



MANAGEMENT TODAY

- for a better tomorrow

An International Journal of Management Studies

Volume : 6

No. : 2

April - June 2016

Quarterly



International society of Indexing



www.mgmt2day.griet.ac.in

Management Today

International Journal of Management Studies

Volume : 6

No. : 2

April - June 2016

Quarterly

CHIEF PATRONS

Dr. G. Ganga Raju
President

Gokaraju Rangaraju Educational Society, Hyderabad, Andhra Pradesh India

Sri G.V.K. Ranga Raju
Vice President

Gokaraju Rangaraju Educational Society, Hyderabad, Andhra Pradesh India

PATRONS

Prof. P.S. Raju
Director

Gokaraju Rangaraju Institute of Engineering & Technology
Hyderabad, A.P., India

Dr. Jandhyala N. Murthy
Principal

Gokaraju Rangaraju Institute of Engineering & Technology
Hyderabad, A.P., India

MANAGING EDITOR

Dr. K.V.S. Raju
Professor

Department of Management Studies, Gokaraju Rangaraju Institute of
Engineering and Technology, Hyderabad, A.P. India

CHIEF EDITOR

Dr. P.B. Appa Rao
Professor

Department of Management Studies, Gokaraju Rangaraju Institute of
Engineering and Technology, Hyderabad, A.P. India

EDITORIAL BOARD

Prof. V. Bala Mohan Das
Former Vice-Chancellor
Acharya Nagarjuna University
Former Professor, Dept. of Management Studies
Andhra University
AICTE Emeritus Fellow at Andhra University
Visakhapatnam Andhra Pradesh India

Dr. B. N. Swami
Professor of Accounting and Finance
Faculty of Business,
University of Botswana, Gaborone, Botswana

Dr. D. Masthan
Professor in HR
Dept. of Business Administration
ALKhawarizmi International College Abudhabi UAE

Dr. Sanjib Bhuyan
Associate Professor and
Graduate Program Director
Department of Agric., Food & Res. Econ.
Rutgers University - New Jersey
55 Dudley Road
New Brunswick, NJ 08901-8520

Dr. S. N. Sarma
Professor, Dept. of Economics & Finance,
College of Business, University of Bahrain,
Kingdom of Bahrain

Dr. Neeta Baporikar
Head Scientific Research Department
CAS - Salalah Ministry of
Higher Education (MOHE)

Dr. Pulapa Subba Rao
Pro Vice-chancellor
University of Papua New Guinea, P.O.Box: 320
University P.O., NCD.
Papua New Guinea, PIN 134

Dr. A. Ramachandra Aryasri
Director, School of Management Studies
J N T U.H., Hyderabad

Dr. Ch. Jayasankara Prasad
Dept. of Commerce and Management Studies
Krishna University, Machilipatnam

ADVISORY BOARD

Dr. C.R. Visweswara Rao
Former Vice-Chancellor
Vikrama Simhapuri University
Nellore

Dr. S. Viswanatha Raju
Professor, Department of Computer
Science and Engineering
J N T University, Hyderabad

Dr. A. Sai Hanuman
Professor of CSE
Dept. of CSE
GRIET, Hyderabad

Dr. A. Venkata Ramana
Professor, Sri Krishnadevaraya University,
Anantapuramu, Andhra Pradesh

Dr.B. Raja Shekhar
Professor
School of Management Studies
University of Hyderabad,
Hyderabad

Dr. S. Suman Babu
Department of Management Studies
GITAM University, Hyderabad

Dr. C.V.S. Subramanyam
Principal
Gokaraju Rangaraju College of Pharmacy
Hyderabad

Dr. Swadesh Kumar Singh
Professor, Department of Mechanical Engineering
Gokaraju Rangaraju Institute of Engineering
and Technology, Hyderabad.

Dr. Y. Ramakrishna Prasad
Professor
Department of Management Studies
GRIET, Hyderabad

CONTENT MANAGEMENT COMMITTEE

Dr. M. S. R. Seshagiri
Professor
Department of Management Studies
GRIET, Hyderabad

Sri K. Suryanarayana
Associate Professor
Department of Management Studies
GRIET, Hyderabad

Sri K.K. Sunil Kumar
Associate Professor
Department of Management Studies
GRIET, Hyderabad

Sri S. Ravindra Chary
Associate Professor
Department of Management Studies
GRIET, Hyderabad

Dr. D. Indira
Associate Professor
Department of Management Studies
GRIET, Hyderabad

Smt. N. Latha
Assistant Professor
Department of Management Studies
GRIET, Hyderabad

TECHNICAL SUPPORT TEAM

Dr. Altaf Hussain
Professor
Department of MCA
GRIET, Hyderabad

Sri N V Ganapathi Raju
Associate Professor, Department of MCA
GRIET, Hyderabad

Sri K. Butchi Raju,
Assistant Professor, Department of MCA
GRIET, Hyderabad

Mr. M. Srishuka
Assistant Professor, Department of MCA
GRIET, Hyderabad

EDITORIAL

Different people have different ideas about what leadership is. The definitions may vary, depending upon their experiences and perceptions but many people agree upon one thing, i.e. leadership is the ability to foresee things, set goals, motivate and guide people in achieving those goals. Webster's Dictionary defines leadership as "the power or ability to lead other people." Some people think leadership means guiding others to complete a particular task, while others believe, it means motivating the members of the team to be their best selves. Leadership is necessary both in business and in public life. It is necessary to start a business or industry and to manage it. Without proper leadership success is a myth. A close examination of the quotes on leader and leadership reveals that: a leader is one who makes things happen; who knows the way, goes the way, and shows the way (*John C. Maxwell*); who inspires others to dream more, learn more, do more and become more (John Quincy Adams); and who keeps the team focused on a goal and motivates to do their best to achieve it (Chris Hadfield). For becoming a good leader one must be innovative, proactive, selfless and a good human being. One can become a good human being when there is unity in what he thinks, what he speaks and what he does. Leader has to be innovative, must have a vision, must be able to set a goal, must empower the followers and must be able to make things happen. An entrepreneur, a manager, a bureaucrat and an elected people's representative for to be successful must have leadership qualities.

While managing people, a leader should choose a right leadership approach. In general there are four types of approaches: directing, coaching, supporting, and delegating. Depending on the level of follower's competence and commitment, the leader has to choose one of these approaches. When the follower is learning new skills, he has to be **directive** - define tasks clearly and check progress to make sure that he is not faltering. Leader has to use periodic **coaching** when the follower is learning new skills but needs the freedom to make mistakes and learn from them. The leader has to be **supportive** and encouraging while leading the followers who are highly competent but lack confidence. When the followers are both highly motivated and experienced, leader has to **delegate** tasks. In all cases, leader's responsibility is to find a balance between hand-holding and empowering (Harvard Business Review July 27, 2012, Adapted from the Harvard ManageMentor Online Module: Leading and Motivating.).

Total seven articles and a book review have been selected for publication in this issue. The first article is on "Influence of Leadership Approaches on Participation and Performance in the Decentralised Local Government System in the Central Region of Ghana". In this paper the authors have examined how the leadership approaches have influenced participation and performance of local governments in the Central Region of Ghana and found that the leadership approaches influenced participation but did not influence performance. They have recommended for improvement of leadership behaviour, participation, communication and information flow at all levels of the local governments.

The second paper is on recruitment in IT industry. Authored by a senior director, on the basis of his practical experience in the industry, this paper explains various reasons behind the evolution and gradual fall in the image of a Recruiter's role in the job market. It also briefly outlines the importance of having talented recruiters as they are instrumental for the flow of quality human resources into the organisation.

The third article is on marketing. The authors say that, the commercial organisations delve deep into the psychology of young people. Often they succeed. There is no harm in selling fashionable products to them which, people think are "cool", but, they say companies attach this label, 'cool', to harmful products also. This raises ethical questions. This paper describes some of the questionable methods used to market products that are harmful and also examines the ethical questions related to such practices

The fourth article is on "medium of learning at the secondary level and its effects on engineering career. In India, the students graduating from the high schools can be divided into two categories on the basis of medium in which they received instruction. They are who studied in English medium and the students who studied in vernacular language. Students from both the categories get admission into engineering, medicine and other areas of studies in the colleges and universities. The fourth article examines how medium of learning creates a big difference in their lives ahead. Research results indicate that English language opens the doors of opportunity for employment, both within the country and outside the country.

Supply chain integration is essential for sustainability in an organization. It includes activities of the organization, suppliers, customers etc. They are to be integrated together. It is said supply chain integration links a firm with its customers, suppliers and other channel members by integrating their relationships, activities, functions, processes and locations. Integrated supply chain provides significant competitive advantage including the ability to outperform rivals on both price and delivery. The fourth article is on SCM practices in SMEs.

Fifth article is on financial management. In this the authors have tried to analyze both long run and short run causal relationship between foreign institutional investors' investments and domestic institutional investors' investments in India.

Sixth article is on customer dissatisfaction in purchase of smart phones. Customer dissatisfaction is the distraught feeling felt when the performance of the product is not up to the expectation. In this article the author tried to develop a comprehensive scale and identify the dimensions of dissatisfaction in the purchase of smart phones. The last one is a book review. I think all the articles contribute to enrich the existing literature in the area concerned.

Dr. P. B. Apparao
Chief Editor

Copyright © 2009 by Gokaraju Rangaraju Institute of Engineering & Technology, Hyderabad

Access any latest information about Gokaraju Rangaraju Institute of Engineering & Technology (GRIET) <http://griet.ac.in> from our web site: <http://mgmt2day.griet.ac.in>

The articles covered in this Journal have been peer reviewed. However, the publisher neither guarantees accuracy of facts nor accepts any liabilities with respect to the articles printed in this Journal.

Management Today (An International Journal of Management Studies)

Published by

Gokaraju Rangaraju Institute of Engineering and Technology

Bachupally, Kukatpally, Hyderabad - 500 090.

Management Today

(An International Journal of Management Studies)

Volume: 6

Number: 2

April-June 2016

Contents

Page No.

- 1. Influence of Leadership Approaches on Participation and Performance in the Decentralised Local Government System in the Central Region of Ghana**
Adom Baisie Ghartey, John Victor Mensah and Benjamin Baisie Ghartey **56-66**
- 2. Is Your Recruiter Skilled Enough? A study paper on the regressing skills of Recruiters in the IT Industry**
Sukesh Koka **67-71**
- 3. Is the Marketing of Cool Ethical?**
Punam Gupta and Dinesh Kumar... .. **72-76**
- 4. Medium of Learning during School year and its effects on Engineering Career: Discriminant Analysis Approach**
Amal Krishna Saha and Bhagyasree Saha **77-81**
- 5. Integrating Buyer-Supplier Relationship to an Inter-Organizational System for Strengthening SCM Practices across SMEs**
Gaurav Sehgal **82-90**
- 6. FIIs Investments and DIIs Investments in India – A Causality Study**
Omprakash Kajipet and Sridhar Ryakala **91-95**
- 7. A Scale Development Approach to Customer Dissatisfaction in Purchase of Smart Phone**
Frank Sunil Justus, T and Sunitha, T. **96-100**
- 8 Book Review**
Annavajhula J.C. Bose **101-103**



MANAGEMENT TODAY

-for a better tomorrow

An International Journal of Management Studies

home page: www.mgmt2day.griet.ac.in

Vol.6, No.2, April-June 2016



Influence of Leadership Approaches on Participation and Performance in the Decentralised Local Government System in the Central Region of Ghana

Adom Baisie Ghartey¹, John Victor Mensah² and Benjamin Baisie Ghartey³

¹Executive Director, Ghartey Associates, Accra, Ghana; ²Professor, Institute for Development Studies, University of Cape Coast, Cape Coast, Ghana; ³Lecturer, Department of Administration and Management Studies, Wa Campus, University for Development Studies, Ghana.
j_vmensah@yahoo.com

ARTICLE INFO

Article history

Received 07.04.2016

Accepted 25.06.2016

Keywords:

Leadership approaches, participation, performance, decentralisation, local governments

ABSTRACT

Leadership plays a critical role in enhancing participation and performance of local governments (LGs) in pursuing the virtues of decentralisation. However, leadership approaches regarding the behaviour, qualities and interrelationships between leaders and followers in LGs appear to focus on the delivery of results with less attention to eliciting participation and performance of the followers. The paper examined how the leadership approaches have influenced participation and performance of LGs in the Central Region of Ghana. The study used the descriptive survey design and mixed-methods. Multi-stage, purposive and stratified sampling procedures were used to select a sample of 989 respondents from three local government areas: Cape Coast Metropolis (CCM), Effutu Municipality and Asikuma-Odoben-Brakwa (AOB) District. Data were collected between 2010 and 2011 from regional, district and community actors using interview schedules and interview guides. Descriptive and inferential statistics and content analysis were used to analyse the data. The study revealed that the leadership approaches influenced participation but did not influence performance. Second, the leadership approaches of the Assembly members enabled the followers to feel enthusiastic and take responsibility but did not engender sustainability of development interventions. We recommend that leadership behaviour, participation, communication and information flow should be improved at all levels of LGs; knowledge and skills of leaders and followers needs enhancement; political interference and politicisation of issues should be avoided; and adequate resources provided for the various structures. Also, the Assembly members should strengthen the links with their electorate. Furthermore, the Assemblies should make the Sub-district structures functional.

Introduction

Leadership is important in influencing participation and performance of local governments (LGs) in responding to their mandates and the development aspirations of their constituents (Flynn, 1997). The leadership approaches regarding the behaviour, qualities

and interrelationships among leaders and followers should create a vision and direction for the followers and ensure their involvement in the achievement and sustenance of the vision and goals. The leadership behaviour refers to the leadership style and could be autocratic, characterised by control of activities and decisions by the leader; democratic emphasising participation and majority rule; or laissez-faire with low involvement by the leader. Leadership, participation and performance of LGs from the structural functionalist and systems thinking perspectives are interdependent and ought to be pursued holistically (Beerel, 1998; Checkland, 1999; Mooney, Knox & Schacht, 2002).

Daft (1999) observes that despite the crucial role of leadership in enhancing participation and performance, the focus has been on the delivery of results. Similarly, Covey (2004) submits that most

.....
Responsibility of Contents of this paper rests upon the authors and not upon GRIET publications

ISSN: 2348-3989 (Online)

ISSN: 2230-9764 (Print)

Doi: <http://dx.doi.org/10.11127/gmt.2016.06.01>

pp. 56-66

Copyright@GRIET Publications. All rights reserved.

organisations are vastly over-managed and desperately under-led. Manning and Curtis (2007) and Antwi (2009) note that the weakest link in business, industry and government today is leadership. It could be argued from these assertions that performance of governments at all levels appears to be viewed in isolation from leadership and participation which are interdependent elements in the development management process.

LGs are increasingly required to play larger roles in providing services, alleviating poverty and facilitating development (Mitlin, 2000). According to Shah (2005), the decentralisation of government administration enhances performance by removing development constraints and laying strong foundation for involvement of all actors to achieve accelerated growth, equitable and sustainable local development. Policy makers, politicians and practitioners in developing countries have, therefore, supported decentralisation policies and programmes (Cheema, 2007). However, the majority are still grappling with responsiveness of the systems, structures and procedures to leadership, participation and performance requirements (Khan, 2006; Ahwoi, 2010).

In 1988, under the PNDC Law 207, Ghana introduced a decentralised local government system that devolved political, administrative and fiscal authority to the Metropolitan, Municipal and District Assemblies [MMDAs] (Ministry of Local Government and Rural Development [MLGRD], 1996). Local governance is a key

component in the decentralisation system as enshrined in the Local Government Act 1993 (Act 462). The functions of the MMDAs are outlined around their executive, legislative and deliberative powers. Being the focal point, the MMDAs are not only expected to coordinate activities of the lower level structures but also to share central government responsibilities, functions, financial and human resources with local level units.

The decentralisation system provides for various levels of administrative units by establishing a four-tier system at Metropolitan level and a three-tier system at Municipal and District levels. The three types of LG structures are classified depending on the number of inhabitants in the area of jurisdiction as shown in Figure 1. Under the Metropolitan Assemblies are the Sub-Metropolis, Town Councils and the Unit Committees. Under the Municipal Assemblies are the Zonal Councils and the Unit Committees while District Assemblies have the Urban/Town/Area Councils and the Unit Committees. Thus, the Unit Committees are the lowest tier in all structures. In this paper, MMDAs are generally referred to as local governments. In an attempt to improve the governance system, the government of Ghana has increased the number of MMDAs from 110 in 1988 to 216 in 2012 despite concerns surrounding the creation of new districts (Ayee, 2012; Mensah, Adamtey & Mohammed, 2015).

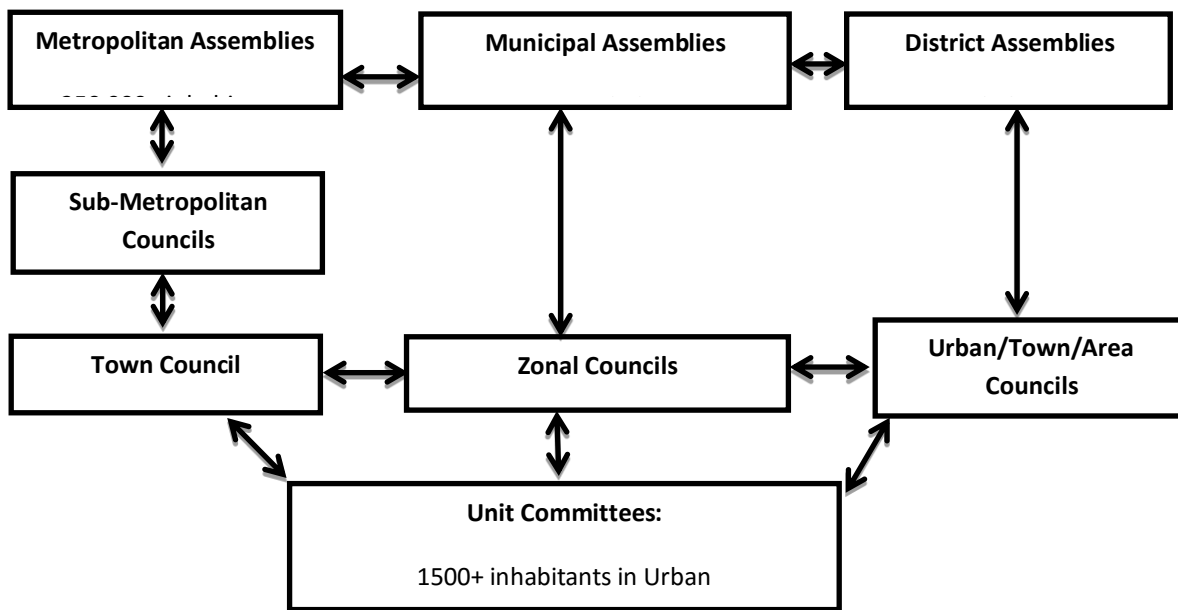


Figure 1: The New Local Government System in Ghana
 Source: Ministry of Local Government and Rural Development (1996)

After over two decades of operationalisation of the decentralisation system, the LG system in Ghana is confronted with leadership, participation and performance challenges (Mensah, 2005; Gyimah-Boadi, 2009; Offei-Aboagye, 2009). Although a number of reviews and studies have been conducted to assess progress towards achieving effective and efficient decentralisation, the focus has been on the progress in improving the functioning of the LG structures, responsiveness to legal and regulatory requirements, fiscal decentralisation and adequate human capacity for the LGs (MLGRDE, 2007). Little focus has been on how leadership approaches had

facilitated participation and created the environment for enhanced performance.

Similarly, the Functional Organisational Assessment Tool (FOAT) introduced in 2008 by the MLGRD to assess the MMDAs' performance and reward qualified ones with additional resources called the District Development Facility (DDF) revolved around efficiency and effectiveness requirements. Both the two assessments conducted as at January 2011, the first in 2008 and the second in 2009,

paid less attention to the role leadership plays in enhancing participation and performance (MLGRD, 2010a, 2010b).

The Central Region of Ghana is no exception to the aforementioned challenges. Despite its pioneering role in the decentralised LG system in Ghana, with its regional capital, Cape Coast as the capital of Ghana (then Gold Coast) until 1877 and one of the four regions in which the Municipal Council Ordinance of 1859 regulated LGs in their major municipalities (Ahwoi, 2010), the region is still facing leadership, participation and performance challenges. It was the second poorest performed region, with only two out of the 13 districts qualifying for the DDF in 2008, and the third best in 2009 with 16 out of the 17 MMDAs qualifying for the DDF (MLGRD, 2010b). The paper examines the influence of leadership approaches on participation; on enthusiasm, responsibility and sustainability of development interventions; and on performance of LGs in the Central Region.

The paper is organised into seven sections. Following the introduction, the next section focuses on theoretical perspectives. The third section highlights the inter-relationships among leadership, participation and performance while the fourth section reviews empirical literature. The fifth section presents the methodology while section six deals with findings and discussion. The last section presents conclusion and recommendations.

Theoretical Perspectives

The study was guided by leadership theories, decentralisation theory, structural functionalism and systems thinking. Literature on leadership approaches to development management suggests that although leadership can make a difference to organisational performance, the determinants of leadership success are not clear-cut. What is clear is that successful organisational leadership relies on a combination of traits, skills, attitudes, environmental and intra-organisational conditions. Therefore, for leadership to achieve higher performance, the leadership approaches should respond to the situation and environment (Bennis, 1993; Bass, 1997; Sosik, 1997).

Jung and Avolio (1999) argue that, in accordance with the transformational and integrative leadership theories, leaders must build self-confidence, self-sufficiency and self-esteem in the followers, positively influence followers' identification with the organisation and vision, and boost motivation and goal achievement. Covey (2004) contends that the leadership approach should seek to reduce leader-dependency and leader-follower co-dependency inclinations in which the followers over-depend on the leader and both the leader and followers depend on one another for subordination and authority. The leadership approach should empower followers to conceptualise and analyse issues for themselves in order to enhance their understanding, participation, commitment, ownership and performance.

In Chambers' (1997) view, participatory approaches to facilitating development processes between the leaders and followers seem to be the right approach in bridging the gap between them. Proponents of participatory approaches believe that the acts and processes involved in participatory approaches promote sharing of knowledge and negotiation of power across all levels of governments and institutions (Cooke & Kothari, 2001). However, this is not the case as leaders evoke different forms of participation in their bid to engage followers. The leaders tend to be directive and instructive in their leadership approaches, thus perpetuating the dependence and co-dependence inclinations in the leadership process.

Decentralisation theory (Oates, 1972; 2006) informs decentralised decision-making and strong role for LGs on grounds of efficiency,

accountability, manageability and autonomy. It explains that LGs are in constant touch with the people and are better placed to respond to their needs than the central government (Rondinelli, 2007). Another argument for the decentralisation theory is that LGs would allow for greater participation which would empower the local people to direct the course of their own development (Ahwoi, 2010).

However, the devolution of power may augment the dominance of those who because of wealth or status were already powerful at the local level. Although through decentralised structures, avenues are provided for popular participation and, therefore, some control of the direction of local development by the local people, several aspects of the decentralised structures in terms of resource allocation and decision-making point to control from the centre (Kisseih, 2007; Kendie & Mensah, 2008). This undermines the exercise of leadership at the various levels of the decentralised governance system.

In the structural-functionalist view, society is a system of interconnected parts that work together in harmony to maintain a state of balance and social equilibrium for the whole. The interconnectedness focuses on how each part influences and is influenced by other parts. The structural-functionalists use the terms "functional" and "dysfunctional" to describe the effects of social elements on society. Elements of society are functional if they contribute to social stability and dysfunctional if they disrupt social stability (Mooney, Knox & Schacht, 2002). The implication is that the influence of leadership approaches in LGs are functional if they enhance participation and performance but dysfunctional if they do not. It is in the context of the structural-functionalist paradigm that this paper views decentralisation, participation and performance from a systems thinking perspective.

Systems theory provides the framework for systems thinking and focuses on the arrangement and interconnectedness between the parts which make it a whole, referred to as 'holism', rather than the characteristics of the parts themselves (von Bertalanffy, 1968). This perspective is known as 'systemic' while the way of thinking is referred to as 'systems thinking'. Further to holism is 'synergy', which describes the notion that the whole is greater than the sum of the parts (Checkland, 1999). These principles of holism and synergy provide the basis for understanding the influence of leadership on participation and performance in LGs. A system has three components namely; input, throughput and output (Deacon & Firebaugh, 1988; Amisshah, Mensah & Antwi, 2015).

Leadership, Participation and Performance

Leadership is an influence relationship between leaders and followers who intend real changes that reflect their shared purposes (Rost, 1993). It communicates to people their worth and potentials, and mobilises them for participation to achieve shared goals (Covey, 2004). According to Chambers (2005), participation is empowering the people and involving them in policy making, planning, implementation, monitoring and evaluation of development interventions. Participation, viewed differently by development practitioners, can be analysed in three main ways namely: who participates, the institutions involved, and the objectives and functions of participation.

The types of participation are often characterised as ladders, devised to fit particular contexts and needs. Arnstein (1969) had eight rungs in descending order namely; citizen control, delegated power, partnership, placation, consultation, informing, therapy and manipulation. Oakley (1989), on the other hand, distinguishes participation in projects as contribution, organisation and empowering. According to Chambers (2005), ladders unpack participation and use

the same word for different activities and relationships. Ladders can also show how much participation is about power and this can reduce pretence and hypocrisy but improve practice. Four levels of participation for successful organisational performance are information-sharing, consultation, decision-making and initiating action.

Performance involves managing, controlling, supporting and continuously improving the success of organisations. It establishes the systems and processes to support assessment, review and evaluation of the effectiveness and efficiency of organisations (United Nations, 2007). Different criteria and indicators have been used by different authorities, including the FOAT to assess the performance of LGs (Waterman et al., 1980; Ouchi, 1981; United Nations, 2007; MLGRD, 2009). The criteria and associated indicators include leadership, strategic management, public participation, transparency, openness

and accountability as presented in Table 1. These have been adapted for assessing the responsiveness of MMDAs to performance requirements in the FOAT. It has also been used in this paper to examine the influence of leadership approaches on participation and performance of MMDAs.

According to Oyelaran-Oyeyinka (2006), studies have shown that leaders make the difference in eliciting participation and performance in organisations. An effective leader mobilises followers to translate resources to production to define the success level of that organisation. The overall organisational effectiveness and performance may not be due to poor administrative system, but poor organisational leadership. Public participation at all levels of government is essential to promote policies that will better focus on growth with equity, sustainable human development and poverty reduction.

Table-1: Criteria and Indicators of Performance of Local Governments

Performance criteria	Indicators
Leadership	Style, quality and responsiveness
Strategic management	Strategy, planning system and shared goals
Public participation	Decision-making, vision/ goal formulation, planning, implementation, monitoring, evaluation
Transparency, openness, accountability	Reporting, feedback, clear processes, procedures, accessibility to information, holding individuals and organisations responsible for access to and quality of services, and results measured objectively: financial, political and administrative accountability.
Human resource management	Staffing (quantity and quality), skills, organisational structure and culture.
Revenue and expenditure management	Revenue generation capacity, financial management and accountability system
Internal and external environmental relationships	Inter-organisational, inter-governmental and environmental relationships.

Source: Adapted from Waterman et al. (1980); Ouchi (1981); United Nations (2007); MLGRD (2009)

According to Kendie and Mensah (2008), inter-organisational and intergovernmental relations influence the performance of public organisations. The key challenges in most government organisations are low participation and weak coordination, which usually emanate from lack of clarity in the division of responsibilities and duplication and multiplicity in service provision resulting in inefficiency and wastage in the use of public resources. Effective participation and high performance of MMDAs are required for efficient service delivery, good governance and sustainable local development.

Leadership is expected to provide vision and direction for decentralisation to achieve equitable and sustainable development. The link among leadership, participation and performance, therefore, needs to be strengthened. Good leadership is a prerequisite for effective participation and performance of MMDAs. To achieve efficiency and equity goals, LGs should have uninhibited authority, align responsibilities among actors, and have the requisite capacity to respond to mandates and aspirations of constituents.

The conceptual framework for the paper (Figure 2) views leadership, decentralisation and performance from a systems thinking perspective in which participation plays an important role in each sub-system. The functional interrelationships among leadership, participation and performance form the basis for achieving the tenets of decentralisation. Each sub-system needs to function from a systems perspective in relation to its elements. Leadership cannot be reduced to position but how it influences the followers to participate in responding to performance requirements. The LGs cannot be reduced to departments and units, and performance cannot be reduced to responsiveness to statutory requirements but how the leadership

process influences followers' participation in responding to mandates and aspirations of constituents. The extent to which leadership influences participation and performance in the decentralised LG system is demonstrated by its presence in each sub-system.

Decentralisation is viewed in relation to the tenets, mandates, structures, systems, statutory requirements, in addition to leadership, participation and the larger environment that interact with the sub-systems. Such interrelationships should be analysed and understood in order to respond to participation and performance requirements (Checkland, 2000). Leadership is also viewed from the perspective of how it relates to the decentralised LG system and its environment that respond to participation and performance. Likewise, performance is analysed and understood from the perspective of performance requirements and how together they enable leadership to elicit participation to achieve equitable and sustainable development (Beerel, 1998; Van der Lee, 2002).

Empirical Literature

Available literature on assessment of LGs reveals the extent to which emphasis is placed on efficiency and effectiveness requirements with less attention to the interdependence between leadership, participation and performance. The Harvard Institute for International Development in Indonesia (HIID, 1993) evaluated LGs in developing countries by focusing on the legal, process performance and fiscal health. Anderson (1999) concentrated on conformance to legislations on participation in evaluating the performance of LGs in Caiza while Foltin (1999) examined mechanisms for evaluating LG performance in terms of conformance and fiscal health.

Adebayo (2001) focused on institutional, political, psychological, sociological and attitudinal factors in assessing the efficiency of Nigeria's public service. Andrew and Shah (2003) evaluated LG performance in developing countries and noted that the indicators

focused on conformity with legislation, maintenance of fiscal health, responsiveness, efficiency and accountability to citizens. Islam and Khan (1996) cited by Shah (2005) evaluated LG performance in Dhaka and Bangladesh by dwelling on legislative conformity.

