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NGO Accountability: Issues and Possibilities

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The paper posits that for development NGOs, engaged in implementing projects at local or national level, there is a need to develop system for accountability. However, it is argued that the system of accountability develops not through the prescriptions handed out by powerful outsiders but develops as a result of consensual negotiation between different strategic stakeholders and consensual negotiation is possible only when all the strategic stake holders are high on both stake centrality and their efficacy beliefs.

In recent years, NGO accountability has emerged as a major point of debate which ranges from a strict state control to self regulation (Jordan and Tujil, 2006). This interest can partly be attributed to the burgeoning presence of NGOs in the development scene, often replacing the state's welfare activities, and partly to their dominant presence in the rights based activities which come in direct conflict with many on the state policies. Accountability gathered salience as the NGOs moved from small private charity to the public domain. In order to make a strong presence in the public domain NGOs had to grow which also incorporated the organizational desire to open up to new projects and initiatives that needed

sustained funding for a longer duration. Therefore, they needed to open up to multiple funders, including government, and make efforts for fund-raising avenues, this necessitated seeking official status and recognition. Another factor that affected was their very presence in the public domain. Many NGOs by touching lives of ordinary citizens slowly move towards becoming a public institution controlled and managed privately. The presence in public domain is further strengthened by having access to funds from the government, public foundations, etc. Thus, the question of accountability becomes more salient (Plumptre, & Laskin, 1993) and slowly gains public legitimacy.

Edwards and Hulme (1994) defined accountability “as the means by which individuals and organizations report to recognized authority or authorities and are held responsible for their actions”. Lack of transparency means organizations exhibiting tendency to be secretive in their decision making process, reluctant to be evaluated by other NGO partners, and obscuring real objectives. Brett (1993) in a paper discussing accountability and efficiency of NGOs suggested that accountability falls into three categories; (a) commodities NGOs; for example, producer cooperatives where accountability is intimately related to the functioning of the organization and members can exercise their power through exit, (b) all other types of NGOs, where accountability is not directly related to the functioning of the organization. In the later type of NGOs, accountability is to various principals (donors and governments), which have leverage through the funds they provide. In these NGOs, accountability to their beneficiaries is generally weak since the latter have no other alternative to procure the goods and services being offered, (c) the third is internal accountability, specifically accountability to the board. He suggested that accountability in this area is fairly weak depending upon factors such as leadership, size, organization structure, etc. - smaller NGOs dominated by their founders will

have lower accountability. However this still remains a relatively unexplored area of research.

What happens when the accountability is not demanded by the stakeholders or it is not built-into the systems and processes of the organization? In a recent paper Weidenbaum (2009) observed that NGOs attempt to hold different constituents of the society (e.g., government, large corporations, etc.) accountable. However, they rarely establish governance mechanisms or systems whereby their stakeholders can hold them accountable (Weidenbaum, 2009). The demand for accountability arises mainly due to the nature of stakes that are involved. For example, in a corporate organization the shareholders have a direct pecuniary stake in the organization and because of the nature of stake they continuously demand the organization to be accountable to them. Moreover, because they also form a large pressure group, appropriate laws are enacted to protect their interests so that by law the organization becomes accountable to them. This is the concept of accountability that Edwards and Hulme (1994) articulated when they observed that accountability is the means through which individuals and organizations report to an authority or authorities and are held responsible for their actions. Here we have emphasized the term recognized, because from whom such recognitions should arise and what are

the consequences for not recognizing such authorities. – is it the government, or any other agencies?

NGO's have become a major 'growth' industry in developed and developing countries alike to fill the policy vacuum and to provide practical and efficient alternatives in field of development and social welfare (Eade, 1993). So far, in India the state was considered to be the sole public service provider but with the slogan of 'shrink the state', the public services were the first to be axed. At the same time the market mechanism for public service delivery is yet to develop and in the interregnum NGOs were found to be good partners in delivering such services. The trends indicate, that NGOs are gradually being charged with responsibility of providing services that are previously provided by the state/public sector. Under the changed regime, NGOs are expected to enter a contractual agreement with donors or government to provide public services as state withdraws from such services. NGOs, which provide such services, are broadly referred to as 'public service contractors' (Korten, 1990).

In this paper we focus on the donor dependent (external agencies, government, etc.) non-governmental development organizations working in a local context for implementation of varieties of projects. These organizations are local in the sense that

they are embedded in the local milieu in their respective area of operations despite their geographical spread. The chief characteristics of these NGOs are that they operate at local levels (within district, state, or at most national boundaries), implement projects at the grass roots, are dependent primarily on external donors or the state for resources, and are not membership based organizations. To operate, these NGOs use resources largely from the external agencies (as opposed to self-generation or membership subscription) for public domain (community development as opposed to self-help). The issue of governance and accountability of these organizations become more important as the domain of operation and resource generation is largely in the public sphere and not in a 'private' sphere as the case may be for a mutual benefit society. A mutual benefit society like a producers or consumer co-operative largely draws its resources from within and is set-up with the explicit purpose of helping its members. This can be construed as truly private, whereas, the NGOs are public institutions controlled in a 'private' manner. In the literature on NGO governance, the concept of accountability is integrally related.

Because of growing trend of state withdrawal from development programmes in the third world, questions related to evaluative

attributes of NGOs as accountability, efficiency, values, control over resources, gender equality and levels and types of participation have moved closer to forefronts of discussion. NGOs themselves have been more than aware of the importance of accountability. Towards the second half of the 1990s, as period of rapid growth many NGOs found themselves in increasing difficulties. The renowned 1994 Manchester Conference on NGO accountability was seen as a key turning point. But it would be true to say that there was a wave of changes that started in the mid-1990s.

BALANCING ACCOUNTABILITY

Accountability is the only way to ensure that a line remains drawn between transparent compromise and blind cooption (Eade, 1993). There has been considerable discussion, training and codification of resources with respect to NGO governance in many countries in the North. But this has been a neglected area of attention and debate in most of the countries. The governance of NGOs focuses on issues of policy and identity, rather than issue of day-to-day implementation of NGO vision, mission and strategy. NGO governance requires the creation of structures and processes which enable the NGO to monitor performance and remain accountable to its stakeholders (Edwards and Hulme, 1995).

Development programmes at grassroots level focuses on accountability related to the wider process of information exchange, decision-making, management, negotiation and bargaining that takes place between different stakeholders. Accountability exists between peer groups and operates at many levels; it has been used to introduce control mechanisms linked to hierarchy and authority. However, accountability has to be a reciprocal process in which multiple actors are accountable to each other. Accountability does not just mean reporting. It is a process of information exchange, consultation and joint decision-making. In this complex web of multiple stakeholders one aspect of NGO accountability that is often neglected is that which relates to NGOs own governance.

The Johns Hopkins Comparative Non-profit Sector Project (CNP) research suggested that while non-profits are making important contributions to the quality of life in many countries, accountability 'lapses' limit the sector's ability to make best use of its capabilities. Like State agencies they also have formidable challenges both internal and external. These shortcomings usually originate from NGOs' perpetual shortage of funds and other resources (Babbington & Farrington 1993), specifically because of the funding cycle followed by different donors. The donor funding is

usually related to a particular project and the time horizon is limited. The project funding varies from a couple of years to a period of five years though the NGO intervention in an area is done usually keeping a much longer time horizon in mind. This is largely because of the slower take off of developmental processes among the poor and oppressed. The gestation period of the project becomes longer particularly if the NGO is following a participative approach. In most cases, thus the shortage of funds maybe attributed to the mismatch between the time horizon fixed by the donor and the overall developmental plan and perspective of the NGO.

The fact that the development NGOs are largely funded through grants and aids by external donor agencies or the government agencies, they employ people who are paid for their services, and voluntarism may be restricted to founders or well wishers who largely remain outside the day-to-day management of the organization. But the spirit of voluntarism is sometimes used to obscure exploitation and manipulation. Structures for redressing employee grievances, mandatory in most formal organizations are often absent in NGOs where personalized management practices tend to prevail over more impersonal rule based procedures. In most practical situations NGO accountability boils down to the

domain of finance. It is partly due to the fact those donors and other resource providers have been most vocal commentators on this issue. The current regulatory framework, however, has elements that are conspicuous by their absence; there are no 'Generally Accepted Accounting Principles' (GAAPs) for non-profit organizations to comply with, and reporting and disclosure requirements are minimal. Private companies are accountable to shareholders. Membership organizations, like co-operatives are accountable to their members. Government (the executive) is accountable to the legislatures, and legislatures are accountable to the citizens (in elections of course!). Where, how, and to whom the NGOs are accountable?

Leaders are often reluctant to discuss the matters relating to funding openly. When Bunker Roy of SWRC announced open scrutiny of the finances of his organization, it made headlines. He offered to open the accounts in public meetings and answer any questions relating to them sparked off controversy by suggesting a code of conduct for NGOs. This move was opposed by several quarters and was considered as an attack on freedom of NGOs and an attempt to control them through regimentation.

Systems and Processes a step towards continuity

One policy that sparked of anti state sentiments amongst NGOs was proposal to establish national and state councils, which would function as an umbrella organization that rural NGOs could join (Kothari, 1986). NGOs joining the council had to abide by a code of ethics consisting of 19 rules. Besides this proposal for National and state councils for rural NGOs, the state instituted other policies in 1980's to increase its control over the NGO sector (Fernandes, 1986; Kothari, 1986). These included, Kudal commission to look into activities, sources and alleged misuse of funds; amendment of FCRA which meant that all NGOs receiving foreign funds were obliged to register with Ministry of Home Affairs, open a foreign Contributions account into which all donations will go, and notify ministry of number of that account. These steps which were initiated, partly as a way to put NGO accountability in place, and partly as a political strategy by the Congress party to neutralize the dissidence that was rising in the country. Most NGOs were mobilized into protest against such direct intervention of the state in their affairs. But one unintended consequence of the Kudal commission was that NGOs came under scrutiny by the state and that led to more professional handling of at least the NGOs' financial transactions. This change also brought about a fair amount of routinization in

a large number of NGOs. But the danger of state intervention loomed large over NGO activities.

HURDLES TO ACCOUNTABILITY

As actors within the civil society, NGOs are autonomous institutions inspired by a particular vision. Often NGOs find themselves in a web of complex interactions in a particular context. Donors and other resource-providers have a stake in the outcomes of NGO performance. Many NGOs are concerned to avoid being co-opted into the gradual –and not so gradual-privatization of public sector. They rightly fear that they might cease to be non-governmental in anything but name. What is at stake is not simply a question of political or economic ideology; it is also one of moral authority. Development NGOs cannot derive a mandate from supposed virtues for which they are currently in vogue - efficiency, cost-effectiveness, slim-line bureaucracies, and operational flexibility. The legitimacy of NGOs comes from its founding principles and the ways in which it gives practical meanings to its commitment, through its day to day interaction with the people whom the NGOs aim to serve (Eade D., 1993). The thicker the engagement of the NGO with the people the less would be demand for its accountability as the support of its constituents, which may exert member-

like influence on its functioning and may gradually lead the NGO into a membership based organization. In real world, this jump from a non-membership organization to a membership one is rarely found. The promoters of non-membership NGOs maybe going through the same dilemma that many private company promoters face when they go public – that is the fear of loss of control rather than the force of mission, values, etc.

The above problem is also compounded by the vastness of the stakeholders. NGOs have multiple accountabilities, which any organization with problems, particularly the possibilities of having to ‘over account’, or being able to ‘under account’ as each overseeing authority assumes another authority is taking close look at action and results (Edwards, & Hulme, 1995). Legally most NGOs are accountable to their trustees. They have the obligation to account to the governments of the countries in which they operate, though in practice this often means little more than a brief annual report and audit (Tandon, 1995). Morally they are accountable to other constituencies, most obviously the target groups, the contributors, and the staff, for whom a real stake in the organization is often an important quid pro quo for salaries which are lower than their commercial sector counterparts (Hodson, 1992). Developing a range of mechanisms tailored to the requirements of these

different functions would help to create a genuine system of accountability in place of the patchy provision, which currently exists. Externally it might entail the appointment of a more professional and active board. Internally it might be desirable to create clearer roles in research, policy and information.

ROLE OF SOCIAL AUDIT

Social Audit offers a method of accountability that involves all stakeholders and is neither prescriptive nor bureaucratic. Buzz word that are in the vogue at the moment, such as ‘transparency’ and ‘good governance’ are easy to use but difficult to implement. For any organization to have ownership of its outputs, the indicators by which it is measured must be relevant to everyone involved, not just to the key players such as Directors and Senior Management. The indicators must be set at the lowest point in the organization. By developing a methodology for social as well as financial auditing, an organization is able to set its own indicators and respond to changes within its social structure. All stakeholders have a say in developing indicators as methodology evolves, as well as in applying the indicators. Managers have regular access to information regarding social as well as financial developments which enables them to respond in a timely manner,

rather than when it's too late to do anything.

Another way of bringing together the major facets of NGO performance is to use the concept of organizational capacity. Neither NGOs nor donors have uniform definition of 'capacity' (James 1994). NGOs have used methods like Participatory Rural Appraisal (PRA) to increase the accountability of office bearers and leaders in community institutions to members, and of members to each other. However these methods have rarely been used by NGOs to develop accountability mechanisms to local institutions they support. NGOs involve community institutions in programme monitoring and evaluation, but less active when it comes to evaluating the performance of the NGO itself. Though use of participatory method results in change in power relationships, change in management style, undertaking risks, it results in developing 'reciprocal accountability' to community members. Any external evaluation by an external donor, or team should be preceded by a reciprocal evaluation by the recipient of the fund. Many NGOs continue to use hierarchical, top down control systems to exert authority and to demand accountability in their own institutions and in the process may become as bureaucratic as their counterparts in the government. Participatory methods could be an

important step in introducing more appropriate accountability mechanisms. However, the use of this method alone does not guarantee increased or reciprocal accountability. NGOs need to make major reversals in their own institutions and be prepared to carry out structural changes in the long run.

