverty.

To measure the poverty, Multidimensional Poverty Index (MPI) is developed. According to MPI, 'education, health and living standards' are the three dimensions and 'years of schooling, school attendance, child mortality, nutrition, electricity, sanitation, drinking water, floor, cooking fuel, assets' are the ten sub-indicators using (Sabina Alkire, MihikaChatterjee, Adriana Conconi, Suman Seth and Ana Vaz; 2014). Nowadays, more than 100 developing countries depend on MPI methods. Besides, one of the broadly used methods assessing poverty is the 'poverty line'. In India, Below Poverty Line (BPL) is considered as point of economic reference to the poverty assessment and the parameters are may vary from state to state or within the state. However, the multidimensional strategy is required to eradicate the poverty as the poverty is a multi-angle situation of deprivation.

Poverty reduction has been considered largely as the outcome of overall economic growth. The economic growth and development is significantly related with each other. Growth and development are a continuous process that stimulates effects in the economy and improve the standard and quality of life. The studies of Katy Hull (2009) show economic growth in one sector will not automatically translate its benefits into poor. This will depend on the profile of growth, i.e. either in employment or productivity-intensity, the sartorial location of the poor, and the extent of mobility across sectors. Also, the translations of employment-intensive growth into poverty reduction only possibly occur in a 'more productive sector', while 'less productive sectors' may require productivity-intensive growth to ensure a decline in headcount poverty.

In India, advancing women's education, minimizing feminized poverty, preventing and demolition of violence against women, etc. are not resolved up to the mark (Hazarika, D;2011), even though, the government has initiated various steps for women's empowerment. This is mainly due to the consequential gaps between policy advancements and practice at the community level (Upadhyay, R; 2010). These point out that; the lack

of economic freedom of women is one of the major issues of women empowerment in India, which can overcome though women entrepreneurship by utilizing various government schemes. Women Entrepreneurship is a dynamic viewpoint concentrate on the creation of new businesses. It not only makes self-growth to the business owner, but also opens occupational choice to others that results in an overall economic growth in a society and very much interconnected with various social aspects. Thus, Women Entrepreneurship has a vital role in poverty reduction in India.

Kudumbashree: The concept of Kerala Modal Development in Woman Empowerment and Entrepreneurship.

Kerala is one of the Indian states, located in the south-west part of India formed on November 1, 1956. Its land area is 38,863 sq.km, stretching 580 km in length and 30-130 km in breadth and is bordered to the north and northeast by Karnataka, to the east and south by Tamil Nadu, and the west the Arabian Sea.

Evaluation of Kudumbashree activities is not fulfilling without indicating about 'Kerala model of development'. Since the formation of Kerala as a one of the state in India, the developments are extended to basic education, better health care, land reform and better social security in terms of pension and employment rights. The remarkable point is that, these achievements are reached without a huge investment in economic growth. Hence, Kerala has become a model for social development with minimal progress in industrialization. In 1975, Centre for Development Studies (CDS) Trivandrum shared this experience in one of their case studies and thereafter referred to as the 'Kerala model of development', which obtain much appreciation during 1980s.

Nowadays, Kerala has been addressed as a model of development due to the status of achievements in the criterion of various social well-beings (National portal of India by Govt. of India). Franke, R. W., & Chasin, B. H.; (1999) illustrates, "Kerala Model can be viewed as a set of quality of life indicators that put Kerala closer to high-income developed countries than to the rest of India or to its counterparts in the low-income world". The 2011 census data shows, there are 1,084 women for every 1,000 men (India Censuses; 2011) where the sex ratio is above the equality ratio and often been referred to as the 'land of women'. Besides, women in Kerala have a

remarkable score in respect of literacy level of women, wage structure, employment, professions, service and technical scenarios women got equality with men. Women in Kerala have marked their presence in every walk of life, such as freedom fight, literature, politics, governance, social work, professions, and fine art and so on. From early days onwards, different forms of microfinance have been a reality in Kerala.

What is Kudumbashree?

Kudumbashree is a neighborhood-based group network that would work in associate with self-governments for poverty destruction and women empowerment by encouraging women entrepreneurship. Kudumbashree means 'prosperity of the family' in Malayalam, the local language of the state.

The goal of the mission assigned as self-help groups (SHG) model of empowerment of women to promote their broad range of entrepreneurial activities to make sure that the women should not be long-suffering beneficiaries of public help, but the dynamic leaders in women- incorporated development strategies. The vision of Kudumbashree aims to transform microfinance superiority security version into a more all-inclusive model of local economic developments. Consequently the mission of the program is stated in the annual administration report of Kudumbashree (2009-2010) as "To eradicate absolute poverty in ten years through a concerted community action under the leadership of Local Governments, by facilitating the organization of poor for combining self-help with demand led the convergence of available services and resources to tackle the multiple dimensions and manifestation of poverty holistically" (www.kudumbashree.org).

The Emergence of Kudumbashree.