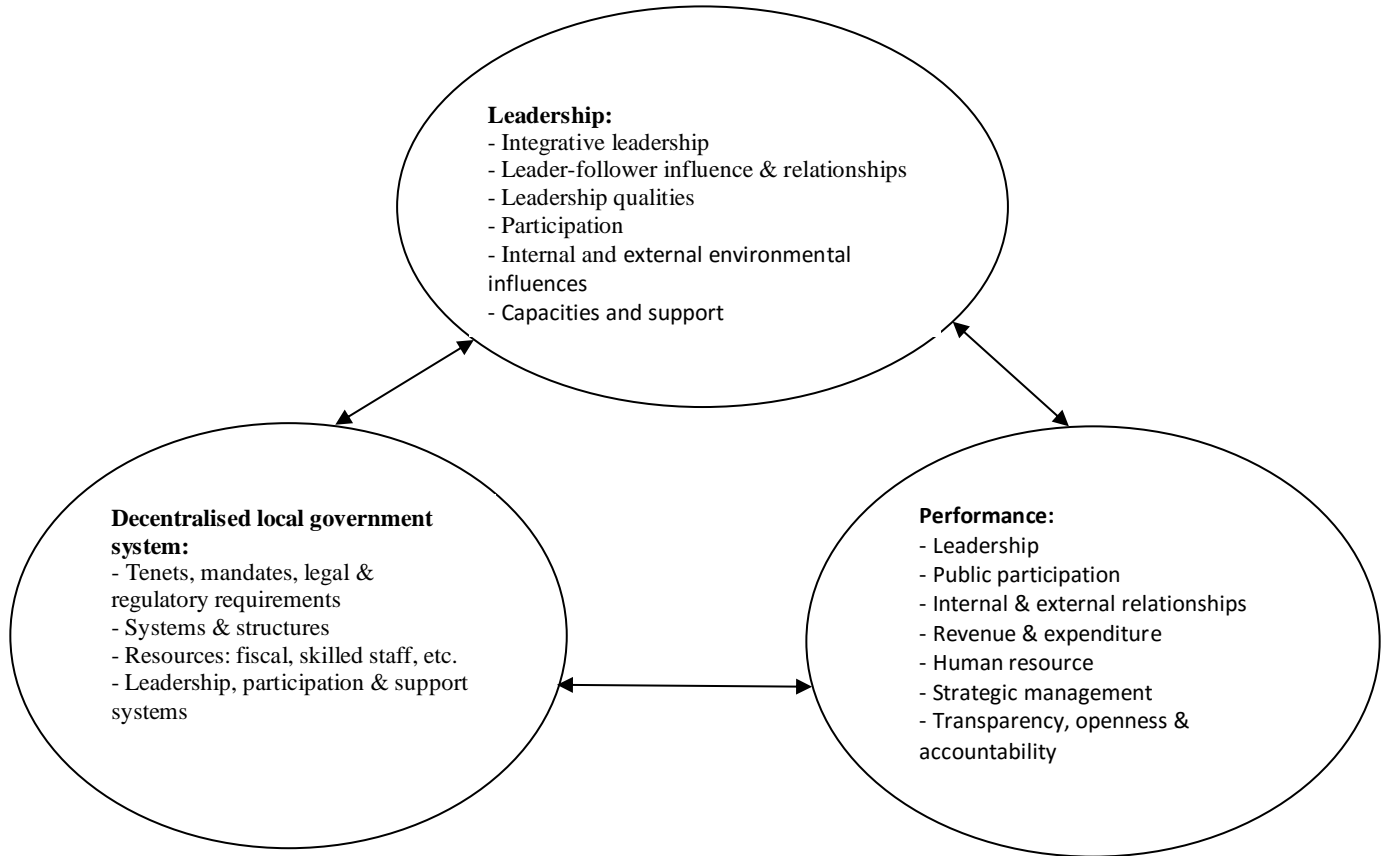


Figure 2: Decentralisation, leadership and performance nexus
 Source: Adapted from Beerel (1998); Checkland (2000); Mooney, Knox and Schacht (2002)

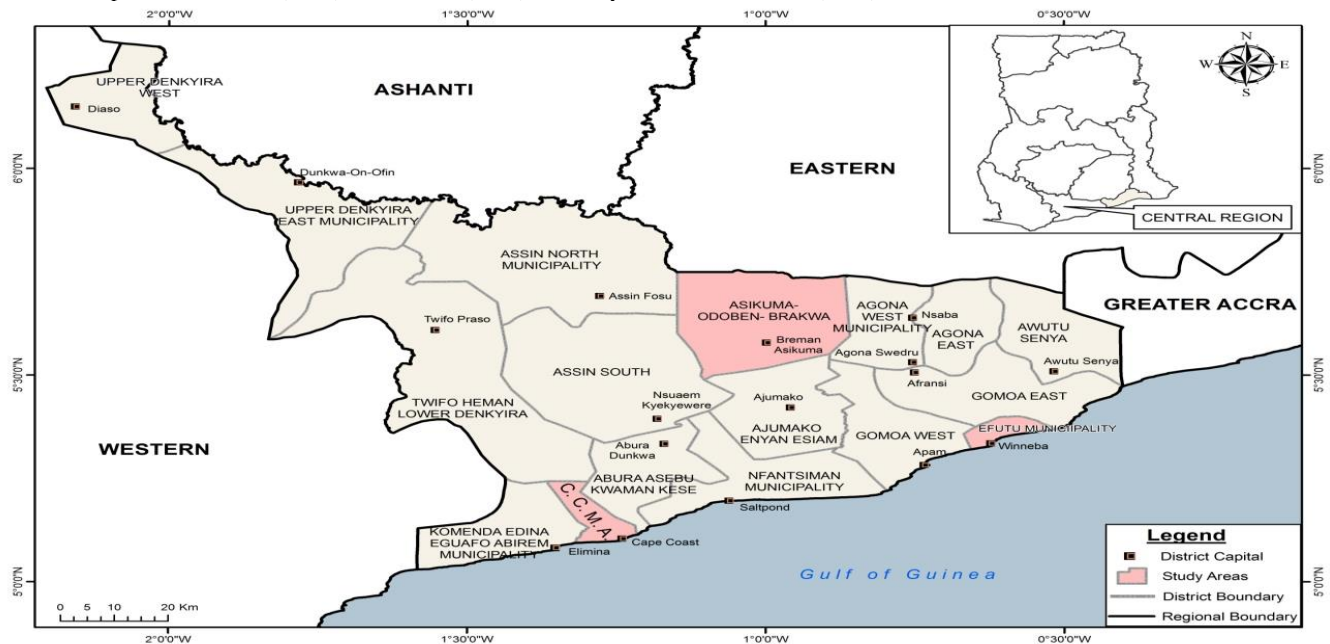


Figure 3: Central Region with the study areas in regional and national context
 Source: Central Regional Coordinating Council, 2009

In Norway, Sandbakken (2006) examined leadership practices and organisational performance by linking the role of leadership in the performance of governments. Similarly, Oyelaran-Oyeyinka's (2006) study on governance and bureaucracy in Nigeria examined the role of leadership as an important element in the performance of the Lagos State civil service. Although the two studies appear to examine leadership and performance from an interrelationship perspective, the issues were examined from a government-wide perspective and not at the LG level which is the focus of this paper. The empirical review suggests that there are a few studies on LGs that have used the systems thinking and structural functionalist paradigms to examine the influence of leadership on participation and performance.

Research Methodology

The mixed-methods design, which involves collection and analysis of both quantitative and qualitative data, was adopted for the study. Descriptive survey study design was used to obtain information concerning the current status of the issues addressed. Three areas were selected for the study namely; CCM, Effutu Municipality and AOB District (Figure 3). A sample of 989 respondents was selected from the study population of 53,506 comprising the Regional Coordinating Director (RCD) and Regional Economic Planning Officer (REPO) at the regional level, the political and administrative leadership at the district level, and the registered voters in the electoral areas of the elected Assembly members in the three study areas in the Central Region of Ghana. Multi-stage sampling procedure was used to sample the respondents at the regional, district and community levels. The five-stage sampling procedure was to adequately sample the various stakeholders such as the regional actors; MMDAs; Metropolitan, Municipal and District Chief Executives (MMDCEs); Metropolitan, Municipal and District Coordinating Directors (MMDCDs); heads of the departments (HoDs); Assembly members and community members.

The first stage involved purposive selection of the RCD and REPO. This was because the study was situated within the context of the FOAT performance assessment framework which the regional actors provided policy, monitoring and coordinating support. Such purposive sampling allowed the respondents to share their views on leadership, participation and performance in the local government areas (LGAs).

Three out of the then 17 MMDAs were purposively selected at the second stage. As at January 2011, two assessments had been conducted. The 17 MMDAs were categorised into three namely; (a) MMDAs that qualified for the DDF in both assessments, (b) MMDAs that qualified in only one and (c) those that did not qualify in any of the two assessments. Consequently, one district was purposively selected from each of the three categories. This resulted in the selection of one District Assembly, AOB, which qualified for the DDF in both assessments, the only one Metropolitan Assembly (CCMA), which qualified for the DDF in the second assessment; and one Municipal Assembly, Effutu, which did not qualify for the DDF in both assessments.

At the third stage, purposive sampling was employed to select all the three MMDCEs and all the HODs (16 in CCM, 13 in Effutu Municipality and 11 in AOB District) due to their critical roles in the leadership and performance processes in the Assemblies. In addition, all the Assembly members (60 in CCM, 24 in Effutu Municipality and 33 in AOB District) who were in office at the time of the FOAT assessments but ended their term of office in October 2010 were purposively selected. They constituted the leadership of sub-

committees of the Assembly and were better placed to respond to the leadership, participation and performance issues.

At the fourth stage, the number of elected Assembly members that were available for interview was established in order to ensure that their constituents would be located to assess their leadership and performance. As the term of office of the elected Assembly members had expired, some had relocated outside the study areas and could not be contacted. Those who could be contacted to serve as one group of the community level respondents are shown in Table 2.

Table-2: Sampling of Assembly Members

Assembly	Number of Assembly Members	Assembly members selected		
		Elected	Appointed	Total
Cape Coast Metropolitan	60	18	18	36
Effutu Municipal	24	7	7	14
AOB District	33	10	10	20
Total	104	35	35	70

Source: Field survey (2011)

At the fifth stage, the list of the 2008 registered voters by constituency was obtained from the Electoral Commission of Ghana. The reason was to establish the adult population in each of the electoral areas of the elected Assembly members who were contacted. The registered voters served as the basis for selection of the community level respondents. This decision was based on the assumption that at the voting age of 18 years, a person was capable of making informed decisions on the responsiveness of the political, economic and socio-cultural issues in their locality (Government of Ghana, 1992).

The registered voters were selected by the use of stratified sampling method. The sample size of the registered voters from the three selected districts was calculated using Cochran's (1977) sample size estimation formula, based on the margin of error of 0.05. By using the formula, the proportion of registered voters in the selected communities to the total number of registered voters generated a sample size of 295, 230 and 302 voters for CCMA, Effutu Municipal Assembly (EMA) and AOB District Assembly respectively. In order to ensure that only persons who had adequately experienced the regimes of the elected Assembly members would be sampled as community level respondents, a minimum of five years stay in the community was considered. Accordingly, a snowball sampling approach was used until the required sample sizes were exhausted in each community.

Interview schedules and interview guide were used to collect primary data between November 2010 and April 2011. The quantitative data were analysed using the computer software: Statistical Product and Service Solutions version 17. Descriptive statistics including frequencies and percentages were used to present the data. Chi-square test of independence was used for inferential analysis. These analyses were supported by statements from the respondents to explain the reasons behind the figures. Content analysis was done to deal with qualitative data.

Findings and Discussion

The findings and discussion focus on the influence of leadership approaches on participation, followers' enthusiasm, responsibility and sustainability of development interventions as well as performance.

The exercise of leadership occurs among the MMDCEs, the Assembly members, HODs, community leaders and their followers.

Influence of the Leadership Approaches on Participation

Leadership approaches go a long way to influence participation and performance (Beerel, 1998; Checkland, 2000; Mooney, Knox & Schacht, 2002). The 105 MMDA level respondents were asked whether the leadership approaches promoted participation, enabled

followers to feel enthusiastic about contributing to the management of development interventions, assume responsibility for and ensure sustainability of the interventions. The majority of these respondents reported that the leadership approaches had promoted participation at the level of the Assembly (84.8%), central administration (73.3%), other departments (69.5%) and community leaders (69.5%) as presented in Table 3.

Table-3: Leadership Approaches Have Promoted Participation at the Various Levels

Level		Assemblies								χ^2 (p-value)
		CCM		Effutu		AOB		Total		
		F	%	F	%	F	%	F	%	
Assembly	Yes	41	82.0	22	88.9	26	85.0	89	84.8	0.518 (0.772)
	No	9	18.0	3	11.1	4	15.0	16	15.2	
Central Administration	Yes	39	78.1	18	72.2	20	65.0	77	73.3	1.077 (0.584)
	No	11	21.9	7	27.8	10	35.0	28	26.7	
Sub-District Structures	Yes	16	31.2	13	52.0	15	50.0	44	41.9	2.517 (0.284)
	No	34	68.8	12	48.0	15	50.0	61	58.1	
Other departments	Yes	38	75.0	17	66.7	18	60.0	73	69.5	1.326 (0.515)
	No	12	25.0	8	33.3	12	40.0	32	30.5	
Community	Yes	27	53.1	18	72.2	18	60.0	73	69.5	1.751 (0.417)
	No	23	46.9	7	27.8	12	40.0	32	30.5	

F= Frequency; Number of respondents = 105

Source: Field survey (2011)

However, at the sub-district structures (SDS) level, the majority (58.1%) of the respondents indicated that the leadership approaches had not promoted participation due to inadequate establishment and non-functioning of SDS in the LGAs. From a structural functionalist perspective, the absence or non-functional SDS is dysfunctional (Mooney, Knox & Schacht, 2002) and would not enable the MMDAs to realise the full benefits of the decentralised LG system (Oates, 1972). A chi square test of independence was used to explore association between the leadership approaches and participation for the various leadership levels in the three study areas. Even though differences in MMDA responses existed by study area, the chi-square values and the corresponding p-values (i.e. larger than the alpha value of 0.05) implied that the variations were not statistically significant.

The majority (61.5%) of the 827 community level respondents reported that the leadership approaches of the Assembly members had promoted participation. The community level responses by study area showed differences with 73.8 percent of the respondents in CCM and 63.4 percent of the respondents in AOB District but only 47.7 percent of the respondents in the Effutu Municipality indicating that the leadership approaches had promoted participation. The majority of the respondents in the Effutu Municipality attributed their responses to the intense chieftaincy dispute and politicisation of issues in the area. This confirms the view of Manning and Curtis (2007) that conceptions of the characteristics of leadership are culturally determined.

The results confirm Marriner’s (1994) view that, leaders exhibit different leadership behaviours and qualities in response to given situations. Followers also expect the leaders to respond to their needs in given contexts, thereby affirming the need to adopt integrative leadership behaviours that use the appropriate mix of qualities and skills to achieve influence relationships (Bennis, 1993). This is congruent with the systems thinking perspective and the conceptual framework of this paper (Figure 2).

To further confirm the respondents’ views on how the leadership approaches promoted participation, they were asked whether the followers were made aware of the vision and goals of the districts. The results indicated that the majority (60%) of the 105 respondents at the MMDA level perceived that the followers at the various levels of the SDS were made aware of the vision and goals. The district-specific responses also indicated that the majority in the CCMA (59.4%) and in the AOB District Assembly (80%) but few (39%) in the EMA indicated that the followers were made aware of the vision and goals.

The respondents explained that the leadership approaches had promoted participation and sharing of vision and goals in different ways including informing them at meetings, consulting them, involving them in the vision and goal formulation, and the implementation processes. These modes of promoting participation seem consistent with the lower rungs of Arnstein’s (1969) ladder of participation, Oakley’s (1989) contribution and organisation, Chambers’ (2005) first three levels of participation as well as Pretty’s (1995) passive, functional, consultative and interactive participation. The results suggest that the leadership approaches at various levels of the MMDAs required further strengthening to enable the leadership process integrate other rungs such as partnership, delegated power and citizen control to adequately empower followers to strengthen commitment, ownership and sustainability.

The fact that the majority (61%) of the respondents in EMA and a fair proportion, 40.6 percent in CCM and 20 percent in AOB District perceived that the followers were not aware of the vision and goals was indicative of how the followers had not been adequately involved in the management of development interventions. Without awareness of the vision and goals, the followers would find it difficult to appreciate where the leadership was taking them, thereby constraining them to own and commit themselves to the vision and goals (Covey, 2004).

The reasons attributed to the non-awareness of the vision and goals were politicisation of issues by the leaders, inadequate communication,

information sharing and dissemination, and the tendency for the leaders to impose interventions on the followers. The respondents in EMA provided additional reasons as chieftaincy disputes and the Assembly’s failure to qualify for the DDF. These factors preclude participation (Shah 2006) and resonate with the challenges confronting decentralisation in Ghana (Ahwoi, 2010).

Influence of Leadership on Enthusiasm, Responsibility and Sustainability

The respondents at the MMDAs and community levels were asked whether or not the leadership approaches enabled the followers to feel enthusiastic, take responsibility and ensure sustainability in managing development interventions in the LGAs. The majority, 63.8 percent and 51.4 percent, of the 105 MMDA respondents reported that the leadership approaches enabled the followers to feel enthusiastic about contributing and taking responsibility respectively as presented in Table 4. However, only 36.2 percent perceived that the leadership approaches enabled followers to ensure sustainability. The results suggest that even though the leaders might adopt leadership approaches that would push the followers to contribute and take

responsibility for implementing interventions, the approaches did not respond to the followers’ motivational needs as advanced by Maslow (1943) to engender sustainability.

The district-specific responses provided varied results in terms of enthusiasm, responsibility and sustainability but the chi-square values and the corresponding p-value of 0.312 for enthusiasm, 0.068 for responsibility and 0.229 for sustainability (Table 4) imply that the variations were not statistically significant. While the majority (56.0%) of the 50 district level respondents in CCMA indicated that the leadership approaches enabled the followers to feel enthusiastic, 37.5 percent and 25 percent indicated that leadership approaches enabled the followers to take responsibility and sustain the interventions respectively. In EMA, 77.8 percent of the 25 respondents indicated that the approaches enabled the followers to feel enthusiastic, 55.6 percent to take responsibility and 44.4 percent to ensure sustainability. The AOB District had 65 percent of the 30 respondents perceiving that the approaches enabled followers to feel enthusiastic, 70 percent to take responsibility and 45 percent to ensure sustainability.

Table-4: Influence of Leadership Approaches on Enthusiasm, Responsibility and Sustainability by Assembly

MMDA		Enthusiasm			Responsibility			Sustainability		
		Yes	No	χ^2 (p-value)	Yes	No	χ^2 (p-value)	Yes	No	χ^2 (p-value)
CCM	F	28	22	2.332 (0.312)	19	31	5.369 (0.068)	13	37	2.949 (0.229)
	%	56.0	44.0		37.5	62.5		25.0	75.0	
Effutu	F	19	6		14	11		11	14	
	%	77.8	22.2		55.6	44.4		44.4	55.6	
AOB	F	20	10		21	9		14	16	
	%	65.0	35.0		70.0	30.0		45.0	55.0	
Total	F	67	38	54	51	38	67			
	%	63.8	36.2	51.4	48.6	36.2	63.8			

Source: Field survey (2011)

Similarly, at the community level, the majority, 98 percent and 65 percent, of the 827 respondents across the study areas perceived that the leadership approaches of their Assembly members enabled the followers to feel enthusiastic and take responsibility respectively while 45 percent perceived that it ensured sustainability of development interventions. The community level MMDA-specific responses also indicated that 67.5 percent of the 295 respondents in CCM, 70 percent of the 230 respondents in EMA and 52.5 percent of the 302 respondents in AOB District perceived that the leadership approaches had enabled the followers to feel enthusiastic. The majority of the community level respondents, 65 percent in CCM, 60 percent in EMA and 72.5 percent in AOB District also reported that the approaches had enabled the followers to take responsibility. However, 42.5 percent in CCMA, 45 percent in EMA and 47.5 percent in AOB District perceived that the leadership approaches had enabled the followers to ensure sustainability of development interventions.

The low proportions of the yes responses across the study areas (i.e. between 25% and 47.5%), implying that the leadership approaches could not enable followers to ensure sustainability should be of concern to the MMDAs. Otherwise achievement of sustainable local development would be a mirage. Those who reported that the leadership approaches made followers feel enthusiastic to contribute, take responsibility and ensure sustainability attributed the situation to the fact that the approaches had created a sense of ownership among

followers, elicited commitment, ensured involvement of all, motivated followers and addressed the development aspirations of constituents.

The foregoing results suggest that for followers to feel enthusiastic, take responsibility for initiating development interventions and sustain them, actors in the leadership process should have the skills and ability to empower, involve and motivate the followers in ways that enable them to own, commit themselves and ensure sustainability, even in the absence of the leaders who initiated such interventions (Litvack & Seddan, 2002; Covey, 2004; Manning & Curtis, 2007).

Influence of leadership approaches on performance

In line with Figure 2, the influence of the leadership approaches on performance was explored by examining the perceptions of respondents on whether or not the leadership approaches enabled the MMDAs to respond to performance requirements regarding mandates and development aspirations of constituents as well as accountability, openness and transparency. Table 5 shows that the majority (53.3 %) of the district level respondents reported that the leadership approaches had not influenced performance of the MMDAs. These were made up of 60 percent, 52 percent and 43.3 percent of the respondents in CCM, Effutu Municipality and AOB District respectively. However, the variations in the district-specific responses were not statistically significant as shown by the chi square value of 1.122 and p-value of 0.571.

Table-5: Influence of Leadership Approaches on Performance by District Level Respondents

Influence	Assembly							
	CCM		Effutu		AOB		Total	
	f	%	f	%	f	%	F	%
Yes	20	40.0	12	48.0	17	56.7	49	46.7
No	30	60.0	13	52.0	13	43.3	56	53.3
Total	50	100.0	25	100.0	30	100.0	105	100.0

$$\chi^2 (2, N = 70) = 1.122, p = 0.571$$

Source: Field survey (2011)

The respondents attributed their negative responses to poor leadership, autocratic tendencies of the leaders and widespread apathy resulting from inadequate participation and weak collaboration among the departments and other actors. Other reasons were politicisation of issues, inadequate motivation, non-functional SDS, unmet expectations of constituents, and poor communication and information flow. In addition, the 52 percent of the respondents in EMA attributed their negative responses to the failure of the leadership to ensure that the Assembly qualified for the DDF in 2008 and 2009 as well as the intense chieftaincy disputes fuelled by partisan politics.

The reasons assigned for the positive responses of the respondents (46.7%) were similar in the three study areas. They included the MMDAs' responses to legal and regulatory requirements; localisation of national goals, policies and strategies at the MMDA level; and strong collaboration and commitment among actors. Others were increased internally generated revenues, ability of the leaders to instruct the followers to perform their functions, and effective planning and implementation of activities aimed at responding to performance requirements. For example, most (56.7%) of the respondents in the AOB District Assembly attributed their responses to the qualification of the Assembly for the DDF based on the FOAT assessment. The positive responses confirm that performance of the leadership of the MMDAs focused mainly on the ability of the leadership to respond to policy, legal and regulatory requirements. The Assembly leadership also focused on the dictates of the political and administrative hierarchy with less attention to how the leadership approaches influenced followers' responsiveness to performance requirements (Kisseih, 2007; Ahwoi, 2010). The followers were, therefore, likely to feel alienated from actions that needed to be taken in order to respond to performance requirements (Litvack & Seddan, 2002).

Meanwhile, the majority (68%) of the respondents at the regional and district levels (comprising 71.9 percent in CCMA, 60 percent in EMA and 88.9 percent in AOB District Assembly) reported that the leadership approaches had facilitated accountability, openness and transparency including creating platforms for holding duty bearers accountable, information sharing, regular reporting and feedback to followers, and involvement of followers in monitoring and evaluation.

The respondents who indicated that the leadership approaches had not enhanced performance made suggestions for improving performance some of which cut across the various levels of the MMDA structure, with others being addressed to specific levels. Those that cut across levels included the need to improve leadership behaviour, participation, communication and information flow; build capacities in knowledge and skills of all leaders and followers; avoid political interference and politicisation of issues; and ensure adequate resourcing of the various structures of the MMDAs. In addition to the cross-cutting issues, the Assembly members should strengthen links with their electorate in the performance of their roles and undertake public education and sensitisation in pursuing development interventions. The central administration should enhance transparency

and accountability and strengthen collaboration with other departments, while the SDS should be made functional. The other departments should strengthen collaboration with the central administration and community leaders, especially the traditional authorities.

Conclusion and Recommendations

The paper has provided evidence of how the leadership approaches have influenced participation and performance of MMDAs in the Central Region of Ghana. Five main findings emerged from the paper.

1. The majority of the MMDA respondents reported that the leadership approaches had promoted participation at the level of the Assembly, central administration, other departments and community leaders but had not promoted participation at the SDS level. Similarly, most of the community level respondents indicated that the leadership approaches of the Assembly members had promoted participation. The differences in the MMDA-specific and community level responses were not statistically significant.

2. The leadership approaches of the Assembly members enabled the followers to feel enthusiastic and take responsibility but did not engender sustainability of development interventions.

3. To the majority of the district level respondents, the leadership approaches at the various levels did not influence performance of the MMDAs. However, most (56.7%) of the respondents in the AOB District reported that the leadership approaches influenced the Assembly's performance hence its qualification for the DDF. Nevertheless, the variations in the district-specific responses were not statistically significant. The performance of the leadership of the MMDAs focused on the ability of the leadership to respond to policy, legal and regulatory requirements rather than community needs.

4. The non-influence of leadership approaches on performance of the MMDAs were attributed to poor leadership, autocratic tendencies of the leaders, and widespread apathy, politicisation of issues, inadequate motivation, non-functioning SDS, unmet expectations of constituents, and poor communication and information flow.

5. About 68 percent of the respondents at the regional and district levels reported that the leadership approaches had facilitated accountability, openness and transparency in terms of information sharing, creating platforms for holding duty bearers accountable, regular reporting and feedback to followers, and involvement of followers in monitoring and evaluation.

Four recommendations are made.

1. To improve performance at all levels there is the need to improve leadership behaviour, participation, communication and information flow; build capacities in knowledge and skills of all

leaders and followers; minimise political interference and politicisation of issues; and ensure adequate resources for the various structures of the MMDAs.

2. The Assembly members should strengthen the links with their electorate in the performance of their roles and undertake public education and sensitisation in pursuing development interventions.

3. The central administration should enhance transparency and accountability and strengthen collaboration with other departments, while the SDS are made functional.

4. The other departments should strengthen collaboration with the central administration and community leaders.

References

- Adebayo, A. (2001). *Principles and practice of public administration in Nigeria*. Ibadan: Spectrum Books Ltd.
- Ahwoi, K. (2010). *Local government and decentralisation in Ghana*. Accra: Unimax Macmillan Ltd.
- Amissah, A.A., Mensah, J.V. and Antwi, K.B. (2015). Role performance and challenges of male single-parent families in the Central Region of Ghana, *Advances in Social Sciences Research Journal*, 2(11), 140-157.
- Andersson, V. (1999). Popular participation in Bolivia: Does the law 'Participation Popular' secure participation of rural Bolivian population? *Centre for Development Working Paper* (99.6). Copenhagen: Centre for Development Research.
- Andrews, M., & Shah, A. (2003). Assessing local government performance in developing countries. In S. Anwar (Ed.), *Measuring government performance in delivery of public services (2) of Handbook on Public sector performance reviews*. Washington D. C.: World Bank.
- Antwi, K. B. (2009). Leadership: The bane of Africa's underdevelopment. In J. V. Mensah, S. B. Kendie & F. Enu-Kwesi (Eds.), *Rethinking Development studies in Africa* (pp.113-132). Cape Coast: Marcel Hughes Publicity Group.
- Arnstein, S. (1969). A ladder of citizen participation. *Journal of the American Institute of Planners*, 4, 216-224.
- Ayee, J. R. A. (2012). The Political Economy of the Creation of Districts in Ghana, *Journal of Asian and African Studies*, 48(5), 623-645.
- Bass, B. M. (1997). Does the transactional-transformational leadership paradigm transcend organisational and national boundaries? *American Psychologist*, 52, 130-139.
- Beerel, A. (1998). *Leadership through strategic planning*. Berkshire House, London: International Thomson Business Press.
- Bennis, W. G. (1993). *An invented life: Reflections on leadership and change*. Reading, Mass: Addison-Wesley.
- Chambers, R. (1997). *Whose reality counts? Putting the first last*. London: ITDG Publishing.
- Chambers, R. (2005). *Ideas for development*. London: Earthscan.
- Checkland, P. B. (1999). *Systems thinking practice: Includes a 30 year retrospective*. Chichester: John Wiley & Sons Ltd.
- Checkland, P. B. (2000). Soft systems methodology in action: A thirty year retrospective. *Systems Research and Behaviour Science*, 17(S11-S58).
- Cheema, G. S. (2007). Linking governments and citizens through democratic governance. In Rondinelli, D. A. (Ed.), *Public administration and democratic governance: Government serving citizens* (33-58). New York: United Nations.
- Cochran, W. G. (1977). *Sampling techniques* (3rd ed.) New York: John Wiley & Sons.
- Cooke, B., & Kothari, U. (Eds.) (2001). *Participation: The new tyranny?* New York: Zed Books.
- Covey, S.R. (2004). *The 8th habit: From effectiveness to greatness*. New York: Free Press.
- Daft, R. L. (1999). *Leadership theory and practice*. New York: The Dryden Press.
- Deacon, R. E., & Firebaugh. F. M, (1988). *Family resource management principles and applications*, (2nd ed.). Boston: Allyn and Bacon Inc.
- Flynn, N. (1997). *Public sector management* (3rd ed.). Essex: Pearson Education Limited.
- Foltin, C. (1999). State and local government performance: It's time for measure up! *The Government Accountants Journal*. Arlington, Spring 99.
- Government of Ghana (1992). *Constitution of the Republic of Ghana*. Accra: Ghana Publishing Corporation.
- Gyimah-Boadi, E. (2009). Political decentralisation: Achievements and challenges. In Ghana Centre for Democratic Development (CDD-Ghana). *Reflections on Ghana's decentralisation programme: Progress, stagnation or retrogression? Papers from a symposium*. Accra: CDD-Ghana.
- Harvard Institute for International Development (HIID). (1993). *Incorporating provincial opinion in the evaluation of local government fiscal capacity in Indonesia*. HIID Discussion Paper 472, 1-12.
- Jung, D., & Avolio, B. J. (1999). Effects of leadership style and followers' cultural orientation on performance in groups and individual task conditions. *Academy of Management Journal*, 42(2), 208-218.
- Kendie, S. B., & Mensah, J. V. (2008). Spatial analysis of power in Ghana's decentralised local government system. In S. B. Kendie & P. Martens (Eds.), *Governance and sustainable development* (pp.80-94). Cape Coast: Marcel Hughes Publicity Group.
- Khan, S. (2006). *Local government and participatory rural development: The case study of district government in Northwest Pakistan* (PhD Thesis). Gomal: University Dera Ismail Khan.
- Kisseih, E. M. (2007). *Operationalising the subsidiarity principle in Ghana's local government for the urban poor: The case of the Tema Municipality*. Accra: Charles F. Kettering Foundation.
- Litvack, J., & Seddan, J. (Eds.) (2002). *Decentralisation briefing notes*. Washington: World Bank Institute.
- Manning, G., & Curtis, K. (2007). *The art of leadership* (2nd ed.). New York: McGraw-Hill Irwin.