Informal mechanisms in maintaining legitimacy and accountability can also be very effective more so than formal (democratic representative) mechanisms introduced from outside. Carroll's (1992) conclusion that an open, collegial style, and attitudes which encourage bottom-up participation, can help to build organizations which are responsive and accountable to grassroots constituencies. The key issue for NGO is not only how to preserve their autonomy but also how to strengthen multiple accountabilities and negotiate their role in the development canvas more effectively. If the NGOs do not improve significantly on the question of accountability they run the risk of being sidelined in the search of legitimacy.

ACCOUNTABILITY AND GOVERNANCE

There emerges another stream of thought that argues whether accountability is synonymous with governance of NGOs? Accountability may be defined as the means through which the authorities are notified but

determining the authority or authorities is an issue of governance. Certain structures within and without the organization determines the existence and importance of such authority and conforms to the demand for an account of their work. Tandon (1995) on similar lines suggest that the governance of NGOs implies the totality of functions that are required to be carried out in relation to the internal functioning and external relations of the organization. Therefore, governance is a much broader term and implies addressing the issue of not only identifying the critical stakeholders but the vision, mission and strategy. It is also futuristic and needs to focus on future directions and long-term strategic considerations. Another aspect of governance is the internal functioning of the organization. The issue of staffing, internal programming, employee relations, capacity building within the organization, etc. defines norms and values that are the basis of institutional functioning. Consequently, governance goes beyond the minimalist obligations entailed in fulfilling statutory requirements applicable to the NGOs. Rather it focuses on defining the external positions that are consistent with overall thrust of the NGO as an institution. Most importantly, the governance of an NGO is concerned with its effective functioning and performance in the society. Therefore, governance entails establishment of structures and

processes which enable the NGO to monitor performance and remain accountable to its stakeholders (Tandon, 1995).

THE STAKEHOLDER PARTICIPATION

The question in relation to the governance aspects of these categories of NGOs leads us to the problem of identifying the stakeholders. In a membership organization it is easy to identify the primary stakeholder (e.g. members of a co-operative society), but in the case of non-member organization, who are the primary stakeholders. Freeman and Reed (1983) in their seminal paper on “stockholders and stakeholders: A new perspective on corporate governance” suggested two broad categories of definitions of stakeholders; (a) the broad definition of stakeholders would include any individual, group of individuals, organizations, and institutions who are directly impacted by the organization or have the power to impact the organization. The narrow definition of stakeholder is, according to him, is any identifiable group or individual on which the organization is dependent for its continued survival. If we follow, the wider definition identification of stakeholder would be somewhat arbitrary and hence the criticality of the stakeholder existence cannot be examined. The first definition does not indicate the importance of the

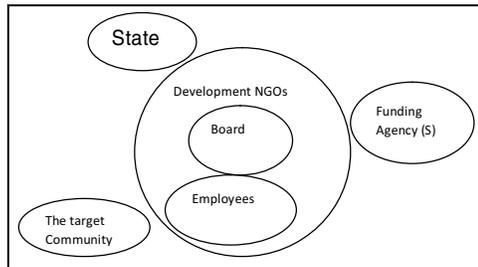
stake or the nature of the stake. The second definition looks from the point of view of the organization – the criticality of the stakeholders continued support for its existence. From the resource dependency framework (Peiffer and Salancik, 1978) it is important to note that the organization becomes accountable to such stakeholders automatically, provided accountability is demanded. Slinger and Deakin (1999) define stakeholders as those whose relations to the enterprise is not solely contractual, because in most cases such contract cannot be drawn, but upon whose cooperation and creativity it depends for its survival and prosperity. Donaldson & Preston (1995) provided a functional definition for the word ‘stakeholder’. They pointed out that the stakeholders can be identified by mapping the extent of actual or potential harms and benefits that different groups or individuals experience or anticipate to experience as a result of the organization’s actions or inactions. The Stanford Research Institute defined as stakeholders ‘those groups without whose support the organization would cease to exist’ (Freeman 1984:31).

ACCOUNTABILITY IN THE CONTEXT OF MULTIPLE STAKEHOLDERS

Stakeholder perceptions inevitably differ. NGOs are subjected to so many conflicting pressures; the dilemmas of

accountability identified can not be solved entirely but has to be managed in many cases. In the literature on governance of NGOs the treatment of multiple stakeholder perspective is perfunctory. Most models take into consideration only one of the stakeholders –that is the Board. It is often assumed that NGO boards, as an entity, have equal legitimacy and power that a representative and elected board in a company or membership organization enjoy. Secondly, the treatment of the topic is as if the board is a closed system which on its own volition would take up the issue of governance and design a system of governance. Therefore, most prescriptions for governance have largely remained board-centric. The problem of board-centric governance models came up due to the problems in conceptualizing governance system of NGOs. The ‘enterprise’ model of governance system propagated by Craver in his ‘policy governance model’. In the context of multiple stakeholders’ framework governance system is viewed as a dynamic system resulting out of the consensual negotiation between different strategic stakeholders. Based on the definition of stakeholder concept provided by Freeman, & Reed (1983) a model is proposed in which the strategic stakeholders are listed and their nature of stake is analyzed subsequently.

Figure 1: Internal and external stakeholders critical to the continuity of the development NGOs



In the above conceptualization employees and board are considered as internal stakeholders and the other three main stakeholders are the funding agencies, the state, and the target community.

In this case the rationality of governance is, pluralistic rather than monolithic. It is best described as consensual negotiation and coordination in which different actors bring their interests to the organization and the organization responds to the interests in creating policies and drawing up strategies. Thus, Governance is all about a process of negotiated settlement between different stakeholders who are vigilant in protecting their rights.

A FRAMEWORK OF STAKE CENTRALITY

It is not enough to know and identify the stakeholders but is pertinent in the case to understand and appreciate the nature of stake that these stakeholders have. The issue of “member centrality”

(Shah 1995) is important in this context. Member centrality refers to the extent to which members of a co-operative organization believe that the organization’s success is central to their existence. In other words, if the organization incurs heavy losses or at worst is liquidated, what could then be the negative consequences for its strategic stakeholders? The stakeholder centrality framework is based on the theoretical perspective built around Trevisky’s and Kahneman’s (1991) work on heuristics and biases in human judgment. They pointed out that there is an asymmetric relationship between losses and gains. In this conceptualization it is envisaged that greater the perceived loss in the event of exit of the NGO, the greater will be the stakeholder centrality. In this framework, a stakeholder will have a potential to exhibit active involvement in the process of negotiation only when the focal organization, which is the NGO, is perceived to be central in their domain of existence. When the chances of any perceived loss due to failure is extremely low, the stakeholders’ relationship may range from a neutral to apathetic attitude towards the NGO whereas; when the perceived loss is extremely high in the event of failure of the NGO, the relationship of the stakeholders towards the NGO will be stronger. The stronger this relationship the greater will be proactive behaviour on the part of the stakeholders to play a role in the negotiation process.

THE STAKEHOLDERS' EFFICACY BELIEFS

It is not only the centrality of the stake that would propel the stakeholders to join the process of negotiation or force themselves to the negotiating forum but it is also the stakeholders' efficacy beliefs which refers to the extent different stakeholders believe that they have the necessary resources (both internal and external) to act and bring about a change in the desired direction. Stakeholders' efficacy belief is drawn from the classic work of Bandura (1997) on the construct of collective efficacy which he defined as "a group's shared belief in its conjoint capabilities to organize and execute the courses of action required to produce given levels of attainments" (Bandura, 1997:477). According to him collective efficacy would refer to basically to the operative capability of the group coupled with the elements of perceived strong interdependency in the group, belief in one's own capability to complement others' effort, and shared belief in the capability of the group in producing the desired levels of attainments. The extent to which the stakeholders believe that they have the necessary resources and capabilities to execute the actions for the desired outcomes is the extent to which they will be activated. When such efficacy beliefs are absent the stakeholders are unlikely to take the positive step

forward the negotiation process of building a system of governance.

The extent of pluralistic and at the same time, consensual negotiation for governance is possible when all the strategic stakeholders are high on both the dimensions (stake centrality and efficacy beliefs). It is important to note, at this point is that the stake centrality concept and stakeholders' efficacy beliefs are orthogonal to each other.

THE STAKE OF THE BOARD

As already has been pointed out that though the Board is supposed to have a high stake in the organization, in NGOs the stake of individual Board member is limited to the conscience, and personal integrity. Beyond this the Board members are not required by law or through personal financial stake (as it is true for many Board members in for-profit-organizations and membership organizations like co-operatives) to bear the burden of failure of the organization to discharge its functions.

In some cases, given the individual standing of the board members in the local/national context, the loss of legitimacy by the organization may get equated with the loss of legitimacy by the individual board member and thereby the individual board member may take an active interest in developing policies that govern the NGO. In reality, this may be far-

fetched. When such board members when sense that the organization is going downhill may step down from the board and disassociate them with its functioning and bear no 'guilt of association'. They just press the "eject" button and land themselves without any scratch as there is no consequent liability arising out of such action. At this point we would like to depart from the usual economic model of rationality which tries to discover the pecuniary interest in the concept of centrality. The concept of centrality revolves around the belief system of the individual and this belief system may not be solely guided by the concept of rationality, but by the overall psychological underpinning of individual actors involved. Active participation of the board members emanates from such belief in the centrality of the NGO in their lives. In the mailed survey that we conducted we found about 27% of the organizations report that the board members do not spend enough time on policy issues (Biswas and Aggarwal, 2005). The result is surprising because this was based on self-report and we conjectured that all organizations will report that they have an 'active' board which is interested at least in the policy matters of the organization. The stakes of the members of the board, whatever it is may not be central to their existence. On the other hand, the efficacy beliefs may be high, at least in professionally managed boards, as they

are the 'strategic' decision makers of the organization.

THE STAKE OF THE STATE

The nature of stake of the state is marked by interaction of a set of complex parameters such as, the centrality related to its economic, social, political, and of course emotional function. The state as stakeholder may have multiple interest and none of these interests maybe of central concern to the state. But if the NGO is involved in an activity which is a central concern and its impact will be large in terms of political, economic or social fall-out then it may come to acquire a major stake otherwise it behaves as an onlooker though invisible stakes maybe very high. The state is represented by its executive. And in reality the decision of the executive is often based on the overall political outcomes rather the economic and other social outcomes of a particular entity. For example, demise or liquidation of a large economic enterprise is fraught with trepidation, not merely because of the economic debacle it can create that it may translate into loss of votes in the elections. The perceived loss occurring due to the failure of a non-government organization engaged in implementing poverty alleviation project if minimal, then the state in all probability, will be not be vigilant. On the other hand, if the positive activities done by NGOs

conflicts with the interests of the state and the gains of the NGO is perceived as threatening future election prospects of the ruling political party than the state becomes “over vigilant” and makes effort to curtail all negotiating power of other actors so as to neutralize the pluralistic edifice and engages in making the NGO an instrument of itself.

In fact, from the point of view of the state the most important partner in the NGO sector is not the one which has the most use value in terms of delivering services (a professed welfare and democratic state is also a competitor in this area) but which poses the least threat to its existing interests. Therefore, the vigilante function of the state as a stakeholder often vacillates between the extremes of apathy to direct control and intervention. In order to neutralize or minimize the future losses the state also takes an active interest in ‘supporting’ the work of NGOs through allocation of rural development projects. Thus, we can say in terms of centrality of the stake for the state is a dynamic one and in the absence of ‘rule of law’ and clear cut state policies it can be the most uncertain stakeholder. From the point of view of stakeholders’ efficacy beliefs, the actors within the state seem to have higher efficacy beliefs. On the other extreme it can throttle the existence of the NGO by negative sanctions (case of Agramee in Orissa). Thus this role

is not of a vigilante stakeholder but of an arbitrator of delivering ‘rewards’ and ‘punishment’.

THE STAKE OF THE DONOR/ FUNDING AGENCY

This is one of the most interesting of all relationship between the donors/ funding agencies. The mutuality is an established one. The donor/funding agency has a major stake in the NGO as its money is involved and it is answerable to its constituents. The centrality applies to the donors as its existence is partially determined by the effectiveness, and legitimacy of these organizations. If these NGOs lose legitimacy the donor or funding agency is also likely to lose legitimacy in the eyes of its benefactor. By very nature, these agencies have to operate through the local/national NGOs for implementing projects and it does not have an option of allocating resources to other agencies such as a ‘private firm’.

The perceived loss for the donor in the event of the NGO ‘faring’ badly is very high. The stake centrality is very high for the donor. Therefore, it emerges as the most vigilant of all the stakeholders. Secondly, it seems to be having a large degree of efficacy beliefs and has been trying to push the agenda of governance in the development NGO sector. In fact, the whole area of ‘governance of NGO’ as a discourse in the field of development emerged due

to constant engagement of large International NGOs which fund the Development NGOs particularly in the developing countries. There are two aspects to it; range of decision of any entity is limited by the alternatives that the entity enjoys. In the case of donors it is limited by the choice it has at the local level. Another aspect that is not well discussed is the lack of centrality of stakes for other stakeholders which has resulted in a consensual negotiation vacuum and the resultant governance structure get relegated to the background. Therefore, it acts more as a supporting organization in improving the *performance* of the NGO in its internal functioning rather than the role of vigilante in its overall 'policy governance'. The choice is further limited by the fact that the NGOs also countervail the power relationship by having multiple donors for different projects whose attention then can be drawn towards the performance of individual projects than the overall 'governance structure' of the NGOs. Thus, the major focus becomes effective performance assessment from a managerial standpoint of individual projects, which translates down to developing strong accountability mechanisms more from the *financial audit* point of view. The weak and uni-dimensional accountability becomes more often a reporting relationship between the development NGO and the donor agencies.