At the beginning of 1980s, self-help group (SHG) concept was introduced. Meanwhile, National Bank for Agriculture and Rural Development (NABARD) encouraged various banking programs in a viable microfinance model. After 1991, i.e. in the post-liberalization periods, the major difficulty faced by Kerala economy was the lack of an efficient mechanism that enables all the sections in the society to get the benefits of economic growth and development like rest of the part of the country. Government of India consigns much attention to micro-credit schemes and self-help groups (SHGs) to empower women as a strategy of poverty

alleviation. The Government of Kerala successfully implemented this concept with the strong backing of local self-governments and self-help groups (SHG) initiatives. In 1992, Indian Parliament passed remarkable acts with 73rd and 74th amendments to the Indian Constitution of a 'three-tier' system of Panchayati Raj institutions (PRIs) and Urban Local Bodies (ULBs). These amendments helped to introduce local self-governance in rural and urban India and lead to nourish the various programs in the area of women's self-help group and entrepreneurship in the state. Later in the early 1990s a community-led poverty identification format was developed. In 1994, the state government assimilates these experiences and develops a woman based community structure for service delivery of various government programs in Malappuram, one of the districts in Kerala. In continuation to this, a female deployed, community focused poverty depletion project longed by Government of Kerala on May 17, in 1998 at Malappuram and called as "Kudumbashree".

The Organizing Structure:

The Kudumbashree is a confederacy of the innovative methodology under a well-networked, community-based organization. A three tier community-based organization (CBO) is in action for the effective convergence of the program. They are: (1) A Neighborhood Group (NHG), (2) Area Development Society (ADS) and (3) Community Development Society (CDS).

1. A Neighborhood Group (NHG) is the grassroots level constitutes of 10-20 women members from economically backward families. Among its members, five volunteers who are internally elected for undertaking the various task. A woman volunteer from a poor family became the first stepping-stone towards leadership. The selected members are acting as office bearers of the NHG. They are:
 - i. President - The women held this position govern the weekly meetings and will provide the leadership and guidance to the members of the group.
 - ii. Secretary - The motivation and team building is the responsibility of the Secretary. She also records the proceedings of the meeting and necessary follow-ups.
 - iii. Income generation activities (IGA) volunteer - The mission imparts necessary

training to the IGA Volunteers in enterprise development, accounting, etc. to manage the collection, of accounts books maintenance and consolidation, as well as registers in connection with thrift mobilization. She acts as local Micro Enterprise Consultant (MEC). She persuades and motivates the members of NHGs to take up micro- enterprises and the activities that securing the necessities of life using the thrift loan, the linkage banking loans etc. At present, each Neighborhood Group has minimum one microenterprise.

- iv. Health & Education (HE) volunteer - The responsibility of HE Volunteer is looking after the various health- related aspects of the members of the group, including kids, women and the aged. Under the leadership of HE Volunteers various programs undertaken by Health and Social Welfare Departments.
 - v. Infrastructure volunteer - The duties of Infrastructure volunteer included guidance and stimulation of the micro plan preparation for the NHG. She links and liaison with the local bodies and acts as a catalyst to tackle the infrastructural backwardness of the group with the aid of governmental programs those are ongoing.
2. Area Development Society (ADS): This is the second tier of the organization established at ward level by integrating of 8-10 NHGs. The women representatives elected from various NHGs are decided the activities of the ADS. The ADS consist of:
 - i. General body - General body contains Presidents, Secretaries and representatives of Resource Persons selected from that area.
 - ii. Executive Committee - Executive Committee consist 3 sectorial volunteers of the federated NHGs apart from all Presidents, Secretaries.
 3. Community Development Society (CDS) is the third tier of the organization. This is formed under the Travancore-Cochin Literacy Scientific and Charitable Societies Act to federate all ADS in a Panchayath or Municipality level as a registered body. The CDS is constituted by:
 - i. General Body - It consists of all ADS Governing Body members.

- ii. Executive Committee - It includes representatives of each ADS general body corresponding to the total number of ADS and also includes a Chairperson and Vice-Chairperson elected by the CDS executive committee, Local Self-Government Institutions (LSGI) nominates the CDS member secretary as the ex-officio member; elect the 5 women to represent the LSGIs, two experienced ex-CDS Chairpersons as co-opted ex-officio members. Besides, Scheduled Caste and Scheduled Tribes representation is proportionately ensured.

Kudumbashree : Challenges and Opportunities

Kudumbashree has the strategy that any women who 18 years of age and above is residing in Kerala state can become a member of the Kudumbashree units (known as Ayalkoottam in Malayalam, the language of Keralites) whether she belong to a below poverty line (BPL) or above. This creates an opening for the above poverty line (APL) families also to enter into the community structures of Kudumbashree. Again, it is further ensured that the majority of the office bearers should belong to BPL families. These structures are an added value to women empowerment both in social and economic. Basically, Kudumbashree is a State Poverty Eradication Mission implemented by the government of Kerala through Local Self Government Institutions. It has been focusing primarily on poverty alleviation through microfinance and micro-enterprise development. The several government schemes and projects are linked with the Kudumbashree mission for the rights of the economically and socially weak women.