- Marriner, A. (1994). Theories of leadership. In E. C. Hein, & M. J. Nicholson (Eds.), *Contemporary leadership behaviour* (pp.55-61). Philadelphia: J. B. Lippincott Company.
- Mensah, J. V. (2005). Problems of District Medium-Term Development Plan Implementation in Ghana: The Wa5y Forward, *International Development Planning Review*, 27(2), 245-270.
- Mensah, J. V., Adamtey, R., & Mohammed, A. A. (2015). Challenges of newly created districts in Ghana: A case study of the Asante Akim North District, *Advances in Social Sciences Research Journal*, 2(10), 224-239.
- Ministry of Local Government and Rural Development (MLGRD) (1996). *The New Local Government System*. Accra: MLGRD.
- MLGRD (2009). *Operational manual for the implementation and administration of the District Development Facility*. Accra: MLGRD.
- MLGRD (2010a). *Functional and Organisational Assessment Tool operational manual*. Accra: MLGRD.
- MLGRD (2010b). *Functional and Organisational Assessment Tool assessment results*. Accra: MLGRD.
- Ministry of Local Government, Rural Development and Environment (MLGRDE) (2007). *Ghana decentralisation policy review*. Accra: Decentralisation Secretariat.
- Mitlin, D. (2000). Towards more pro-poor local governments in urban areas. *Environment and urbanisation*, 21(1), 3-11.
- Mooney, L., Knox, D., & Schacht, C. (2002). *Understanding social problem* (3rded.). Belmont: Thomas Learning Centre.
- Maslow, A. H. (1943). A theory of human motivation. *Psychological Review*. July, 369-72.
- Oakley, P. (1989). *Community involvement in health development: An examination of the critical issue*. Geneva: World Health Organisation.
- Oates, W. E. (1972). *Fiscal federalism*. New York: Harcourt Brace Jovanovich.
- Oates, W. E. (2006). *On the theory and practice of fiscal decentralisation*. Institute for Federalism & Intergovernmental Relations Working Paper 2006-05.
- Offei-Aboagye, E. (2009). Administrative decentralisation: Implementation, impediments and the way forward. In Ghana Centre for Democratic Development (CDD-Ghana). *Reflections on Ghana's decentralisation programme: Progress, stagnation or retrogression? Papers from a symposium*. Accra: CDD-Ghana.
- Ouchi, W. (1981). *Theory Z*. New York: Addison Wesley.
- Oyelaran-Oyeyinka, R. N. I. (2006). *Governance and bureaucracy: Leadership in Nigeria's public service. The case of the Lagos State civil service (1967-2005)*. Ph.D Thesis. Maastricht: Universitaire Pers Maastricht.
- Pretty, J. N. (1995). Participatory learning for sustainable agriculture. *World Development*, 23(8), 1-7.
- Rondinelli, D.A. (2007). Governments serving people: The role of public administration in democratic governance. In D. A. Rondinelli (Ed.), *Public administration and democratic governance: Governments serving citizens* (pp. 1-32). New York: Department of Economic Affairs, United Nations.
- Rost, J. C. (1993). *Leadership for the twenty-first century*. Westport: Praeger.
- Sandbakken, D. A. (2006). *Leadership practices and organisational performance*. Brunel: Brunel University.
- Shah, A. (Ed.). (2005). *Public services delivery: Public sector governance and accountability series*. Washington D. C.: The World Bank.
- Shah, A. (2006). A comparative institutional framework for responsive, responsible and accountable local governance. In A. Shah (Ed.), *Local governance in industrial countries* (pp.1-40). Washington D. C.: World Bank.
- Sosik, J. J. (1997). Effects of transformational leadership and anonymity on idea generation in computer mediated groups. *Group and Organisational Management*, 22(4), 460-488.
- United Nations (2007). *Public administration and democratic governance: Governments serving citizens*. New York: Department of Economic Affairs, United Nations.
- Van der Lee, J. J. (2002). *A decision-support framework for participative and integrated river basin management: An application of the triple bottom line*. (PhD Thesis). New England: Centre for Ecological Economics and Water Policy Research, University of New England.
- Von Bertalanffy, L. (1968). *General systems theory*. New York: George Braziller.
- Waterman, R. H., Peters, T. J., Phillips, J. R. (1980). *Structure is not organisation*. San Francisco: Business Horizon.

Address for Correspondence:

Prof. John Victor Mensah, Institute for Development Studies, University of Cape Coast, Cape Coast, Ghana. Email: j_vmensah@yahoo.com



MANAGEMENT TODAY

-for a better tomorrow

An International Journal of Management Studies

home page: www.mgmt2day.griet.ac.in

Vol.6, No.2, April-June 2016



Is Your Recruiter Skilled Enough? *A study paper on the regressing skills of Recruiters in the IT Industry*

Sukesh Koka

Sr. Director, Hackett Group (India) Ltd., Plot # 6, Raja Prasadamu, Kondapur, Hyderabad, India – 500084, sukeshkoka@yahoo.com, www.thehackettgroup.com

ARTICLE INFO

Article history:

Received 17.05.2016

Accepted 25.06.2016

Keywords:

Recruiter, regressing skills of Recruiters, IT Industry

A B S T R A C T

Recruiters are the professionals who contribute immensely to the talent acquisition process of any organisation. They are the specialists who are highly skilled in identifying, interviewing and evaluating potential job seekers and these specialists also possess a unique technique of head hunting the right candidate from the job market based on the job requirement and specifications. The job role of a recruiter visibly came into existence in the Indian industry two decades ago and this was mainly due to the evolution of the IT industry in the sub-continent. A recruiter's job which was one of the most interesting and glamorous role a decade back has now become a job which most of the graduates do not opt for. This paper explains various reasons behind the evolution and gradual fall in the image of a Recruiter's role in the job market. It also briefly outlines the importance of having talented recruiters as part of the Talent acquisition team as they are the sentinels for the inward flow of quality resources into an organisation.

Introduction

As global economies are battling for growth and sustainability, it is imperative for organizations of diverse size and product portfolio, to evolve strategies that not only address business challenges but also provide a viable platform for facing future uncertainties. In the midst of these market dynamics, talent acquisition has become one of the biggest challenges as well as critical success factors for every organization today. It not only feeds the business and organizational needs to manage operations, but also drives the strategic intent of the organization to position itself in the growing economies with competitive offerings. The people function in the business enterprises today need to realize that the talent acquisition group (TAG) or the Recruitment team needs to function by design, not just by accident and / or driven by attrition and open positions. It is to be seen as a strategic

HR process that aligns with the overall business vision and goals at the strategic level, and by the growing needs to improve internal and external customer satisfaction levels, at the operational level, thus becoming a significant function of the organization.

The recruiting process has evolved, over the years, from merely being a staffing services process to a value add, strategic element of the Human resources function of the organization. There have been many developments, both in the process design and technology elements, making it one of the most critical processes to be established for commencing any operations, and their nature and scope of the recruiting function is affected by major trends affecting the business. The following lists some of the major trends affecting business organizations today

- Highly integrated global financial markets, affecting market sentiments globally, and in turn impacting the market value of the corporations
- Increasing awareness of consumers across the globe, not only affecting the fortunes of the corporations but also their ability to maintain their global brand image and market acceptability
- Higher rate of new product introductions and equally higher rates of obsolescence, thus impacting the corporations to

Responsibility of Contents of this paper rests upon the authors and not upon GRIET publications

ISSN: 2348-3989 (Online)

ISSN: 2230-9764 (Print)

Doi: <http://dx.doi.org/10.11127/gmt.2016.06.02>

pp. 67-71

Copyright@GRIET Publications. All rights reserved.

adopt innovative practices and processes across all functions, to survive and grow

- Cost optimization efforts adopted by major corporations driving the globalization (On shoring and Off shoring) strategies, thus enabling corporations facing new experiences of working with global workforce, not local/regional/ national levels anymore
- HR branding is never seen more important and critical than today, not only in attracting and retaining talent, but also in contributing to the efforts of building a truly global brand

In addition to the above mentioned, a host of other internal organizational factors have greatly influenced the recruiting process, making recruiters the most sought after resources especially in the industry. However, absence of requisite skills, competencies, adaptability to changing market dynamics and other business factors have impacted the success and growth of these resources. The need of the hour is to rediscover the value proposition of this process, in the context of business growth and customer value (both internal & external).

A Recruiter typically handles three accountabilities i.e., Sourcing, Selling and Investigating. Based on the organizational needs, sourcing the right talent from the job market, selling the opportunity to the prospective job seeker and investigating the suitability of the job seeker for the organization from the fitment and the cultural stand point have always been the critical success factors for any recruiter. The most important of these three roles is of the ability of the Recruiter to look beyond the persona of the individual to access the traits of the job seeker; and this is possible only when the Recruiter is skilled in interviewing.

Research studies done by Chapman et al. (2005) showed that Recruiters influence the job seekers in their decision making process. Despite the growing influence of technology in hiring manpower interviewing a candidate in-person is considered to the best way of evaluating the traits. Interviewing is a skill of guessing and Recruiters are considered to be masters of this play. A Recruiter should have an ability to look beyond the facade of a job seeker and evaluate the personality, skills, and traits based on his/her competence to ask the right questions and interpret the answers accordingly. However since the last few years, the quality of skilled Recruiters in the Indian market has been deteriorating. It has become a challenge for several organizations to hire a good recruiter from the market. If the sentinel of the talent quality is not skilled then the organization accumulates useless mass and of course, from the business stand point the cost of recruitment would go up drastically.

This paper would detail the facts on the evolution of the role of a Recruiter more with higher reference to the IT industry, how it became a specialized job role in the last 20 years and the reasons behind the rise and fall in the image of a Recruiter.

History - Global

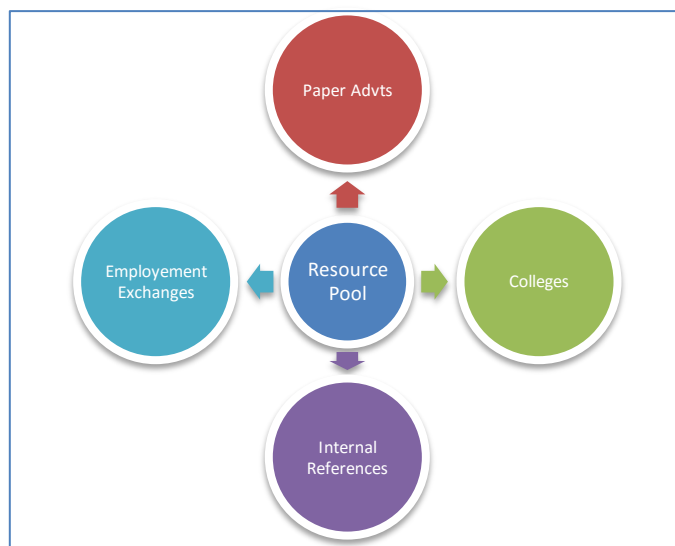
Though Recruitment is a Sub-function of the Human Resource Department, several organizations across the globe spin it off as a separate business unit. The role of the Recruiter has been in existence for more than three decades in the developed countries of Europe and the US. There are several individuals across the globe who have chosen to be a Recruiter throughout their career as it gives them an opportunity to interact with people from diverse cultures, experience and education every day and the role also empowers the individual to evaluate others, which can be witnessed from the importance and visibility attached to this role. The emergence of the global markets, rise of the new

industries in India like the evolution of Information and Technology Industry have greatly contributed to the growth in the demand and prominence of the recruiters. In addition, as the talent is one of the key ingredients of the business, the focus has always been on the progress made in recruiting right candidates. The prominence of a Recruiter's role grew fast after Silicon Valley became popular in the early years of 1980. There was a rapid growth in the IT industry from the year 1990 as several business houses had ventured into this segment in the USA. Due to globalization organizations started moving towards offshore destinations that had availability of manpower at a lower cost. One of the favourite destinations was India.

History - India

Though the IT Industry in India started in the year 1974, it caught up with the momentum only in the year 1990 (*Origins and Growth of Software Industry in India, Rafiq Dossani, Stanford University*) It was an accelerated growth path that witnessed multi-fold revenue increase and by the year 2004, the IT industry in India was being valued at US\$12.2 billion. The surge in revenues gave way for a new manpower requirements. In India traditionally, the recruitment process can be categorized into three – that of the private sector, the government sector and the social sector. The government sector has adopted recruitments through employment exchanges, special recruitment drives, national level recruitment drives and quota systems. The social sector adopted a need based recruiting process under unorganized sector and adopted a reference based recruitments methods in the organized sector. For the private sector, the personnel department hired talent for the organization. The resumes were sourced through selective sources like:

1. Employment Exchanges
2. Paper Advertisement
3. References
4. Colleges



Based on the organizational needs and the number of applications received, the selection process adopted an elimination process that starts with a written test followed by an interview(s) and subsequently selection. At the time when several US based MNCs adopted BPO strategy and started to set up their subsidiaries / offshore captive centers in India, the scenario started changing. Organizations started becoming more employee friendly and the Personnel Department which was taking care of labour relations and statutory compliance

issues and clerical work was transformed into Human Resource Department (HRD). The HRD was more employee centric and focused on the developmental needs of the employee.

The success of business process outsourcing and setting up of captive centers by these companies between 1995-2000, have greatly increased the demand for skilled professionals who had experience in hiring people. As there were not many professionals available in the market who knew the skill of hiring manpower, several marketing professionals and fresh MBA graduates took up to the profession of recruiting in the IT industry. The hiring initiatives of the organizations have transformed into a strategic business function as people became the most important asset of the organization which was essential for their growth and survival. Hence several organizations formed a separate group which was specialized for acquiring talent and called this department as the Recruitment Team or the Talent Acquisition Group and the member of this group were referred commonly as "Recruiter".

Recruiter @ work

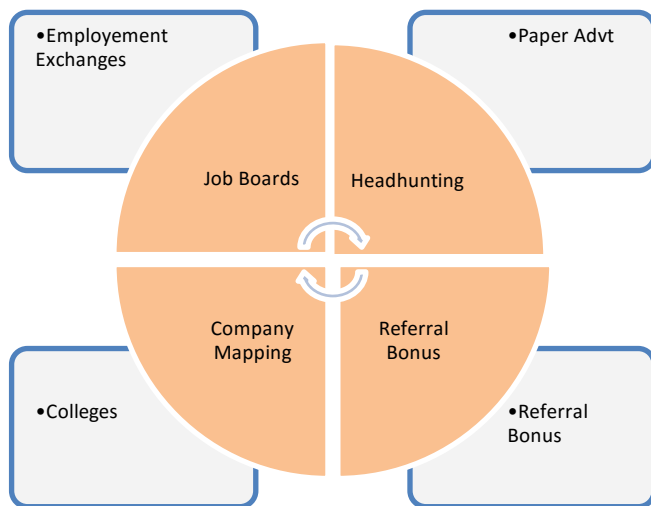
Recruiters were the new set of people who were appointed to source and select the talent from the industry. They were empowered to do the initial screening and interview the candidates at the first encounter as against the traditional method of only senior management interviewing the candidates. To make the recruiters as the finest brand ambassadors and efficient investigators, organizations invested in training them for improving their skills at regular intervals. Being a new set of empowered individuals the Recruiters also worked hard to hone their skills faster. They came up with several innovative methods of hiring talent and most of these methods were borrowed from the western countries. The traditional methods were shelved and the new effective ways which gave quick results came into existence.

Old:

1. Employment Exchanges
2. Paper Advertisement
3. References
4. Colleges

New:

1. Job Boards
2. Head Hunting
3. Company mapping
4. Referral Bonus



In the late 90's job boards like Naukri.com, CIOL, Jobsahead.com etc came into existence. Slowly hiring talent through Job boards become a part of the regular hiring strategy for several organizations as the demand for qualified resources escalated. The industry experienced growth, and this in turn enhanced the demand for manpower; Recruiters took up new hiring methods like company mapping, skill mapping, employee referral schemes etc.

Head Hunting

Head hunting method was traditionally followed by top notch recruitment firms who took up assignments for identifying talent in the leadership space. As the demand for manpower increased drastically, this hiring method gained lot of importance and it became a standard way for hiring manpower for several organizations. A recruiter's has to marry the Sales skills with the Psychological in order to attract talent (*Jane Newell Brown and Ann Swain, 2009*). Recruiters were taught on how to map a competitor's manpower and headhunt qualified talent from them and this was believed to be a specialized yet an essential skill of the team. (*Morgan Hoogvelt ERE.net, 2012*.) defined head hunting skills as one of the key trait a Recruiter should possess. He opined that Recruiters are valued more if they have the skill of hunting the required talent from the job market.

The skill of a Recruiter

The increasing demand for qualified resources, better working conditions bundled with higher salaries have prompted inexperienced, incompetent candidates to flood the market with fake experience. The recruiters at this point were not skilled enough to face this situation, there was a shortage of skilled recruiters in the market (*India Skills Report, People Strong & CII, 2015*). To counter this situation the Recruiters learnt the skill of interviewing people and methods like Situation Based interviewing techniques, Behavioral techniques etc. were regularly used. The objective was to weed out the fake incumbents through the interview cycle. But over all there was a shortage of skilled recruiters in the industry.

Demand Vs Supply

During the Dot Com era (1996-2000) in India, several entrepreneurs set up operations in India and they started looking for talent for shipping them to the US. These start-ups were mainly software services offering companies which also did body shopping. Hence, to support this demand for manpower, several staffing firms also came into existence. By virtue of this, the demand for recruiters went up drastically and job hopping was common amongst the recruiter community. Due to shortage of skilled recruiters, several un-qualified individuals like Engineers, Marketing and Sales personnel etc., and other technically qualified individuals took up to this profession. An individual who is educated and trained on softwares was also used in interviewing the potential job seekers for evaluating their software skills and thus the value chain was enhanced. These individuals were called as *Technical Recruiters*. Several offshore companies were started across the country that primarily supported the hiring activity of US firms. Body shopping of professionals became a profitable business line. Recruiters started working in night shifts from India supporting the clients in the US and they were only used for validating the resumes for suitability. In this phase India saw several staffing companies expanding their operations across the country and these firms were driven by recruiters as it was their line function.

Recruiters at BPO

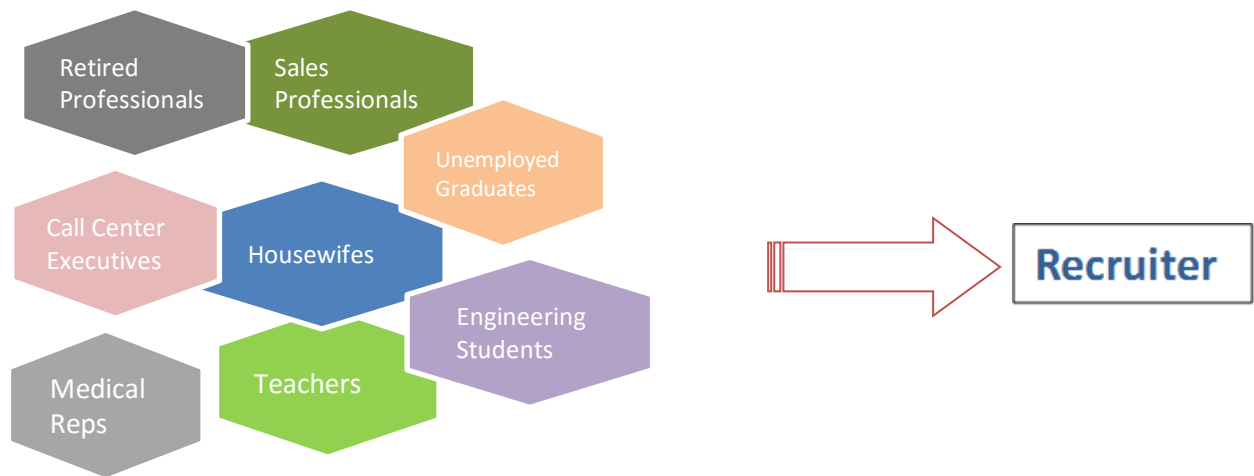
In the early years of 2000 India saw BPOs i.e., the business process outsourcing companies setting up operations. Several organizations

from the west moved their support functions to India, some of them were out-bound call centers and some were in-bound call centers. By virtue of this business line, a new era of hiring had started in the sub-continent. During this period the demand was high for individuals who could speak good English and the Recruiters were first to be hired for acquiring this talent. Hiring for the BPO industry was achieved more through process compliance than with the traditional or new age methods of interviewing techniques. The Recruiters were required to source the talent pool and qualify the suitability of the candidates through various methods for evaluation, mainly being focused on the language skills. The hiring volumes of manpower was high and so was the demand for a recruiter. Due to the rapid growth in the IT and ITES industries, several jobs were created in India in a very short span of time and this growth also fueled the growth of several other industries like the Insurance, Aviation, Infrastructure etc. Several multinational companies from various industries started setting up their operations in India and manpower hiring was in full swing. As the numbers grew and business started expanding, a Recruiter's role became very important and several organizations detached the recruitment function from the HR team and made them a separate department.

Hundreds of organizations started operations across India that supported the hiring needs of several US based organizations. The working hours of these organizations were in line with the Eastern Standard Time (EST) and Pacific Standard Time (PST) time zones of America. The job opportunity for a Recruiter was almost visible with every organization and due to this reason, high salaries were being

offered to qualified individuals and job hopping in this segment was rampant.

Due to the acute shortage of recruiters several un-employed but technically qualified individuals took up to this role due to the high salaries that were being offered. There was a surge in the market and every un-employed engineer, graduates from various streams, sales professionals, call center executives, housewives etc., started getting lured into this profession. It was estimated that by the year 2009 there were 300,000 Recruiters in India and the Government estimates valued the revenues of the Organized Recruitment Industry in India to be US\$1.5 Billion. In this hoopla of hiring recruiters, several organizations overlooked their fundamental selection criteria for the role of a recruiter. They perceived talent acquisition to be an easy and mundane function. Several individuals who got into this profession had no skills of either sourcing resumes or interviewing people; they even lacked the required business knowledge. As the number of un-qualified Recruiters in the market started increasing, the aggregate quality of the recruiters' community went down and subsequently there was a fall in the image of this job role. Within 2 years of time a Recruiter is no longer a respected role in an organization. Recruiters were only being used for validating resumes and facilitating the interview process. The traditional methods of headhunting the desired profiles or making a competitor's manpower pool or skill mapping techniques were virtually unheard by the recruiters as a new method of hiring through social media evolved.



Recession

Towards the end of 2007 the global recruitment market was at its peak and it was valued at US\$420 billion but unfortunately, the world started witnessing Recession. Several global organizations shut their operations and several of them down sized their manpower. There was a complete freeze on hiring in the IT & ITES Industries and organizations were only hiring people for critical roles. By this time India had already generated several un-qualified recruiters who were working for several MNCs, Indian based service and staffing companies, staffing companies supporting the US market etc. Due to the recession, several organizations down sized their operations and several employees were let go and this included recruiters. Due to this volatile market condition there was a sudden rise in the supply of Recruiters in the market place but most of these recruiters were under qualified. It is noteworthy to mention at this juncture, that several

organizations though had a freeze on hiring manpower they did not lay off skilled and qualified recruiters.

Quality of Management Education

When the economy was receding and the markets were on a low note in 2009, the HRD ministry of India permitted several new colleges to offer MBA degrees in India. Due to this there was a sudden growth in annual supply of the business management graduates to the industry. Though the quality of education was not up to the mark, several students passed the 2 year program and were looking for relevant jobs. Due to the less number of opportunities available in the HR stream, several MBA graduates though specialized in the HR took up jobs in other areas like sales, marketing, back office operation etc. Due to a slow growth rate in the job market this situation prevailed over the industry for few years. Hence, the supply of HR professionals to the

industry started declining gradually. Though there are very few job opportunities available for the role of a Recruiter, the new business administration graduate refrained from opting for this job and this was basically due to the negative image the role carried by that time and also due to the job security factor. This decision in-turn forced several corporate to consider candidates who are not from the HR stream for the Recruiter's position. Thus, they again had to employ un-skilled and non-relevant candidates for the role of Recruiters. *It is important to note that not all the individuals become Recruiters by choice; often times it is due to non-availability of a preferred job...*

Short Supply of New Recruiters

As there were not many job opportunities available for HR professionals in the market, there was a drop in the number of students opting for HR specialization as part of their MBA/PGDM program. Due to this the supply of qualified HR resources to the industry reduced drastically. This created an artificial demand for the role of a qualified recruiter. There were several recruiters available in the market but, were not skilled enough to be employable. The recruiters who were skilled became scarce and their market value went up.

Skilled Recruiters as Clerks

The new age recruiters who came into existence around the year 2006 did not have the required skills and they mainly opted the new and easy methods of hiring manpower. They were majorly dependent on job portals, professional networking sites etc., for sourcing job seekers. Majority of them lacked fundamentals of hiring and did not have the ability to think out of the box for attracting talent. Squeezing the database for suitable resumes, arranging walk-ins, placing advertisements in the newspapers etc., were the only means to source professionals. The robust hiring processes and compliance policies made them more of clerks than Recruiters. The new age Recruiter lacked the ability to hire professionals without an online resume database and they had no idea about head hunting and its practices. Recruitment was more a process driven activity than a passionate job that used to be in the early years of 2000.

Conclusion

To summarize, the job role which gained a lot of importance and prominence 15 years back gradually saw a decline in its image and existence. The role of a Recruiter which was the most crucial for several growing organizations from the IT industry in India lost its visibility and reputation. Wherein the early years of 2000, professionals became recruiters by choice and were highly skilled to assess job seekers through several innovative interviewing techniques, the late years of 2000 saw a drop in professionals opting for this role. Though there are several un-skilled and subpar individuals available in the market who are looking forward for a job of a recruiter today, there are a very few individuals who have mastered the skill of interviewing and know how to head hunt people. These individuals have now moved into leadership role and are no longer willing to do a foot soldier work. Hence good recruiters are becoming extinct!!!! Looking at the current trend, in the coming years recruiters are deemed to become professional clerks who would follow the hiring process set by the organization rather than becoming a specialist who is trained to hunt and attract talent for the organization.

From the perspective of business, it is essential for organizations to have skilled recruiters manning the inward inflow of the talent pool and to make this happen the management institutions should also drive the importance of a Recruiter's role as part of the professional training

to all the HR students. The students who opt for HR as their major specialization need to be trained additionally on interviewing techniques and head hunting. Organizations on the other hand should also give equal importance to this job role as having an untrained guard at the entrance would always give way to a wrong person to enter the system. An organization hires manpower for growth and this growth occurs only when the right talent is hired. Hence, it's essential that a skilled recruiter should always be an integral part of the HR team of an organization for guarding the inflow of talent.

Only a great Recruiter can attract great talent!!

References

- The SAGE Handbook of Human Resource Management, 2010 (ISBN 9781446270585)
- The Headhunter's Edge, Jeffrey E Christian 2002 (ISBN 9780375505430)
- The Professional Recruiter's Handbook, Jane Newell Brown and Ann Swain, 2009, ISBN 978 0 7494 5396 1
- Origins and Growth of Software Industry in India, Rafiq Dossani, Stanford University
- The India Skills Report 2015, People Strong & CII
- Ewart Keep and Susan James, 2010, SKOPE Research Paper No. 88, Recruitment and Selection – The Great Neglected Topic (ISSN 1466-1535)
- Vinita Sinha and Priya Thaly, 2013, Management, A Review on Changing Trend in Recruitment Practice To Enhance The Hiring in Global Organisations Vol. 18, 2013, 2, pp. 141-156
- Dr. Mankikar, 2014, Indian Journal Of Research, A Critical Study on Recruitment and Selection with Reference to HR Consulting Firms (ISSN - 2250-1991)
- Parthasarathy and Dr.Pingle, 2014, IJERMT, Study of Talent Acquisition Process, A Review on Global Perspective, ISSN: 2278-9359 (Volume-3, Issue-11)
- Greet Van Hove and Filip Lievens, Journal of Applied Psychology, 2009, Vol. 94, No. 2, 341–352 Tapping the Grapevine: A Closer Look at Word-of-Mouth as a Recruitment Source.

Web Links

- http://www.business-standard.com/article/pti-stories/flexi-staffing-holds-the-future-of-indian-staffing-industry-114022100806_1.html
- <http://www.workforce.com/articles/recruiters-in-india-put-out-the-call-to-american-workers>
- <http://www.rediff.com/money/2004/jul/23bpo1.htm>
- <http://www.allheadhunters.com/>
- <http://www.ere.net/2012/07/26/8-skills-recruiters-should-have/>
- <http://www.bpmwatch.com/research/recruitment-management-system-finding-the-roi-on-recruitment/>
- <http://www.timsackett.com/2014/11/26/where-have-all-the-recruiters-gone>



MANAGEMENT TODAY

-for a better tomorrow

An International Journal of Management Studies

home page: www.mgmt2day.griet.ac.in

Vol.6, No.2, April-June 2016



Is the Marketing of Cool Ethical?