THE STAKE OF THE TARGET COMMUNITY

Most operational NGOs in the field of development often swear that they exist because of the target community. Members of the target community who are mostly poor or the most oppressed sections of the society often look towards the NGOs as another external intervention (despite all the fanfare of participate development jargon) in which they are the recipients of low cost or no cost services but do not have a means of controlling their activities as they might do in a membership based organization like a co-operative. The non-membership based NGOs can rarely achieve the member-centrality that many high performing co-operatives enjoy. But at the same time, the NGO activities which positively affect their life build a stake in its continuation. The scenario of the NGO moving out of the scene is hurting, in order to avoid such future losses it 'helps' the NGO to continue its activities but by never being an integral part of it and hence does not take the vigilante approach in scrutinizing the governance function of the NGO. Thus, the stakes of the target community is very high (particularly, in the case of high performing NGOs), but this stake is never translated into peeking into the governance system. This is because in spite of stake centrality being high it is very low on efficacy beliefs that it can affect the structures and strategies of

the NGO. In a market economy, the customers often have a choice in selecting a service provider. The fear of customer moving away from its fold often leads the organization to devise systems and procedures to involve the customers, as in many membership organizations it becomes important that members are given their due place in the consensual negotiation process, the lack of it results in the loss of membership.

STAKES OF THE EMPLOYEES

The development NGO sector, at one point in time have been referred to as voluntary sector, when a group of volunteers got together to engage in charitable work for the poor and the downtrodden. Today the development NGO sector implementing projects in the rural areas are largely modeled after enterprises and the bulk of its working force are employees and not volunteers in the true sense of the term. Some people often refer it to as 'corporatisation' of NGOs which also evolved due to the high premium attached to the concept of 'accountability' of NGOs by their donor agencies, as discussed earlier this has led to developing management systems and process in the lines of corporate organizations. The employees of the development NGOs have a direct stake. This is because the loss that they would have to bear in the case of the organizations closure will be direct and hard-hitting, primarily the loss of job

but secondarily a loss of profession. The stake centrality may be high for employees but there has been very little effort that is made to develop efficacy beliefs among the employees, except in rare cases of development NGOs where the employees are also part of the governing board.

CONCLUSION

In order to develop a framework of governance in developmental NGOs, the pluralistic and dialogic nature of governance has to be brought to the forefront of this discourse. This can be achieved when the aforementioned five strategic stakeholders' stake centrality and efficacy beliefs are raised to a higher level.

In the case of the board, as we have discussed the stake centrality has to be increased. There can be different alternative ways of doing this. In the case of corporate governance, directors' individual accountability is an issue which has been dealt vigorously. The board members may be individually and severally responsible for certain actions of the organization. In the case development NGOs, a time has come, where the means and ways of fixing the board members' responsibility to other stakeholders will have to ascertain. By directly fixing the nature and type of responsibility the centrality of the stake may be increased.

The state cannot be allowed to vacillate in the dimension of centrality concern.

It has to accept that it has a central stake in the governance of the NGOs at the same time though the establishment of rational 'rule of law' it has to become a responsible partner and not an arbitrator of 'rewards' and punishment' through executive orders rather it should be based on principles of justice and fair play. The state's intervention as executive is hastened by the lack of any 'law' that should govern its relationship with the NGO. Law should be used to curtail the vacillating nature of the state than to make the NGOs an instrumentality of the state, though most of the NGO leaders oppose any 'law' on NGOs, fearing that the law maybe used to convert them into an instrumentality of the state rather than regulate its relationship with the state.

The donors/ and funding agencies who have both high centrality in terms of the stake and are also high on their efficacy beliefs will have to focus more on the nature of relationship of NGOs with its strategic stakeholders than only on the internal 'efficiency' approach. It is also possible for the donors to help increase the stake centrality of the Board and at the same time increase the efficacy beliefs of two other strategic stakeholders; the employees, and the target community.

In order to develop the structures for governance, the efficacy beliefs of the target community and the employees will have to be increase. Participation and empowerment are the two buzz

words that do the rounds in development discourse. In the pluralistic context it becomes more important that how the efficacy beliefs of these two groups of stakeholders can be increased that they become two pillars in the consensual negotiation process for developing structures for governance.

The multiple constituency frameworks to the development of governance structure for accountability is a departure from the existing board centric prescriptive system. In future empirical research work it needs to be assessed the extent to which different stakeholders lie on the dimensions of stake centrality and efficacy beliefs.

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A Study of Customer Delight in the Indian banking sector based on Kano's Model of Product Quality

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Banking sector in recent times have been faced by numerous challenges of constantly providing better services towards achieving customer delight. Past research in customer satisfaction and service quality has resulted in increasing research efforts to look at new ways to evaluate these concepts. In the present era , the emphasis is on Customer Delight(CD) so as to exceed customer's expectations. The objective of this study is to identify the factors that create 'customer delight' and to measure the level of such 'delight' in the sample banks studied. This study has employed Kano's model of customer satisfaction in measuring level of 'delight' factors in the Indian banking segment. The total sample size of the study is 200 customers with 50 from each of the 4 selected banks under study and our study area is New Delhi. . In case of SBI it is seen that quick service, parking space and add on facilities like services for senior citizens , differently abled are 'Must-be' features whereas in case of Bank of Baroda ,it is Quick Service, Parking space and low paper work that are 'Must-be'. It is found that among the ICICI Bank customers that they are largely indifferent to working hours and add on facilities for senior citizens and differently abled. Further, it is found that Prompt reply, Branch availability, wide acceptability of debit and credit cards and longer working hours are the delighter factors which when fulfilled delight the customer and on their non-fulfilment dissatisfy them.

Social psychologists, marketing researchers and students of consumer behavior, have extensively studied the concept of consumer satisfaction and dissatisfaction. The increasing importance of quality in both service and manufacturing industries has created a proliferation of research with more than 15,000 academic and trade articles having been published in the past decades (Peterson and Wilson 1992). Customer Satisfaction is a psychological concept that involves the feeling of well being and pleasure that

results from obtaining what one hopes for and expects from an appealing product or service (WTO 1985). While there are a variety of approaches to the explanation of customer satisfaction / dissatisfaction, the most widely used one is proposed by Richard Oliver who has developed the expectancy disconfirmation theory. According to this theory which has been tested and confirmed in several studies. Customers purchase goods and services with pre-purchase expectations about anticipated performance. Once the product or service has been purchased or used, outcomes are compared against expectations. When outcome matches expectations, confirmation occurs. Disconfirmation occurs when there are differences between expectations and outcomes. The results on the research on customer satisfaction has led to the development of nine theories of customer satisfaction. A majority of these theories are based on cognitive psychology, some have received moderate attention, while other theories have been introduced without any empirical research. The nine theories are Expectancy disconfirmation, Assimilation or cognitive dissonance, Contrast, Assimilation and Contrast, Equity, Attribution, Comparison Level, Generalised Negativity and Value Percept (Oh and Parks).

Satisfaction is not a universal phenomenon and not everyone gets the

same satisfaction out of the same hospitality experience. The reason is that customers have different needs, objectives and past experience that influence their expectations. To a student on a limited budget, a lunch composed of fast food items at the crowded and noisy school cafeteria may be highly satisfying experience, while the same experience may be perceived as totally dissatisfying to an affluent executive discussing a business transaction. The same customer may also have different needs and expectations on different meal occasions or at different times of the day (Davis and Stone)

To recapitulate what we have established by now is that an individual's satisfaction with outcomes received from a hospitality experience results from a comparison of these outcomes with expectations. Expectations can be described as a mutable interval standard which is based on a multiple of factors including needs objectives, past personal and vicarious experiences with same establishment restaurant with similar establishments and the available alternatives. Past research in customer satisfaction and service quality has resulted in increasing research efforts to look at new ways to evaluate these concepts. Historically, the assumption has been that a linear relationship exists between satisfaction and dissatisfaction and disconfirmation or performance

evaluations. Unlike material products or pure services most services are an amalgam of products and services. Therefore it is possible to say that satisfaction with service experience such as bank or airport is a sum total of satisfaction with the individual elements or attributes of all the products and services that make up the experience.

In service organizations, the assessment of the quality of a service is made during the actual delivery of the service—usually an encounter between customer and a service contact person. (Parsuram et al.) identified the following five generic dimensions of service quality (SERVEQUAL) that must be present in the service delivery in order for it to result in customer satisfaction:—

- Reliability—the ability to perform the promised services dependently and accurately.
- Responsiveness—the willingness to help customers and provide prompt service.
- Assurance—the knowledge and courtesy of employees as well as their ability to convey trust and confidence.
- Empathy—the provision of caring individualized attention to customers.
- Tangible—the appearances of physical facilities, equipment, personnel and communication materials.

The companies in the present times have to meet all the above parameters to be able to deliver satisfaction. Thus with ever escalating customer expectations, companies have to offer additional values to make an ever lasting impression in the minds of the customers because mere delivery of satisfaction as the confirmation of expectations is considered as a minimum threshold. Therefore in the present era, the emphasis is on Customer Delight (CD) so as to exceed customer's expectations (Yeng, Ging and Ennew, 2002). Delighted customers are those where you anticipate their needs, provide solutions to them before they ask and where you are observing to see if new and /or additional expectations are about ready to be required. What is wrong with providing just customer service? Simply providing customer service is not cost effective. It misses the opportunity to provide the reward. When we create a special "WOW" effect we have planted a very special peg in the memory of the customer that is easy to recall. It creates the possibility of the customer telling the story about their "WOW" experience to many friend associates and strangers. Customer delight brings customers back for more. It causes new customers to come.

For managers deciphering customer delight data is akin to trying to make sense of ancient Egyptian hieroglyphs.

The importance of the information is widely acknowledged, but most companies lack a “satisfaction Rosetta stone”. As a result managers struggle to create improvement programs and are provided virtually no help in estimating the returns for their efforts. Many firms have watched their performance improve in key driver attributes only to discover that their overall delight scores have failed to show a corresponding increase. At other times improvement in overall satisfaction scores have failed to have a demonstrable positive impact on customers retention or corporate profits.

Unfortunately there has been no seminal discovery of a single Rosetta stone for interpreting customer satisfaction data. But thanks to the work of many different researchers, the relationship between customer delight and customer behavior is becoming clearer. In effect, we have the “code” for behavior and can now begin to decipher the hieroglyphics of customer delight.

OBJECTIVES OF THE STUDY

The primary objectives of the study are:

1. To identify the motivating services generally considered by the customers of banking services.
2. To study and analyze the basic, Linear and Delighter factors in banking services

3. To measure the level of such delight factors among the sampled banks.
4. To measure and analyse the degree of co-relation between such ‘delight’ factors.

LITERATURE REVIEW & KANO’S MODEL

On a review of literature we have seen that many researchers have studied the fact that one has to go beyond simply satisfying customers to delighting them. Products and services that only satisfy fail to encourage loyalty among their purchasers. The concept of customer delight receives a large amount of attention in the business and customer literatures but has received little academic consideration outside psychology. Oliver has conducted several empirical studies into the delight seen in purchasers of services and products. Oliver’s view of delight within an Expectancy Disconfirmation Model, where delight occurs when customer’s expectations are exceeded. Oliver’s approach considers the effects of products performance during ownership on customer delight, whilst delight during product evaluation may be more important in capturing new customers at the point of purchase (Mittle). (Kano N. and Macmillan et al) describe models that consider the evaluation of products in terms of customer needs and introduce the idea of delightful or differentiating product attributes. “Delight your

customers” is the current USP of all the business houses. Companies are being advised by the consultancies that to succeed in business they have to adopt delighting customers as the primary objective. Several definitions of delight are used, generally associated with exceeding customer’s expectations to deliver the pleasant surprise that results when a product or service answers an unvoiced need (Burns, Evans, Jossan et al.). Various models are presented to help companies evaluate their products in terms of customer needs and these introduce the idea of delightful or differentiating product attributes. The most widely used of these is the Noriaki Kano’s Model of product qualities.

The Model was developed by Noriaki Kano through work within various Japanese and American industries, the Kano model categorises product attributes into three groups according to customer needs. By contrasting customer’s reactions to both the presence and absence of each product attribute Kano describes the following typology of product features. (Kano N, Matzler, Bailom et al.)

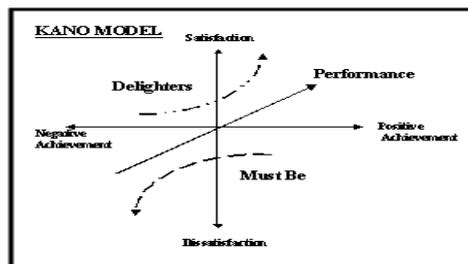


Fig 1: Kano’s Model

The customer expects “basic” qualities to be present in the product and as such high levels of customer satisfaction are hard to achieve by excelling in these areas. The teller in the bank hands over cash this is a basic service and any customer expects from a bank. But if for some reason the teller does not give out cash the customer is bound to be dissatisfied. The presence of a teller does not satisfy a customer but his absence will definitely dissatisfy him. “Linear” qualities are those for which the level of customer satisfaction increases with the level of achievement of these qualities. (Burns, Evans et al.) The handing out of an investment tip by the teller might be a linear quality. The customer is satisfied by the improvement in these benefits but is only excited at extremely high levels of achievement. For examples, a very valuable investment tip from the teller that enables the customer to earn exceptional profit which he would not have got had the teller not advised him. The delighter feature excites the customer even at low levels of achievement. The absence of the feature does not dissatisfy the customer since it was not expected. “Delighter” feature tends to be novel and as such can differentiate a product from its competitors.