Besides, Kudumbashree mission involve into women's collectives, leadership - decision making trainings to women, thrift - credit operations and 24-hour banking system, Infrastructural facilities and better living conditions, micro-enterprises for sustainable economic development etc.

According to State Poverty Eradication Mission, Govt. of Kerala, functions of the Kudumbashree is focusing on (1) Economic Development and (2) Social development.

- (1) The Economic Development: Aiming for a sustaining model of micro level planning and local economic development by strengthen both local governments and the women's community network.

The updated activities involved in the category of Economic Development (www.kudumbashree.org)

1. Thrift and Credit Societies & Micro Credit - This is aiming for financially weak women to save and provide them with cost-effective and easy credit facilitate through thrift and credit societies. The savings of the women are pooled together and given out as loans to the most deserving. These loans have been used for purposes ranging from covering hospital expenses to meeting working capital needs for micro enterprises.
2. The Bank Linkage program - This program help the Neighborhood Group (NHG) to increase their existing resources collected through thrift and link with various banks under the Linkage Banking Scheme
3. Matching Grant to Thrift & Credit Societies - Matching Grant is an incentive provided to Neighborhood Group (NHG). This grant linked to amount of thrift mobilized, performance of NHG in the Grading and loan availed from banks.
4. Interest Subsidy - This scheme is initiated by the Government of Kerala to intensify the affordability of formal credit. Commercial and cooperative banks those who are part of this scheme are prepared to lend to Kudumbashree NHGs under the linkage banking program at 9% or below. The interest subsidy would be provided as annual installments to the banks.
5. The Kudumbashree Accounts & Audit Service Society - This is a home grown enterprise to ensure proper account keeping in the community network. They function as a concurrent audit mechanism as well, giving inputs to the mission teams about capacity building requirements for financial management.
6. Financial Literacy Campaign - Majority of the poor women have the lack of knowledge about banks procedures, misconceptions regarding interest rates and lack of awareness about banking ombudsmen etc. Kudumbashree has a comprehensive Financial Literacy Campaign in order to provide a platform

for NHGs to be aware of and benefit from formal banking services.

7. Business Correspondent Model - This program implement in association with State Bank of Travancore in order to address lack of access to formal banking service especially In un-banked tribal, coastal and remote rural areas as well as the Kudumbashree groups those who are not able to avail bank loans due to high transaction costs involved in dealing with bank branches.

The other economic development schemes are:

Micro Enterprises, Special ME Projects, Skill Training, Special Livelihood Programs, Marketing include the Community Marketing Network, Retail Shop, Sales and Marketing Enterprises and the Home shops, Samagra Projects - to address the entire production -supply value chain holistically, Responsible Tourism, The National Rural Employment Guarantee scheme.

- (2) The Social development: The goal of Social development is reaching out to the poorest of the poor, to empowering tribals, caring for the disabled, opportunity to children from poor families, empowering women to become the social conscience of the community as well as claiming and upholding rights of the women.

The updated activities involved in the category of Social development.

1. Asraya - This scheme is for Destitute Identification Rehabilitation and Monitoring Project for the rehabilitation of destitute families. They are identified using a transparent risk index and participatory need assessment framed by the Mission. The project envisaged to address lack of food, health problems including chronic illness, pension, educational facilities to children, land for home, shelter, drinking water, safe sanitation facilities, skill development, employment opportunities, etc.
2. BUDS - This is Special School for Mentally & Physically Challenged Children. These schools set up on the basis of community surveys and health assessment by local governments with the aim of improving the wellbeing of these special children.

3. Balasabha- Balasabhas are structured neighborhood network of children. The prime objective of constituting Balasabhas is to prevent inter-generational transmission of poverty through capability enhancement of children.
4. Balapanchayath- The idea behind the BalaPanchayath is the creation of a children's forum where children issues and concerns can be brought to the notice of local development planners- i.e. the Local Self Governments.
5. The Holistic health program - This is a sports based cultural intervention for holistic child health in Kerala. Holistic health strives for physical, mental and emotional well-being of the child using a group/collective game.
6. Tribal Special Projects - This program conducting in collaboration with the Tribal department to address the special issue of the tribal population of the state, in a systematic manner. . The objectives of the mission is planned to be achieved with the active convergence of various government and Non-Government Agencies as well as departments.
7. Gender Self Learning Program - This program aims at getting women to discuss the gender dimension of their issues. Locally contextualized modules on issues such as women and work, women and health, women and mobility, women and entertainment are developed and deliberated in Neighborhood group meetings.

Apart from this other government schemes and programs implemented by Kudumbashree like SwarnaJayanthiShahariRozgarYojana (SJSRY), Jawaharlal Nehru National Urban Renewal Mission (JNNURM), Interest Subsidy Scheme for Housing the Urban Poor (ISHUP), Rajiv AwasYojana (RAY) etc.

Kudumbashree: A Tool for Poverty Alleviation in Kerala.

Kudumbashree differs from various conventional anti-poverty programs, which appraise poverty not just as the deprivation of money, but also as the deprivation of basic rights for survival in the society.