Punam Gupta¹ and Dinesh Kumar²

¹Associate Professor, Dev Samaj College for Women, Chandigarh, Tel: 97803 14766; E-mail: punam.devsamaj@gmail.com

²Author of Marketing Channels, published by Oxford University Press, Tel: 98880 22329, E-mail: mmindchd@gmail.com

ARTICLE INFO

Article history

Received 27.06.2014

Accepted 25.06.2016

Keywords:

Marketing, cool products, ethical marketing, and young person's psychology

ABSTRACT

Companies are increasingly marketing “cool” products. Using motivation research, they delve deep into the psychology of young people – their target audience. Often they succeed. While there is no harm in selling fashionable products that people think are “cool”, the way companies have been able to attach this label to harmful products raises ethical questions. The “cool” label is today attached to selling of sexually explicit products and games to young children, encouraging young women and children to smoke and drink, or to buy other harmful products. Indeed, young people have taken to beers, soft drinks, fast food, smoking, consuming alcohol and expensive shoes simply because they are seen as cool. This has raised heckles not only of parents but also attracting the attention of regulators world-wide. This paper describes some of the questionable methods used to market products that are harmful and also examines the ethical questions related to such practices. An attempt has also been made to answer the questions whether the marketing of cool has crossed the borders of impropriety and is encouraging questionable behaviour among the future generations.

Introduction

Marketing companies looking at demographic data have found that targeting the young population in India could be profitable. The census figures for 2011 show that 19.2 per cent of the population is between 7-14 years and about 57% is between 15-59 years of age (figure 1). The population trends (figure 2) show that the younger group consisting of 5-24 years represents almost a constant share over the coming years. Taken together, this means that half of the Indian population could be placed in the young category. This is, of course, a sizeable chunk. Moreover, the young population has more purchasing power than ever before, and are influencers in the family buying decisions, making it a lucrative market segment.

Table-1: India's Demographic Data Reveals Invaluable Insights into Consumers

Age Groups	Persons	Males	Females
6 years and below	163,819,614	84,999,203	78,820,411
Proportion to total population (%)	15.9	16.0	15.9
7 to 14 years	199,791,198	104,488,119	95,303,079
Proportion to total population (%)	19.4	19.6	19.2
15 to 59 years	585,638,723	303,400,561	282,238,162
Proportion to total population (%)	56.9	57.0	56.9
60 years and above	76,622,321	37,768,327	38,853,994
Proportion to total population (%)	7.5	7.1	7.8
Age Not Stated	2,738,472	1,500,562	1,237,910
Proportion to total population (%)	0.3	0.3	0.3

Source:

http://www.censusindia.gov.in/Census_Data_2001/India_at_glance/broad.aspx accessed on 2 April 2012

Responsibility of Contents of this paper rests upon the authors and not upon GRIET publications

ISSN: 2348-3989 (Online)

ISSN: 2230-9764 (Print)

Doi: <http://dx.doi.org/10.11127/gmt.2016.06.03>

pp. 72-76

Copyright@GRIET Publications. All rights reserved.

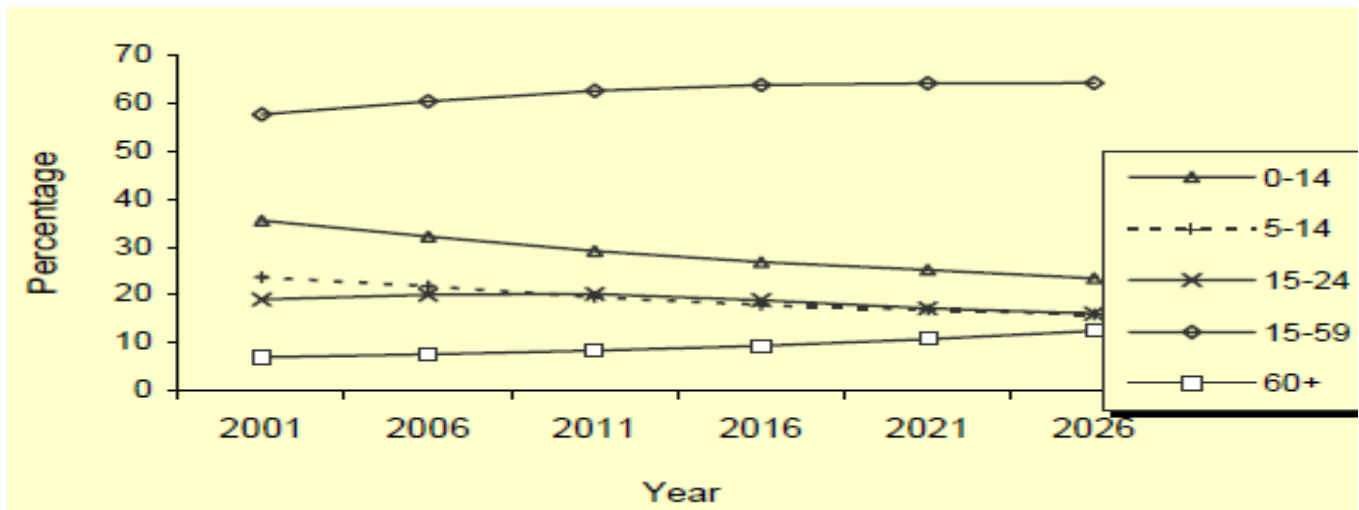


Figure-2: Age Wise Distribution of the Indian Population

Source: Population Projections for India and States 2001-2026.

The question is: how to market to the younger generation? Since traditional methods of marketing do not work with them, companies look to make their products “cool” so that they become fashion statements and be immediately accepted by the young? Brands that are considered cool command huge brand loyalty and following. And, since the young consumers flaunt their cool acquisitions to the world, the task of marketing and advertising becomes that much easier.

Lindstrom (2012) describes a cool personality as consisting of “socially skilled, popular, smart, and talented people” and of course, good looking. When applied to brands, coolness is achieved through good looks, a dose of humour, and a splash of social awareness.

Making brands “cool” is a daunting task. It is difficult for a market researcher to discover the real motives of actions, simply because they are psychological. What compounds the problem is that even consumers do not know their real motives in buying products and brands. To try and solve this problem marketing takes the help of psychoanalysis, which emphasized the influence of the unconscious mind on human behaviour. Propounded by Sigmund Freud (1856-1939), such research delves deep into the human mind to discover influences on behaviour that are hidden in one’s personality.

This paper is organised as follows. In the literature review we describe some of the recent books and papers that have been written on the subject. We then look at the methods that companies use to attach the label of “cool” to them. We describe some companies that sell harmful products to vulnerable groups, especially young people, including the use of motivation research. This brings us to the ethical problem and we conclude whether anything can be done for this issue which is making us culturally bankrupt.

Literature Review: Making Brands “Cool”

It is common knowledge that young people are influenced by their peers, which is often referred to as tribal marketing. In her book, *No Logo*, Naomi Klein (2010) writes, “Peer pressure became a powerful marketing tool – companies discovered that if you sell to one you sell to everyone in their school.”

Diffusion of new products is indeed faster if products are accepted by consumers, who then influence others. And because it is so important in acceptance of innovations, companies “will need to track

what cool means right here, right now (and preferably tomorrow too)”, write Nancarrow and Nancarrow (2007).

Young people look for brands that reflect their self-identity. Cova et al (2007) write, “Active and enthusiastic in their consumption, sometimes in the extreme, tribes produce a range of identities, practices, rituals, meanings and even material culture itself.” They explain that consumer tribes are not mere consumers, but add meaning to the brand, do things, and make brands “cool.”

The creation of “cool” however, requires looking into deep consumer motives. In his book *BrandChild*, Lindstrom (2004) advises that companies must deeply engage with the unique emotions of childhood and adolescence in order to succeed in marketing their products. This idea is also described by Van den Bergh and Behrer (2013) in their book, *How Cool Brands Stay Hot: Branding to Generation Y*. Indeed, companies create “cool products” that immediately catch the imagination of children and young adults all over the world by exploiting emotions. By doing so, many companies have achieved the status of being cool.

Making Products “Cool” – The SUV

A product that has successfully bridged individuality and belonging to become a darling of consumers is the Sports Utility Vehicle (SUV), which has fast caught on in popularity the world over. The SUV is a descendant from vehicles used in World War II as transporters of heavy equipment and men, but is today touted as a family car, that instills a feeling of arrogance to users – creating a perception of superiority for the SUV driver. (Figure 3).

Keith Bradsher (2002) in his book, *High and Mighty, The World’s Most Dangerous Vehicles and How They Got That Way*, describes how perceptions were changed by companies to sell the arrogance that is the SUV. Labelling the outsize jeep as a “light truck,” car manufacturers got past the emission norms that applied to cars in the USA. In India, the SUVs were a boon to manufacturers who wanted to cash in on cheaper running costs for cars as the diesel prices were subsidized by the government.

Bradsher writes that proliferation of SUVs has created huge problems. Their safe image is an illusion. Nor are they “green”, because they burn more fuel and contribute to pollution. *The New York*

Times (2004) reported that people driving or riding in a sport utility vehicle in 2003 were nearly 11 per cent more likely to die in an accident than people in cars. The vehicles are dangerous for others as well, as the height and width of the typical SUV make it hard for car drivers behind it to see the road ahead. When they hit pedestrians, they inflict worse injuries than cars. SUVs weigh half a ton more than cars and have longer stopping distances, and that explains why these vehicles are not able to stop in time before hitting an obstacle.

Yet, they are perceived as “cool.” How did this happen?

To make the vehicle “cool”, companies appealed to the “reptilian” instincts of people who are attracted to SUVs not because of their perceived safety, but for their obvious aggressiveness: the vehicles are intentionally designed to resemble ferocious animals, with the front grill designed to look like the teeth of a monster (figure 3). Constant advertising makes people believe they can be independent, tough and sporty just by buying an SUV. In other words, SUV advertising has fed the negative side of human personality to push a product that is inherently harmful.



Figure-3: SUVs are Intentionally Designed to Resemble Ferocious Animals

Source:

<http://www.mahindraxuv500.com/product/designinspiration.htm>, accessed 3 January, 2013.

Making Products “Cool” – Targeting the Young

Martin Lindstrom (2011) argues in his book, *Brandwashed*, that advertising often convinces us to buy things by exploiting our hopes and fears. He gives the example of Axe which targets the “Insecure Novice”— the guy cannot make friends with girls. The advertising of the company has followed the theme of “nerd-sprays-Axe, nerd-gets-girl” in its ads, which helped it become a hugely successful brand.

Companies across the globe have used segmentation techniques to target unsuspecting people to get them hooked to their products, sometimes harmful. Some examples of such practices are given below.

Inappropriate products: Companies target padded bikini tops to children and “push up” bras to young girls. A parent wrote, “The push up bra is, effectively, a sex tool, designed to push the breasts up and out, putting them front and center where they’re more accessible to the eye (and everything else). How is this okay for a second-grader?” Another example of targeting vulnerable sections was by Tesco which launched a toy called the Peekaboo Pole Dancing Kit, marketed to girls

under 10. According to *The Telegraph* (2006), the Tesco Direct site exhorted young girls to “Unleash the sex kitten inside...” (Since removed from the site because of consumer backlash).

Targeting vulnerable groups: Children and youngsters are vulnerable groups. Tobacco companies send birthday presents to teens when they turn 18, which include vouchers for cigarettes. They send these packages every month, and it was seen that after the third pack, the teens were usually hooked (figure 4). Beauty products and “first-time hair removers” are targeted to 10-to-15-year-olds. Lindstrom says that marketers are increasingly aiming beauty products at kids. Many 6-15 year old girls, even in India, use lipstick and lip gloss.



Figure-4: Is it Ethical to Target Teenage Girls and Young Mothers to Sell Cigarettes?

Source:

<http://upload.wikimedia.org/wikipedia/commons/3/3d/MaternalCig.jpg>, accessed 20 September, 2013.

Pester Power: Some products are targeted to children to increase what Lindstrom calls “pester power” -- the way kids force their parents to buy stuff. Children making embarrassing public scenes and sneaking items in the basket in their parents’ shopping carts are common sights in India as well. Advertisers try hard to trigger a desire in the child to encourage such behaviour.

Cigarettes and Alcohol: Alcohol in the form of “alcopops” – sweet, flavoured, coloured, soda-like alcoholic beverages – are supposedly intended for adults but are easily available to youngsters because of lax regulation. It is increasingly being marketed to teenage girls: *Headlines Today* (2013) found that 13-year-old girls are the most popular consumers of such products. *The Times of India* (2012) reports that the age at which an average person begins drinking hard liquor has dropped from 28 years a decade ago to 18 now, an indication that a sizeable number of school students is consuming alcohol. Many

studies have shown that drinking at such a young age is likely to develop alcohol addiction or alcohol abuse: *TIME* (2013) reports that a long-term study conducted at University of Heidelberg showed that the age at which a person starts drinking is a good predictor of whether or not he or she will develop an addiction. It was found that a person who starts drinking between age 11 and 14 has a 16% chance of becoming an alcoholic 10 years later.

How women were persuaded to start smoking makes an interesting story. In the 1920s, Edward Bernays, the nephew of Freud, helped the industry overcome one of the biggest social taboos of the time: women smoking in public. Equating smoking with challenging male power was the cornerstone of "Torches of Freedom" campaign, which debuted in New York on April 1, 1929. Bernays explained that women could contribute to the expansion of their rights by lighting up cigarettes and smoking them in public places. The "Torches of Freedom Parade" was covered not only by the local papers, but also by newspapers nationwide and internationally. Bernays was convinced that linking products to emotions could cause people to change behaviour. In reality, of course, women were no freer for having taken up smoking, but linking smoking to women's rights fostered a feeling of independence.

Discovering Cool Brands

We conducted a survey of young people (16-25 years) to find out whether the marketing of cool affects Indian youth. A convenience sample was taken of students. An interesting finding of this survey, with valid responses of 92 respondents, was that all young people liked brands that had been advertised heavily. To the question, "Which are the brands you do not currently own but would like to buy?" an overwhelming majority (55%) mentioned Apple whether they could afford it or not. This was true of students in the low income category as well. Some of the other brands that they would like to own were Zara, Starbucks and Hermes, all of which are expensive brands. Cool advertising has thus created a great aspirations not only among people who can afford them but in those who do not have the means as well.

We asked the respondents the psychological effect on young people if they could not afford these brands. Many young people said that they felt inferior to their peers if they did not flash the brands around. Even if they bought imitations, they felt they were not accepted by their peers. Some young people justified using cheaper brands by saying that they were as good as branded products, just as durable and offered great value for money. However, we could discern undercurrents of dissatisfaction among such users. People who used the genuine brands were seen as "cool" and "fashionable."

We then asked respondents what they would do if they could not afford a desired brand. Some people responded that "they would do anything" to get their favourite brands. Though this is not a general response, it shows the level of unsatisfied needs and the tensions that arise because of them among young people.

Another interesting finding of the survey was that young people did not find sexist ads on TV as vulgar at all, showing a shift in morals and values as compared to the older generation.

The Ethical Question

The marketing of cool raises ethical questions because it creates unmet demands, which in turn cause tension, leading to questionable values among young people. It is also criticised because young people have taken to beers, soft drinks, fast food, chewing gum and expensive shoes simply because they are seen as cool. Naomi Klein (2010) points out that cool is "riddled with self-doubt" therefore the brands have a

stake in self-doubt of teenagers. The purpose of marketing cool to young adults is to perpetuate this ideal that through the right purchasing one can reach that just out-of-reach untapped well of cool. Thus we see that youngsters pursue lifestyles and adopting brands that their parents can ill afford. She writes of the "peculiar cachet of working class kids acquiring status by adopting the gear of prohibitively costly leisure activities such as skiing, golf or sailing". Should companies exploit the self-doubt of youngsters for selling stuff raises ethical hassles?

Yet, using motivation research, companies are able to find out about the fears and hopes of youngsters. For example, deodorants have become "cool," building on the vulnerability of teenagers and young males. They are exposed to sexually suggestive images that lead them with the false hope of attracting and seducing girls, using increasingly overt sexualized marketing to sell to the young.

Television programs are created in order to sell merchandise. The cultural creation of the youth is completely dominated by advertisements and movies. For instance, children in India routinely imitate 'item numbers' – sexually suggestive songs included in movies – even in their school and social functions. The culture of the country is defined by the latest hit song with all its vulgar moves. However, that is the marketing of cool.

Video games too pitch in by selling images of sex and violence. *The Guardian* (2013) describes Nickelodeon's popular online game, *Boneless Girl*, which encourages players to smash an apparently unconscious, naked woman against various-sized spherical objects, and to squeeze her through impossibly narrow gaps, causing her limp body to be crushed and contorted. "Poke and pull this scantily clad babe all over bubble-land," the site exclaims. "You'll be amazed by the small spaces she can fit through, and throwing her across the screen never gets old." It is a matter of debate as to the sexual stereotypes that are being reinforced by such games.

It is invasive marketing that no longer shocks. Children do not behave 'naturally' but follow the ideal imposed on them by media. Companies put together the image for the teens that becomes acceptable for them to follow. The youth market is the ideal market – it is a burgeoning market in India as they have the disposable income and the time to spend it. So advertisers started a market exclusively for 16-24 age people. All our media, all of our music, all our popular entertainment are saying: this is the greatest time in your life, you can mock at authority and act in ways would not have been considered decent some years back. Youth programmes and advertisements project this ideal while plugging in products that help young people to project their "bindaas" attitude.

Conclusion

A backlash against such marketing has long existed in the West. Activism by consumer groups has called companies to question. The objective of One Million Moms (<http://onemillionmoms.com/>) is to stop the exploitation of children, especially by the entertainment media and fights against the "immorality, violence, vulgarity and profanity the entertainment media is throwing at your children."

Advertising targeted to children to exploit children's innocence. *The Economist* (2013) reports that Michelle Obama has joined the fight against childhood obesity. Children's preferences "are being shaped by the marketing campaigns you all create", she told executives of companies. "And that's where the problem comes in."

Because of this awareness, there has been a surge in regulatory activity since 2011 in the Western world. However, while the Western

world has woken up to the menace of marketing to children and young people, in India we continue to push the envelope in vulgarity and of creating cultural zombies of our young people. It is common to see television programmes featuring children as young as 6-10 years shaking their butts to songs that have become increasingly vulgar over the years, and cracking lewd jokes on the numerous comedy shows shown across channels. Children are exploited because of weak or non-existent regulation in our country.

The effect of this is to be seen in the deteriorating attitudes towards girls in our country and increasing crimes against them. Girls of all ages are looked at cheaply by men and rapes are becoming increasingly common. In a shocking turn of events, a number of cases have been reported where children have been subjected to most brutal sexual attacks across the country.

I feel that this situation needs to be rectified. Since government has been incapable of enforcing standards in advertising and performing arts, it is up to parents to boycott cheapening of culture in India. They also need to teach their children to separate claims made in advertisements to reality.

But with big money riding on advertising and films, it is doubtful that the tide will really change.

References

1. Bakan, Joel (2013), Exploiting children's emotions for profit at odds with Nickelodeon's CSR, *The Guardian*, 4 April, <http://www.theguardian.com/sustainable-business/exploiting-children-for-profit-nickelodeon-csr>, accessed 7 December, 2013.
2. Boneless Girl Website: www.bonelessgirl.net/, accessed 7 December, 2103.
3. Bradsher, Keith (2002), *High and Mighty: SUVs: The World's Most Dangerous Vehicles and How They Got That Way*, PublicAffairs, New York, 2002.
4. Chatterjee, Nandini (2012), "Alcohol addiction trickles down to youngsters still in school", *The Times of India*, July 27.
5. CNN Wire (2011), "Abercrombie criticized for selling push-up tops to little girls", 27 March, <http://edition.cnn.com/2011/BUSINESS/03/26/abercrombie.bikini.controversy/index.html>, accessed 29 July 2013.
6. Hakim, Danny (2004), "Safety Gap Grows Wider Between S.U.V.'s and Cars", *The New York Times*, 17 August, 2004, <http://www.nytimes.com/2004/08/17/business/safety-gap-grows-wider-between-suv-s-and-cars.html?pagewanted=all&src=pm>
7. *Headlines Today* (2013), "Gurgaon pubs under scanner after school kids were caught drinking", July 17, <http://indiatoday.intoday.in/video/gurgaon-pubs-gurgaon-police-bar-owners-alcohol-hookah-students/1/291788.html>, accessed 29 July 2013.
8. Lindsrom, Martin (2012), Fast Company for Brands Being Cool is as Hot as Sex, <http://www.martinlindstrom.com/fast-company-for-brands-being-cool-is-as-hot-as-sex/>, accessed 7 December, 2013.
9. Lindstrom, Martin (2011), *Brandwashed: Tricks Companies Use to Manipulate Our Minds and Persuade Us to Buy*. Crown Business, New York.
10. Lindström, Martin and Patricia B. Seybold (2004), *Brandchild: Remarkable Insights Into The Minds Of Today's Global Kids And Their Relationships With Brands*, Kogan Page, London.
11. Nancarrow, Clive and Pamela Nancarrow (2007), Hunting for Cool Tribes, in Cova, Kozinets and Shankar (eds), *Consumer Tribes*, Butterworth-Heinemann, Oxford.
12. Szalavitz, Maia (2013), "If Drinking Starts at Puberty, It's More Likely to Lead to Alcohol Problems", *TIME*, May 24, <http://healthland.time.com/2013/05/24/if-drinking-starts-at-puberty-its-more-likely-to-lead-to-alcohol-problems/#ixzz2aaKuDOjE>, accessed July 29, 2013.
13. *The Economist* (2013), Cookie Monster crumbles, 23 November.
14. Van den Bergh, Joeri and Mattias Behrer (2013), *How Cool Brands Stay Hot: Branding to Generation Y*, 2/e, Kogan Page, Philadelphia.



MANAGEMENT TODAY

-for a better tomorrow

An International Journal of Management Studies

home page: www.mgmt2day.griet.ac.in

Vol.6, No.2, April-June 2016



Medium of Learning during School year and its effects on Engineering Career: Discriminant Analysis Approach

Amal Krishna Saha¹ (Corresponding author) and Bhagyasree Saha²

¹Associate Professor, Pailan College of Management and Technology, Bengal Pailan Park, Kolkata – 700104, Phone—9830561784, E-mail: amal.saha.07@gmail.com; ²Post- graduate Student, Jadavpur University, Jadavpur, Kolkata – 700008, Phone – 9831955043, E-mail: sree.saha.09@gmail.com

ARTICLE INFO

Article history:

Received 10.12.2015
Accepted 25.06.2016

Keywords:

Bridge course, career, lingua franca, social life, vernacular

ABSTRACT

In India, we have two distinct groups of students graduating from high schools. One group has been taught in English medium while the other group used their vernacular as medium of learning. Students from both groups are getting admission into engineering, medicine and other areas of studies in colleges and universities. The present research paper examines how medium of learning creates a big difference in their lives ahead. Factor analysis indicates that English language not only opens the doors of opportunity for employment in India and abroad but also proves essential in official work, academia, and professional life. Discriminant analysis meanwhile shows that if someone lives and works in India, his/her social life will not be affected by the lack of English knowledge. However, it also indicates that English remains the language of communication with the world.

Introduction

In India, careers in Engineering and Medical profession are the two most attractive and lucrative fields of study to students. Every year, thousands of students, from all over India, come with a lot of hope and aspiration to make a career in these two areas. A significant number of students with regional language background pursue their career in different branches of engineering. They possess all the necessary qualifications for higher studies and deserve a bright future. But in every walk of life and career advancement, inadequate English knowledge becomes an obstacle in their way of life. In engineering, students can make their career quickly rather than in medical profession. Medical students take few years more to settle down after graduation. They are much reluctant to go for private practice, because

people prefer to go to an established and reputed doctor instead of a new and unknown doctor. This situation influences a significant number of students to accept engineering as a career where job opportunity is more with attractive salary just after graduation (Saha, 2013). The proficiency in spoken English as well as written communication plays an important role in official work, academic and professional life of engineering students. They may lay far behind in career advancement due to lack of competency in English knowledge. As the profession of engineering, especially software engineering, becomes increasingly international, English language skills as a *lingua franca*, become essential for communication. In India English is used as a *lingua franca* i.e. 'vernacular language spoken by people who do not share a native language' (Mauranen, 2003; Mathews, 2000).

Review of Literature

After the fall of the Mughal emperor and rise of the British Empire in India, the British subsequently introduced an education system which created an elite group and professional employees with English knowledge in urban India. After independence in 1947, some of these elite people held power or were opposition leaders at both the centre and the state. For a long time, English remained a dominating language among the Indian elite, political leaders and professional employees.

Responsibility of Contents of this paper rests upon the authors and not upon GRIET publications

ISSN: 2348-3989 (Online)

ISSN: 2230-9764 (Print)

Doi: <http://dx.doi.org/10.11127/gmt.2016.06.04>

pp. 77-81

Copyright@GRIET Publications. All rights reserved.

In West Bengal, the Left Front Government popularly known as CPM (Communist Party of India, Marxist) came to power in 1977, after defeating the Congress Government. They officially abolished the teaching of English as a compulsory language at the primary levels of schooling in 1981. The elite and a section of the middle class families did not accept their policy and they started sending their children to English medium schools. They realized that their children will be in disadvantageous positions due to this policy in higher education and in the job market. Despite the Government's efforts in promoting the Bengali language as a medium of teaching, the popularity of English language education increased dramatically in West Bengal. As a result, two groups of students emerged in the society i.e. the ones who know English and those who do not know English very well. Both these groups of students join engineering courses after qualifying the engineering entrance examinations.

Some previous research studies in the field of engineering shows the importance of English language in academic as well as of professional life of engineering students (Tan, 1999; Pendergrass et. al, 2001; Riemer, 2002; Sidek, et. al., 2006; Venkatraman & Prema, 2007). Crystal (1997) in his research observed that 85 percent of the International organizations use English as their official language in transnational communication. About 90 percent of the published academic articles in several academic fields are written in English. Joesba & Ardeo (2005) pointed out that English has become the *de facto* international language of science and technology. It is considered as the *lingua franca* of international business, economy, science, technology and even sports, where language does not play such a significant role as in other facets of contemporary life. Academicians from all over the world, try to publish their research works in English language to get a greater number of readers. In this new millennium, when world is considered to be a global village, engineering profession, especially software engineering, becomes increasingly international. In this scenario, English language skills play a very important role to facilitate communication across the globe. It is considered now to be a language for communication. In the near future, people who will communicate in English alongside with other languages will outnumber those who speak it as a first language (Graddol, 1997).

Objective of the Study

Globalization has brought great job opportunities for Indian software engineering students. They consider this situation very seriously when they want to make a successful career out of a job. But knowledge in English language, both verbal and written, plays an important role to attain this opportunity. The present research likes to find out the factors that discriminate those who have come from Bengali medium and those have come from English medium of education. Factor analysis has identified six factors out of 16 variables, which can be used to discriminate between these two groups of students. Therefore, the research objectives are:

- a) To find out the factors that can be used as predictor variables for discriminant analysis. This is achieved by Factor analysis (Hair et. al., 1998)

Discriminant analysis is aimed to determine:

- i. How independent (predictor) variables discriminate among the members of the two groups, i.e. Bengali medium and English medium students
- ii. Whether significant difference exists between these two groups of students in terms of the predictor variables?

- iii. Which predictor variables are relatively better in discriminating between these two groups of students?
- iv. The accuracy of classification results

Methods and Procedures

The data for this study were collected from three private engineering colleges in West Bengal. Students were chosen randomly from different branches in engineering courses. Out of 286 students, 143 came from Bengali medium schools and 143 came from English medium schools. The questionnaire used to collect the data had two parts. The first part included the respondents' socio-biographical variables such as gender, age, residence, area of engineering course and medium of learning at school level. The second part of the questionnaire comprised 16 questions related to the knowledge in English and its advantages and disadvantages in job opportunities in domestic as well as international arena. Five point Likert scale was used with anchors using strongly agree (5), fairly agree (4), do not know (3), fairly disagree (2) and strongly disagree (1).

Factor analysis and discriminant analysis (SPSS version 17) were used to analyze the data. Factor analysis was first used considering all the students together (286) to find out the factors (Predictors variables) from the sixteen variables. The factors were then used for discriminant analysis. The form of Factor analysis used was Principle component analysis with Varimax rotation. Kaiser-Meyer –Olkin (KMO) test for sampling adequacy and Bartlett's Test of Sphericity were used to justify the Factor analysis. Discriminant analysis was used to find out whether significant difference exists between these groups of students and which predictor variables are relatively better in discriminating between these two groups. Wilks' lambda was used to test the significance of a discrimination function. Wilks' lambda followed a Chi-squared statistic, which was used for examining the statistical significance of a discriminant function. The relative importance of the each predictor variables obtained by the absolute value of the standardized coefficients of a discriminant function. To assess the validity of discriminant analysis, 'leave-one-out cross-validation' option in SPSS was used (Malhotra, 2007). In this option, the discriminant model is re-estimated as many times as there are respondents in the sample. Each re-estimated model leaves out one respondent and the model is used to predict for the respondent.

Results and Discussion

Most of the students pass their twelve classes at the age of eighteen and it takes them another four years to be a qualified engineer. The sample consisted of 143 students from each area i.e. from Bengali medium background and from English medium background. All of them came from different branches of engineering areas apart from core engineering areas. Most of the private engineering colleges in the state do not have core engineering areas. The job opportunity is more in software industry than in core industry areas in last two decades. The sample consisted of 51.05 percent and 65.04 percent male students from English medium and Bengali medium school respectively. On the contrary, the percentages of female students were 48.95 from English medium and 34.96 from Bengali medium school only. The majority of the students (57.34 percent) came from Computer Science and Engineering (CSE) areas. Most of the students (97.90 percent) were under the age group of 18-22 (Table-I). Only 2.10 percent students were above the age of twenty two.