The advantages of classifying customer requirements by means of the Kano method are as below (Elmar Sauerwein, Franz Bailon et al)

- Priorities for product development—The model highlights the fact that it is not very useful to invest in improving must be requirements or Basic requirements which are already at a satisfactory level but better to improve “Linear” or one dimensional requirements as they have a greater influence on perceived product quality and consequently on the customer’s level of satisfaction.
- Product requirements are better understood – The product criteria which have the greatest influence on the customer’s satisfaction can be identified. Classifying product requirements into must be “Basic”, one dimensional “Linear” and attractive dimensions “Delighters” can be used on the focus.
- Kano’s model of customer satisfaction can be optimally combined with quality function deployment .A prerequisite is identifying customer needs,their hierarchy and priorities(Griffin/ Hauser 1993).Kano’s model is used to establish the importance of individual product features for the customer’s satisfaction and thus it creates the optimal prerequisite for process oriented product development activities.
- Kano’s model provides valuable help in trade –off situations in the product development stage. If two product requirements cannot be met simultaneously due to technical or financial reasons, the criterion can be identified which has the greatest influence on customer satisfaction.
- Must be , one –dimensional and attractive requirements differ as a rule, in the utility expectations of different customer segments. From this starting point , customer tailored solutions for special problems can be elaborated which guarantee an optimal level of satisfaction in the different customer segments.
- Discovering and fulfilling attractive requirements create a wide range of possibilities for differentiation. A product which merely satisfies the must be and one dimensional requirements is perceived as an average and therefore interchangeable.

RESEARCH METHODOLOGY

In the present study we are trying to establish the banking services of 2 private banks (ICICI,HDFC) and 2 public sector banks (SBI and BOB) in the backdrop of the Kano’s Model of customer satisfaction .Here we have taken the whole gamut of banking services as the product under study. The study starts with identification of product requirements. These requirements have been listed by studying the products of the banks and

the nature of their services and by conducting focus group interview among the teachers and the students of Delhi College of Advanced Studies.

The product requirements identified are:

1. Quick Services.
2. Parking Space.
3. Prompt Reply.
4. Branch Availability.
5. ATM availability.
6. Acceptability of Debit and Credit Cards.
7. Processing Time.
8. Involvement of Paper Work.
9. Working Hours.
10. Add On facilities for senior Citizens and Differently Abled.

The second step in the study is the construction of the questionnaire. For each product feature a pair of questions is formulated to which the customer can answer in one of five different ways (Kano 1994). The first question concerns the reaction of the customer if the product has that feature (functional form of the question), the second concerns customer's reaction if the product does not have that feature (dysfunctional form of the question). (See Annexure 1). When formulating the questions, the "voices of the customer" (Hauser/Clausing 1988) is of prime importance. The "voices of the customer" is a description of the problem to be solved from the customer's viewpoint.

The product features are then evaluated from the findings based on the answers from the following table (Table-1)

Table-1: Kano's Evaluation table

	Customer requirements	Dysfunctional (negative questions)				
		like	must	neutral	live with	Dislike
Functional (positive question)	Like	Q	A	A	A	O
	must be	R	I	I	I	M
	Neutral	R	I	I	I	M
	live with	R	I	I	I	M
	Dislike	R	R	R	R	Q

If the customer answers for eg "I like it that way" for the question "If the services in the bank are very fast and you are very politely dealt with"—the functional form of the question and answers "I dislike it" for the dysfunctional question "If the services

in the bank are not fast and you are not politely dealt with how do you feel?" the combination of the question as per the evaluation table is "O" Category. This result indicates that this feature is in "One dimensional characteristic from the customer's viewpoint". The

customer is having a strong view of the need of this feature. If as per the table the answer of any question is category A the feature is Attractive in nature and can cause delight when fulfilled. If the answer is in category R this feature is not only not wanted by the customer but he even expects the reverse.

Study Area

In studying the Kano's Model of Customer Delight in the backdrop of banking sector of India we have studied 4 banks, 2 in private sector (ICICI Bank and HDFC Bank) and 2 in public sector (SBI and BOB). Our study area is the banks in Delhi and NCR.

Sample Size:

The total sample size of the study is 200 customers with 50 each from each of the banks under study.

METHODOLOGY OF THE ANALYSIS

A frequency table is prepared based on the Kano's evaluation table. To analyse the Attractive, Must-be, one – dimensional, indifferent, reverse and questionable features. After frequency interpretation the Customer Satisfaction Co-efficient (CS Coefficient) are analysed. The customer satisfaction coefficient states whether satisfaction can be increased by meeting a product/ service requirement, or whether fulfilling this product requirement merely prevents the

customer from being dissatisfied (Berger et al 1993). The CS Coefficient is indicative of how strongly a product feature may influence satisfaction or in case of its “non-fulfillment “ customer dissatisfaction. To calculate the average impact on satisfaction it is necessary to add the attractive and one-dimensional columns and divide by the total number of attractive, one dimensional, must be and indifferent responses. For the calculation of the average impact on dissatisfaction we should add the must-be and one – dimensional columns and divide by the same normalizing factor (Berger et al 1993).

Extent of satisfaction:- $\frac{A+O}{A+O+M+I}$

Extent of dissatisfaction:- $\frac{O+M}{(A+O+M+I)*(-1)}$

A minus sign is put in front of the CS coefficient of customer dissatisfaction in order to emphasise its negative influence on customer satisfaction if this product feature is not fulfilled. The positive CS coefficient ranges from 0 to 1, the closer the value is to 1, the higher the influence on customer satisfaction. A positive CS coefficient which approaches 0 signifies that there is very little influence. At the same time, however, one must also take the negative CS into consideration. If it approaches -1, the influence on customer dissatisfaction is especially strong if the analysed product feature

is not fulfilled . A value of about 0 signifies that this feature does not cause dissatisfaction if it is not met.

FINDINGS AND ANALYSIS

Following are the analysis for the four sample banks.

a) SBI(State bank of India) : The evaluation is done based on the interpretation according to the frequency of answers. In case of SBI it is seen that quick service, parking space and add on facilities like services for senior citizens , differently abled are Must-be features. People seem to be indifferent to processing time .Prompt reply , easy branch availability , easy ATM availability and easy acceptability of debit and credit card are one –dimensional features i.e people come to bank thinking that these features are there and they don't like if they are not available.

b) BOB(Bank of Baroda) : In case of bank of baroda . it is seen that Quick Service, Parking space and low paper work fall under the 'Must be' features. Prompt reply easy branch availability ,easy ATM availability and easy acceptance of the Debit/Credit card are one dimensional features. Low processing time is a reverse characteristic which means that the customer is not worried about the time taken in a bank, he is more concerned about the accuracy of the banking service. Longer working hours are an attractive feature for the customers of BOB i.e if implemented with keeping

the bank open for longer time during the day and open during the weekends the customers are sure to be attracted . It is seen among the customers of BOB that they are largely indifferent to add on facilities for senior citizens , the differently abled etc.

c) ICICI Bank : In case of ICICI bank quick service, parking space and involvement of less paper work fall under must be characteristics. Prompt reply, branch availability, ATM availability, acceptability of debit and credit cards and low processing time fall under one –dimensional feature i.e the customers like when it is there and dislike when it is not there. It is found that among the ICICI Bank customers that they are largely indifferent to working hours and add on facilities for senior citizens and differently abled.

d) HDFC Bank : In case of HDFC Bank it is seen that Quick service, ATM availability , involvement of less paper work and less processing time are a must be requirement . Parking space and longer working hours are attractive features . Prompt reply, easy branch availability , acceptability of debit and credit card are one dimensional attributes. Lastly, the customers of HDFC bank are largely indifferent to add on facilities for customers.

CONCLUSION

On analysis of the Coefficient of correlation of all the factors of customer delight for the selected banks,

it is seen that Prompt reply , Branch availability, wide acceptability of debit and credit cards and longer working hours are the delighter factors which when fulfilled delight the customer and on their non-fulfilment dissatisfy them. It is only working hours that is a delighter factor but does not dissatisfy much when not fulfilled. It is interesting to observe that people are not much satisfied at quick service but are strongly dissatisfied when there is no quick service .It might be that any customer expects for certainty when he walks into a bank. Rest of the features under study do not seem to have strong impact on the level of satisfaction and dissatisfaction.(For Correlation Table See Annexure 2.)

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Annexure-1

QUESTIONNAIRE

- 1 a. If the services in the bank are very fast and you are very politely dealt with how do you feel?**
- a. I like it that way.
 - b. It must be that way.
 - c. I can't say how I feel.
 - d. I can carry on with banking that way.
 - e. I dislike it that way.
- 1b. If the services in the bank are not fast and you are not politely dealt with how would you feel?**
- a. I like it that way.
 - b. It must be that way.
 - c. I can't say how I feel.
 - d. I can carry on with banking that way.
 - e. I dislike it that way.
- 2 a. If there is good parking space how do you feel?**
- a. I like it that way.
 - b. It must be that way.
 - c. I can't say how I feel.
 - d. I can carry on with banking that way.
 - e. I dislike it that way.
- 2b. If there is no good parking space how would you feel?**
- a. I like it that way.
 - b. It must be that way.
 - c. I can't say how I feel.
 - d. I can carry on with banking that way.
 - e. I dislike it that way.
- 3a. If you are given prompt reply to all required information how do you feel?**
- a. I like it that way.
 - b. It must be that way.
 - c. I can't say how I feel.
 - d. I can carry on with banking that way.
 - e. I dislike it that way.
- 3b. If you are not given prompt reply to all required information how do you feel?**
- a. I like it that way.
 - b. It must be that way.
 - c. I can't say how I feel.
 - d. I can carry on with banking that way.
 - e. I dislike it that way.

- 4a. If the branches of your bank are easily available how do you feel?**
- a. I like it that way.
 - b. It must be that way.
 - c. I can't say how I feel.
 - d. I can carry on with banking that way.
 - e. I dislike it that way.
- 4b. If the branches are not easily available how do you feel?**
- a. I like it that way.
 - b. It must be that way.
 - c. I can't say how I feel.
 - d. I can carry on with banking that way.
 - e. I dislike it that way.
- 5a. If the ATMs of your bank are easily available how do you feel?**
- a. I like it that way.
 - b. It must be that way.
 - c. I can't say how I feel.
 - d. I can carry on with banking that way.
 - e. I dislike it that way.
- 5b. If the ATMs of your bank are not easily available how do you feel?**
- a. I like it that way.
 - b. It must be that way.
 - c. I can't say how I feel.
 - d. I can carry on with banking that way.
 - e. I dislike it that way.
- 6a. If the Debit Card/Credit Card of your bank are widely acceptable how do you feel?**
- a. I like it that way.
 - b. It must be that way.
 - c. I can't say how I feel.
 - d. I can carry on with banking that way.
 - e. I dislike it that way.
- 6b. If the Debit Card/Credit Card of your bank are not widely acceptable how do you feel?**
- a. I like it that way.
 - b. It must be that way.
 - c. I can't say how I feel.
 - d. I can carry on with banking that way.
 - e. I dislike it that way.
- 7. How important are following schemes:**
- | | |
|-------------|-----------|
| totally | very |
| unimportant | important |

	1	2	3	4	5	6	7
Demand Draft Facility							
FD Schemes							
Money Transfer							
Locker Facility							
Demat facility							
Tele banking							
Mobile banking							
Net banking							

8.a. If the processing time for the banking services is low how do you feel?

- a. I like it that way.
- b. It must be that way.
- c. I can't say how I feel.
- d. I can carry on with banking that way.
- e. I dislike it that way.

8b. If the processing time for the banking services is high how do you feel?

- a. I like it that way.
- b. It must be that way.
- c. I can't say how I feel.
- d. I can carry on with banking that way.
- e. I dislike it that way.

9a. If there is little paper work involved in banking operations how do you feel?

- a. I like it that way.
- b. It must be that way.
- c. I can't say how I feel.
- d. I can carry on with banking that way.
- e. I dislike it that way.

9a. If there is lot of paper work involved in banking operations how do you feel?

- a. I like it that way.
- b. It must be that way.
- c. I can't say how I feel.
- d. I can carry on with banking that way.
- e. I dislike it that way.

- 10a. If your bank has long working hours and open on weekends how do you feel ?**
- I like it that way.
 - It must be that way.
 - I can't say how I feel.
 - I can carry on with banking that way.
 - I dislike it that way.
- 10b. If your bank does not have long working hours and open on weekends how do you feel ?**
- I like it that way.
 - It must be that way.
 - I can't say how I feel.
 - I can carry on with banking that way.
 - I dislike it that way.
- 11a. If your bank has add on facility for privileged customers, senior citizens and differently abled how do you feel?**
- I like it that way.
 - It must be that way.
 - I can't say how I feel.
 - I can carry on with banking that way.
 - I dislike it that way.
- 11b. If your bank does not have add on facility for privileged customers, senior citizens and differently abled how do you feel?**
- I like it that way.
 - It must be that way.
 - I can't say how I feel.
 - I can carry on with banking that way.
 - I dislike it that way.
- 12. How important are following schemes:—**
- totally unimportant
very important

	1	2	3	4	5	6	7
Car Loan							
Cheap Home Loan							
Easy Personal Loan							
Easy Educational Loan							
Availability of overdraft							

Annexure – 2

Banks	SBI		BOB		ICICI		HDFC	
	Satisfaction (+ve)	Dissatisfaction (-ve)						
Quick Service	0.45	-0.85	0.25	-0.85	0.40	-0.80	0.35	-0.85
Parking Space	0.32	-0.63	0.33	-0.61	0.50	-0.50	0.60	-0.40
Prompt Reply	0.60	-0.70	0.80	-0.65	0.60	-0.75	0.60	-0.85
Easy Branch Availability	0.60	-0.60	0.55	-0.60	0.55	-0.65	0.70	-0.70
ATM Availability	0.65	-0.75	0.50	-0.70	0.65	-0.75	0.55	-0.65
Acceptability of Debit and Credit Card	0.58	-0.63	0.63	-0.58	0.65	-0.55	0.74	-0.68
Processing Time	0.50	-0.63	0.50	-0.50	0.69	-0.85	0.21	-0.79
Involvement of Paper Work	0.22	-0.56	0.41	-0.59	0.55	-0.70	0.45	-0.70
Working Hours	0.71	-0.29	0.61	-0.11	0.56	-0.28	0.95	-0.37
Add On facilities for senior Citizens and differently abled	0.50	-0.50	0.35	-0.35	0.55	-0.40	0.40	-0.45

Demographics and Differential cadres and its influence on organizational ethics

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The present study done is an exploratory one designed to study the importance of ethics in the organization. A Pilot Study was done before the actual study, mainly focusing on the formulation of research topic, to determine the sample size, and to find the factors affecting ethical concept in the organization. The duration of data collection was also fixed during the pilot study. The study was conducted in Kochi city. Since the employees working in this zonal area are cosmopolitan in nature and are from various part of the country what I think is that the sample population selected will moreover represent the actual population. A total number of 58 employees were interviewed for the study. The questionnaire used for data collection was mainly distributed employees who are working in head office, regional offices, and other six branches in Kochi.