Kudumbashree helps to protect these rights through a collective voice by providing a platform to the poor women. The self-help groups (SHG) dynamics are used to synchronize the various socio-economic development activities in Kerala under the Kudumbashree mission (Jose T.K., 2006).

Since its implementation, Kudumbashree mission has the policies to reduce the poverty in the state by the path of human development. So far, various governments spend state funds to Kudumbashree units to execute various projects and schemes for the improvement of education, health and living standards in all parts of Kerala (V. Vijayakumar, 2012). In earlier days, income was used for identifying the poor to measure the poverty. Several anti-poverty programs depended on these estimations.

Basically, these conventional methods were inaccurate and insufficient and often deviated from its goals. The main drawback that, these programs were supply driven and not a need or demand based driven. In these circumstances, the state governments initiated to develop the 'Risk Index' as an effective instrument to identify poor. This was first implemented in 1992 and then modified later. Now the Government of Kerala formulated its own criteria to define the poverty line. According to the current policy of the state, poverty may be defined as "a state or condition in which a person or community lacks the financial resources and essentials to enjoy a minimum standard of life and well-being. Poverty, food prices and hunger are inextricably linked" (Economic Review-2014; Govt. of Kerala).

Contribution of Kudumbashree in Women Empowerment and Entrepreneurship: A Case Study.

Case-1; Women Empowerment. - Shyja of Mangattidam is today an icon of women empowerment, inspiring many women towards the path of self-sufficiency. During the three years she was Chairperson of the Kudumbashree Community Development Society, the number of Neighbourhood Groups in her Panchayat went up from 108 to 152, Rs.97 lakhs was amassed as thrift and 142 Neighbourhood Groups were linked by the CDS to the banks. With the active support of the Panchayat, 22 micro enterprises were set up in this little village of Kannur. Recognizing her talent, Kudumbashree selected her for a rigorous training programme as a business development consultant. The training took her to Italy as part of a study team, and she is now a resource person for Kudumbashree, having single-handedly organized business orientation programmes in ten other panchayats and provided business counseling support to 27 ongoing enterprises (Source: www.kudumbashree.org.).

Case-2; Enterprising Experiments. - Jams are a successful micro-enterprise in Manjeri municipality of Malappuram. It is well known today for its breakfast kit of Pathiri (a pancake made of rice flour) powder, Puttu (a Kerala breakfast dish) powder, wheat powder and Rava (a wheat product and a form of semolina) powder, in half kilogram packs. The two-kilogram kit priced at Rs.65 makes for a healthy breakfast for a family for a week. The kits are

attractively packed in cloth bags. In addition to these Jams also makes one-kilogram idli mix packets priced at Rs.54 and one-kilogram dosa mix packets priced at Rs.56. The group also purchases mustard, cumin and fenugreek seeds in bulk at wholesale prices and after washing, drying and packing them deliver them in shops. All these ventures have been profitable and the group has been able to purchase a goods carrier to take its produce around. Jams member Ambika states they are always on the lookout for new opportunities depending on market needs. During 'Bakrid' (Id-ul-Azha) this year they made special Pazhampori (Banana fry snack) which sold well. The eight women in Jams believe in the adage 'unity is strength'. They started working together three years ago producing Nutrimix for anganwadis (courtyard shelter for kids). The unit was set up with an investment of Rs.2.5 lakhs of which Rs.1.5 lakhs was mobilised as subsidy and member contributions of Rs.12,500 each. They were able to supply Nutrimix to 103 anganwadis. Since the machinery was not utilized to the full they decided to diversify and make the breakfast powder kits. The group constantly strives to be different. Each month they make sales of up to Rs.1.5 lakhs. The members of the unit Ambika, Jayanti, Ramlat, Mini, Saraswati, Sheeja, Muniraand Cecily, the group leader work on all days of the week, often even on Sundays. Their commitment and focus are contributors to their success (Source: www.kudumbashree.org).

Kudumbashree: Few Radical Issues.

How much the concepts are as excellent as; Kudumbashree also has its own insufficiencies just like any other movements. As mentioned earlier, Kudumbashree is a community-based network and its group members engage in a wide range of activities. In spite of Kudumbashree have its own objectives, the nature and working methods are so localized and political, social, cultural and economic aspects are reflected vary from working groups one among another. Hence, attempt on an individual review of each group may become a hard task and this article highlights only the common issues.

Politicization and interference of religious groups- The political interference on Kudumbashree units is the major critique about its functions. Some local government leaders, as well as religious organizations, may enforce the women members to show their supremacy. This may lead to an unhealthy relationship, between Kudumbashree and local bodies.

Services Delay - Result in unnecessary delay in transferring funds, barricades in getting financial assistance and often a diversion of funds from financial institutions.

Lack of coordination of local government institutions - This is the other deficiencies. Since the Kudumbashree organogram, as well as local government institutions, works in a three-tier system, lack of coordination between local governments institutions like may happen. This is mainly due to the local political interests.

Duplication of products - Some cases are reported that behalf of Kudumbashree products, duplicate organizations are marketing several unauthorized products. This may affect the reputation of real Kudumbashree Units.