Table-I: Respondents' Background Characteristics

Variables	Response	Frequency	Percent
English Medium school	Male	73	51.05
	Female	70	48.95
Bengali Medium school	Male	93	65.04
	Female	50	34.96
Area of Study	CSE	164	57.34
	EEE	23	8.04
	IT	55	19.23
	ECE	44	15.39
Age (in completed years)	< 20	137	47.90
	20-22	143	50.00
	> 22	6	2.10

To find out the factors which can be used as predictor variables in discriminant analysis, Factor analysis was conducted. Sixteen statements on five point Likert scale ranging from strongly agree to strongly disagree were considered. The respondents were requested to click where their opinions were more appropriate. Kaiser Meyer-Olkin (KMO) test was 0.769 and Bartlett's test was significant (Chi-square = 846.73, $p < 0.000$) which justifies the Factor analysis (Malhotra, 2007). To determine how many factors to retain, Eigen value approach suggests that only factors with Eigen values greater than one should be retained. Six factors emerged with Eigen Values ranging from 1.093 to 3.806. They together contributed 53.66 percent of the total variance. The six factors identified by Factor analysis were used as predictor variables in discriminant analysis to predict group membership. The predictor variables were named as:

- i. English is a language for communication with the world (Eigen Value =3.806);
- ii. Knowledge in English opens the doors of opportunities for employment in India and abroad (Eigen value =1.617)

- iii. English is essential in official work, academic and professional life (Eigen Value =1.266);
- iv. English should be the common language of education in India (Eigen Value =1.244);
- v. Inadequacy of English knowledge will not affect social life in India (Eigen value =1.169);
- vi. Bridge course of English does not help much to overcome the weaknesses at this stage (Eigen value =1.093)

Correlation Matrix

Prior to conducting discriminant analysis, correlation between the predictor variables had been obtained. If correlation between any pair of predictor variables is high (> 0.75), multicollinearity occurs (Chawla & Sondhi, 2011). As a result, reliability of the model would be less. In our case the highest correlation value was 0.365 between the variable one and three. Therefore, question of multicollinearity did not occur.

Test of Equality of Group Means

To understand for which of the characteristics, a significant difference exists between the means of two groups (Bengali medium/English medium), a one-way ANOVA analysis was carried out for each of the characteristics. The predictor variables (1 to 6) were treated as dependent variables and Bengali /English medium group as an independent variable. The results of the analysis are presented in Table -II. If there is no significant group difference, it is not worthwhile to proceed any further with the analysis. In our case the results indicated that the significant difference exists for variable one and variable five. The p values were 0.018 and 0.001 respectively which were significant at 0.05 and 0.01 levels. The p values of remaining four characteristics were not significant.

Table-II: Tests of Equality of Group Means

S. No.	Predictor Variables	Wilks' Lambda	F	df1	df2	sig
1	English is a language for communication with the world	0.981	5.648	1	284	0.018*
2	Knowledge in English open the opportunities for employment	0.997	0.752	1	284	0.387
3	English is essential in official work, academic and professional life	0.989	3.090	1	284	0.080
4	There is no justification to use local vernacular in school level when all the books/journals are in English language for higher education	0.994	1.573	1	284	0.211
5	Inadequacy of English knowledge will not affect social life in India	0.965	10.314	1	284	0.001**
6	Bridge course of English does not help much to overcome the weaknesses in this stage	0.998	0.571	1	284	0.450

Significant at 0.01** & 0.05* level

Significance of the Discriminant Function

If the discriminant function is statistically significant, it enhances the reliability of differentiation between the groups. If discriminant function is not statistically significant, the discrimination may occur due to a sampling error. The statistical test of significance for Wilks' lambda was carried out with the chi-squared transformation statistic, which was in our case 16.525 (Table-III), with two degrees of freedom and a p value of 0.000. Since the p value is less than 0.05, it was inferred that the discriminant function is significant and can be used for further interpretation of results. The Eigen value provides information on each of the discriminant functions produced. The maximum number of discriminant functions produced is the number of groups, minus one. We have only two groups here, namely 'Bengali medium' and 'English medium' learning; so only one function has

emerged. The Eigen value was 0.06 which accounts for 100 percent of the explained variance. The Canonical correlation indicates a function that discriminates well. The high value of canonical correlation is more desirable. The present correlation of 0.238 was not very high.

Table-III: Chi-square test

Eigen value	0.06
% of variance	100.0
Canonical co-relation	0.238
Wilks' lambda	0.943
Chi-square	16.525
Df	2
p-value	0.000

Standardized Canonical Discriminant Function Coefficients

The discriminant coefficient behaves just like standardized multiple regression coefficients. This indicates that each coefficient reflects the relative contribution of each of the predictor variable on the discriminant function. The standardized discriminant function does not have a constant term in it and the coefficients of standardized discriminant function are independent of the units of measurement. The absolute values of the coefficients in standardized discriminant function indicate the relative contribution of the variables in discriminating between the two groups. In our case, it is evident that ‘inadequacy of English knowledge will not affect social life in India’, is the most important predictor variable in discriminating between the groups, followed by ‘English is a language for communication with the world’. These characteristics are shown in Table (IV).

Table-IV: Standardized Canonical Discriminant Function Coefficients

Predictor Variables	Function
	1
English is a language for communication with the world	-0.631
Inadequacy of English knowledge will not affect social life in India	0.820

The score of the other predictor variables such as ‘knowledge in English opens the doors of opportunities for employment in India and abroad’, ‘English is essential in official work, academic and professional life’, ‘English should be the common language of education in India’ and ‘bridge course of English does not help much to overcome the weaknesses at this stage’ are less successful as predictor variables.

Validity of Discriminant Analysis

There are several methods of cross validation (Dillion & Goldstein, 1984; Brown & Tinsley, 1983) such as (a) Cross-validation using a holdout sample (b) Double cross-validation and (c) Leave-one-out cross-validation. The result was validated using SPSS which offers a ‘leave-one-out cross-validation’ option (Malhotra, 2007). In this option, the discriminant model is re-estimated as many times as there are respondents in the sample. Each re-estimated model leaves out one respondent and the model is used to predict for that respondent. Here 60.5 percent of original grouped cases were correctly classified. Similarly, 60.5 percent of cross-validated grouped cases were correctly classified (Table-V). Bengali medium background was classified with slightly better accuracy (63.9%) than English medium background (57.0).

Table-V: Classification Results^{bc}

Background of Learning	Predicted Group Membership		Total
	Bengali Medium	English Medium	
Original			
Bengali medium background	92 (63.9)	52 (36.1)	144 (100)
English medium background	61 (43.0)	81 (57.0)	142 (100)
Cross-Validated^a			
Bengali medium background	92 (63.9)	52 (36.1)	144 (100)
English medium background	61 (43.0)	81 (57.0)	142 (100)

- a. Cross validation is done only for those cases in the analysis. In cross validation, each case is classified by the functions derived from all cases other than that case.
- b. 60.5% of original grouped cases correctly classified
- c. 60.5% of cross-validated grouped cases correctly classified

Note: Figures in the parentheses are the percentages on the row totals

Conclusion

Today, the needs of the industry are greatly influenced by the advanced global market. Engineering projects are now planned and implemented all across national and cultural borders. To achieve that objectives, an engineer who can communicate well in common languages, can integrate himself well into a team, more easily and effectively. Nowadays, English language is playing the common language’s role as a *lingua franca* all over the world. An engineer, who aspires to carry out his/her professional career in the global arena, must have good communication skills.

In present research, it was tried to find out the factors that discriminate the two groups of students (Bengali/ English medium) who are pursuing different engineering courses as their career. Students recognized that English is a language for communication with the world. It opens the doors of opportunities for employment, not only in India, but also all over the world. This language is a part of modern life, in spoken as well as written communication, in academic and professional life. Schooling days are the best times in one’s life to learn a new language. During college years, the pressure of main courses is tremendous. So, most of the students cannot afford to give much time to learn English properly during this period. They know that in working situation, one lags far behind in career advancement due to lack of knowledge in English. A Bridge course organized by the engineering colleges at this stage does not help them in mastering the language as such. To overcome this drawback and to have a uniform quality of education in India, students’ community of higher learning thinks that English should be made the common medium of education. As a result, students of our country will have communication skills in English as a common international language. It will directly and indirectly link our country with the rest of the world. Discriminant analysis suggests that only two predictor variables out of six predictor variables; i.e. ‘English is a language for communication with the world’ and ‘inadequacy of English knowledge will not affect social life in India’ discriminate these two groups of students properly.

References

Brown, M.T., & Tinsley, H. E. A. (1983). Discriminant analysis, *Journal of Leisure Research*, Vol.15, 290-310

Chawla, D., & Sondhi, N. (2011). *Research Methodology: Concepts and Cases*, Vikas Publishing House Pvt. Ltd.

Crystal, D. (1997). *English as a Global Language*, Cambridge University Press.

Dillion, W. R., & Goldstein, M. (1984). *Multivariate Analysis*, New York: Wiley.

Graddol, D. (1997). *The Future of English? A Guide to Forecasting the popularity of the English Language in the 21st Century*. London: The British Council.

Hair, J. F., Anderson, R. E., Tatham, R. L. & Black, W. C. (1998). *Multivariate Data Analysis*, 5th ed. Pearson Education, Inc, New Delhi.

- Joesba, M. & Aadeo, G. (2005). Student engineers, ESP courses and testing with cloze Tests, *ESP World*, 2(10), Retrieved 15, May, 2010, from <http://www.asian-esp-journal.com/April 2007 gi.php>,
- Malhotra, N. K. (2007). *Marketing Research: An Applied Orientation*, 5th ed. Pearson Education, Inc, New Delhi.
- Matthews, P. H. (2000). *Oxford Concise Dictionary of Linguistics*. Shanghai: Shanghai Foreign Language Education Press.
- Mauranen, A. (2003). The Corpus of English as Lingua Franca in Academic Settings, *Tesol Quarterly*, 37 (3), 513-527.
- Pendergrass, N., Kowalczyk, R., Dowd, J., & Laoulache, R. (2001). Improving first year engineering education, *Journal of Engineering Education*, Retrieved 12, May, 2013, from http://findarticles.com/p/articles/mi_qa3886/is_200/01/ai_28942238,
- Riemer, M. J. (2002). English and Communication Skills for the Global Engineer, *Global J. of Engng. Educ.*, Vol.6, No.1, 91-100.
- Saha, A. K. (2013). Factors Influencing for a Career in Engineering: An Empirical Approach, *Pratibimba: The Journal of IMIS*, Vol. 13 (2), 7-13.
- Sidek, S., Ramchandran, S., & Ramkrishan, R. (2006). *From students to students adapting technical reports as classroom materials*, In J. Mukundan, (Ed.), *Focus on ELT Materials*, 152-163, Pearson, Malaysia.
- Tan, H. M. (1999). English writing program for engineering students, *The internet TESL journal*, Vol. V, No. 5, Retrieved 18, May, 2013, from <http://iteslj.org/Techniques/Tan-Writing.html>
- Venkatraman, G. & Prema, P. (2007). English language skills for engineering students: A needs survey, *ESP World*, 3(16), Retrieved 21, April, 2013, from <http://www.esp-world.Info/contents.htm>



MANAGEMENT TODAY

-for a better tomorrow

An International Journal of Management Studies

home page: www.mgmt2day.griet.ac.in

Vol.6, No.2, April-June 2016



Integrating Buyer-Supplier Relationship to an Inter-Organizational System for Strengthening SCM Practices across SMEs

Gaurav Sehgal

Associate Professor, School of Business Studies, Department of Human Resource management and Organizational Behaviour, Central University of Jammu, Jammu, J&K State, Email: gsk2@rediffmail.com; sehgal.jammu@gmail.com; gauravsehgal@gauravsehgal.biz.ly, Mobile: +91 9419217212

ARTICLE INFO

Article history:

Received 22.02.2016

Accepted 25.06.2016

Keywords:

Integrating Buyer-Supplier Relationship, Inter-Organizational System, SCM Practices, SMEs

ABSTRACT

Firms can no longer effectively compete in isolation of their suppliers and other entities in the supply chain. As organizations seek to develop partnerships and more effective information links with trading partners, internal processes become interlinked and span the traditional boundaries of firms. The SMEs' view of SCM seems to be the exertion of power by customers and consequently is seen by SMEs' as a one-way process. Similarly, SMEs' do not employ SCM; rather they are managed at arm's length by large customers. The choice of organization's environment is a driver to SME organization's growth. SMEs' grow by pursuing a differentiated strategy and progressing through discrete stages of growth and consequently the ability of the entrepreneur to make structural and strategic changes may determine the growth prospects of business. However, supply chain integration is essential for sustainability in any organization which accounts for all activities within an organization and the activities of its suppliers, customers and other supply chain members, to be integrated together. Supply chain integration links a firm with its customers, suppliers and other channel members by integrating their relationships, activities, functions, processes and locations. Having an integrated supply chain provides significant competitive advantage including the ability to outperform rivals on both price and delivery. Supply chain integration includes two stages: internal integration between functions and external integration with trading partners. The objective of this paper is to find out the impact of environmental conditions of the organization on the Supply Chain Management Practices of the firm especially SMEs. The sample frame for this paper has been SMEs of Jammu District in J&K State.

1. Introduction

Efficient SCM demands transparency for inventory and deliveries along the whole supply network. Material flow transparency, specifically the visibility to inventories and deliveries in the whole supply network, is considered an imperative requirement for successful SCM, and has been associated with significant supply chain efficiency improvements through long-terms buyer-supplier relationships, Gunasekaran and Ngai, (2004). What is questionable, however, is how the methods used to manage these relationships

actually become operationalized in SMEs', Mudambi and Schrunder, (1996). Moreover, Supply Chain is the interrelated collection of processes and associated resources that starts with the acquirement of raw material and extends to the delivery of end items to the customer. It includes suppliers, manufacturers, logistics service providers, warehouses, distributors, wholesalers and all other entities that lead up to delivery to the final customer. In a wider perspective it may also include the suppliers to the vendors and the customers of the immediate customers. For typical marketing and sales operations the supply chain is more restricted and extends from purchasing the finished goods from the manufacturing facilities to supplying the immediate customer. In more advanced operations it may extend to the customer of the immediate customer. Now in this era of technology and competition the firms need to establish themselves as a strategic entity which is now a necessity. Successful Supply Chain Management (SCM) requires a fully integrative approach: employees, processes, technology, functions and even supply network partners need to be fully aligned and synchronized in order to build capability and thereby

Responsibility of Contents of this paper rests upon the authors and not upon GRIET publications

ISSN: 2348-3989 (Online)

ISSN: 2230-9764 (Print)

Doi: <http://dx.doi.org/10.11127/gmt.2016.06.05>

pp. 82-90

Copyright@GRIET Publications. All rights reserved.

gain sustainable competitive advantage. Organizational approaches need to move to where there is north-south goal alignment but a focus on east-west process performance. This research paper tries to address these issues with concentrations on the Small and Medium Enterprises (SMEs).

2. Review of Literature

Baratt (2004) defines supply chain as a network of facilities and distribution options that performs the functions of procurement of materials, transformations of these materials into intermediate and finished products and distribution of these finished products to the customers. Balsmeier and Voisin (1996) states that supply chains exist in both service and manufacturing organizations, although the complexity of the chain may vary greatly from industry to industry, and from firm to firm.

Perceived benefits refer to the level of recognition of the relative advantage that SCM can provide to the organization. Many practitioners and researchers have attempted to identify the potential advantages that knowledge management system has to offer. Pfeiffer (1992) and Iaconou et al. (1995) argued that these perceived benefits can be understood from two perspectives. The first perspective looks at the direct benefits from SCM. These are mostly operational improvements in organizational knowledge management capabilities that the firm believes SCM can bring. The purpose of knowledge management system is to improve the knowledge management process, Alavi and Leidner, (2001). Therefore one’s understanding to firm’s perceived knowledge management capability improvement is based on the five activities of the generic knowledge management process identified by Comican and O’Sullivan (2003), that is, firm’s capabilities on supply chain knowledge generation, storage, access, dissemination and application are all expected to be facilitated by SCM practices. With the improvement in knowledge management process, SCM adopters expect to achieve superior knowledge outcome. Thus, it is necessary to add another dimension besides the above five knowledge activities to look at the overall supply chain knowledge quality improvements.

The second perspective of perceived SCM benefits observes the indirect benefits or opportunities from implementing SCM. It explores the impact of SCM on the overall organizational and supply chain performance dimensions. These are mostly tactical and competitive advantages the firm gains indirectly from implementing SCM. Although the ultimate benefits of implementing SCM can include large financial savings, better product/service offering, improve customer service etc, these benefits are too remote and too general to be analyzed. Thus, much of one’s attention has focused on its impact on business operations. In a conceptual paper, Smith (2001) summarized six possible dimensions of SCM benefits to organizational operations: (1) Adapt to a rapidly changing environment; (2) Optimize business transactions; (3) Enhanced Supply Chain Integration; (4) Exception handling; (5) Be able to innovate (6) Fully capitalize and develop its people.

Moreover, internal integration establishes close relationships between functions such as shipping and inventory or purchasing and raw material management (Turner, 1993 and Stevens, 1990). While external integration has two directions: forward integration for physical flow of deliveries between suppliers, manufacturers, and customers and backward coordination of information technologies and the flow of data from customers, to manufacturers, to suppliers (Frohlich & Westbrook, 2002). Both internal and external integration can be accomplished by the continuous automation and standardization of each function and by efficient knowledge sharing and strategic

linkage with suppliers and customers. Stevens (1990), suggested that the development of internal supply chain integration should precede the external integration with suppliers and customers. Narasimhan and Kim (2002) examined the effect of chain integration on the relationship between diversification and performance. The supply chain integration instrument, they used is, comprised of three dimensions: (1) internal integration across supply chain, (2) a company’s integration with customers, and (3) a company’s integration with suppliers. This study adopts the concept of supply chain integration from previous research by Integration with customers, and Internal integration across supply chain (Frohlich and Westbrook, 2002); (Frohlich, 2002), (Narasimhan and Kim, 2002). The Table-1 below shows the constructs and sub-constructs of supply chain integration:

Table-1: Supply Chain Integration Constructs and Sub-constructs

Supply Chain Integration sub-constructs	Definitions	Literature
Internal Supply Chain Integration	The degree of coordination between the internal functions of all the trading partners in the supply chain.	Stevens, 1989; Carter and Narasimhan, 1996; Narasimhan and Carter, 1998; Birou et al, 1998; Wisner and Stanley, 1999.
External Integration with Suppliers	The degree of coordination between manufacturing firm and its upstream partners.	Peterson et al., 2005; Koufteros, Vonderembse and Jayaram, 2005; Bowersox, 1989; Stevens, 1989; Byrne and Markham, 1991; Lee and Billington, 1994; Clark and Hammond, 1997; Wood, 1997; Lummus et al., 2002; Narasimhan and Jayaram, 1998; Johnson, 1999; Frohlich and Westbrook, 2001; Kim and Narasimhan, 2002; Narasimhan and Kim, 2002; Frohlich and Westbrook, 2002; Frohlich, 2002.
External Integration with Customers	The degree of coordination between manufacturing firm and its downstream customers.	Koufteros, Vonderembse and Jayaram, 2005; Bowersox, 1989; Stevens, 1989; Byrne and Markham, 1991; Lee and Billington, 1995; Hewitt, 1994; Clark and Hammond, 1997; Wood, 1997; Lummus et al., 1998; Stock et al., 2002; Narasimhan and Jayaram, 1998; Johnson, 1999; Frohlich and Westbrook, 2001; Ahmad and Schroeder, 2001; Kim Narasimhan, 2002; Frohlich and Westbrook, 2002; Frohlich, 2002.

Supply chain performance is a construct with a set of performance measures to determine the efficiency and / or effectiveness of a system Beamon, (1998). Different researchers have attempted to assess supply chain performance in different ways, but most measures available in the literature are largely economic performance oriented. Harland (1996) suggests that intangible aspects of performance such as

customer satisfaction should also be assessed. Garwood (1999) cautions that new measurement angle must be used on besides the old yardsticks for supply chain performance such as purchase price variance, direct labor efficiency, equipment utilization, and production development budget are no longer adequate. A set of measures has been suggested and used in the literature to respond to the current requirements for a comprehensive supply chain performance measurement. Stevens (1990) suggested such items as inventory level, service level, throughput efficiency, supplier performance, and cost. Pittiglio et al. (1994) summarized four categories of measures, viz, customer satisfaction / quality, time, cost and assets. Spekman et al. (1998) suggested cost reduction and customer satisfaction. Narasimhan and Jayaram (1998) identified the customer responsiveness and manufacturing performance. Beamon (1998) recommend to use a bundle including several qualitative measures, namely, customer satisfaction, flexibility, information and material flow integration, effective risk management, and supplier performance.

3. Research Methodology

The environmental characteristics of any firm affect the ability of a firm to deliver promptly to its customers and also improve their functionality. It directly affects the ordering schedule of the firm, thus creating variations in purchases. This, in turn, adversely affects the integration of the firm with its suppliers.

3.1 Theoretical Framework

In the present research paper the Supply Chain Perceived Benefits for Buyer Supplier Relationship (SCPB) construct was presented with fourteen items as a single dimension construct. Furthermore, the second construct, viz-a-viz, Environmental Characteristics was also a multi-dimensional construct, viz, Environmental Uncertainty (EU) and Trading Partners Readiness (TP) with five items each, and Competitive Pressure (CP) with four items.

3.2 Hypothesis

Since the objective of this research paper was to study the impact of environmental characteristics on the supply chain management practices / perceived benefits adopted by the firm especially SMEs, thus, the following hypothesis was framed:

H₁: Environmental Characteristics of SMEs has a direct and positive relationship in improving buyer-supplier relationship in the firm.

3.3 Data Collection, Methodology and Instrument Administration

In order to collect precise data, a reliable measurement instrument is needed. To ensure brevity, understandability and content validity of the items, a rigorous validation procedure was adopted for preliminary test. A survey instrument in the form of a questionnaire was designed based on the constructs previously described and verified from the research methodology adopted for meeting the objectives stated for this research study. Respondents were asked to indicate, using a five-point Likert scale, on four varied themes. To ensure a reasonable response rate the questionnaire was sent in two phases in each industrial hub with a three months interval. In the first phase the questionnaires were sent to all 450 respondents inviting them to participate in the study with a brief description of the research, stating that all data collected would be used for academic research only and be handled confidentially. The sample area for the present paper included industrial hubs of Jammu only. (The detailed list of industrial

hubs / units surveyed have not been included in this research paper due to limitation of words).

3.4 Response Rate

The researcher received 261 non-deliverable/un-returned questionnaires in three months after the first phase of questionnaires were sent. There were another 21 replies declining participation to the study due to the following reasons: (1) no longer in the supply chain/procurement area and (2) company policy forbidding disclosure of information. Therefore, during the three months period after sending out the questionnaires, a total of 240 responses were collected. Then in the second phase, questionnaires were sent one month later to those who had not yet responded for which a total of 189 responses were received. Of the total 18 responses received were incomplete and thus were rejected while data entry was administered, thereby making a total of 171 responses. Therefore, the final number of complete and usable responses for the study stood at 411 (240 in first phase and 171 in the second phase). It yielded a response rate of 91.33%, indicating a reasonable and acceptable response rate for surveys (Dillman, 2000). Furthermore, it was analysed that among 411 respondents 88 respondents were either not associated with Supply Chain Management Practices and / or were out of the scope of the questions supplied for the study. Henceforth, a total of 323 responses were finally administered for further statistical analysis, which yielded a response rate of 71.77%. (The statistical tables for the response rate have not been included in this research paper due to limitation of words).

3.5 Non-response Bias Assessment

Non-response bias could be one of the major concerns for survey research methodology. Because when non-response bias exists, the data collected might not be representative to the population the researcher was intended to study. Thus statistical procedures must be taken to assessment the non-response bias of the sample. For this estimation it was assumed that the second wave response is a non-response for the first wave. Chi-square tests were used to make the comparisons of all the 323 responses. It was found that no significant difference in Number of employees in the firm (NoE), Position of the firm in the supply chain (PoSC), Respondent's Job Title (ReJT), Respondents Job Function (ReJF) in the firm and Number of Years of Service (ReYoS) of the respondent in the firm. Thus the researcher concluded that non-response bias was not a cause for concern for this study. (The statistical tables for non-response bias have not been included in this research paper due to limitation of words).

3.6 Methodology

As suggested by Gerbing and Anderson (1988), the researcher decided to test the measurement model first to avoid possible interactions between the measurement and the structural models. Furthermore, a measure cannot be valid unless it is reliable, but a measure can be reliable without being valid. Bagozzi (1980) and Bagozzi & Philips (1982) suggested an instrument evaluation guideline that the instrument properties for reliability and validity include purification, factor structure (initial validity), unidimensionality, reliability and the validation of the second-order construct. The methods for each analysis were: Corrected-Item-to-Total-Correlation (for purification), Cronbach's Alpha (for reliability) and Confirmatory Factor Analysis (for first and second order factor structure and unidimensionality).

The measurement items (34 in total) were first purified by using Corrected-Item-to-Total-Correlation (CITC) scores with respect to a specific dimension of the construct. Following the guidelines constructed by Nunnally (1978). The reliability analysis of IBM®

SPSS® 19.0 was used to perform CITC computation of each of the construct.

After purifying the items based on CITC, an Exploratory Factor Analysis (EFA) of the items in each construct was conducted for assessing construct dimensionality. IBM® SPSS® 19.0 was extensively used to explore potential latent sources of variance and covariance in the observed measurements. Principal Component Analysis (PCA) was used as factor extraction method and VARIMAX was selected as the factor rotation method. Also MEANSUB option was used in most cases to replace the missing values with the mean score for that item. All the items for each construct were EFA tested regardless for its existence in a proposed sub-dimension. To ensure high quality of instrument development process in the current study, 0.5 was used as the cut-off for factor loadings (Hair, et. al., 1992). The Kaiser-Meier-Olkin (KMO) measure of sampling adequacy was calculated for all dimension-level and construct-level factor analysis. This measure ensures that the effective sample size is adequate for the current factor analysis. The next step after item purification is to examine the unidimensionality of the underlying latent constructs. CFA is used to determine the adequacy of the measurement model's goodness-of-fit to the sample data. Due to the robustness and flexibility of the Structural Equation Modeling (SEM) in establishing CFA, this research uses SEM to test both first-order as well as second-order CFA models. Model data fitting was evaluated based on multiple goodness-of-fit indexes. Goodness-of-fit measures the correspondence of the actual or observed input (covariance or correlation) matrix with that predicted from the proposed model. For this study the researcher has used reports of several measures of overall model fit from IBM® SPSS® AMOS™ 19.0, such as, Goodness-of-fit-index (GFI), Adjusted-goodness-of-fit-index (AGFI), Comparative-fit-index (CFI), Normed-fit-index (NFI), Root-mean-square-residual (RMR) and Root-mean-square-error-of-approximation (RMSEA). Finally, the reliability of the entire set of items comprising the second order constructs was estimated using Cronbach's alpha, following the guideline established by Nunnally (1978).

4. Research Findings and Discussions

4.1 Measurement Results

4.1.1 Supply Chain Perceived Benefits for Buyer-Supplier Relationship

Supply Chain Perceived Benefits for Buyer-Supplier Relationship (SCPB) is a single dimension construct measured by 14 items representing the items that are considered important for cordial relationship among trading partners for success of SCM Practices across the SMEs.

CITC scores indicates that Cronbach's Alpha is 0.794, which though acceptable but most of the items of the construct were well below the cut-off value of 0.5, such as, SCPB1 (0.305), SCPB2 (0.271), SCPB3 (0.249), SCPB4 (0.044), SCPB5 (0.265), SCPB6 (0.377), SCPB13 (0.425). It was understood that one item needs to be deleted at a time to look into its scale of variance. But the item SCPB13 was retained at the Cronbach's Alpha value of 0.425 even though it was less than the cut-off value of 0.5 because of the importance of the item for the study. After multiple iterations CITC score for the dimension came to be 0.890 which was quite good to be accepted for the study. A total of six iterations were performed for obtaining this CITC score. The CITC for each item with its corresponding code name are shown in Table-2.

Table-2: CITC Item Purification Results for Supply Chain Perceived Benefits for Supplier-Buyer Relationship

Supply Chain Perceived Benefits for Supplier-Buyer Relationship (SCPB)				
Item Code	CITC Initial	Cronbach's Alpha - Initial	CITC Final	Cronbach's Alpha - Final
SCPB1	0.305	0.794	Item Dropped	0.890
SCPB2	0.271		Item Dropped	
SCPB3	0.249		Item Dropped	
SCPB4	0.044		Item Dropped	
SCPB5	0.265		Item Dropped	
SCPB6	0.377		Item Dropped	
SCPB7	0.596		0.727	
SCPB8	0.667		0.758	
SCPB9	0.523		0.608	
SCPB10	0.538		0.638	
SCPB11	0.515		0.707	
SCPB12	0.520		0.656	
SCPB13	0.425		0.546	
SCPB14	0.522		0.696	

An Exploratory Factor Analysis (EFA) was then conducted using principal components as means of extraction. The Kaiser-Meyer-Olkin (KMO) score of 0.904 indicated a perfect sampling adequacy. The analysis demonstrated that two factors were extracted with cumulative variance of 56.926% & 69.867%. The one item that was loaded on the second factor at SCPB13 had serious cross loading with the first factor; thus item SCPB13 was removed from the model. The second iteration of EFA with 7 items was conducted, extracting a single factor explaining 60.051% of total variance and KMO score at 0.896. The EFA results are as shown in Table-3.