All over the world there is growing realization that ethics is important for any business and to achieve the progress of any society. Ethics give rise to efficient economy. An ethically responsible company is one which has developed a culture of caring for people and environment, a culture which flows downwards from the top managers and

leaders. It is the methodical and systematic elaboration of the norms and values that is appealed to in the day to day activities.

Though organizational ethics is one factor that is of immense importance, it is an overlooked and misunderstood concept in the corporate world. Many

organisations have failed in realizing the importance of organizational ethics and its implementation. Some of the business leaders are of the opinion that personal moral development and character modulation of employees are needed for implementation of effective organizational ethics. It is often agreed that high ethical standards require both organizations and individuals to conform to sound moral principles.

Organizational practices and policies tend to create pressures, opportunities and incentives that may sway employees to make unethical decisions. An individual's personal values and moral philosophies influence in the decision making process that involves potential legal and ethical problems. There is no second opinion that good ethics means good business. Corporate leaders need to be aware of the facts that, if not for moral reasons, then for the simple business reason, good ethics will pay off in the long run. According to Greenberg (2005), these benefits take several forms including improved financial performance, reduced operating cost, enhanced corporate reputation and increased ability to attract and retain employees.

REVIEW OF LITERATURE

Experts have attempted to define the term 'ethics' and it has different

meanings to different people. It is defined in The American Heritage Dictionary of the English Language (2005) as:

A set of principles of right conduct, It is derived from a theory or a system of moral values, It is study of the general nature of morals and of the specific moral choices to be made by a person; moral philosophy, It is a set of rules or standards governing the conduct of a person or the members of a profession.

Shea (1988) defines ethics as the principle of conduct governing an individual or a profession and 'standards of behavior'. Ethics, according to Ferrell (2006) is 'the study and philosophy of human conduct, with an emphasis on the determination of right and wrong'. It is often said that, ethics in the workplace refers to rules governing the conduct of organizational members. Le Clair, et al (1998) defines it as 'generally accepted standards that guide behaviour in business and other organizational contexts. Thus it can be stated that most definitions of ethics point to the direction of what is right or wrong, in specific situations.

Understanding the importance of organizational ethics, most organizations are giving emphasis on giving ethical training to their employees. Even experienced managers are provided formal training about workplace ethics to help them in

identifying the legal and ethical issues. Changing regulatory requirements and ethical concerns, such as workplace privacy issues, make the ethical decision making process very dynamic. Peterson, (2006) is of the opinion that if a strong bond is established between values and training, a manager will be in a better position to assist employees, and provide ethical leadership.

Ethical issues in financial organizations are having more importance because; they bear on our financial wellbeing. Ethical misconduct, whether it is by individuals acting alone or by financial institutions in general, has the potential to rob people of their life savings. Because so much of money is involved in financial dealings, there must be well developed and effective safeguards in place to ensure personnel and organizational ethics. Further, strong emphasis must be placed on the integrity of finance professionals and on ethical leadership in our financial institutions. Some of the principles in finance ethics are similar to some other aspects of business, especially duties of fiduciaries and fairness in sales practices and securities markets. However, according to Boatright (2007), certain activities as insider trading and hostile take over raise unique issues that require special consideration.

The “Banking Industry” is quite different from other industries. It is a labour intensive, multi-purpose service

industry, where bulk of its capital consists of borrowed fund. Their activities are rigidly watched and regulated by controls. Therefore human skills in management decide the efficiency of their productivity and profitability.

According to Kern (2003) though high-tech mechanization and computerization in banks have increased the efficiency of the banking system, they have not guaranteed the elimination of frauds and evil practices. However, concealment of fraudulent actions by the culprit for a long time is next to impossible, due to mechanical and computerized means of defection. But still, there is always a risk of embezzlement by ingenious electronic means, which may not be easily traceable, making recovery very difficult. This type of cyber crime calls for an appropriate systems of surveillance over bank officials. There is a dire need for comprehensive and effective vigilance procedures, as also close electronic surveillance over balances in large or sensitive accounts, to begin with. E-banking, while it is no doubt convenient is not immune to security lapses arising out of cyber crimes such as electronic forgery, accessing of high value accounts and illegal transfer of funds by input and output manipulation through hacking the banks computerized networks.

Systematic studies in ethics and ethical orientation have been reported among students Stanga and Turpen (1991), Pressely and Blevins (1984), Schaupp (1989), Kayanama (1996), Borkowski and Urgas, (1992); as well as in various professions like dentistry (Bebeau et.al., 1985, Shashidhar, 2005), professional counseling (Volker 1979), accounting (Shaub 1989) auditing (Finn et al. 1988), marketing (Sparks and Hunt 1998), etc.

Studies on ethical orientation of MBA students were conducted by various researchers. According to Stanga and Turpen (1991), most students could not behave in unethical ways. White and Dooley (1993), states that 'practicality' are more important than 'ethicality' for the students. Pressely and Blevins (1984) founds that students believe that they must adopt a 'winning is everything' philosophy. On a comparison between business and other discipline students, Lane and Schaupp (1989), established that business students have different ethical beliefs as compared to students of other disciplines. According to Kayanama (1996), undergraduates are more ethically sensitive than graduate students. Confirming this Borkowski and Urgas, (1992) states that undergraduates are more 'justice' oriented and graduate students are more 'utilitarian'. In a study conducted by Shashidhar (2005) among Dentistry students, it was found that faculty and

students perceived that the institution's ethical culture was equally influenced by factors like Self-Centered, Consensual, and Universal Morality. Further, certain other factors like academic experience and psychological distress were found to influence faculty perceptions of institutional ethics.

Spark and Hunt (1998) explored the ethical sensitivity of marketing researchers and found out that among other things the sample of practitioners was more sensitive to research ethics issues than a sample of students in marketing. They concluded that "the greater ethical sensitivity exhibited by marketing practitioners can be attributed to their socialization into their marketing research profession, that is, by their learning the ethical norms of marketing research". However, Goolsby and Hunt (1992) found that marketing practitioners compare favorably than other social groups in their level of cognitive moral development. They found out that marketers scoring high on cognitive moral development tend to be female, highly educated as well as high in social responsibility.

Finn et al. (1988), in an investigation among auditors, found that discouraging unethical behavior by the top management will reduce the ethical problems that subordinates perceive. It was also established that ethical orientation is related to ethical

judgments in high moral intensity situations.

Shaub (1989) found a negative relationship between relativism and ethical sensitivity. This was further established by Spark and Hunt (1998) when they found a significant negative relationship between ethical sensitivity and formal training received by respondents. Cole et al. (2000) explored whether cognitive moral development moderates the relationship between the desirability of consequences to self versus others and ethics, and found no significant relationship. Brief et al. (1996) established that personal values had a little effect on ethical judgments.

Values maintained in organizations and its impact on employee's commitment was the area of study by Hunt et al (1989) wherein they established that organisations that have high ethical values will have employees who are extremely committed to the organizational welfare. A more or less similar result was obtained in a study conducted by Vitell and Paolillo (2003) when it found out that there existed a link between organizational commitment and decision maker's perception that ethics should be a long term, top priority of the organization. McCoy (2003) found out that ethical leadership plays a vital role in influencing the behaviour of employees in the organization. Perceived organizational ethical culture is also

indirectly related to ethical judgments, as ethical culture directly affects individual values and judgments.

In a classical study conducted by Fraedrich and Ferrell (1992) it was established that only 15 per cent of the sample of business person's maintained the same moral philosophy across both work and non work ethical decision making situations.

A review of literature revealed that a number of studies have been undertaken linking ethics, ethical orientation, etc. with different variables. However, studies linking ethical orientation and cadre difference as well as demographic variables are scarce. The present study attempts to bridge this gap

Objectives

The main objectives of the study are to find out if there exists any difference in ethical orientation between clerks and officers in the organization; as well as male and female employees. Ethical orientation among employees based on certain other demographic characteristics like educational qualifications, number of promotions and income earned were also studied.

RESEARCH METHODOLOGY

The present study done is an exploratory one designed to study the importance of ethics in the organization. A Pilot Study was done before the actual study, mainly focusing

on the formulation of research topic, to determine the sample size, and to find the factors affecting ethical concept in the organization. The duration of data collection was also fixed during the pilot study.

The study was conducted in Kochi city. Since the employees working in this zonal area are cosmopolitan in nature and are from various part of the country what I think is that the sample population selected will moreover represent the actual population.

A total number of 58 employees were interviewed for the study. The questionnaire used for data collection was mainly distributed employees who are working in head office, regional offices, and other six branches in Kochi district.

Sampling

The sample taken for the study consisted of 58 employees (32 Officers and 26 Clerks) collected in a random manner from a scheduled private sector bank. Males and females were equal in number at 29 each. With respect to educational qualifications, there were 24 Post Graduates, 31 Graduates and three Undergraduates. The demographic particulars of the sample studied are presented in Table 1.

Tool Used

The tool used of the present study is the modified version of a standardized questionnaire developed by Reddy, Rishiksha and Krishnan, (2002). This

questionnaire contains of two parts. Part one consisted of a set of 16 statements, on a four point scale (“4” if strongly agree, “3” if agree, “2” if disagree, and “1” if strongly disagree) wherein respondents were asked to indicate the degree of their agreement or disagreement with each of these statements. This part elicits information pertaining to perceptions and attitudes regarding ethics of people with respect to business, society, individual behavior, etc. The instrument consisted of six factors, viz., Situationalism, Ethical schism, Preparedness to pay the price, Relativism, Competition ethics, and Capitalistic ethics. The distribution of statement for the six factors was: Situationalism – Four; Ethical Schism – Four; Preparedness to pay the price – Two; Relativism – Two; Competition ethics – Two and Capitalistic ethics – Two.

The instrument is reported to have high validity as it was having a Chronbach alpha value of 0.7520. Part two consisted of personal details of the sample. The data were analyzed using statistical techniques like ANOVA, t-test, etc.

RESULTS AND DISCUSSION

The data and result of t-test between male and female employees is presented in Table 4. It can be found that the t-value is found to be 1.424. This value does not reveal any significant

difference between male and female employees with respect to ethical orientation.

However, the mean of 29 male respondents and 29 female respondents are 39.24 and 37.34 respectively. The standard deviation for males is 5.674 and for females are 4.386.

The data and result of t-test between officers and clerks are presented in Table 3. It can be found that the t-value is found to be .327, which is not significant. This shows that there is no significant difference between officers and clerk employees with respect to ethical orientation.

The mean value of 26 clerk respondents is 38.54 and for officers are 38.09. The standard deviation for clerks is 4.169 and for officers are 5.833.

Analysis to measure the Ethical Orientation on the basis of Educational Qualification of the Employees

The data and result of F-test to measure the ethical orientation on the basis of educational qualification are presented in Table no 5. It can be found that the F-value is found to be 1.265. This does not reveal any significant difference among the employees with respect to ethical orientation. It may be because 54 per cent of the employees are graduates and 41 per cent of employees are post graduates. Only 5 percent of them are under graduates, hence thus

it enabled the organization to create good ethical orientation among the employees.

The data and result of F-test among the employees to measure the ethical orientation on the basis of annual income are presented in Table no 6. It can be found that the F-value is found to be .265. This does not reveal any significant difference among the employees with respect to ethical orientation.

The table 2 shows the result of mean, standard deviation and variance of all six dimensional factors, viz. Situationalism, Ethical schism, Preparedness to pay the price, Relativism, Competition ethics, Capitalistic ethic. in the questionnaire. Among the six factors factor II (Ethical schism) is having the highest mean of 10.17 and factor IV (Relativism) is having the lowest.

Various statistical tools like t-test and ANOVA were used for analyzing the data and the major findings of the study were found to be the following.

Summary of the Findings

No significant difference was found in the ethical orientation between

1. Clerical staffs and Officers in the organization.
2. Males and Females in the organization.
3. Employees based on employee's educational qualification.

4. Employees based on promotions received.

Employees based on income received

SUGGESTIONS AND RECOMMENDATIONS

The only way to change a man for the better character is through imparting, man making education, i.e. education by which character is formed, strength of mind is increased and by which one can stand on ones own feet and not merely collect some degrees.

Though the employees of the organization are ethically oriented and there no significant difference among employees regarding their ethical orientation, certain steps can be adopted to improve the organizational ethics further, and they are mentioned in the following section.