Formation of parallel organizations - Unfortunately, the current government (2011-2016) started to promote some parallel organizations only based on their political interest those who are trying to imitate Kudumbashree, like Janashree. In the recent years, several reports have come that most of these units are fraudulent and corrupted.

Competition in Markets -Most of the women entrepreneurs are concentrating on the homogeneous product, which are supplied in the same local markets. These units meet a tough competition from branded manufacturers and they are forced to sell their products at comparatively lower prices. (John Jacob; 2009; Dr. V.Vijayakumar; 2012).

Discussions

According to the experience of Kudumbashree, poor women should not be viewed as objects of development but agents of development. Women in self-help groups (SHG) have the power in translating their welfare into the welfare of families (John, J; 2009). Hence, it is required to understand that, Kudumbashree mission is a continual part of Kerala model of development. And it is required to evaluate the impact of Kudumbashree activities in a broad sense of the economic development of Kerala instead of limited range or extend.

The data given in the tables are not exclusively for the growth indicator for Kudumbashree activities. It is a general data of socio-economic variables in Kerala. From the table 1980s-1990s shows the period before the emergence of Kudumbashree mission in the state. However, after the implementation of Kudumbashree mission in 1998, the results of all the

The following nine risk factors of the poverty indexes use in Kudumbashree to identify the poor:

Rural	Urban
1. Living in a substandard house or hut	1. No Land /Less than 5 cents of Land
2. No Land	2. No house/Dilapidated House
3. No access to sanitary latrines	3. No Sanitary Latrine
4. No access to safe drinking water within 150 Meters	4. No access to safe drinking water within 150 Meters
5. Getting only 2 meals a day or less	5. Women headed house hold/ Presence of a widow, divorcee / abandoned lady / unwed mother
6. Women headed house hold/ Presence of a widow, divorcee / abandoned lady / unwed mother	6. No regularly employed person in the family
7. Having no or only one earning member	7. Socially disadvantaged groups(SC/ST)
8. Belonging to socially disadvantaged groups	8. Presence of Mentally or physically challenged person / Chronically ill member in the family
9. Having an illiterate adult member	9. Families without colour TV

(Source: State Planning Board Government of Kerala, August 2012)

data must inclusive and reflects the activities of the Kudumbashree. Anand Jaya S. (2002) point out that, the lives of the poor are notably improved through activities of Self Help Groups of Kudumbashree, but financial credits alone may not produce the desired impact. Even though, empowerment of poor women driving their development is a powerful strategy to alleviate poverty, (Table No.1).

Even though, there are so many pitfalls and shortcoming. Besides, the micro units have been successful in reaching the unreached through providing ways and means of living and financial independence (Reshmi. R; 2012). Also, it is noted that micro enterprises significantly strengthen ensuring freedom to spend and save earnings of

rural women by the individual and family empowerment. Simultaneously, it improves the confidence to promote own micro-enterprises and also an inspiration to undertake risk (Shihabudheen N; 2012).

Data of three socio-economic variables - growth of employment, growth of enterprises and headcount ratio of poor in Kerala - are shown in the below tables for a comparison (Table No. 2 & 3)

Again, the Kudumbashree act as social safeguards increasing access to entitlements and provide avenues for political participation (KadiyalaSuneetha; 2004). And decision-making power; self-confidence and personal skills have

been improved but not up to the mark as a contributing factor for women empowerment. Again, Awareness about nutrition needs, dangers of using pesticides and alcoholism and its effects has been improved (Venugopalan. K; 2014).

According to the planning commission (2013) some of the important outcomes from Kudumbashree are significant increase in local agricultural production, creation of a cultivation calendar, creation of systems for steady prices to avoid inflation and market fluctuations, creation of 10 KarshakaSamity (farmers groups), with a total of 460 people, creation of 20 Kudumbashree units, with a total of 250 women, creation of five Micro Enterprises focused on women, one 'women fish processing unit', one 'women chicken processing unit'; one 'women Chapathy (local bread) processing unit' and two 'coconut supply units'. Another example given in the report is about women empowerment in Kumarakom village in Kerala. 760 women are included in the cultivation programme, 35 in retail activities, 30 in art and cultural groups, and 45 in the village tour group. Responsible Tourism initiatives and projects in co-operation with Kudumbashree is an important step in such a way, a carefully managed tourism industry can help the poor rural women to become increasingly empowered, improve their status in their families and within the society.

After the longing in 1998, Kudumbashree became one of the largest women's movements in Asia through three critical components, microcredit, entrepreneurship and empowerment. Now Kudumbashree have a membership of 41 lakhs representing an equal number of families brought under the community-based organizations (CBOs) consisting of 2.61 lakh Neighborhood Groups (NHG), 19,773 Area Development Societies (ADSs) and 1,072 Community Development Societies (CDSs) in rural and urban areas.