Table-3: EFA Results for Supply Chain Perceived Benefits for Supplier-Buyer Relationship

First Iteration of EFA		
Kaiser-Meyer-Olkin (KMO) : Measure of Sampling Adequacy Score = 0.904		
Item Code	Supply Chain Perceived Benefits for Buyer-Supplier Relationship (SCPB)	Second Factor
SCPB7	0.737	--
SCPB8	0.782	--
SCPB9	0.794	--
SCPB10	0.831	--
SCPB11	0.664	--
SCPB12	0.789	--
SCPB13	0.863	0.583
SCPB14	0.689	--
<i>Eigen Value</i>	4.554	1.035
<i>%age of Variance</i>	56.926	12.941
<i>Cumulative %age of Variance</i>	56.926	69.867
Second Iteration of EFA		

Kaiser-Meyer-Olkin (KMO) : Measure of Sampling Adequacy Score = 0.896		
Item Code	Supply Chain Perceived Benefits for Buyer-Supplier Relationship (SCPB)	Second Factor
SCPB7	0.821	--
SCPB8	0.849	--
SCPB9	0.731	--
SCPB10	0.758	--
SCPB11	0.775	--
SCPB12	0.716	--
SCPB14	0.767	--
<i>Eigen Value</i>	4.204	--
<i>%age of Variance</i>	60.051	--

The next step is to test the 7 items of SCPB in Complementary Factor Analysis (CFA) for measurement model fit. The CFA model for SCPB was then tested using IBM® SPSS® AMOS™ 19.0. The results indicated poor model fit indices: $\chi^2/df=5.672$; RMSEA=0.120; RMR=0.050; GFI=0.927; AGFI=0.853; NFI=0.929 and CFI=0.941; thus modification indices were utilized for calculating the high error correlated factors which came out to be SCPB12 (22.95). Items were therefore removed iteratively one by one from the analysis. After these items were removed, the model fit showed that there was no need for

Table-4: CFA Model Fit Results for Supply Chain Perceived Benefits for Supplier-Buyer Relationship

Model Fit	χ^2	df	χ^2/df	RMSEA	RMR	GFI	AGFI	NFI	CFI
Initial	79.404	14	5.672	0.120	0.050	0.927	0.853	0.929	0.941
After Removing SCPB12	29.582	9	3.287	0.084	0.034	0.971	0.932	0.968	0.978
After Removing SCPB12, SCPB10	14.820	5	2.964	0.078	0.031	0.982	0.945	0.979	0.986

4.1.2 Environmental Characteristics

Environmental Characteristics (EC) is a multiple dimension construct measured having a total of 3 sub-constructs and a total of 14 items (with 5 items in Environmental Uncertainty (EU), 4 items in Competitive Pressure (CP) and 5 items in Trading Partners Readiness (TP)).

CITC scores indicates that the Cronbach’s Alpha for EC equaled 0.854 (with EU=0.882; CP=0.821 & TP=0.830), which was acceptable for the study, but CITC for separate dimensional constructs revealed that CITC score for CP1 (0.492) and TP1 (0.486) were below the CITC cut off value of 0.5; but due to the importance of the item TP1 was retained at a low CITC score and thus we decide to remove only CP1 from further analysis. The second itinerary of reliability analysis after deleting CP1 all the left over items under CP dimension showed Cronbach’s Alpha values above 0.5; also the overall Cronbach’s Alpha value for the EC construct was 0.848 which is acceptable for our study. The CITC for each item with its corresponding code name are shown in Table-5.

Table-5: CITC Item Purification Results for Environmental Characteristics

Environmental Characteristics (EC)				
Item Code	CITC Initial	Cronbach’s Alpha – Initial	CITC Final	Cronbach’s Alpha – Final
EU1	0.767	0.882	--	0.882
EU2	0.781		--	
EU3	0.761		--	
EU4	0.696		--	

any modifications in the model constructs. The model for SCPB is as shown in Figure-5.4. Furthermore all the factor loadings (λ) were above 0.50 and significantly important with the lowest being 0.67 for SCPB9. The model fit indices for SCPB is shown in Table-4.

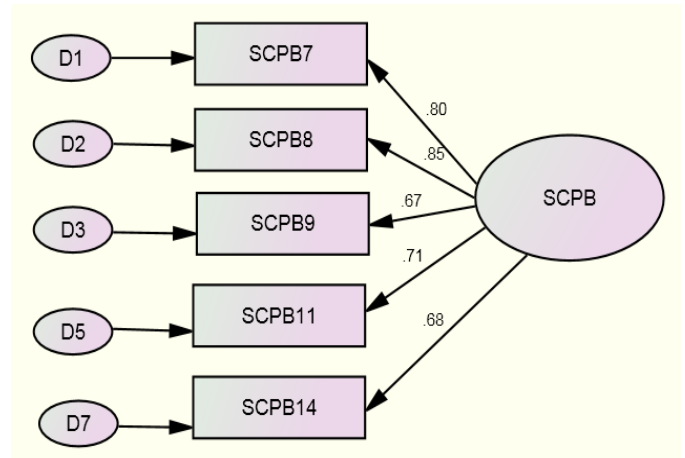


Figure-1: CFA model for Supply Chain Perceived Benefits for Supplier-Buyer Relationship

EU5	0.584		--	
CP1	0.492	0.821	<i>Item Dropped</i>	0.836
CP2	0.675		0.724	
CP3	0.768		0.744	
CP4	0.664		0.645	
TP1	0.486	0.830	--	0.830
TP2	0.675		--	
TP3	0.694		--	
TP4	0.596		--	
TP5	0.702		--	

An Exploratory Factor Analysis (EFA) was then conducted using principal components as means of extraction and VARIMAX as method of rotation. The Kaiser-Meyer-Olkin (KMO) score of 0.877 indicated an acceptable sampling adequacy. As expected the analysis resulted into extraction of three components with the cumulative variance explained by the three factors as 69.876%. All the factors that emerged from the factor analysis were with factor loadings above 0.50. The EFA results are as shown in Table-6.

Table-6: EFA Results for Environmental Characteristics

Kaiser-Meyer-Olkin (KMO) : Measure of Sampling Adequacy Score = 0.877				
Item Code	EU	CP	TP	Cronbach’s Alpha
EU1	0.867			0.882
EU2	0.871			
EU3	0.859			

EU4	0.796			0.836
EU5	0.715			
CP2		0.747		
CP3		0.792		
CP4		0.808		0.830
TP1			0.833	
TP2			0.658	
TP3			0.772	
TP4			0.859	
TP5			0.682	
<i>Eigen Value</i>	4.822	3.203	1.059	
<i>%age of Variance</i>	37.095	24.637	8.144	
<i>Cumulative %age of Variance</i>	37.095	61.732	69.876	

The first order CFA model for EC was then tested using IBM® SPSS® AMOS™ 19.0 with the statistics as presented in Table 5.19. The results indicated that although factor loading coefficients for the initial model were greater than 0.60, except for EU5 (0.59), the model fit showed a poor indices: $\chi^2/df= 3.490$; RMSEA= 0.088; RMR= 0.055; GFI= 0.901; AGFI= 0.854; NFI= 0.906 and CFI= 0.930. Henceforth, modification indices were utilized for modifications in the model which indicated a chance for model improvement as a result from possibility of error correlation (as shown in Table-7); by removing the correlated affects the final first-order CFA model thus obtained is as shown in Figure-5.5. Thereafter, modification indices indicated that there was no need for any modifications in the model constructs. The first-order CFA model for Environmental Characteristics (EC) is as shown in Figure-5.5. Clearly, the factor loadings (λ) were acceptable with the lowest being 0.59 for the item EU5.

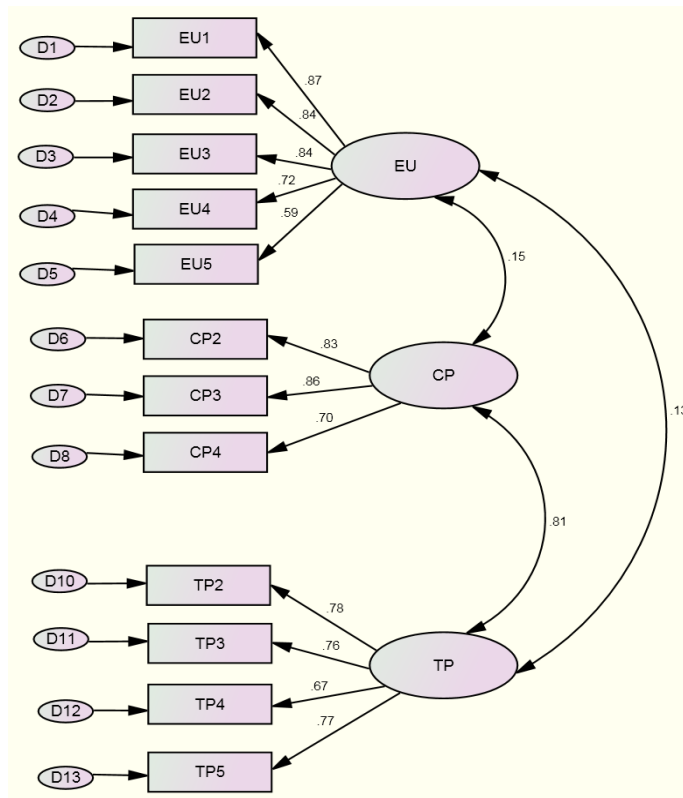


Figure-2: First Order CFA Model for Environmental Characteristics

Table-7: First Order CFA Model Fit Results for Environmental Characteristics

Model Fit	χ^2	Df	χ^2/df	RMSEA	RMR	GFI	AGFI	NFI	CFI
Initial	216.374	62	3.490	0.088	0.055	0.901	0.854	0.906	0.930
After Removing TP1	120.384	51	2.360	0.065	0.046	0.941	0.910	0.942	0.965

In the next step, the second order model was tested to see if these three sub-constructs (EU, CP & TP) underlie a single high order construct of EC. It was observed that high-order correlated effect was observed for EU1, TP2 and TP5; hence these items were deleted iteratively from the study model. The resulting second-order CFA model for Environmental Characteristics (EC) is as shown in Figure-3; thereafter no further modification in the model was desired. The resultant goodness-of-fit indices for the second-order construct are as illustrated in Table-8.

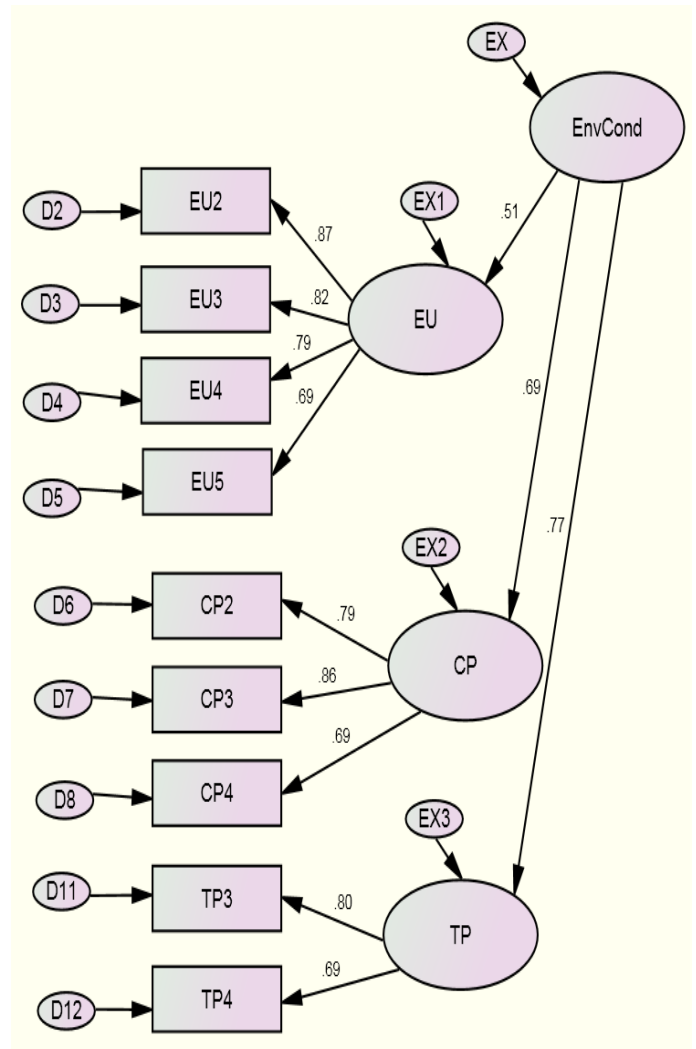


Figure-3: Second Order CFA Model for Environmental Characteristics

Table-8: Second Order CFA Model Fit results for Environmental Characteristics

Model Fit	χ^2	df	χ^2/df	RMSEA	RMR	GFI	AGFI	NFI	CFI
Initial	192.157	53	3.626	0.090	0.235	0.909	0.866	0.907	0.930
After Removing EU1	145.062	43	3.374	0.086	0.215	0.924	0.883	0.914	0.937
After Removing EU1, TP2	114.187	34	3.358	0.086	0.196	0.932	0.890	0.921	0.943
After Removing EU1, TP2, TP5	76.135	26	2.928	0.080	0.066	0.941	0.897	0.929	0.949

4.2 Structural Model for Hypothesis

The structural model for the proposed hypothesis H₁, the constructs of Perceived Benefits of Supply Chain Management from Buyer-Supplier Relationship (SCPB) has been regarded as Dependent Variables (Endogenous); whereas Environmental Characteristics (EC) has been regarded as Independent Variable (Exogenous).

The model was tested using one-tail test, a t-value greater than 2.33 is significant at the level of 0.01; and a t-value greater than 1.65 is significant at 0.05; and a t-value of 1.28 is significant at the level of 0.10. The t-value is calculated from the estimates of the model, where t-value is given as model path estimate (parameter) divided by the standard error. The results for the proposed hypotheses and propositions are as given in Table-9.

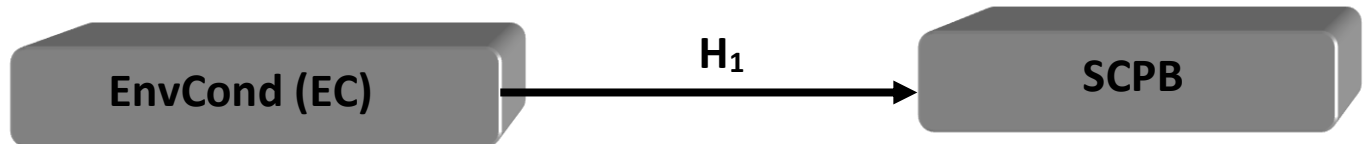


Figure-4: Structural Model for proposed Hypotheses

Table-9: Structural Model Hypothesis Testing Results

Hypotheses	Relationship	Standardized Estimate	t-value	p-value	Significance (Yes/No)
H ₁	EnvCond (EC) → SCPB	1.03	= (1.461/0.110) = 13.281	< 0.05	YES

The structural model for the proposed hypothesis is as presented in Annexure-I.

5. Conclusion

The relationship was found to be significant with standard estimate as 1.03 and t-value = 13.281. The result so obtained confirms the literature of numerous studies available that indicate positive effects of buyer-supplier relationship to an inter-organizational system such as SCMP (Ibbott and Keefe, 2004); (Finnegan et al., 1998). A possible reason might be that considerable numbers of respondents were aware of the supply chain practices and their impacts on the overall firms working environment. Moreover, it is evident that due to tough and rude competition in the market sphere SMEs have to regularize their working culture as well as understand the competitive pressure to catch hold of the markets for the future. The SMEs need to be more vigilant in improving and reconstructing their relationships with their trading partners so as to have market creditability and also to expand their horizons towards facing the over fluctuating demands as regards to supplies and demands. The SMEs must also have considerable degree of understanding the trading partner’s requirements; otherwise the communication gap could lead to unreliable and devastating results which could be fairly hard for the SMEs to control and work with. Practically speaking, SME organizations must understand their supply chain partners and start SCM initiation with a thorough SWOT analysis to their partners and themselves.

6. References

Alavi, M. and Leidner, D. E. (2001). Review: Knowledge management and knowledge management systems: Conceptual foundations and research issues. *MIS Quarterly*, 25(1), pp. 107-136.

Bagozzi, R. P. (1980). *A Causal Model in Marketing*. New York, Wiley.

Bagozzi, R. P. and Philips L. W. (1982). Representing and testing organizational theories: A holistic construal. *Administrative Science Quarterly*, 27, pp.459-89.

Balsmierer, P. W. and Voisin, W. (1996). Supply Chain Management; A time based strategy. *Industrial Management*, 38(5), pp.24-27.

Beamon, R. M. (1998). Supply chain design and analysis: Models and methods. *International Journal of Production Economics*, 55, pp. 281-294.

Cormican, K. and O'Sullivan, D. A. (2003). Collaborative knowledge management tool for product innovation management. *International Journal of Technology Management*, 26(1), pp. 53-68

Frohlich, M. T. and Westbrook, R. (2002). Demand chain management in manufacturing and services: web-based integration, drivers, and performance. *Journal of Operations Management*, 20, 729-745.

Finnegan, P., Golden, W. and Murphy. (1998). Implementing electronic data interchange: A non-technological perspective. *Int'l J of E commerce*, 2(4), pp. 27-41.

Garwood, D. (1999). Supply Chain Management: New paradigms for customers and suppliers. *Hospital Materials Management Quarterly*, 20(3), pp-1-3.

Gaurav Sehgal et. al. (2013). Factors Affecting Information Technology Support in Supply Chain Management of SMEs in Jammu Based Units. *Research Review - A Journal of Commerce & Management Association of India (CMAI)*, Vol. II, Feb. 2013, ISSN 2277-4033, pp. 66-76.

Gaurav Sehgal (2013). Study of Environmental Characteristics Impact on Supply Chain Management Practices in SMEs. *Arth Anveshan*,

A Bi-annual Journal of College of Management, SMVDU, Volume 8, Number 1, 2013, ISSN: 0973-8193, pp. 29-40.

Gaurav Sehgal et al. (2013). Integrating Technological Infrastructure for Strengthening Agro Based SMEs – A Case of Jammu based Units. *Madhya Pradesh Journal of Social Sciences, A Biannual Journal of M.P. Institute of Social Science Research, Ujjain*, Vol. 18, No. 2, Dec. 2013, ISSN 0973-855X, pp. 49-67.

Gaurav Sehgal (2014). *Integrating Organizational Infrastructure for Strengthening Supply Chain Management Practices in SMEs – A Case of Jammu based Units. GRABS Educational Charitable Trust, 2014, ISBN: 978-81-929313-0-2, pp. 64-79.*

Gerbing, D. W. and Anderson, J. C. (1988). An Upgraded for Scale Development incorporating Uni-dimensionality and its Assessment. *Journal of Marketing Research*, 25, pp.186-192.

Gunasekaran, A. and Ngai, E. W. T. (2003). The successful management of a small logistics company. *International Journal of Physical Distribution and Logistics Management*, Vol. 33 No. 9, pp. 825-42.

Harland, C. M. (1996). Supply Chain Management: Relationships, Chains and Networks. *British Journal of Management*, 7, pp.63-80.

Hair, J. F., Anderson, R. E., Tatham, R.L. and Black, W.C. (1992). *Multivariate Data Analysis, Fifth Edition, Macmillan Publishing Company, New York, NY.*

Iaconou, C., Benbasat, I. and Dexter, A. (1995). EDI and small organizations: Adoption and impact of technology. *MIS Quarterly*, December; pp 465-485.

Ibbott, C. J. and Keefe, R. M. (2004). Trust, planning and benefits in a global inter-organizational system. *Info Systems J*, 14, pp. 131-152.

Mudambi, R. and Schrunder, C. P. (1996). Progress towards buyer-supplier partnerships: evidence from small and medium-sized manufacturing firms. *European Journal of Purchasing and Supply Management*, Vol. 2, Nos. 92/3, pp. 119-27.

Narasimhan, R. and Jayaram, J. (1998). Causal linkages in supply chain management: An exploratory study of North American manufacturing firms. *Decision Sciences*, 29(3). pp. 579-605.

Nunnally, J. C. (1978). *Psychometric Theory. McGraw Hill, New York.*

Pfeiffer, H. (1992). *The Diffusion of Electronics Data Interchange. Springer-Verlag, New York.*

Smith, M. (2001). Collaborative knowledge management as a necessary business imperative. *Fujitsu Company E-Innovation Whitepaper* 1.0 http://www.providersedge.com/docs/km_articles/Collaborative KM as a Necessary Business_Imperative.pdf.

Spekman, R. P, J. W. Jr and Myhr, N. (1998). An empirical investigation into supply chain management: A perspective on partnerships. *Supply Chain Management*, 3(2), pp.53-67.

Stevens, G. C. (1990). Integrating the supply chain. *International Journal of Physical Distribution and Materials Management*, 19(8), pp.3-8.

Turner, J. R. (1993). Integrated supply chain management: What's wrong with this picture? *Industrial Engineering*, 24(12), pp.52-55.

ANNEXURE-I

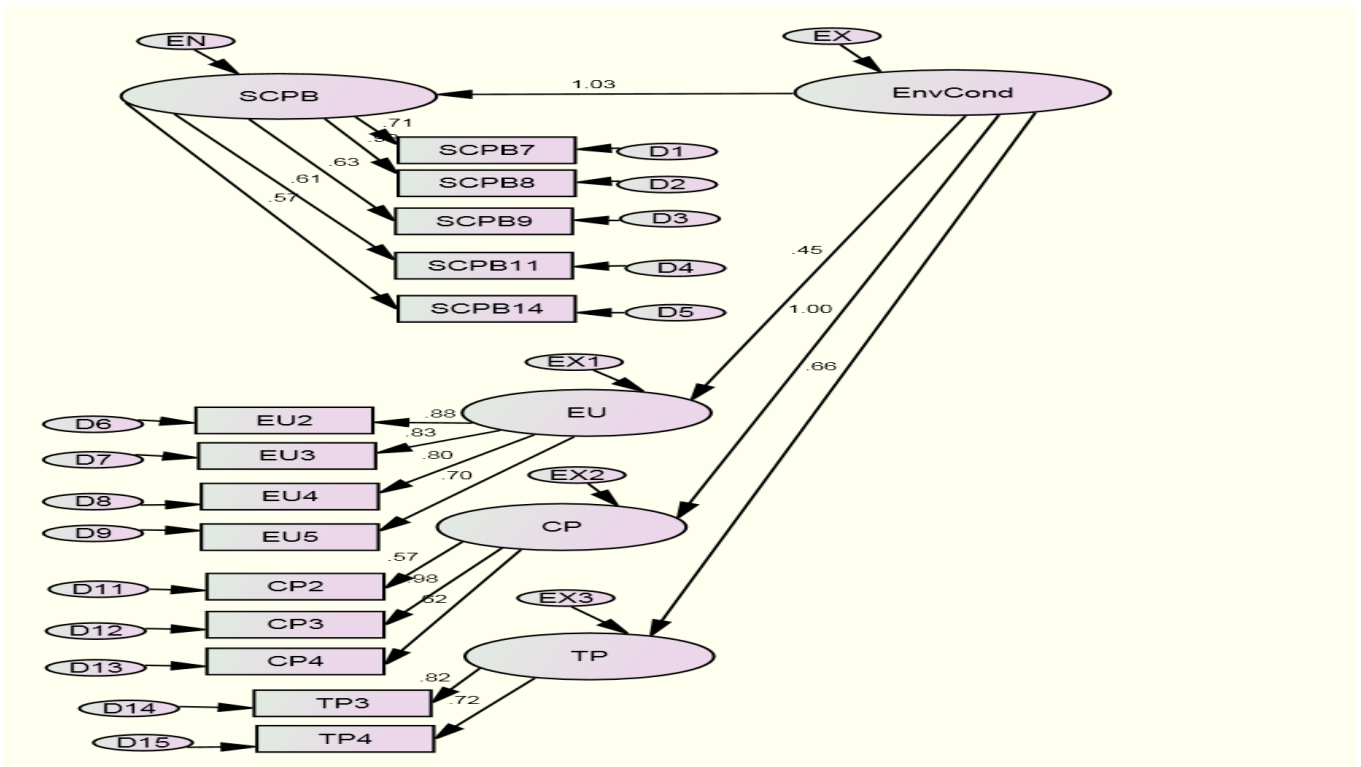


Figure-4: Structural Model for testing of Hypothesis (H₁)

ANNEXURE-II

Parameters Along With Coding Used During Data Analysis

S. No.	Category Code	Sub-Category Code	Item Code	Parameters
1.	SCPB	--	SCPB1	It improves our ability to create new SCM Practices.
2.			SCPB2	Improves our market credibility.
3.			SCPB3	Facilitates our relationship with our trading partners.
4.			SCPB4	Improves our ability to explore market potential.
5.			SCPB5	Enables us to make better business decisions.
6.			SCPB6	Decreases our SCM handling costs.
7.			SCPB7	Enhances our ability to innovate.
8.			SCPB8	Improves our ability to handle exceptional business circumstances.
9.			SCPB9	Improves our firm's ability to adapt to environmental changes.
10.			SCPB10	Facilitates business transactions with our suppliers.
11.			SCPB11	Improves and facilitates collaboration across the supply chain.
12.			SCPB12	Improves our ability to keep promises on deliveries.
13.			SCPB13	Improves the overall business decision making model of our firm.
14.			SCPB14	Improves at building customer/supplier relationship management in our firm.
15.	EC	EU	EU1	Our firm faces intense competition in the industry.
16.			EU2	Our firm faces unpredictable nature of customer needs.
17.			EU3	Our firm faces unpredictable deliveries from our suppliers.
18.			EU4	Our firm faces unpredictable quality of supplied products.
19.			EU5	Our firm faces fluctuating customer orders.
20.		CP	CP1	Many other firms in our industry have implemented SCM practices.
21.			CP2	Our major competitor has implemented SCM practices.
22.			CP3	Our major trading partner has implemented SCM practices.
23.			CP4	Our firm with SM practices is able to meet the increasing demands of the market.
24.		TP	TP1	Our firm and our trading partner understand each other's requirements.
25.	TP2		Our trading partner knowledge and expertise is valuable to us.	
26.	TP3		Our trading partners respect the confidentiality of the information they receive from our firm.	
27.	TP4		Our trading partners are willing to provide assistance to our firm whenever required.	
28.	TP5		Our firm DOES NOT have to closely supervise transactions with the trading partner.	
29.	SSP5		Our firm implements SCM because with it our firm can have harmonious relationship with our trading partner.	

Abbreviations:

SCPB → Perceived Benefits of SCM from Buyer-Supplier Relationship; EC → Environmental Characteristics; EU → Environmental Uncertainty; CP → Competition Pressure; TP → Trading Partner Readiness

About the Author:

Dr. Gaurav Sehgal is presently on deputation as Associate Professor in the School of Business Studies, Department of HRM & OB at Central University of Jammu, Jammu, J&K State. He has attained his Doctoral Degree from University of Jammu in the year 2012. He has done M.Sc. in Electronics with specialization in IC Technology and Advanced Microprocessors & Microcontrollers from University in Jammu, besides holding MBA degree from IGNOU and specializes in Operations Management. Prior to his deputation he was working as Assistant Professor (Stage-II) at Baba Ghulam Shah Badshah University, Rajouri, J&K State. Dr. Gaurav Sehgal has to his credit a Major Research Project from UGC for an amount of 10.43 lakhs (pre-revised) and also has been successful in getting Community College for the University from UGC tuning to an amount of 72 lakhs. He has about 19 research publications to his credit and has also attended about 25 seminars and conferences. He has also delivered extension lectures on Project Management and Personality Development at various Govt. establishments, including Air Force, District Administration, MES, etc. he has also authored two Chapters in the Self learning Materials for M.Com students of University of Jammu. He presently teaches Research Methodology, SPSS and Operations Management. His area of interest in research includes: Knowledge Management, Technology Management and Supply Chain Management. Email: gsk2@rediffmail.com; sehgal.jammu@gmail.com; gauravsehgal@gauravsehgal@biz.ly, Mobile: +91 9419217212



MANAGEMENT TODAY

-for a better tomorrow

An International Journal of Management Studies

home page: www.mgmt2day.griet.ac.in

Vol.6, No.2, April-June 2016



FII's Investments and DII's Investments in India – A Causality Study

Omprakash Kajipet¹ and Sridhar Ryakala²

¹Professor, Department of Commerce & Business Management, Kakatiya University, Warangal, Telangana, India; ²Assistant Professor, Department of Commerce, Vivekananda Govt. Degree College, Hyderabad, Telangana, India

ARTICLE INFO

Article history:

Received 24.02.2016

Accepted 25.06.2016

Keywords:

Foreign Institutional Investors (FIIs), Domestic Institutional Investors (DIIs), Indian Stock Market, Vector Error Correction Model (VECM)

ABSTRACT

There has been a dramatic increase of portfolio flows from institutional investors into Indian stock market, with professionally managed investment funds taking the lead. Foreign institutional investors have played an important catalyst role in the improvement of the institutional infrastructure of Indian capital market. This has undoubtedly contributed to the most recent development in which domestic institutional investors have started playing an increasingly important role. There have been many instances where DIIs pouring money into Indian stock markets at a time when FIIs are rushing for the exit and such startling calls of DIIs have been highly accurate under many circumstances. The present study aims at analyzing the co-integration and consequently to find both long run and short run causal relationship i.e., unilateral or bilateral between foreign institutional investors' investments and domestic institutional investors' investments in India.

1. Introduction

Institutional investors are playing an increasingly important role in the world's financial markets. Being highly specialized and managing substantial capital, institutional investors can enhance market features in many ways including increasing liquidity, influencing market psychology, improving disclosures and corporate governance. Institutional investors can also leverage their size to negotiate better services at lower cost. Foreign institutional investors have had a major impact on the development of Indian stock market. There has been a dramatic increase of portfolio flows from institutional investors into Indian stock market, with professionally managed investment funds taking the lead. Foreign institutional investors have played an important catalyst role in the improvement of the institutional infrastructure of Indian capital market. This has undoubtedly contributed to the most recent development in which domestic institutional investors have started playing an increasingly important role.

There have been many instances where domestic institutional investors pouring money into stock markets at a time when FIIs are rushing for the exit and such startling calls of DIIs have been highly accurate under many circumstances. The fortunes of the Indian stock markets are mostly driven by interest from foreign institutional investors (FIIs), who invest in hordes for certain period and are as quick on the trigger when it comes to pulling out of the markets. As such, Indian stock markets are frequently left at the mercy of the FIIs, who tend to exhibit drastic shifts in behavior.

Institutional investors by their actions not only influence the stock market but also influence the retail investors' investment decisions, as the movements of institutional investors are closely watched and followed by the small investors. Therefore, the need for studying the trading behavior of institutional investors (both foreign institutional investors and domestic institutional investors) has become the matter of concern. There are a few research studies which have attempted to study the herding behavior of foreign institutional investors on the Indian stock market and a few have focused on the impact of mutual funds' investments on the Indian stock market. But, there is lack of research work carried out to study the causality between the investments of FIIs and DIIs.