- Create strong work culture through appropriate systems, as well as rewards and penalties. If work discipline in terms of time and staying at work place becomes mandatory and subject of penalties for non compliance, we will quickly change culture. Top persons in organizations have to set examples.
- Ethical training practices must be done during induction period and also regularly to the employees. Today's society has increasing expectation about corporate social responsibility. Also today's diverse work force brings a wide variety of

values and moral to the work place. Ethics training helps managers and employees to adhere to ethical norms of the organization and helps improve corporate image. Ethical business is 'good' business.

- Commitment, accountability, and taking responsibility can be inculcated through various practices such as role clarity, performance evaluations to be objective, etc. for creating organizational discipline. Employer should also cultivate the positive attitude in them and also create an "achievers mode" in their mind set.
- Personality development programs are expected to serve as an eye opener to many unresolved ethical issues. Hence, the HR policies pursued in the context of promoting loyalty towards organizational goals and objectives should also ensure that they help in developing the personality of sensitive workers.
- Create a stress free atmosphere in the work place by bringing spirituality in the work place. Yoga and Meditation methods can be adopted to do this. But make sure that employees are not get addicted to this kind of environment ignoring their work place.
- Protecting the organization from loose talks comes as a result of pride in the organization. This can be done through good internal communications, by fully informing

the employees about company program. Work ethics can be created and nurtured among employees. Managerial actions are required to achieve it.

- Increase the involvement of employees by making their work more challenging, more satisfying and rewarding for individuals.
- The integrity factor is found to be responsible for bringing loyalty towards organizational objectives and goals. So, the attempt for putting in practice ideals and values set forth by the management, as part of company ideology, gains currency. Avoidance of unwanted procedures and irrelevant methods from the administrative fold creates a sense of affection towards the job.
- Mere pursuit of business agenda aimed at expansion and diversification should not be at the expense of the environment, i.e. eco-friendly policies should be taken by managers while evolving in strategy formulations.

Adaptable Business Policy Practices

The following are some of the effective business practices that can be taken to deal with the control and elimination of frauds:

- A complete investigation of both the unfavorable as well as the favorable variations with reference to the budgetary control system must be done.

- It is necessary to examine and identify critical indicators such as output per worker, etc, against pre-set norms, and to take necessary actions to tighten up the administration in the interests of greater efficiency and transparency.
- Various methods and procedures based on qualitative analysis should be used for the purpose of verifying the behavioral aspects of different activities. Appropriate MIS should be used for obtaining relevant data for clear-cut analytical results.
- Any performance that is either too bad or too good should be closely watched in accordance with the expected standards or norms of the budget.
- For the purpose of comparative analysis of the performance of a branch with reference to the expected norms, if it is found that data is either inadequate or unavailable then certain proper methods of interpolation or extrapolation can be used.
- If certain pressures and pulls on the managers, to indulge in certain frauds. Are observed or suspected, then instant actions as per the legal requirement can be taken by appropriate authorities.
- From time to time, it is necessary on the part of top managers to visit various branch offices of their bank and inspect certain departments and

interview certain officers and managers so as to ensure healthy working and ethical business practices.

- If top management detects certain manipulation of facts and figures made by unscrupulous authorities, then swift actions have to be taken.
- Board of directors should show greater reliance on audit statements provided by the external auditors. If such statements indicate certain unhealthy and fraudulent aspects, then the directors, while, appreciating the professional competence of the auditors, should not ignore or take such fraud lightly.
- The top management has to ensure the internal audit department is manned by highly skilled and trained auditors who are completely knowledgeable in regard to the ethical objectives and mission and vision of their company.

Ethics Audit

The process of actively investigating and documenting incidents of dubious ethical value within a company is known as ethical audit. An ethics audit can reveal a lot about company's commitment to ethics. To recognize it is crucial to conduct ethics audit in appropriate manner.

The following are some guidelines that must be kept in mind while conducting an ethics audit:

- Make sure that top executives, such as the CEO, are committed to the ethics audit and appoint a committee to guide it.
- Create a diverse team of employees to write questions regarding the company's ethical performance. These should focus on existing practices.
- Carefully analyze official documents, such as ethical mission statements and code of ethics for clarity and thoroughness.
- Ask people why they think unethical behaviors have occurred.
- Compare your companies ethical to those of other company's ethical practices in the same industry.
- Write a formal report summarizing these findings and present it to all concern parties.

CONCLUSION

All over the world there is growing realization that ethics is important for any business and to achieve the progress of any society. Ethics give rise to efficient economy. An ethically responsible company is one which has developed a culture of caring for people and environment, a culture which flows downwards from the top managers and leaders. The rising business wars and market demands emanating from the changed socio-economic scenario need to be regulated and fashioned in a no-harm pattern with the help of 'value

based strategies'. The present study was conducted with the objective of measuring the ethical orientation among the employees in the organization.

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Table 1
Demographic Particulars of the Sample

	Particulars	Number	Per Cent
Gender	Male	29	50
	Female	29	50
Position	Officer	32	55
	Clerk	26	45
Educational qualification	Under graduate	3	5
	Graduate	31	54
	Post Graduate	24	41

Table 2
Result of Mean, Standard deviation and Variance of Dimensional Factors.

	Factor	Mean	Standard deviation	Variance
I	Situationalism	9.34	2.659	7.072
II	Ethical schism	10.17	2.393	5.724
III	Preparedness to pay the price	5.79	1.971	3.886
IV	Relativism	3.71	1.686	2.842
V	Competition ethics	4.17	1.403	1.970
VI	Capitalistic ethic	5.1	1.410	1.989

Table 3
Data and Result of t-test Between Officers and Clerks Employees

Position	N	Mean	Standard deviation	t_value
Clerk	26	38.54	4.169	.327*
Officers	32	38.09	5.833	

*not significant

Table 4
Data and Result of t-test Between Male and Female Employees

Gender	N	Mean	Standard deviation	t_value
Male	29	39.24	5.674	1.424*
Female	29	37.34	4.386	

*not significant

Table 5
Data and Result of F-test among employees on the basis of Educational qualification

	Sum of squares	Degrees of Freedom	Mean	F-Value
Between groups	65.611	2	32.806	1.265*
Within groups	1426.406	55	25.935	
Total	1492.017	57		

*not significant

Table 6
Data and Result of F-test among employees on the basis of Annual income

	Sum of squares	Degrees of Freedom	Mean	F-Value
Between groups	21.632	3	7.211	.265*
Within groups	1470.385	54	27.229	
Total	1492.017	57		

*not significant

THE CONCEPT OF UNIQUE INTRINSIC NATURE AND ITS IMPLICATIONS FOR HUMAN AND ORGANISATIONAL DEVELOPMENT

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One of the interesting and insightful concept of Indian philosophy is the concept of Unique Intrinsic Nature which may be abbreviated as UIN. This Indian concept can provide useful and relevant perspectives, which can be applied in modern management, especially in human and organizational development. The present article explores the application of the concept of UIN in the following domains of modern corporate management:

- ❖ *Job-Sculpting*
- ❖ *Motivation*
- ❖ *Understanding the inner nature and potentialities of Business*
- ❖ *Finding the right values for steering the individual and organizational evolution*
- ❖ *Understanding the core competence of organisations*

THE CONCEPT OF UNIQUE INTRINSIC NATURE

The Indian thought held the view that every type of human individual or the group has its unique and intrinsic self-nature, UIN. Let us now examine briefly the psychological basis of this Indian conception.

According to ancient Indian thought every human individual has four fundamental psychological powers which give birth to four basic human types of personality depending on which power dominates the temperament and personality. These four powers may be called as Mentor, Marshal, Merchant

and Worker. The outer life of man are the expression of these four-fold psychological powers within the human being in the collective life.

The first power is the intellectual, ethical and aesthetic being which seeks for knowledge, values and ideals, the power of the Mentor. The second is the will and vital force which seeks for power, strength, mastery, expansion, conquest, leadership and achievement, the power of the Marshal. The third is the sensational, emotional, relational and pragmatic mind which seeks for mutuality, harmonious relationship, enjoyment, production, interchange and pragmatic adaptation and organization, power of the Merchant. The third is the faculties of the physical being with its urge or capacity for hard work, obedience, loyalty, craftsmanship and details of material execution, the power of the Worker. One of these powers may dominate the nature of the individual determining his UIN as a Mentor, Marshal, Merchant or Worker. The ancient vedic ideal of human development is to develop fully and harmoniously all these four powers of the human being and integrate them around the spiritual centre of the individual.

When this four-powers and the corresponding types express themselves in the outer life it creates corresponding collective entities like the economic, social, commercial, political, military, administrative,

educational and cultural institutions each with their unique UIN.

Based on this concept of the four-fold powers in man, Indian thought arrived at two practical conclusions. The first conclusion is that for outer efficiency as well as inner development of the individual, her outer occupation has to be in harmony with her UIN. This is because the human nature is part of universal Nature and when the human individual lives and acts in harmony with her own intrinsic nature, he is subconsciously in tune with the universal Nature and also with other human natures. And such an ecological attunement with the nature of our own self and the universal Nature leads to efficiency, harmony and smooth evolution of the individual and the collectivity. The second conclusion is that to achieve this ecological attunement, the guiding system of ideals and values for the individual or the collectivity have to be shaped taking into consideration the UIN of the human organism. This means the system of values for the Mentor, Marshal, Merchant and Worker type of personalities can not be exactly the same. Similarly the value-system for the business, political, educational, religious or spiritual organizations cannot also be the same because their inner natures are not similar. Let us now examine the implication of this concept of UIN for human and organization development.

PSYCHOLOGY OF JOB-SCULPTING

There is at present a growing recognition of the importance of psychological factors in shaping the motives, performance and job-satisfaction of employees. According to Harvard psychologist, Timothy Butler and James Waldrop, latest research studies on the subject have identified three factors as the main ingredients of job-satisfaction and performance: Ability, Values and life-interests. Ability is the professional competence acquired through experience, knowledge, skill. Values are the type of rewards which people seek. Some people value money, others want intellectual challenge still others desire comfortable life-style. The third factor is the “deeply embedded life-interest” which are described by Butler and Waldrop as:

“These interests are not hobbies, nor are the topical enthusiasms such as Chinese history. Instead, deeply embedded life-interests are long-held, emotionally driven passions intricately entwined with personality and thus born of an indeterminate mix of nature and nurture. Deeply embedded life-interests do not determine what people are good at—they drive what kind of activities make them happy. At work, that happiness often translates into commitment.” (Butler, T, Waldrop, J, 1999)

In the Indian perception the inner source of ability, values and life-interests is the UIN of the individual which may be defined as a fundamental and deeply embedded psychological disposition which determines the unique inner temperament, inclination and values of the individual and also those activities for which she has a natural affinity. We must note here UIN is not the nature or temperament of the surface personality woven around the consciousness of our body. It is the nature of the deeper self in us which is a part of or one with the innermost spiritual core of our individuality. We may say UIN is the psycho-spiritual temperament intrinsic to the very essence of our individuality. So, the Indian concept of UIN is a deeper and broader concept which includes life-interest but also much more.

This brings us to the practical question: how to discover the UIN of an individual and match her outer occupation with her inner nature. The Harvard psychologists Butler and Waldrop call this task as “Job-Sculpting” which means “the art of matching people to jobs that will allow their deeply embedded life-interest to be expressed”.(1999) We may replace the concept of life-interest with the concept of UIN. Job-sculpting involves, matching the UIN of the individual with the psychological content of the job. The first step in job-sculpting is to understand the UIN

of the individual. There are three methods or approaches for discovering the UIN of an individual: Tests, Counselling and Self-observation.

The first one, oral and written tests, like interviews and aptitude tests or the more recent psychometric tests, are the most extensively used method in the modern corporate world. It is now well-recognised that for better performance, the employee should possess not only the knowledge and skill required for the job but also the requisite psychological temperament or aptitude. For example, an article in *New Scientist*, says the following on psychometric tests:

“Psychometric questionnaires measures factors such as independence, leadership, sociability, perseverance and decisiveness—The result tell employees, among other factors, whether you are decisive, cautious, like working towards goals, seek to achieve something you consider significant or enjoy variety. Some indicate whether you are a leader or follower, introvert or extrovert, conformist or non-conformist, prefer a supportive environment or don’t care. There are no correct answers to personality questionnaire. The results reflect your view of yourself and can indicate whether or not you are suitable for certain roles. It is best to be honest in your responses. For if you pretend to be what you are not, you may find

yourself in a job which is totally unsuitable. Someone who lacks staying power and persistence is unlikely to make a good researcher, while an introvert will find life hard in sales.”(Haris.N, 1993)

The second method is counseling which involves discussion, guidance and suggestions from experts like psychologists or career counselors and also with others like the boss or peers or teachers. The third method is self-observation, which means a deep and alert awareness of our inner world and the inner sources of our motives, values and actions.

All the three methods can be used but with a predominant emphasis on self-observation because the understanding of our UIN and our decisions and actions which flows from it gets fully internalized and effective only when it is a personal discovery. The advantage of the first method is that it can be applied extensively for a large number of people. The disadvantage of the method, especially with psychometric tests is that it tends to be superficial, mistaking our fleeting likes, dislikes, preferences and qualities of our surface personality as our deeper UIN. Counselling and discussions is a more effective method because it brings the objective and scientific perspective of others to the investigation. The advantage of self-observation is that it leads to a better internalization and

assimilation of the discovery. The drawback of the method is that it may lead to much confusion and errors created by personal bias, if the individual is not sufficiently mature psychologically, and does not have the right discrimination to distinguish between the deep and enduring urges and the fleeting surface impulsion.