The various data shows mobilized a sum of Rs. 2073 crores as thrift and disbursed loans amounting to Rs.8539.55 crores to the members of Neighborhood Groups and 1,50,755 NHGs graded under the Linkage Banking Program, out of which 1,28,425 NHGs linked with banks and an amount of Rs.2712 crores mobilized as credit. Besides, 25050 individual enterprises and 1757 group (with minimum 5-10 members) enterprises of women developed in urban areas and 3516 individual enterprises and 10620 groups (with minimum 5-10 members) enterprises of poor women formed in rural areas.

Also, 47611 Joint Liability Group formed as well as 2, 01,650 women cultivators in 47611 groups for collective farming.

From the study the following findings revealed.

1. The women especially poor women biased from the society, not because of their inability, but the lack of motivation from the society.
2. Only a political, social and economic environment can promote women Entrepreneurship in a society, which is the responsibility of a government with a strong political will.
3. Self-help groups (SHG) is a model of empowerment of women encouraging the wide range of entrepreneurial activities. One of the best examples is Kudumbashree mission in Kerala.
4. Kudumbashree mission is a continual part of Kerala model of development.

Conclusion

Kudumbashree became the lifeline to many of the poor women. The Kudumbashree community organization network is present in all the 999 Gram Panchayats, 53 Municipalities and five Corporations in Kerala. Kudumbashree mission is now one of the largest women empowering project in India that recognized all over the world. It assumed the status of the helpline to many of the women. It is a massive anti-poverty program of the Government of Kerala aiming at eradicating poverty and salvages the destitute from the wretches of extreme deprivation. The paradigm shift in the approach is that any woman who is residing in the Gram Panchayat can become a member of the Kudumbashree.

The benefits of the Kudumbashreemodel are that it is managed wholly by the representatives of the poor and has the leverage of a non-governmental organization which helps in channeling additional resources from various sources both internal and external. The Community Development Society at local body level facilitates both autonomy and effective linkage with Local Self Governments.

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Annual Report 2013-2014 Ministry of Micro, Small and Medium

Table No. 1

Head count ratio of People Below Poverty Line in Kerala and all India							Poverty Line in Rural and Urban areas -based on Expert Group (Rangarajan) Methodology (Per Capita / Month) 2011-12	
State	Rural			Urban			Rural	Urban
	1983	1993-94	2004-05	1983	1993-94	2004-05		
Kerala	38.48	26.49	12.27	45.11	25.45	20.86	1054.03	1353.68
All India	45.76	37.26	29.18	42.27	32.56	26.02	972	1407
Kerala's Rank	9	12	13	6	11	10		

Source: Planning Commission, & Provisional Report on 6th Economic Census – 2014; Dept. of Economics & Statistics, Kerala

Table No. 2

Growth of Employment over the years and Percentage of increase in the number of employment in Kerala (Excluding crop production, plantation, public administration, defense & compulsory social security services activities)									
Location	Number of Employment					% increase in Employment			
	1980	1990	1998	2005	2013	1980-90	1990-98	1998-05	2005-13
Rural	1602839	1882721	2760059	3877364	3279190	17.46	46.6	40.48	-13.25
Urban	848694	1400499	1089050	1855572	3640468	65.02	-22.24	70.38	115.37
Combined	2451533	3283220	3849109	5732936	6919658	33.93	17.23	48.94	26.49

Source: Provisional Report on 6th Economic Census – 2014; Department of Economics & Statistics, Kerala

Table No. 3

Growth of Employment over the years and Percentage of increase in the number of employment in Kerala (Excluding crop production, plantation, public administration, defense & compulsory social security services activities)									
Location	Number of Employment					% increase in Employment			
	1980	1990	1998	2005	2013	1980-90	1990-98	1998-05	2005-13
Rural	1602839	1882721	2760059	3877364	3279190	17.46	46.6	40.48	-13.25
Urban	848694	1400499	1089050	1855572	3640468	65.02	-22.24	70.38	115.37
Combined	2451533	3283220	3849109	5732936	6919658	33.93	17.23	48.94	26.49

Source: Provisional Report on 6th Economic Census – 2014; Department of Economics & Statistics, Kerala

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BOOK REVIEW

“Theories, Principles and Processes of Managing Organizations”

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Background

The book under review has 303 pages and comprised of 13 chapters; in which the author revealed the importance of applying theories, principles, and other managerial techniques in managing organizations. The book offered thoughtful and practical approaches on how to manage organizations effectively and efficiently. In all the chapters, Mr. Edeja skillfully provided useful examples, illustrations, and guidelines crucial for enterprise success. One example that is one of the beauties of the book is the fact that it traced the origins of management to the Holy Bible. In fact this book can be compared to classic management books like “Contemporary Management” by Jones and George (2003). Therefore, it is expected that students of management and related disciplines of various levels, scholars, trainees, trainers, entrepreneurs and the general public stand to benefit a great deal from it. Mr. Marshall Sunday E. Edeja relied on his years of experience in the workplace, and his formal education in management sciences, as well as his wide consultations with reputable management scholars in bringing out vital facts for the clearer understanding of theories and practice of management, thereby raising the bar in our knowledge. In the circumstance, the review focused on the chapters, through the learning features and conclusion.