Various studies have documented the power of Institutional Investors in developed markets like US. According to Lakonishok-Shleifer-Vishny (LSV, 1991), Institutional Investors held about 50 per cent of equities and their trading accounted for approximately 70 per cent of trading volume in the US. Cai, et. al. (2000) estimated that

Responsibility of Contents of this paper rests upon the authors and not upon GRIET publications

ISSN: 2348-3989 (Online)

ISSN: 2230-9764 (Print)

Doi: <http://dx.doi.org/10.11127/gmt.2016.06.06>

pp. 91-95

Copyright@GRIET Publications. All rights reserved.

Institutional investors as a group own more than half of U.S. publicly traded equities and make more than 50 per cent of all trades in the U.S. stock markets. A similar study by Gompers and Metrick (2001) found that Institutions account for more than 60 per cent of all equity ownership and an even greater percentage of the average daily trading volume in U.S. markets. According to the Securities Industry Fact Book (2002), holdings of U.S. equities by Institutions increased from 16.2 per cent in 1965 to 61.3 per cent in 2001. Sias (2004) shows that Institutional investors accounted for 50 per cent of the total US equity ownership in 1999 compared to 28 per cent in 1970. Non – retail trading accounted for 96 per cent of New York Stock Exchange (NYSE) trading volume in 2002 (Jones and Lipson, 2004).

2. Objective of the Study

The present study aims at analyzing the co-integration and consequently to find both long run and short run causal relationship i.e., unilateral or bilateral between foreign institutional investors' investments and domestic institutional investors' investments in India.

2.1 Hypothesis of the Study

The present study is carried out to test the following hypothesis:

H₀: There is no causality between foreign institutional investors' investments and domestic institutional investors' investments.

H_a: There is causality between foreign institutional investors' investments and domestic institutional investors' investments.

2.3 Data and Research Methodology

The study uses the monthly time series data of Advances to Decline Ratios (ADR) of Foreign Institutional Investors' (FIIs) and Domestic Institutional Investors' (DIIs) investments. The dataset covers the period from April 2007 to December 2013, a period of about 7 years comprising 81 observations. Indian stock market reached its peak in the year 2007 and immediately due to the global financial crisis it fell drastically in the year 2008, and from then there were lot of fluctuations and the market set back to its peak position in 2010. During 2010-13 the Indian stock market exhibited dynamics and the role of the institutional investors' is vital in this period. The data for these variables are collected from official website of SEBI. FIIs and DIIs investments Purchase to Sales Ratios (PSR) are calculated by the following method:

$$FIIPSR_t = \log (P_t/S_t)$$

Where, FIIPSR_t is the monthly purchase to sale ratio of foreign institutional investments and P_t denotes the monthly FIIs purchases, whereas S_t denotes the monthly FIIs sales.

$$DIIPSR_t = \log (P_t/S_t)$$

Where, DIIPSR_t is the monthly purchase to sale ratio of domestic institutional investments and P_t denotes the monthly DIIs purchases, whereas S_t denotes the monthly DIIs sales.

The calculated monthly purchase to sales ratios of foreign institutional investors' investments and domestic institutional investors' are represented by FIIPSR and DIIPSR respectively.

To carry out the predetermined set of objectives and to test the hypothesis the study used the empirical tools such as Normality Tests, Unit Root Tests, Co-integration Tests, Vector Error Correction Model (VECM), Variance Decomposition Analysis (VDA) and Residual Tests as part of research analysis.

Normality Test

Normality tests are used to determine if a data set is well-modeled by a normal distribution and to compute how likely it is for a random variable underlying the data set to be normally distributed. The Jarque-Bera test of normality is an asymptotic or large sample test. This test computes the skewness and kurtosis measures and uses the following test statistic:

$$JB = n [S^2/6 + (K-3)/24]$$

Where n=sample size, S= skewness coefficient, and K=kurtosis coefficient. For a normally distributed variable, S=0 and K=3, therefore the JB test of normality is a test of the joint hypothesis that S and K are 0 and 3 respectively.

Stationarity Test

Stationarity of a time series is an important phenomenon because it can influence its behavior. If x and y series are non-stationary random processes, then modeling the x and y relationship as a simple OLS relationship will only generate a spurious regression. Time series stationarity is the statistical characteristics of a series such as its mean and variance over time are constant. If a series is stationary without any differencing it is designated as I (0), or integrated of order 0. On the other hand, a series that has stationary when first differenced is designated I (1), or integrated of order one. The stationary properties of the time series data under study are tested using Augmented Dickey Fuller (ADF), Phillips – Perron (PP) and Kwiatkowski-Phillips-Schmidt-Shin (KPSS) Tests.

Co-integration Test

Johansen Co-integration Test is used to verify the existence of co-integration between the variables under study. Procedures use two tests to determine the number of co-integration vectors; the Maximum Eigen value test and the Trace test. The Maximum Eigen value statistic tests the null hypothesis of r co-integrating relations against the alternative of r+1 co-integrating relations for r = 0, 1, 2...n-1. Trace statistics investigate the null hypothesis of r co-integrating relations against the alternative of n co-integrating relations, where n is the number of variables in the system for r = 0, 1, 2...n-1. When the Trace and Maximum Eigen value statistics yields different results, then the results of trace test should be preferred.

Vector Error Correction Model (VECM)

If co-integration has been detected between series we infer that there exists a long-term equilibrium relationship between them, so we can apply VECM in order to evaluate the short run properties of the co-integrated series. In case of no co-integration VECM is no longer required and we can directly precede to Granger causality tests to establish causal links between variables.

3. Empirical Analysis

I. Jarque-Bera Statistics are used to test the Normality of the variables i.e., FIIPSR, and DIIPSR. The results are shown in Table I along with descriptive statistics. The skewness coefficient in excess of unity is taken to be fairly extreme (Chou, 1969). High or low kurtosis value indicates extreme leptokurtic or extreme platykurtic (Parkinson 1987). Skewness value 0 and kurtosis value 3 indicates that the variables are normally distributed. As per the statistics of Table-I frequency of the variables under study are normally distributed.

Table-I: Summary Statistics

Particulars	FIIPSR	DIIPSR
Mean	0.035724	0.010469
Median	0.035657	0.041404
Maximum	0.361191	0.529703
Minimum	-0.280150	-0.535311
Std. Dev.	0.161463	0.257272
Skewness	0.157422	-0.245117
Kurtosis	2.197799	2.334593
Jarque-Bera	2.506456	2.305446
Probability	0.285581	0.315776
Sum	2.893633	0.848009
Sum Sq. Dev.	2.085633	5.295099
Observations	81	81

The results are further supported by Jarque-Bera statistics, where the probability is insignificant (more than 5 percent) for both the variables under study. The null hypothesis of normality assumption cannot be rejected and concludes that all the variables under study are normally distributed. The standard deviation indicates that the FIIPSR is relatively less volatile as compared to that of DIIPSR.

II. A time series is said to be stationary if its mean and variance are constant over time. Augmented Dickey Fuller (ADF), Phillips – Perron (PP) and Kwiatkowski-Phillips-Schmidt-Shin (KPSS) Tests are conducted to verify the stationarity of the variables under study. The results of ADF and PP are shown in Table II and that of KPSS are presented in Table III.

Table-II: Augmented Dickey-Fuller (ADF) Test and Phillips-Perron (PP) Test

Variable	ADF Test Statistics	PP Test Statistics	Probability
FIIPSR	-6.681872*	-6.691977*	0.0000
DIIPSR	-6.723748*	-6.712684*	0.0000

*Denotes statistically significant at 1% and 5% levels

The critical value of ADF Statistics and PP Statistics are -4.076860 and -3.466966 at 1% and 5% level of significance respectively.

It is clear from Table II that the null hypothesis of non-stationary or presence of unit root for both the time series is rejected at the level since the ADF and PP test statistic values are more than the critical values at both 1% and 5% levels of significances. Thus, the variables are stationary and are integrated of order I (0). Further in order to verify the results of ADF and PP unit root test, Kwiatkowski-Phillips-Schmidt-Shin (KPSS) test is applied. The results of KPSS test statistics for both the variables under study are less than the critical values at 1% and 5% (Table III). Therefore, the null hypothesis of stationary is not rejected. So, both the series in the study viz. FIIPSR, and DIIPSR are stationary and fulfills the requirements for further research process.

Table-III: Kwiatkowski-Phillips-Schmidt-Shin (KPSS) Test

Variable	KPSS Test Statistics	Critical Value (1%)	Critical Value (5%)
FIIPSR	0.054144	0.216000	0.146000
DIIPSR	0.064200	0.216000	0.146000

III. As both the variables under study are found to be I (0), then the next step is to test for the existence of co-integration between them. This is accomplished by using Johansen co-integration test. In order to

conduct the co-integration test, the appropriate lag length of the model is determined by using Vector Auto Regression (VAR) model. According to the Akaike Information Criterion (AIC) lag 2 is the appropriate lag for the model. Therefore, for the present model lag 2 is selected as the appropriate lag for the conduct of the co-integration test and for running VECM.

Co-integration rank is estimated using Johansen methodology. Johansen’s approach derives two likelihood estimators for the CI rank: a trace test and a maximum Eigen value test. The CI rank (R) can be tested formally with the trace and the maximum Eigen value statistics. The results of the test are given in Table IV and the null hypothesis of r co-integrating vectors is given in column 1 of the table.

Table-IV: Johansen Co-integration Test between FII and DII

Unrestricted Co-integration Rank Test (Trace)				
Hypothesized No. of CE(s)	Eigen value	Trace Statistic	Critical Value(0.05)	Probability
r = 0	0.210611	23.47874*	15.49471	0.0025
r = 1	0.062477	5.032060*	3.841466	0.0249
Unrestricted Co-integration Rank Test (Maximum Eigen value)				
Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Probability
r = 0	0.210611	18.44668*	14.26460	0.0103
r = 1	0.062477	5.032060*	3.841466	0.0249

*denotes statistically significant at 5%

The maximum Eigen value and trace statistics are used to deduce whether the null hypothesis of r = 0 is rejected at 5 % level of significance. The rejection of null hypothesis implies that there exists at least one co-integrating vector which confirms a long run equilibrium correlation between the two variables. We reject the null hypothesis that r, the number of co-integrating vectors if the test statistic is greater than the critical values specified. The results co-integrating vectors discloses the rejection of null hypothesis of no co-integrating vectors under both the trace statistics and maximum Eigen value forms of test. The probabilities for different levels of number of co-integrated equations also confirm the rejection of null hypothesis. Therefore we may infer that there is a presence of even more than one co-integrated equations among the variables under study and which confirms a long run equilibrium correlation between the variables. Nevertheless, we will proceed to estimate the VECM model.

IV. The results disclosed by the Johansen Co-integration test confirmed the existence of long-term equilibrium relationship among the variables. As the precondition of presence of co-integration among the variables is satisfied the Vector Error Correction Model (VECM) can be applied in order to evaluate the short run properties of the co-integrated series. The structure lag is chosen on the basis of Vector Auto Regression (VAR) model, using maximum criterion rule. To maintain consistency, the same lag length (2) is been used for running VECM, which was used for the conduct of co-integration test.

The long run and short run causality between FIIPSR and DIIPSR are studied with the help of two models of VECM, they are:

➤ **Model I:** FIIPSR as dependent variable and DIIPSR as independent variables.

➤ **Model II:** DIIPSR as dependent variable and FIIPSR as independent variables.

Model I:

The vector error correction estimates for Model I, where FIIPSR is dependent variable and DIIPSR is independent variable along with respective probabilities are presented in the Table V. C(1) presented in

the table represents coefficient of co-integration equation of the model, C(2) and C(3) are the lagged coefficients of FIIPSR, C(4) and C(5) are lagged coefficients of DIIPSR and C(6) is the coefficient of constant. In order to verify the long run relationship between variables coefficient of co-integration equation C(1) is considered.

Table-V: (Model I) FII Dependent Variable and DII Independent Variable

Dependent Variable: D(FIIPSR)				
	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	-1.234447	0.369810	-3.338057	0.0013
C(2)	0.158330	0.325764	0.486027	0.6284
C(3)	-0.232490	0.253571	-0.916864	0.3623
C(4)	0.208371	0.197070	1.057346	0.2939
C(5)	-0.069920	0.170867	-0.409208	0.6836
C(6)	0.005300	0.017113	0.309700	0.7577
R-squared	0.345453	Mean dependent var		0.003565
Adjusted R-squared	0.299998	S.D. dependent var		0.179968
S.E. of regression	0.150572	Akaike info criterion		-0.874943
Sum squared residual	1.632386	Schwarz criterion		-0.693658
Log likelihood	40.12278	Hannan-Quinn criterion		-0.802371
F-statistic	7.599942	Durbin-Watson stat		1.965616
Prob.(F-statistic)	0.000009			

The null hypothesis of no long run causality of independent variables on dependent variable can be rejected when the C(1) has negative value and is significant i.e., the corresponding probability is less than 5%. As per the results disclosed by the VECM for Model-A, C(1) has negative value and its corresponding probability is less than 5%, which is significant, therefore the null hypothesis of no long run causality is rejected and hence confirms that there is long run causality running from DIIPSR to FIIPSR.

In order to analyze the short run causality from the DIIPSR to FIIPSR, Wald test is employed. Lagged Coefficients of DIIPSR are represented by C(4) and C(5).The null hypothesis of no short run causality from DIIPSR is denoted by $C(4) = C(5) = 0$.The null hypothesis is tested with the use of Wald test, the results of which are presented in Table VI.

Table-VI: Wald Test

Test Statistic	Value	df	Probability
F-statistic	1.516309	(2, 72)	0.2264
Chi-square	3.032618	2	0.2195
Null Hypothesis: C(4)=C(5)=0			

The null hypothesis of no short run causality from DIIPSR to FIIPSR can be rejected when the Wald test statistic is significant (<5%). As per the results disclosed (Table VI), the test statistic is more than 5%, and the null hypothesis cannot be rejected. Therefore, it confirms that DIIPSR does not cause FIIPSR in the short run.

Model II:

The vector error correction estimates for Model II where DIIPSR is a dependent variable and FIIPSR is independent variable are presented in the Table VII. C(1) presented in the table represents coefficient of co-integration equation of the model, C(2) and C(3) are the lagged coefficients of DIIPSR, C(4) and C(5) are lagged

coefficients of FIIPSR and C(6) is the coefficient of constant. In order to verify the long run causality of independent variable on the dependent variable, coefficient of co-integration equation C(1) is considered.

Table-VII: (Model II) DII Dependent Variable and FII Independent Variable

Dependent Variable: D(DIIPSR)				
	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	0.410808	0.246695	1.665250	0.1002
C(2)	-0.866116	0.290128	-2.985289	0.0039
C(3)	-0.111771	0.251552	-0.444328	0.6581
C(4)	-0.799138	0.479593	-1.666282	0.1000
C(5)	0.100149	0.373309	0.268275	0.7893
C(6)	-0.014293	0.025194	-0.567321	0.5723
R-squared	0.266682	Mean dependent var		-0.007500
Adjusted R-squared	0.215757	S.D. dependent var		0.250316
S.E. of regression	0.221674	Akaike info criterion		-0.101415
Sum squared residual	3.538030	Schwarz criterion		0.079870
Log likelihood	9.955204	Hannan-Quinn criterion		-0.028844
F-statistic	5.236769	Durbin-Watson stat		1.993003
Prob.(F-statistic)	0.000372			

The null hypothesis of no long run causality of FIIPSR on DIIPSR can be rejected when the C(1) has negative value and is significant i.e., the corresponding probability is less than 0.05.As per the results disclosed by the VECM for Model-B, C(1) has positive value and its corresponding probability is insignificant i.e., more than 0.05.Therefore, the null hypothesis of no long run causality cannot be

rejected and confirms that FIIPSR does not cause DIIPSR in the long run.

The short run causality from the independent variable (FIIPSR) to dependent variable (DIIPSR) is tested by using Wald test. $C(4)$ and $C(5)$ represent lagged coefficients of FIIPSR. The null hypothesis of no short run causality from FIIPSR is denoted by $C(4) = C(5) = 0$ is tested with the use of Wald test and the results of which are presented in Table VIII.

Table-VIII: Wald Test

Test Statistic	Value	df	Probability
F-statistic	3.197366	(2, 72)	0.0467
Chi-square	6.394732	2	0.0409
Null Hypothesis: $C(4)=C(5)=0$			

The null hypothesis of no short run causality from FIIPSR to DIIPSR can be rejected when the Wald test statistic is significant (less than 0.05). As per results disclosed (Table VIII), the test statistic is 0.0467 which is less than 0.05, therefore the null hypothesis can be rejected and leads to acceptance of alternate hypothesis of causality from independent variable to the dependent variable. Hence it can be concluded that FIIPSR does cause DIIPSR in the short run.

4. Conclusion

This study examined the dynamic interaction between FIIs and DIIs Investments in India. From the statistical analysis it is found that the variables under study are co-integrated which holds that there is long run association between the variables. Moreover, the empirical results of VECM confirm a unidirectional long run causality running from Domestic Institutional Investors' (DIIs) investments to Foreign Institutional Investors' (FIIs) investments. Also, it is evident from the test results that there is short-run unidirectional relationship running from FIIs to DIIs. Therefore, it is concluded that the DIIs investments are influencing the FIIs investments in the long run, whereas the FIIs investments are influencing DIIs investments in the short run.

5. References

- Bansal, Anand and Pasricha J. S (2009). "Foreign Institutional Investors' Impact on Stock Prices in India", *Journal of Academic Research in Economics*, Vol.1, No.2, pp.181-189.
- Bhattacharya, Basabi. & Mukherjee, Jaydeep. (2006). 'An analysis of stock market efficiency in the light of capital inflows and exchange rate movements; The India context' Retrieved 13 Mar. 2011
- Brennan, M. J., and H. H. Cao. (1997). "International portfolio investment flows", *Journal of Finance*, Vol. 52, 1855-1880.
- Chakrabarti Rajesh (2006). "Foreign Institutional Investments" http://www.prism.gatech.edu/rc166/FII_Basu.pdf
- David carpenter Partner Mayer, Brown, Rowe and Maw LLP (2005). "Foreign Investment in India", *Journal of financial research*. Vol. 19. Publisher: MCB UP Ltd.
- Endo, Tadashi. (1998). "The Indian Securities Market—A Guide for Foreign and Domestic Investors", Vision Books. India.
- Engle, R. F., & Granger, C. W. J. (1987). Co-integration and Error Correction: Representation, Estimation and Testing. *Econometrica*, Vol.55, No.21, pp.251-276.
- Gorden, James and Gupta, Poonam. (2003). Portfolio Flows into India: Do Domestic Fundamentals Matters? IMF Working Paper No.WP/03/20.
- Johansen, S. (1988). Statistical Analysis of Cointegration Vectors. *Journal of Economic Dynamics and Control*, Vol. 12, pp. 231-54.
- Johansen, S. & Juselius, K. (1990). Maximum likelihood estimation and inference on co-integration with applications for the demand for money. *Oxford Bulletin of Economics and Statistics*, Vol.52, pp.169-210.
- Kumar, S. S. S. (2002). Role of Institutional Investors in Indian Stock market. *Indian Journal of Economics*, Vol. No. 82, issue 327, page no. 549.
- Kwiatkowski, D., P. C. B. Phillips, P. Schmidt and Y. Shin. (1992). Testing the Null Hypothesis of Stationary against the Alternative of a Unit Root. *Journal of Econometrics*, Vol 54, pp 159-178.
- Mishra, P. K., Das, K. B. and Pradhan, B. B. (2009). Role of FIIs in Indian Capital Market. *The Research Network*, Vol.4, No.2, June.
- Mohan T. & T. Ram (2005). Taking Stock of Foreign Institutional Investors. *Economic & Political weekly*, June 11, 2005, p.2395-2399.
- Omprakash Kajipet & Sridhar Ryakala (2015), "Dynamics of Indian Stock Market – Role of Domestic Institutional Investors – A Causality Study", *Management Today*, Vol.5, No.3, July-September 2015.
- Phillips, P. C. B., & Perron, P (1988). "Testing for unit root in time series regression", *Biometrika*, Vol.75, pp.335-346.
- Prasanna, P.K. (2008) 'Foreign Institutional Investor: Investment preference in India' *JOAAG*, Vol. 3, No. 2, pp 40-51.
- Sridhar Ryakala (2015), "Indian Stock Market and FIIs Investments – A Causality Study", *Management Today*, Vol.5, No.1, Jan-March 2015.
- Thenmozhi M and Kumar M (2009). "Dynamic Interaction among Mutual Fund Flows, Stock Market Return and Volatility", *NSE Working Paper No.50*.
- www.sebi.gov.in
- SEBI Annual Reports 2005-06 to 2012-13



MANAGEMENT TODAY

-for a better tomorrow

An International Journal of Management Studies

home page: www.mgmt2day.griet.ac.in

Vol.6, No.2, April-June 2016



A Scale Development Approach to Customer Dissatisfaction in Purchase of Smart Phone

Frank Sunil Justus, T¹ and Sunitha, T.²

¹Earlier senior operation Engineer at Tuticorin Alkali Chemicals and Fertilizers Limited and presently an Assistant professor, Department of Business Administration, Annamalai University. Email: tfsuniljustus@yahoo.co.in

²Assistant Professor, Government Arts College for women, Pudukkottai, Tamil Nadu. Email: Sunitha.au@gmail.com

ARTICLE INFO

Article history:

Received 01.06.2016

Accepted 25.03.2016

Keywords:

Customer dissatisfaction, instrumental performance attribute, symbolic performance attribute, customer care attributes, financial attributes

ABSTRACT

Dissatisfaction is the distraught feeling felt when the performance of the product neither matches to expectation nor if the service quality is not good. Hence the performance expectation, the consumers have for the product and the ownership experience are chief determinants that determine the satisfaction towards the product. The objective of the paper is to develop a comprehensive scale and identify the dimensions of dissatisfaction in purchase of smart phones. The resultant questionnaire comprised 20 Likert scales reflecting the different dimensions of dissatisfaction in post purchase evaluation of smart phones. The data were collected using personal interview method from a total of 150 respondents who were in some aspect dissatisfied with their post purchase evaluation of smart phone. The values of the fit indices indicated an acceptable fit between the sample data and hypothetical model. In future Consumer dissatisfaction in mobile purchase in different geographies can be studied and the paper can be extended to study post dissatisfaction behavior of customers.

Introduction

A consumer's assessment of a purchase is influenced by post purchase dissonance, difficulties in use of product and service quality that does not match with expectations. A smart phone being an aspirational product brings along with its purchase a host of expectations which the consumers expect the product to satisfy. The consumer will start to evaluate the phone as soon as he starts using it. This interface between expectation and actual product performance produces either satisfaction or dissatisfaction. Oliver (1980) indicated better-than-expected outcomes result in satisfaction, while worse-than-expected outcomes result in dissatisfaction. Hence dissatisfaction results when the performance of product or the after sale delivered is not in conformity to the expectation and in turn causing hardship to the consumer. Fornell and Wernerfelt (1987) defined dissatisfaction as a

state of cognitive or affective anxiety caused by an inadequate return relative to the resources spent by the consumer at any phase of the purchase or consumption process. Hence dissatisfaction is the distraught feeling felt when the performance of the product does not match to expectation nor if the service quality is below par. Consumer attitude towards the smart phone has been considered for the study. Smart phones are at present considered an aspirational product with many new buyers moving towards it, available at multiple price points and being available across a wide array of brands.

The adequacy of satisfaction happens when the expected performance of the product matches with the post purchase consumption experience. Hawkins, Best, Coney and Mookerjee (2007) explained that though consumers select a product for its alleged superior functional performance or because of a general fondness of the item or outlet they have an anticipated performance for it. When the post purchase consumption experience is lower customer dissatisfaction occurs. The performance expectation the consumers have for the product and the ownership experience are chief determinants that determine the satisfaction towards the product. Clow and Beisel (1995) identified that the need to develop pragmatic customer expectation poses a complicated problem for the marketing manager. The marketing manager should be careful in that the

Responsibility of Contents of this paper rests upon the authors and not upon GRIET publications

ISSN: 2348-3989 (Online)

ISSN: 2230-9764 (Print)

Doi: <http://dx.doi.org/10.11127/gmt.2016.06.07>

pp. 96-100

Copyright@GRIET Publications. All rights reserved.

emphasis created should not create expectation which the product cannot fulfill lest a negative evaluation may set in.

Churchill and Surprenant (1982) stated that companies should always be watchful to find out the reasons that may cause consumer dissatisfaction as it has the propensity to harm the future of the company. The dissatisfaction of the product will make the customer to exhibit less favorable post purchase attitude, lowered future purchase intentions and poor brand loyalty. The dissatisfied customer rather than himself not buying the product again will also ensure that his friends or relatives do not buy the brand or product or from that particular retailer again. Hence a customer who is dissatisfied can turn out to be a huge loss to the company. Fornell and Wernerfelt (1988) said that Volvo, the Swedish automobile manufacturer, estimated that its cost of generating a new customer is three times the cost of retaining a present customer. Estelami (2000) disclosed that loyal customers do more consumption and have less price sensitivity.

Review of Literature

Lam, Shankar, Erramilli & Murthy (2004) identified dissatisfaction as one of the aspects that led to customers' lowered repurchase intentions. Bearden, Crockett & Graham (1979) also found that increased time and effort invested in gathering information prior to making a purchase tend to increase the purchase's positive or negative feelings once the product has been acquired. Ofir, Chezy and Itamar Simonson (2007) specified that it is critical for marketers to try to find out in advance what their customers' expectations are, because a failure to meet or exceed those expectations could lead to dissatisfaction and defection. Alba et al. (1997) indicated that personal interactions can increase consumers' confidence and post-purchase satisfaction, since certain product attributes are more easily observed in person prior to the actual transaction. Barlow & Claus, (2008) explained that customers' complaints should be appreciated and be taken as presents from customers, though firms are not ready to meet these negative feedbacks. Hirschman & Albert (1970) said that

management can identify dissatisfaction through two mechanism namely exit and voice where exit implied that the customer has once for all stopped buying from the firm whereas voice is the customer's complaint that expresses the dissatisfaction directly to the firm. Krishnan and Valerie (1979) divulged that without knowledge of the sources of dissatisfaction, management will be unable to change its procedures. Kotler and Armstrong (2016) revealed that customer satisfaction is a key to developing profitable relationships with consumers – to keeping and growing consumers and reaping their life time value. Hence it is understood that customer dissatisfaction curtails the relationship the firm or brand has with the customer

Objective

To develop a comprehensive scale and identify the dimensions of dissatisfaction in purchase of smart phones

Method

The questions were based on the factors of dissatisfaction developed on the basis of focus group outcomes. This scale was developed on a five point scale with 1 indicating strongly disagree, 2 disagree, 3 neither agree nor disagree, 4 agree and 5 strongly agree. The research instrument was an interviewer administered survey. The resultant questionnaire comprised 20 Likert scales reflecting the different dimensions of dissatisfaction in post purchase evaluation of smart phones. Exploratory factor analysis was performed with varimax rotation on the total twenty questions. The data were collected using personal interview method and a total of 150 respondents who were in some aspect dissatisfied with their post purchase evaluation of smart phone and identified through snow ball sampling method. It is a non-probability sampling technique where existing study subjects recruit future subjects from among their acquaintances. The study was limited to Cuddalore district of Tamil Nadu and again limited to respondents using Chinese and Indian brand mobiles sold in India.