As we have indicated earlier passing likes and dislikes and preferences of the surface personality tethered to our body are not the UIN. To discover the deeper psychological disposition of our UIN, we have to detach our mind from these surface urges and learn to feel impersonally the inner impulsions which come from the deeper sources of our being. A helpful indication is to see or rather feel what are the activities which give us a deep, tranquil and intrinsic joy. So the discovery of UIN has to be based mainly on self-observation with the other two methods helping and augmenting the process of self-assessment by providing appropriate information, guidance or expert advice. But for effective job-sculpting it is not enough to know the UIN of the individual. We must also know the psychological content of the job or occupation which is made of the following factors:

- i) The proportion of Mentor, Marshal, Merchant or Worker faculties needed for the job.
- ii) The dominant psychological temperament and the qualities required for performing the job effectively or in other words what is the psychographic profile of the job.
- iii) We may add one more factor to this psychological content of the job. Values and Ideals—moral, aesthetic and spiritual—which can elevate the activity to higher level of consciousness beyond the purely mundane focus on the bottom line.

The best way to determine this psychographic profile of the job is to ask people who have long experience in the job or achieved a high level of expertise and performance in their professional occupation not only in terms of efficiency and productivity but also in terms of implementing and enforcing values. For example, we may ask a world-class manufacturing manager with long-experience in the line to observe himself carefully while performing his function and also look at the activities of his department and his subordinates in a psychological perspective and describe what are the predominant faculties, qualities or values required for achieving high quality and performance in his job and also that of other workers in his department.

UIN AND VALUES

As we have indicated earlier, Indian thought held the view that for outer efficiency as well as inner development the guiding values and ideals for the individual and the collectivity have to be in harmony with their UIN. For example, “high thinking and simple living” may be a good system of values for the mentor-type of personality like the sage, saint, thinker and the scholar or the religious, education or spiritual organization. But it is not the right system of values for the Merchant-type like the businessman or for the economic and commercial life. For the Merchant type the ideal is not “high thinking” of the transcendental, philosophical and spiritual kind but useful, pragmatic, honest and generous thinking; not simple living but a beautiful, harmonious and opulent living. This doesn’t mean the merchant-type should not be interested in philosophy or spirituality but the activity which will help him most in his development is not pure or abstract philosophy or spirituality but applied philosophy or spirituality or in other words in implementing higher values in the outer life.

Thus each individual has to find a system of values, which is in harmony with her UIN. For the mentor type of personality it could be self-knowledge and world-knowledge, high thinking, inner peace and detachment, coaching and mentoring, and inner growth

through a path of knowledge, meditation and contemplation. For the Marshal type it is courage, self-mastery, wielding power under the yoke of high values, achievement, adventure, conquest of unexplored territories of knowledge or life, progressive perfection in work, compassionate or crusading leadership. For the merchant type it may be mutuality, harmony, rectitude in dealings; generosity of the mind and heart expressing itself through charity, philanthropy and friendliness; nimble and pragmatic flexibility in tackling the changing realities of life; capacity for organization; instinctive attunement to the rhythms of life; aesthetic sensibility. And finally for the worker-type, it is loyalty, faith, devotion, obedience to wiser guidance, skill in material execution and craftsmanship.

However we must note here that no individual is exclusively of a single type. These four types of personalities correspond to four basic clusters of psychological faculties within each human being. The UIN of an individual is determined by the predominance of a particular cluster of faculties. Moreover, as the individual progresses in her psychological evolution, these clusters tends towards an integrated balance but still she may live predominantly in the consciousness of a specific cluster of faculties. Moreover, values, virtues and qualities are in their essential nature are an

interrelated family. So a deeper and wider pursuit of a particular virtue or values belonging to our inborn and natural UIN may lead to the virtue or values of other types. For example while a marshal type of personality may express courage through a natural and forceful exercise of will and vital force, a mentor type of personality may attain courage through a path of calm and detached thinking or idealism. Similarly, while the Merchant-type can attain the ideal of love through harmonious relationship, the worker-type of personality may each the same ideal through devotion, loyalty and service.

UIN OF A BUSINESS ORGANIZATION

Just like the individual, every collectivity like a business organization has its own UIN. A business organization is part of the economic system and the basic UIN of an economic organism is to create wealth for the society through an efficient, economic and productive utilization of resources; by delighting the customers; and producing products with high quality at low cost. So efficiency, productivity, economy, quality, customer service and wealth-creation are the fundamental bottomline of a business organization which should never be neglected or ignored under any circumstances or at any stage of evolution. As we have said earlier, whatever higher values we want to

realize at the more advanced stages of evolution, they have to be integrated with these fundamental values of the UIN of business.

In a more psychological perspective the UIN of business lies in the pragmatic and relational mind, energy and will which is essential for the organization and implementation of ideas in the material life. So the right path for the higher evolution of business lies in perfecting this part or faculty of the human consciousness and acquiring the ability to organize and implement deeper, higher and more inclusive values, ideals and vision.

For example creativity and innovation are higher values than efficiency. A TQM (Total, Quality, Management) model based on the inner and outer quality of people, products, process and the environment is a deeper, higher and a more inclusive concept than the present TQM philosophy. Stakeholder value is a more inclusive ideal than shareholder value. An ideal of quality based on the emotional and psychological satisfaction of the customer is a deeper concept than the one based on technical or material quality of the product. A HRD (Human Resource Development) philosophy based on the hellenic ideal of sound mind in a sound body aiming at a balanced and harmonious development of the rational, pragmatic, emotional, ethical, aesthetic and physical being of the individual and

their harmonious self-expression in the community is a more inclusive ideal than the present ideal of HRD based on skill development. A concept of social responsibility based on capacity-building is a higher ideal than just pumping money in the form of charity.

UIN AND ORGANIZATIONAL DEVELOPMENT

Every collectivity like an individual, as it evolves, develops its own unique UIN in the form of a distinctive competence and a vital, mental, moral, aesthetic or spiritual temperament. This UIN of an organization is shaped by three factors. First is the environment of which it is a part or in which it is embedded. A business organization is part of the economic life of the community and therefore its UIN will be part of the larger nature of the economic organism. However the social and cultural environment also exerts a considerable influence in moulding the UIN of the organization. The second factor is the Vision and Values of its founders. The third factor is whatever new directions, modifications or innovations in vision, values and methods given or built into the organization by its later leaders.

Some of the modern management concepts like differentiation, core competence and branding are very much related to the concept of UIN. An organization discovers and manifest its UIN by developing a unique vital,

mental, moral and aesthetic temperament distinct from other organizations in the same industry and an inimitable competence in delivering better value for the customer. Companies like Northwest Airlines, Federal Express and Body Shop are examples of effective differentiation by developing the UIN of the organization. The maverick founder of Body Shop, Anita Rodick once said that she carefully watches the current trends in the industry and does the opposite! And Branding is nothing but the process of projecting and communicating the unique psychological personality of the Organization, UIN of the organization to the public or the customer.

The concept of UIN has important practical implications for organizational development. Every organization goes through a cycle of birth, growth, decline and when the period of decline is handled creatively, rejuvenation. There are many factors which causes the cycle of decline. One of the causative factors of decline could be loss of contact with the vision, values or the distinctive competence which gave birth to the organization and the source of its growth and success, or in other words, disconnect from the UIN of the organization. So, when the organization is in a cycle of low growth and decline, it is always helpful to recollect and reexamine impartially and objectively the following factors:

- i) History of the organization and its mission, vision, values and distinctive competencies.
- ii) Causative factors behind its “golden ages” of success and achievement.
- iii) How much of these factors and to what extent these factors are still alive or lived in the organizational culture.
- iv) How much of them are still relevant to the present condition and therefore have to be recovered or retained.
- v) What are the modifications or innovations to be made and new competencies to be acquired for tackling the present realities and future possibilities.

CONCLUSION

The Indian concept of Unique Intrinsic Nature, UIN has important practical implications for human and organizational development. Job-Sculpting based on the concept of UIN can help in matching the inner nature temperament, aptitude and capacities of the individual with the nature of the outer occupation. Similarly the concept of UIN provides useful insights for understanding the inner nature of an organization and evolving appropriate development strategies.

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Relationship between Emotional Intelligence and Performance of Employees in Corporate Sector

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This paper investigates the relationship between emotional intelligence and work performance of executives. To represent emotional intelligence, emotional quotient has been used as the measure. The sample for the study was executives of middle and top level management from executives working in the north-eastern region of a central public sector undertaking (CPSU) in India. For the purpose of confidentiality the name of the CPSU has not been disclosed. The north eastern region was selected for the study on the request of the CPSU. They felt that the NE region's organizational entities are considered as organizations within organizations. The instrument for measuring emotional quotient through a questionnaire was developed by Chadha (2003) and Singh (2003). The data on performance of these executives were collected from the CPSU. In the first stage, the score of EQ was compared with the level of performance. It was found that people with high EQ were not necessarily high in performance. In the next stage, the responses of the sample against each dimension in the instrument used were analysed with the performance of the executives. The finding in the first stage was reinforced during the second stage of analysis. The conclusion from this is that the performance appraisal process of the CPSU itself needs evaluation.

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The term EI was developed was introduced initially by Salovey and Mayer (1990). The concept of EI was made popular by Goleman (1996) with his book *Emotional Intelligence: Why It Can matter More Than IQ* According Goleman , IQ accounts for only about 20% of a person's success in life. The balance can be attributed to 'emotional intelligence' or EQ. Goleman (1998) defined emotional intelligence as 'the capacity for recognizing our own feelings and those of others, for motivating ourselves, and for managing emotions well in ourselves and in our relationships. Emotional intelligence

Describes abilities distinct from, but complimentary to, academic intelligence or the purely cognitive capacities measured by IQ'. He also suggested that emotional competencies fall into four clusters: self-awareness, self-management, social awareness and social skills.

EI models have generally been classified into two categories. The first category includes the ability model proposed by Mayer and Salovey (1997), which suggested that EI is the ability to perceive and express emotion, assimilate it in thought, understand and reason with it in self and others. The second category includes Goleman (1996) and Bar-On (1997) model. In his model of EI, Goleman (1996) defined EI on the basis of traits that

include control of the self, zeal and persistence and the ability to motivate oneself. Bar-On (1997) focused on non-cognitive capabilities that influences one's ability to succeed in life.

Research has indicated that individuals with higher levels of EI are more likely to experience performance related success than the individuals with lower levels of EI (e.g, Goleman, 1996, Schutte *et al*, 1998, Fox and Spector, 2000 and George, 2000). EI is important not only for managerial jobs but, is also important for highly technical work. Kelley and Caplan (1993) found in their study that EI was a better predictor than academic excellence for job productivity. Feist and Barron (1996) studied professions in which everyone has a high IQ and rigorous professional training to find what distinguishes those who would remain competent more than average performers. They concluded that social and emotional abilities four times more important than IQ in determining the success in their careers. Goleman (1998) concluded that Emotional Intelligence matters twice as much as technical and analytical skill combined for star performance. And the higher people move up in the company, the more crucial emotional intelligence becomes. Gundlach (2003) highlighted the role of self-efficacy ultimately

resulting in better workplace management. Rosete & Ciarrochi (2005) found EI to be positively related to job performance. Similarly, Caruso and Salovey (2004) concluded that some organization members may perform effectively because they have high EI. Carmeli (2006) and Josman (2006) also found a positive relationship between emotional intelligence and employee work outcomes. Hawkins (2007) and Dulewicz (2007) also found positive relationship between EQ and performance as a leader. Requirement of leadership qualities for effective performance is accepted everywhere. Very few research have opposite conclusions like Shaffer and Shaffer (2005) who found no relationship between emotional stability and performance variables.

The author wanted to test these findings in an Indian public sector organization.

HYPOTHESES

The following hypotheses have been formulated for empirical testing:

- There is no relation between emotional quotient alone and work performance
- Performance of people with higher EQ is better than those with lower EQ.

METHODOLOGY

The Sample

For the present study, data were collected with the help of structured questionnaire from 129 employees working in a CPSU. Participants were working at the levels of associates, middle managers and top managers in the north eastern area on the country. 150 executives were administered the questionnaire. 129 out of them responded. The response rate was 86%. Out of these 129 employees, 51 were females and 78 males. Mean age of the sample was 46.23 years, with 60 years as the maximum and 28 as the minimum years. 52.3% of the sample are between the ages of 40-50 years.

The Instrument

Emotional quotient was measured using the emotional intelligence test (EIT), developed by Chadha (2003) and Singh (2003). 15 items measuring emotional reactions to different situations were taken. Designed especially for the Indian population, EIT has been standardized for managers, businessmen, bureaucrats and industrial workers. It comprises of 15 questions with 4 options. This test measures EQ through emotional reaction to different situations.

The retest reliability of the instrument was 0.94. The split-half reliability in the

case of odd-even items was 0.89 and for the first half and second half was 0.91. Hence, the instrument can be considered as enjoying high reliability.

The validity was tested with the help of two techniques (1) face validity, and (2) empirical validity. The scores from the tests were correlated to determine the validity index. The validity was 0.92. This indicates that the EQ scale is valid.

WORK PERFORMANCE

Work performance assessment was taken from the Zonal Head Office of the CPSU in 4 categories i.e.: excellent, good, and average and below average. However, eventually the categories had to be scaled down to 3 categories- excellent, good and average because none of the participants out of the 123, had received a work assessment in the 'below average' category. The categories are as follows:

- Excellent: employees in this category are outstanding in their performance. They are high on flexibility and taking initiative. They meet their targets before deadlines. Excellent performers are considered very satisfied with their jobs.
- Good: employees in this slab are effective enough to meet the target on time. They work hard to meet their targets. They need some guidance but are able to complete tasks once guided.
- Average: average performers are efficient, but not effective enough. They lack motivation. They require continuous supervision. They miss targets with small margins.

At this stage of the study, It has been assumed that the evaluation of performance of these employees is correct.