Overview of The Chapters

In chapter one the author began by explaining the meaning of management, and the functional and behavioural views. Mr. Edeja explained the reason for studying management and saw management as agent of society. The concept of the universality of

management, scope, and the steps in learning management for example, through common sense, education and experience were treated in some details. It provided good insights into the various schools of management thought and attempted to trace the origins of management and suggested that most management techniques in use today emerged at the outset of the Industrial Revolution of the 18th Century. The chapter gave a good biblical account of management, with regard to Moses, Exodus chapter 18. Chapter two defined an organization and its six characteristics and the reason for an organisation. Classifications of an organisation into formal and informal as well as 12 principles that make for a good organisation were enumerated. The advantages and disadvantages of formal and informal organisation were treated at the end of the chapter. Chapter three focused on public and private sector organizations providing insights into their usefulness to the economy. It stressed the meaning and concept of government attributes of government for example, political power, personnel, revenue, public support and welfare services. Government decision making processes such as types of policies, planning, analysis and evaluation methods were discussed. The topical issues of privatization, commercialization, monetization, pension reforms, the new banking model were brought to the front burner. These current issues are necessary to induct new students and lay people into real understanding of government measures in Nigeria aimed at fostering good economic management of the Nigerian Nation. Chapter four opened with a diagram showing the major management theories for example, the classical theory, the neo-classical theory, it discussed the early works of Taylor, Fayol,

and their colleagues and followers. Chapter five paid great attention to the work of Mayo with regard to the Hawthorne Studies that highlighted the concept of formal and informal organizations. Chapter 6 looked at the behavioural school of management and its origins, with emphasis on motivation theories, particularly those postulated by Maslow, McGregor, Herzberg, Vroom, McClelland, and others. These theories are important for the sound understanding of human behaviour, particularly in the workplace. Chapter seven discussed quantitative management theories such as operation research, its techniques and uses, mathematical models, their uses and limitations. Chapter 8 focused on modern management theory. The concept of system was defined and the contingency approach, total quality management and other contemporary approaches to management were included at the end of the chapter. Chapter 9 opened with the discussion on the quality of a manager and further defined who is a manager. The chapter discussed the duties and responsibilities of a manager, the levels of management, managerial roles, and skills. Styles of management such as autocratic, democratic etc were discussed. Managerial concepts such as country club management, organization man management were treated at the end of the chapter. Chapter 10 started with a definition of leadership and provided definitions by different leadership experts. Two types of leaders such as formal leader meaning a leader whose position is provided for in the organization structure and the informal leader like the Union leader whose position is never provided in the structure of the organization including the distinction between them were treated in appreciable details. Functions, qualities of a good leader such as energy, emotional stability, knowledge of human relations, ability, and many more important skills, were enumerated. Basic leadership theories such as great man theory, trait theory, among others were discussed. Leadership and power in an organization, and the key characteristics were highlighted. Chapter 11 saw decision making as an important managerial function. It provided traditional definitions of decision making such as those by Appleby (1982) and others. Other elements of the chapter were on problem solving, its meaning, choice, etc. a distinction was made between problem and opportunity, the background and expertise of the manager, the problem finding process, conditions of certainty and uncertainty, various methods of risk analysis, types of decisions for example technical

decisions, strategic decisions, etc. were listed. This chapter ended with a discussion on unforeseen changes in the business environment. Chapter 12 focused on authority, responsibility, accountability and responsibility relationships in organizations. Types of centralization and decentralization of decision making, their advantages and disadvantages were identified. The concept of delegation of authority, principles of delegation, why managers resist delegation featured in the chapter. The concept and sources of power, types of power for example, reward power, coercion power, legitimate power, expert power, etc. were treated. Chapter 13 was the concluding chapter and harped on the directing function of management. It emphasized the importance of communication, and its meaning, components, types of communication in the organization, for example internal and external communication, formal and informal communication, downward and upward, and horizontal communication, and barriers, and suggested solutions to them. The chapter was rounded up with a brief introduction of the coordinating function of management, stressing its approaches to include use of committees, and the use of other basic management techniques.

Learning Features

The biblical examples in page 29 showed that God inspired many men in developing management through leadership qualities; we were reminded in Exodus chapter 18:13-17 how Jethro gave Moses his son-in-law ideas concerning management, leadership, training, delegation of authority and responsibility. This today has formed the basis of the exception principle. The parables of the hidden talents in Mathew chapter 25:14-30 stresses the need for managers to produce effective and efficient result with available resources while making accountability their watchdog. Also Moses developed and exhibited the principle of organization when he led the Israelites out of Egyptian bondage that led them eventually to the "promised land". The Roman Catholic organization model in page 28 remains relevant in contemporary organization structure. Exhibit 4:1 in page 98 provided a good illustration for understanding the relationships and interrelationships of management theories such as classical theory, neo-classical theory modern theory, and others. These are foundational theories that are very crucial for understanding "management" and "managing". The illustration on page 110 showed the classification of business into six groups by Fayol