Table-1: Components of Dissatisfaction in Purchase of Smart Phone

	Components of Dissatisfaction in Purchase of Smart Phone	Dimensions	Loadings
ds7	The phone has heating issues during high end gaming session	Instrumental performance dimensions	0.980
ds20	The touch sensitivity of the screen was below expectation		0.971
ds6	The battery backup of the phone is not up to the mark		0.961
ds10	The camera quality was not up to par		0.950
ds8	The phone tended to hang often		0.938
ds9	The phone takes a long time to recharge		0.927
ds15	I had trouble searching for customer care centre	Customer care dimensions	0.977
ds19	In spite of the phone being attended many times the problem persists in the phone		0.959
ds18	The defective spares were not replaced		0.938
ds17	The service centre does not have a proper ambience		0.906
ds16	The customer care personnel do not give a proper response		0.901
ds3	The price of the phone is not worth the features	Financial dimensions	0.940
ds4	The mobile accessories like screen guard/ memory card are highly priced and is worth if it comes as original spares		0.932
ds5	The retailer from whom I bought has charged me higher		0.874
ds2	The pricing for chargeable replacements looks very costly		0.866
ds1	The price has sharply come down after I bought the mobile		0.866
ds14	Found the phone was not as thin as expected	Symbolic performance dimensions	0.962
ds11	Found my phone outdated compared to what my friends have		0.957

ds12	Hate the shape of my phone				0.941
ds13	my ego gets bruised when I see the phone as a poor performer				0.879
	Summary Statistics	F1	F2	F3	F4
	Eigen Values	5.88	4.96	3.68	3.09
	% of variance explained	29.38	24.78	18.36	15.46
	Cum % of variance explained	29.38	54.16	72.54	88.00
	N =150	Sample = All respondents	Unit = Factor loadings		

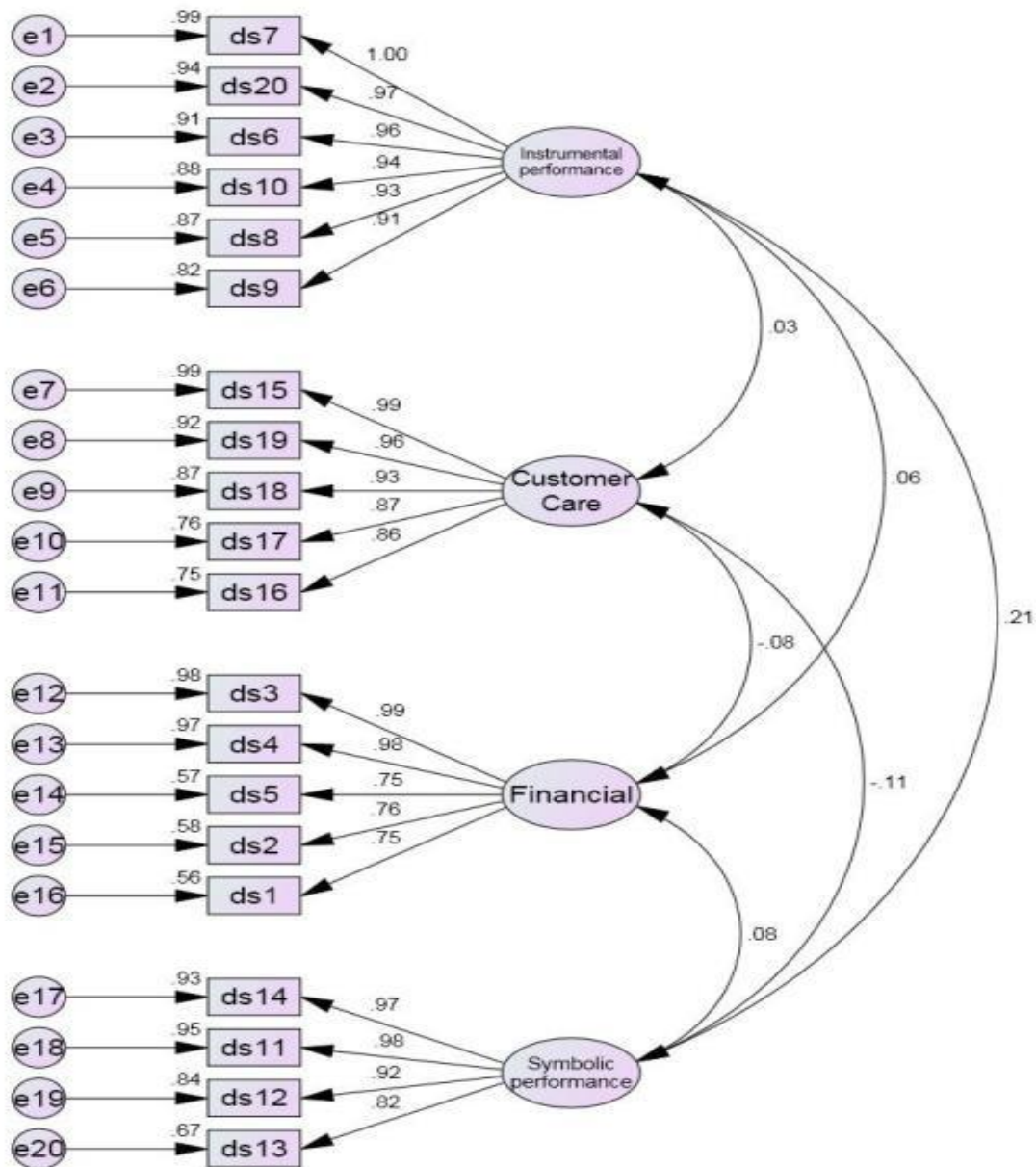


Fig. 1: Confirmatory Factor Analysis with the Four Dimensions of Dissatisfaction in Purchase of Smart Phone

The first dimension identified as Instrumental performance dimensions concerns statements such as poor touch screen sensitivity, heating issues, poor battery backup, poor camera quality, Phone hanging up and taking a longer time to recharge. Instrumental performance concerns the physical functioning of the smart phone. The very purpose of buying a smart phone is concerned with the multiplicity of use based on the product and when the phone comes a cropper across these facets dissatisfaction sets in. Hawkins et al. (2007) identified that a brand whose perceived performance fall short of expectations generally generates dissatisfaction. This dimension is accounted by 29.38 percent of variance.

The second dimension recognized as customer care dimensions involves statements such as repetitive problems, not giving a proper response, service delay and non-replacement of faulty spares. Often a poor service can damage a product and reduce the reputation of the brand. Hawkins et al. (2007) revealed that the nature and level of personal rapport with customers in service encounters are of significant importance in influencing customer satisfaction. Hui, Thakor and Gill (1998) divulged that consumers have particularly negative response to delays over which they believe the service provider has control and during which they have little to engage their time.

The third dimension classified as financial factors concerns statements such as price of phone not worth its features, mobile accessories being costly, particular retailer charging a higher price,

chargeable replacements charged at a higher rate and price coming down sharply after purchase. Customers are usually price sensitive and hence negative financial factors tend to create dissatisfaction. This dimension was accounted for by 18.36 percent of variance.

The fourth dimension recognized as symbolic performance factors included phone being not as thin as expected, having outdated features, disliking the shape of the phone and being a poor performer. Symbolic performance is concerned with aesthetic or image enhancement performance. Smart phone being an aspirational product is understood to improve the image of the individual in addition to its role as a mobile. Kotler and Armstrong (2016) recognized that consumers feel uneasy about acquiring the drawbacks of the chosen brand and about losing the benefits of the brand not purchased. Swan and Combs (1976) disclosed that dissatisfaction is caused by a breakdown of instrumental performance, while total satisfaction also involves the symbolic functions to perform at or above the expected levels. The symbolic performance dimension accounted for 15.46 percent of variance.

Model fit

The above measurement showed an adequate data fit. The CMIN/DF ratio was 1.973, which is inside the prescribed range of less than 3 which is indicative of an acceptable fit between the sample data and hypothetical model. The values of the fit indices are represented in the table below and the values indicate the model as acceptable.

Table-2: Model Fit Indices for the Four Dimensions of Dissatisfaction in Purchase of Smart Phone

Index of fit	CMIN	DF	CMIN/DF	GFI	AGFI	NFI	IFI	CFI	RMSEA
Value	323.494	164	1.973	.818	.766	.929	.964	.964	.081

The reliability of the four dimensions were considered adequate as they are above 0.70

Table-3: Reliability Analysis

Dimensions	Cronbach's Alpha
Instrumental performance dimension	0.982
Customer care dimension	0.967
Financial dimension	0.940
Symbolic performance dimension	0.958
Total	0.833

Conclusion

With the present day explosion of social media even very few customers who are dissatisfied can through online retailer review pages, blogs, social networking sited can outpour their complaints that would reach a wide audience. Hence it is very important that manufacturers keep a tab on the components that cause dissatisfaction.

Dissatisfaction that is latent and is not exposed is really dangerous as it can silently turn away customers and serious inroads to sales would have been made by the time the company takes note of it. The scale can also throw light on customer's perception of service centre performance. The manuscript could be significant to practitioners as it presents insight into the consumer's attitude on post purchase dissatisfaction. In future Consumer dissatisfaction in mobile purchase in different geographies can also be studied and the paper can be extended to study post dissatisfaction scenario that can turn out as classifying dissatisfied customers as those not using the brand again or who spread negative word of mouth or remain discontented but continue using the product. The list of the final set of components that measure the four dimensions of dissatisfaction in purchase of smart phone is given in annexure 1

Table-4: Dissatisfaction in Purchase of Smart Phone Scale

Components of dissatisfaction in purchase of smart Phone	Mean	SD	Dimension	Mean	SD
The phone has heating issues during high end gaming session	2.87	1.55	Instrumental Performance	2.86	1.49
The touch sensitivity of the screen was below expectation	2.87	1.56			
The battery backup of the phone is not up to the mark	2.85	1.57			
The camera quality was not up to par	2.87	1.57			
The phone tended to hang often	2.83	1.53			
The phone takes a long time to recharge	2.89	1.55			
I had trouble searching for customer care centre	2.80	1.39	Customer Care	2.81	1.32
In spite of the phone being attended many times the problem persists in the phone	2.81	1.43			
The defective spares were not replaced	2.81	1.39			
The service centre do not have a proper ambience	2.81	1.38			
The customer care personnel do not give a proper response	2.81	1.44	Financial	2.84	1.41
The price of the phone is not worth the features	2.80	1.60			

The mobile accessories like screen guard/ memory card are highly priced and is worth if it comes as original spares	2.79	1.62			
The retailer from whom I bought has charged me higher	2.87	1.47			
The pricing for chargeable replacements looks very costly	2.87	1.64			
The price has sharply come down after I bought the mobile	2.87	1.53			
Found the phone was not as thin as expected	2.73	1.48			
Found my phone outdated compared to what my friends have	2.71	1.47	Symbolic performance	2.78	1.38
Hate the shape of my phone	2.77	1.50			
My ego gets bruised when I see the phone as a poor performer	2.91	1.41			

Bibliography

- Alba, Joseph, John Lynch, Barton Weitz, Chris Janiszewski, Richard Lutz, and Stacy Wood. (1997). Interactive Home Shopping: Consumer, Retailer, and Manufacturer Incentives to Participate in Electronic Marketplaces, *Journal of Marketing*, 61(July), 38-53.
- Barlow, Janelle and Claus Møller. (2008). A complaint is a gift: Recovering customer loyalty when things go wrong. San Francisco: Berrett-Koehler Publishers.
- Churchill, G. A. & Suprenant, C. (1982). An investigation into the determinants of customer satisfaction. *Journal of Marketing*, 19(4), pp. 491-504.
- Clow, Kenneth, E. & Beisel, John L. (1995). Managing consumer expectations of low-margin, high-volume services. *Journal of Services Marketing*, 9(1), pp.33 – 46.
- Estelami. (2000). Competitive and Procedural Determinants of Delight and Disappointment in Consumer Complaint Outcomes. *Journal of Service Research*, 2(3) pp. 285-300 doi: 10.1177/109467050023006
- Fornell, C. and Wernerfelt, B. (1987). Defensive Marketing Strategy by Customer Complaint Management: A Theoretical Analysis. *Journal of Marketing Research*, 24(4), pp. 337-346.
- Hawkins, Del, I., Best, Roger, J., Coney, Kenneth, A. & Mookerjee, Amit. (2007). *Consumer Behavior*, New Delhi: Tata McGraw – Hill.
- Hirschman, Albert, O. (1970). Exit, voice and loyalty. Cambridge, MA: Harvard University Press.
- Hui, M.K., Thakor M.V., and Gill, R. (1998). The effect of delay type and service stage on consumer reactions to waiting. *Journal of consumer Research*, 24(4), pp. 469 – 479.

- Kotler, Philip & Armstrong, Gary. (2016). *Principles of Marketing*, New Delhi: Pearson.
- Krishnan, S. and Valerie, A. Valle. (1979). Dissatisfaction attributions and consumer complaint behavior, in NA - Advances in Consumer Research Volume 06, eds. William L. Wilkie, Ann Abor, MI : Association for Consumer Research, pp. 445-449.
- Lam, S. Y., Shankar, V., Erramilli, M. K. and Murthy. B. (2004). Customer value, satisfaction, loyalty, and switching costs: An illustration from a business-to-business service context. *Journal of the Academy of Marketing Science*, 32(3), pp. 293-311.
- Ofir, Chezy and Itamar Simonson. (2007). The effect of stating expectations on consumer satisfaction and shopping experience. *Journal of Marketing Research*, 44 (February) pp. 164-74.
- Oliver, Richard L. (1980). A Cognitive Model of the Antecedents and Consequences of Satisfaction Decisions. *Journal of Marketing Research*, 17 (September), 46-49.
- Swan, J. and Combs, L. (1976). Product performance and consumer satisfaction: a new concept. *Journal of Marketing*, 40(7), pp. 25-33.

Author Details

T. Frank Sunil Justus was earlier senior operation Engineer at Tuticorin Alkali Chemicals and Fertilizers Limited and presently an Assistant professor at Department of Business Administration, Annamalai University. Email: tfsuniljustus@yahoo.co.in

T. Sunitha is an agriculture graduate with doctorate in Management and presently an Assistant Professor at Government Arts College for women, Pudukottai, Tamil Nadu. Email: Sunitha.au@gmail.com



MANAGEMENT TODAY

-for a better tomorrow

An International Journal of Management Studies

home page: www.mgmt2day.griet.ac.in

Vol.6, No.2, April-June 2016



Book Review

Annabhujula J.C. Bose

Department of Economics, Shri Ram College of Commerce, Delhi, ajc.bose@srcc.du.ac.in

ARTICLE INFO

Article history:

Received 13.04.2016

Accepted 25.03.2016

Keywords:

Chinese Workers, Comparative Perspective,
labour management, worker activism

ABSTRACT

Chinese Workers in Comparative Perspective (Chan, Anita ed., Cornell University Press, Ithaca and London, 2015, pp.280, pbk, ISBN: 978-0-8014-7993-9, Price: \$24.95)

Labour management and worker activism in China have been hotly debated in recent times. In order not to be swayed by wild arguments and imaginations in this connection, and to better understand the situation of Chinese workers today, and what the future has in store for them, we need to place China in comparative perspective. This is precisely what this volume does as it is an outcome of a conference on analyzing labour conditions comparatively. This conference was held in November 2011 at the China Research Centre, University of Technology, Sydney.

Scholars from four continents who specialize in Chinese labour relations have prepared chapters for this book that either compare China with other countries or examine and compare various sectors within China. The authors of these chapters variously compare Chinese industrial labour in its socialist/post socialist contexts, in a corporatist context, within the context of a developing country, and place mainland China alongside Taiwan. Some chapters compare two industries or two regions of China that help to sensitize us to variations and complexities within the spectrum of Chinese labour.

The book is divided into three parts. The first focuses on historical and structural developments in China and compares these with industrial relations in countries such as Germany and USA. The second examines and compares the impact of globalization and role of state on labour standards in China as against their impact on poorer countries such as Vietnam, India, and Pakistan. Part 3 presents empirical evidence on efforts to reshape labour regimes and standards in order to improve the circumstances of workers, and this discussion suggests that a difficult road lies ahead. Some salient points of the chapters in the above three parts of the book can be summarized as follows.

Reading Part 1 makes us aware of positive and negative elements in Chinese industrial labour, and makes us wonder which scenario approximates the real situation better—Chinese labour being somewhat protected by the state or a laxly regulated Chinese industrial labour force in free fall? Luthje's paper emphasizes empirical evidence of corporatist Chinese structures as well as measures found in coordinated economies such as Germany, and he observes that state intervention through the increasing enactment of laws and regular increases in the minimum wage help contain labour unrest in China. By contrast, the paper by Liu et al. emphasizes the neoliberal aspects of the Chinese system. As the editor of the book, Anita Chan, comments, the Chinese state is suppressive but the Chinese labour laws in themselves are quite protective of labour interests. The Labour Contract Law, passed in 2007, had the purpose of resolving the growing problem of using temp-agency workers, but it had the unintended consequence of increasing the use of short-term flexible

Responsibility of Contents of this paper rests upon the authors and not upon GRIET publications

ISSN: 2348-3989 (Online)

ISSN: 2230-9764 (Print)

Doi: <http://dx.doi.org/10.11127/gmt.2016.06.08>

pp. 101-103

Copyright@GRIET Publications. All rights reserved.

labour. The annual substantial increases in the minimum wage in China for the past decade is also unusual compared to the situation in other Asian developing countries excluding Vietnam. Further, unlike in many developing countries where workers in special economic zones are not allowed to belong to trade unions, in China special economic zones are not exempted from labour laws of the land. That an increasing number of workers have been able to take employers to court and successfully enforce pay and work conditions that are specified by law, testifies to the positive effects of Chinese labour laws. It may be noted that the Chinese authorities, eager to channel grievances through the legal system, publicize with great fanfare every time a new labour law has been passed during the past 20 years. And the legalized politics of Chinese workers also owes in part to the labour NGOs' years of patient work in spreading the details of labour laws. All this does not mean that worker action in China has confined just within the legal system. For, starting in 2010, an increasing number of factory workers have begun to move toward engaging in strikes for higher wages and better conditions beyond what is stipulated by law. Several strikes have also been called for democratic elections of workplace union branches.

In Part 2, Lin's study of Chinese state-sector workers and their working conditions focuses on a major economic sector in China that has drawn little academic interest after the massive layoffs of tens of millions of state-enterprise workers at the height of industrial restructuring of the 1990s. Lin shows how, after the end of lifetime employment for Chinese state workers and the introduction of a labour-contract system, state workers became threatened by precarious employment, lower labour standards, and eroded benefits, to the extent that their conditions are converging toward those suffered by Chinese rural-urban migrant workers. There is now a rapidly growing population of 'dispatch workers' (temps), who are hired through agencies. They work side by side with the rapidly shrinking regular workers doing the same kind of work but for lower pay and fewer benefits. These temps have one-year or two-year contracts—or none at all. Expanding flexibility in employment in this sense constitutes the convergence between China, the United States, and even the corporatist Germany. The Chinese working class as a whole is losing out in this turn of events, while the Chinese middle classes and the ruling elite are big gainers, which leads to increasing socioeconomic disparities.

Butollo's paper that compares garment and LED lighting industries in the Pearl River Delta shows that socioeconomic upgrading (i.e. worker wellbeing) does not necessarily follow in the wake of government-initiated technological upgrading. The upgrading and automation of the two industries reveal important differences in their respective production organization, upgrading strategies, skills and wage systems. Yet in both the industries, there is a bifurcation of manual assembly-line tasks and knowledge-intensive tasks (in management, design, R&D, etc.). The greater the automation, the more repetitive, de-skilled, and boring is the work on the line. Workers are subjugated to either labour intensification or wage stagnation or both. Working conditions are becoming so unattractive in this area that, after weighing the slightly higher wages there against the advantages of working in their home provinces, many migrants prefer to stay put, which has led to a labour shortage in this area, i.e. Pearl River Delta. But employers still refuse to raise wages. Instead, they prefer to relocate to low-wage areas either further inland in China or abroad.

Siu's paper is based on two surveys of 800 workers in the garment industry in China and Vietnam. These two countries are under one-party rule and their so-called market socialism is designed to keep wages competitively low in the export sector to attract foreign direct

investment (FDI). Siu's work reveals that both Chinese and Vietnamese workers are going through hard times, albeit differently. Chinese workers have more than enough to eat but face harsh working conditions, particularly in terms of excessive long hours; Vietnamese workers are not forced to work as many overtime hours, but they have to struggle to meet their basic needs for food and shelter. So, Siu raises the question: Why do foreign investors not make Vietnamese workers work as many hours as Chinese workers? His analysis shows that this is owing to a bundle of interrelated factors: differences in each country's labour laws, factory overtime policy and compensation arrangements, trade union attitudes, and workers' readiness to go on strike.

The paper by Anita Chan and her colleagues is about soccer ball production in China, India and Pakistan. It is well-known that all these three countries have been competing to attract FDI in this industry; and all are at the end of the global production chains whose main drivers are brand-name corporations that compete against one another to maximize profits and cut costs. Of the three countries, China is the only one that has the capacity to prevent a free fall to the bottom in terms of working conditions and wages. By using its national labour laws, China has been able to maintain and improve wage levels. Pakistan and India, by contrast, passed laws that diminish the state's regulatory functions. In both these countries the labour laws have encouraged capital to establish small workshops rather than large production facilities, which in effect excludes the majority of the manufacturing workforce from legal protections. This has resulted in a proliferation of home workers labouring in isolated settings, which is detrimental to the development of collective awareness and collective actions. Over time, the compensation of those home workers has fallen below a living wage. With parents unable to afford school fees, children of home workers have to stay home. The only solution for these impoverished parents is to put their children to work, stitching balls for a few rupees a day. Both India and Pakistan governments and capital have shamelessly held on to the belief that cheap labour, even child labour, provides their most effective competitive advantage, and they have had no qualms at all in taking this low-road strategy. They have become unwilling and, in the most part, incapable of upgrading technology and modernizing their production organization and improving the efficiency of their workforce. In contrast, the Chinese government is doing the opposite of promoting and facilitating technological investment and automation. By the time the Indians and Pakistanis realized their short-sightedness, they had already lost out to China in the soccer ball industry. Sometimes the Chinese state has also drawn on unconventional sources of vulnerable labour to reduce labour costs in this highly labour-intensive, competitive industry—prison labour, which generates much higher productivity than does child labour.

In Part 3, which addresses the possibilities of worker wellbeing in China, Chan and Chiu discuss some reasons for optimism in terms of the role of labour NGOs taking up the challenge abandoned by the official government-run trade unions. That the All Chinese Federation of Trade Unions (ACFTU) does not act as a trade union that represents workers' interests but as an arm of the party-state has been widely accepted by students of Chinese labour. Chan and Chiu document how workers and NGOs in Taiwan in the 1980s, were able to ride the crest of a nationwide political movement that successfully turned a one-party, state controlled trade union system. In both China today and Taiwan prior to the 1980s, labour NGOs have emerged to provide workers with services and support that should have been the function of trade unions. The authors lay out in detail how Taiwanese labour NGOs struggled under a corporatist political framework and how they overcame difficulties. They understood the importance of financial

independence by relying on indigenous funding. They had the courage to turn to political agendas because they saw that labour's economic struggles were part of a broader political democratic struggle. By contrast, labour NGOs in today's China are reliant on foreign financial support. They are also generally depoliticized, which restricts their activities to the space prescribed by the law, and they do not organize across workplaces.

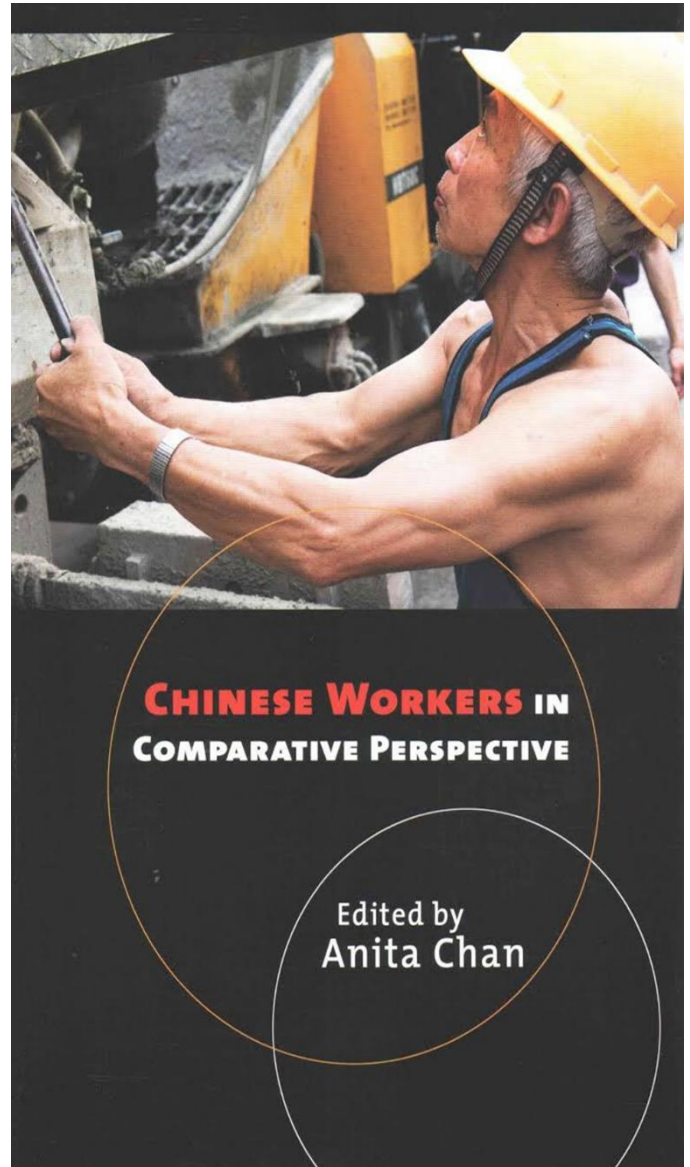
In her paper, Quan compares the receptiveness of the two countries' (i.e. China's and Vietnam's) union staffs to new ideas and their willingness and ability to conduct collective bargaining on behalf of the workers. She finds that the Vietnamese officials feel a sense of personal involvement in their representation of workers that seems to be lacking in Chinese trade union officials. Is this because there is absence of right to strike as in China? No, for, the legal right to strike in Vietnam thus far has done little to instill in workers a mentality of legal compliance or of seeking trade union help to resolve grievances through collective bargaining or from the authorities' viewpoint, of containing strikes. Comparing the situation in China and Australia in this regard, Cooney and Nice show that the right to 'protected activities' in Australia has indeed had the effect of reducing the scope of industrial actions in practice because of intervention by the government in Australia. The Vietnamese strike law makes the procedure for going on a protected strike so laborious that such a strike would be bound to fail.

In light of this, it is very unlikely that the ACFTU will reform itself and act locally more on behalf of workers. Pringle's comparison between Russia and China in this connection is very instructive and shows how difficult it has been for the former official Soviet trade union, and even the new alternative unions born after 1990, to become independent representatives of Russian workers. The working class and trade unions are found subdued not only in Russia but also across the postsocialist Eastern European countries. Labour is in 'social partnership' with state and capital, so to say. In light of this, it is not ACFTU but workers' agency which is the hope for change for the better in China.

Anita Chan, the editor of the book, is one of the world's leading scholars on Chinese labour issues. By bringing out this book, she has done a great job in helping to dispel erroneous views about Chinese labour held by the international labour community, which is unrealistically optimistic about the militancy of Chinese workers, overestimates Chinese migrant workers' ability to organize, is either overenthusiastic or unfairly critical of the impact of labour NGOs on China's labour movement, and either demonizes Chinese trade unions or is overly ebullient that they are reforming themselves.

This collection is indeed only the beginning of the efforts required to understand China as a big elephant through comparative research.

Similar work needs to be done for the Indian elephant as well which wants to outperform China in (make-in-India) manufacturing and labour exploitation.





SUBSCRIPTION FORM

Name:

Mailing Address:

Tel. No.

Fax (if any):

E-mail:

Payment Particulars: (DD/ NEFT Details):

(Subscription can be paid as per the rates given hereunder either through a DD taken on a bank located in Hyderabad, Andhra Pradesh, India or through the direct deposit in or transfer to the account given hereunder in the core banking system.)

Subscription Rates

Period	Indian	Foreign
One Year	Rs: 1500	\$100
Two Years	Rs. 2400	\$160
Three Years	Rs. 3600	\$240

Details of the Bank Account for direct deposit or transfer of the Subscription Amount

Account Holder	Name of the Bank and Address	Account Details
Managing Editor, Management Today, Gokaraju Rangaraju Institute of Engineering and Technology, Bachupally, Kukatpally, Hyderabad-500090	Oriental Bank of Commerce, GRIET Campus Branch, Bachupally, Ranga Reddy Dt., Hyderabad – 500090, Telangana State, INDIA.	Account No: 18822041001544
		Cust. ID: 35103686
		MICR Code: 500022038
		IFS Code: ORBC0101882

Mailing Address:

Dr. K.V.S.Raju, Managing Editor, Management Today,
Department of Management Studies,
Gokaraju Rangaraju Institute of Engineering and Technology,
Bachupally, Kukatpally, Hyderabad, Telangana State, India, PIN – 500090
Tel: +91-40-65864440, 65864441, Fax: +91-40-230408060, Mobile No: +91-9949655559,
Website: <http://www.griet.ac.in>, E-mail: editor.mgt2day@gmail.com

Place:

Date:

(Signature of Subscriber)



Management Today

for a better tomorrow
An international Journal of Management Studies
ISSN: 2230-9764



Published by Gokaraju Rangaraju Institute of Engineering & Technology,
Hyderabad

COPYRIGHT TRANSFER FORM

(Duly filled in and signed copyrights transfer form should accompany the paper submitted for publication in Management Today)

Title of the Paper:

Author(s):

Address(es):

All the author(s) hereby agree for the following:

1. I/we hereby declare that this paper is a product of original research work carried on by me/us.
2. I/we am/are responsible for plagiarism or copyright violation if any.
3. Copyright rights of this work/paper are hereby transferred to Management Today. The transferred rights include information rights to electronic media, translation rights, adaptation rights and utilization rights of the above mentioned paper.
4. This work or a substantial part of this has not been published elsewhere and is not currently under consideration for publication anywhere and in any language.
5. This work shall not contravene upon the rights of any third party.

Name of Author(s):

Signature(s)

Date:

INSTRUCTIONS TO AUTHORS

1. **Types of Papers Preferred:** Research papers, review papers and case studies are preferred. Book reviews must contain name of the author(s) or editor(s) and the book reviewed, place of publication and publisher, year of publication, number of pages and price.
2. **Style of Referencing:** APA Style should be followed for formatting the references.
3. **Author(s):** Name, Designation, Affiliation with full address and Postal Index Number (PIN), Mobile Number, Landline Number, E-mail Address etc. are to be given. Details of the corresponding author if any should be given clearly.
4. **Language:** All the manuscripts must be prepared in English. British spellings are preferred though American spellings will also be accepted.
5. **Typing:** All the articles should be typed on one side of the paper (preferably A4) and double-spaced. Manuscripts should be accompanied by a CD in IBM compatible format in MS Word, and identical in every respect to the hard copy. Or a soft copy (prepared in MS Word 2003 and 2007) and a hard copy of the manuscript can be submitted by the authors.
6. **Correspondence:** Manuscripts and all editorial correspondence should be addressed to: The Editor, Management Today, Department of Management Studies, Gokaraju Rangaraju Institute of Engineering and Technology, Bachupally, Hyderabad, Andhra Pradesh, PIN-500090, INDIA.
7. **Undertaking:** Authors should give an undertaking that the article is original and has never been published in any form and in any journal.
8. **Abstract:** Abstract should be in fully italicized text, not exceeding 250 words. The abstract must be informative and explain the background, aims, methods, results and conclusions in a single para.
9. **Keywords:** Abstract must be followed by list of keywords, subject to the maximum of five. They should be arranged in alphabetical order separated by commas and full stop at the end.
10. **Headings:** All the headings should be in 14 point Times New Roman font, bold-faced, aligned centre and fully capitalised.
11. **Sub-Headings:** All the sub-headings should be in 13 point Times New Roman font, bold-faced, aligned left and first letters of important words capitalised.
12. **Main Text:** The main text should be in 12 point Times New Roman font, double spaced and justified.
13. **Tables and Figures:** These should be simple, centered, separately numbered. Sources of data should be mentioned below the table. It should be ensured that the tables/figures are referred to in the main text.
14. **Publication:** Publication of the articles received is subject to review and approval by the experts.



International Journal of Management Studies
Gokaraju Rangaraju Institute of Engineering and Technology

Bachupally, Kukatpally, Hyderabad-500 090
Tel: +91-40- 65864440, 65864441, Fax: +91-40-230408060
Website: <http://www.griet.ac.in>, www.mgmt2day.griet.ac.in