and also portrayed five major functions of management. Exhibit 6. 1 page 136 highlighted the Need Theory and Motivation processes as in exhibit 6.2, and Frustrated Goals Theory in page 146, are beneficial. The model of Maslow's (1954) famous Human Needs Theory in page 147 and the comparison with Herzberg's Two - Factors Theory exhibit 6.5 page 149 provided standard learning tools. A model is a representative of reality and exhibit 7.1 page 172 offered credence to the importance of models in modern day management. Students will find exhibit 8.1 in page 184 helpful in trying to understand the Inputs-Process-Outputs in a system. Managers/management operate in levels, they have specific roles, require specific skills. All these have been shown in exhibit 9.1, in page 208, 9.2 in page 213 and 9.3 in page 220. Management styles in exhibit 9.5 page 229 and the popular managerial grid found in exhibit 9.6 page 232 make for easy understanding of the theories of leadership and management. Exhibit 11.1 in page 253 and exhibit 11.2 in page 265 gave good examples of the decision making process. Exhibit 13.1 in page 280 portrayed the import of the two-way communication process postulated by Aristotle.

Conclusion

The author thoughtfully sought and received the inputs of experts in different areas of academic endeavour for which he lavishly acknowledged. The generous contributions of these individuals helped Mr. Edeja to craft a useful book, bearing in mind the fact that the discipline of management is as big as the "elephant" and that each student/author seems to appreciate more of the part that easily comes his/her way. It is expected that at the next print minor omissions such as captioning the chapter titles on the pages will be done for easy usage. It is my hope that Mr. Edeja's serious effort will serve as an impetus for other local authors to come up in the area of management literature.

Recommendation

In my opinion, this book is wonderful, and I recommend it to management students and the general public for the advancement of knowledge.

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Amity Business School (ABS), Lucknow campus, a part of AUUP is endeavouring to publish **Amity Business Journal**, a bi-annual, refereed double blind reviewed International journal, which attempts to bridge the void between academia and the corporate.

Amity Business Journal will address contemporary issues of General Management. The general themes include topical issues, discussions & practices that attempt to communicate a better understanding on the subject of Management taking competitiveness as a premise.

In order to leverage competitiveness in business, individuals and institutions need to augment their capability and core competence. This would essentially lead to improvisation in decision making. Amity Business Journal intends to cover major perspectives in all domain areas of Management and Business, while attempting to bring out a focused approach in connecting "Theory to Practice".

Objectives

The objective of Amity Business Journal is to collate knowledge and experience on different perspectives of Business & Management, which would benefit Academia, individuals, entrepreneurs, enterprises, policy makers, etc.

Readership

Amity Business Journal will share knowledge with academia, researchers, professionals, entrepreneurs, family businesses and policy makers, thus an attempt to contribute to better business, management and innovative practices.

Contents

Amity Business Journal will publish original papers, conceptual papers, business and management case studies & book reviews. Special Issues devoted to important topics in allied areas of Business & Management will occasionally be published.

Subject Coverage

The general theme will be Management but there is no limitation to the articles that will be considered by Amity Business Journal. The journal will encourage articles that attempt in creation of new knowledge both for academics and practitioners. The following issues are for guidance and not restrictive to:

Accounting & Finance, Agribusiness, Business Ethics, Values and Social Responsibility, Business in Transition Economies, Corporate Strategy, Corporate Governance, Cross-cultural Management and Innovation, Economics, Entrepreneurship, Innovation, Entrepreneurship and Corporate Venturing, International Business, Marketing, Knowledge Creation, Leadership, Management Information System & Information and Technology, Managing Organizational Learning, Mergers and Acquisitions, Organisational Behaviour, Process & Product Innovation and Diffusion, Small and Medium sized Enterprises (SMEs), Collaboration and Competition, Transition Management etc.

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All papers submitted to Amity Business Journal, must not have been previously published nor be currently under consideration for publication elsewhere. Conference papers can be submitted, only if the paper was not subject to copyright and has been completely rewritten.

All quality submissions will follow the double blind review process. Authors are encouraged to submit their papers as per the standard guidelines for submission.

Submissions

All papers and cases should be submitted to the Editor, Amity Business Journal, in a word soft copy with subject line "**Submission to Amity Business Journal, ABS, AUUP**". The covering note in the email must specify the paper title, authors name, affiliation and contact details.

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Professor Manoj Joshi, Ph.D

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Amity Business School,

Amity University, Lucknow Campus:

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Journal of Amity Business Journal Guidelines for Submission of Selected Papers

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- a) Manuscripts must be written in simplistic fashion and offer meaningful implications and recommendations for practitioners. It should be conceptually and theoretically sound to offer significant research findings or insights. Original research findings should be presented in such a fashion explaining the methodology, statistical tools and justification to encourage reading for those who have limited backgrounds in research methods.
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- Basleeris, N. and Huang, M. (2004), "Preferences with frames: A new utility specification that allows for the framing of risk", Working Paper, Stanford University.
- Complull, J.Y. and Viceira, L.M. (1999), "Consumption and portfolio decision when expected relies are time working", Journal of Economics, Vol. 114, No. 2, PP. 433-495.

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