RESULTS AND DISCUSSION

TABLE – 1

EQ SCORE	EQ LEVEL
170 - 196	Low
197 – 223	Moderate
224 - 250	High
251 - 277	Extremely High

The employees scoring between 170 and 196 were having low emotional intelligence. All the employees fell into one of the four categories of low, moderate, high or extremely high emotional intelligence level depending on the EQ score they get.

TABLE – 2

EQ SCORE	PERFORMANCE OF EMPLOYEES IN NUMBER		
	EXCELLENT	GOOD	AVERAGE
170 - 196	06	06	06
197 - 223	18	15	09
224 - 250	12	24	NIL
251 - 277	06	12	15

The data collected were tabulated as above. Depending on the EQ score of the employees and the performance category they belong to, the table was developed. It shows number employees in excellent, good and average category with their EQ score.

ANALYSIS

To study the relationship between emotional quotient and work performance, correlation analysis was carried out. The statistical tool used was chi-square. Chi square tests were carried out to access the degree of strength between two parameters.

CHI-SQUARE TEST

TABLE – 3

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.392	6	.624
Likelihood Ratio	5.754	6	.451
Linear-by-Linear Association	.007	1	.935
N of Valid Cases	129		

These findings were adequate for a conclusion. But, it was considered appropriate to test the findings against each dimension of the instrument. Hence, in the second stage these dimensions were analysed.

The responses of each sample was tabulated in accordance with the options available to the executives in the

instrument and analysed through chi-square test.

The responses against each dimension of the instrument are discussed below.

You have been ignored for a promotion by the management for which you were eligible. Moreover, one of your juniors has been promoted. You are upset and feel frustrated. What do you do?

TABLE - 4

	Frequency	Percent	Valid Percent	Cumulative Percent
Talk with your boss and ask for reconsideration	35	27.3	27.3	27.3
Obtain a stay order to get justice	6	4.5	4.5	31.8
Identify problems and improve performance	88	68.2	68.2	100.0
Total	129	100.0	100.0	

In this situation, 68.2% of the respondents have reacted in a very practical manner indicating that they will first identify the problem and then try to solve it. 27.3% have responded that they would talk with the boss and ask to reconsider the matter. This is most suitable.

A freshly recruited professional graduate joins your organization as a management trainee. After a few weeks, she complains to you that her superiors and subordinates were not taking her seriously. What will you suggest to her?

TABLE - 5

	Frequency	Percent	Valid Percent	Cumulative Percent
Ask to handle the situation herself	3	2.3	2.3	2.3
Ask her to ignore such a behavior	9	6.8	6.8	9.1
Ask her to be bold, face the challenge and overcome the problem	79	61.4	61.4	70.5
Emphathise her	38	29.5	29.5	100
Total	129	100.0	100.0	

We can see that 61.4% of the sample opined that they would help the person to be strong and overcome the problem boldly. 29.5% responded that they would empathize. Later response is the best.

At workplace due to some misunderstanding, your colleagues stop talking to you. You are convinced that it was no fault of yours. How will you react?

TABLE – 6

	Frequency	Percent	Valid Percent	Cumulative Percent
Wait till they come and start talking	18	13.6	13.6	13.6
Take initiative and start talking	82	63.6	63.6	77.3
Leave it to time	26	20.5	20.5	97.7
Ask for a mediator	3	2.3	2.3	100.0
Total	129	100.0	100.0	

63.6% of the samples have mentioned that they would take initiative and start talking to resolve the issue. Healthy interpersonal relations is an indicator of good EQ. This is the best response.

You get into an argument with your colleague in the course of which you end up personally attacking him/her. However, you never intended to tarnish the image of your colleague. How will you tackle this ugly situation?

TABLE – 7

	Frequency	Percent	Valid Percent	Cumulative Percent
Sit calmly and consider	67	52.3	52.3	52.3
Avoid future arguments and leave the situation	35	27.3	27.3	79.5
Apologize to your colleague	23	18.2	18.2	97.7
Continue with the argument till things settle	4	2.3	2.3	100.0
Total	129	100.0	100.0	

We can see that 52.3 % of the sample responded that they would sit calmly and think over the matter, and consider what went wrong. This is best response showing self-control during such situations which helps to cool down.

Imagine you are an insurance salesperson approaching prospective clients to purchase insurance policies. A dozen people in a row slam the door on your face. What will you do?

TABLE - 8

	Frequency	Percent	Valid Percent	Cumulative Percent
reassess the capabilities	15	11.4	11.4	11.4
come out with strategies	79	61.4	61.4	72.7
contact clients some other day	35	27.3	27.3	100.0
Total	129	100.0	100.0	

We see that almost 61.4 % will look for new strategies to tackle the

problem. This shows the level of optimism and is the best response.

While speaking to an audience, you:

TABLE - 9

	Frequency	Percent	Valid Percent	Cumulative Percent
Difficult to convey ideas	6	4.5	4.5	4.5
Part of audience follow your speech	9	6.8	6.8	11.4
Comfortable to convey	105	81.8	81.8	93.2
Don't know if audience is following	9	6.8	6.8	100.0
Total	129	100.0	100.0	

From the sample we can see that 81.8% of the respondents are comfortable in conveying their message to the audience. This shows effective communication skills and is the best response.

You are on an aircraft and suddenly the pilot announces that it has been hijacked by the terrorists. Everyone is in a state of shock. What will be your reaction?

TABLE - 10

	Frequency	Percent	Valid Percent	Cumulative Percent
Be in emotional control	102	79.5	79.5	79.5
Dont pay attention to the incident	21	15.9	15.9	95.5
Cry out and vow that you will never repeat	6	4.5	4.5	100.0
Total	129	100.0	100.0	

We can observe that 79.5 % of the respondents would be in emotional control and listen to advice of the crew. Adapting to a given situation reflects high EQ and this is the best response.

Imagine that you are a police officer posted in a very sensitive area. You get information of violent ethnic clashes between two religious communities in which people have been killed from both sides and property damaged. What action will you take

TABLE – 11

	Frequency	Percent	Valid Percent	Cumulative Percent
Not to visit the spot	3	2.3	2.3	2.3
Try to handle the situation	97	75.0	75.0	77.3
Reach spot and assuage the situation	29	22.7	22.7	100.0
Total	129	100.0	100.0	

We can see that 75% of the sample would reach out their selves to tackle the situation. This shows high sensitivity and is the best response.

Your grown up son starts arguing with you every now and then. He tells you that you cannot impose your outdated attitudes and irrelevant values on him. How will you tackle him?

TABLE - 12

	Frequency	Percentage	Valid percentage	Cumulative percentage
Accept his statements in helplessness	3	2.3	2.3	2.3
Explain your point of view patiently	26	20.5	20.5	22.7
Talk to him and understand his feelings, beliefs and attitudes	100	77.3	77.3	100.0
Total	129	100.0	100.0	

77.3% of the sample has opted for the best option.

In an argument, if you lose, you

TABLE – 13

	Frequency	Percentage	Valid percentage	Cumulative percentage
Wait for next opportunity to beat your opponent	11	9.1	9.1	9.1
Winning and losing are part of the game.	18	13.6	13.6	22.7
Analyze the reasons for the loss.	100	77.3	77.3	100.0
Total	129	100.0	100.0	

In this question, 77.3% of the respondents have reacted in a mature way by saying that they would analyze the reasons for their loss during an argument. This is the most appropriate response.

You are a professor in a college; while taking class, a student comments that you have not prepared the topic properly, and you are just passing the time. How will you react?

TABLE – 14

	Frequency	Percentage	Valid percentage	Cumulative percentage
Report to the principal	3	2.3	2.3	2.3
Ask the student to leave the class	6	4.5	4.5	6.8
Ask him to meet you in the chamber	61	47.7	47.7	54.5
Listen to the needs of the class and prepare for the topic	59	45.5	45.5	100.0
Total	129	100.0	100.0	

45% of the respondents responded in the most appropriate way. union leaders levels serious allegations of corruption and favoritism against you. How will you react?

As the CEO of a company, while taking a meeting with the union, one of the

TABLE – 15

	Frequency	Percentage	Valid percentage	Cumulative percentage
Continue with the discussion with a cool head	105	81.8	81.8	81.8
Ask the allegator to apologize	15	11.4	11.4	93.2
Leave the room and ask subordinate to continue	9	6.8	6.8	100.0
Total	129	100.0	100.0	

81.8% of the sample has given the best response. not on speaking terms for sometime. The situation is causing mental disturbance to both of you. What will you do?

You had an argument with your spouse on some trivial family matter and are

TABLE - 16

	Frequency	Percentage	Valid percentage	Cumulative percentage
Stick to your stand	3	2.3	2.3	2.3
Ask spouse to mend ways	15	11.4	11.4	13.6
Break the ice and ease situation	94	72.7	72.7	86.4
Wait for the spouse to make first move	17	13.6	13.6	100.0
Total	129	100.0	100.0	

72.7% opting to take initiative and break the ice so that both can come to a mutual understanding is the best response. You hail from a rural area and take admission in a city college. You find your classmates taunting you as you are not smart and are unable to speak good English. How do you react?

TABLE – 17

	Frequency	Percentage	Valid percentage	Cumulative percentage
Ignore them	9	6.8	6.8	6.8
Ask them to mid their own business	6	4.5	4.5	11.4
Accept the challenge	114	88.6	88.6	100.0
Total	129	100.0	100.0	

88.6 % have responded in the best way.

When someone directly criticizes your behavior:

TABLE – 18

	Frequency	Percentage	Valid percentage	Cumulative percentage
Tend to close up and stop listening	18	13.6	13.6	13.6
Carefully listen to their option	58	45.5	45.5	59.1
Get upset about it	3	2.3	2.3	61.4
Think of ways to change your behaviour	50	38.6	38.6	100.0
Total	129	100.0	100.0	

45.5% stated that they were ready to listen carefully what others have to say about them. This is the best response.

Highest responses against situations in tables 4 to 18 above were taken with

the level of score for EQ against that particular situation and the performance level of those executives were tabulated. Table 19 below gives the details:

TABLE – 19

SITUATION	OPTION	EQ LEVEL	PERFORMANCE		
			EXCELLENT	GOOD	AVERAGE
1	C	M	30	45	15
2	C	M	27	39	15
3	B	EH	9	13	6
4	A	EH	8	12	3
5	C	EH	24	45	12
6	C	EH	33	45	30
7	B	EH	36	45	24
8	C	EH	30	48	21
9	D	H	30	48	24
10	D	EH	33	45	24
11	C	M	21	21	21
12	A	EH	39	48	21
13	C	EH	33	42	21
14	D	EH	33	57	27
15	D	H	12	24	15

The levels of EQ indicated in table 19 are assigned in accordance with table 1 above. The numbers under 'performance' represent number of employees.

CONCLUSION

Chi-square results at table 3 shows that high performance is not necessarily dependent on emotional quotient. Chi-square is used to determine whether the two attributes are independent of each other. The confidence level was taken as 95%, and the significance level then would be 0.05, and the chi-square observed value which we obtained was 0.64. According to this test if the observed value is greater than the significance value then we accept null

hypothesis and reject alternate hypothesis. So here we have accepted the null hypothesis which states that, the high performance is not necessarily dependent on high EQ alone.

The conclusion is reinforced by analysis at table 19 above which shows employees with extremely high EQ are not necessarily excellent performers. Similarly, some employees with moderate and low EQ are excellent performers.

High EQ is necessary for better performance in the corporate sector. But, high EQ cannot be the only requirement for good performance on the job. Hence, the findings to that extent are reasonable. But, what is of

concern is the finding that some excellent performers have low EQ. This leads to a possibility of the performance appraisal systems not reflecting the correct performance of the executive. In view of the findings and the theories discussed in the beginning of the paper, it seems appropriate to do further empirical studies. The study should be repeated in other geographical areas of the CPSU. In case, similar conclusions are seen there also; the performance evaluation process itself should be evaluated to ensure that the system is implemented to perfection.

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360 Degree Feedback: Tool for Leadership Development

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Succession Planning is increasingly getting importance as we talk about vacuum of effective leadership. Activities focusing on this require finding the right talent and attributes necessary for making them effectively perform in their new assignments and in moving up in the ladder of progress. 360 degree feedback may become an effective tool to understand the potential of the prospective leader and in ensuring internal transfer with right set of skills required. Also as the upward movement in the ladder takes place, leading team and working with team becomes necessary skills. Objective of the study is to understand and establish role of 360 DF as a tool in leadership development. The paper is review of literature and will incorporate case as practical example of Indian MNCs and PSU with leadership development as an important focus area. The relevant information for the present paper has been gathered from the literatures of 360 degree feedback, leadership and through in depth interview of employees of corporate where 360 degree feedback is being implemented. It's proposed that leadership development needs fostering right attributes for which 360 DF may work as right tool. 360DF rightfully implemented could give directions to leadership development in the organization at the same time can also impact imbining followership in its employees.

In today's dynamic and challenging environment it's important and necessary to develop high potentials to effectively take over the current leadership when there time comes to exit there positions. This type of leadership development usually requires the extensive transfer of an individual between departments. Such activities requires finding the right talent and attributes necessary for making them effectively perform in

their new assignments and in moving up in the ladder of progress. 360 degree feedback may become an effective tool to understand the potential of the prospective leader and in ensuring internal transfer with right set of skills required. Also as the upward movement in the ladder takes place, leading team and working with team becomes necessary skills. It's proposed that leadership development needs fostering right attributes for which 360 DF may work as right tool. 360DF rightfully implemented could give directions to leadership development in the organization at the same time can also impact imbibing follower ship in its employees. This paper is an attempt to explore the leadership development through implementing 360DF in organizations.

OBJECTIVE

Objective of the study is to explore and establish role of 360 DF as a tool in leadership development. Case studies have been done for some organizations which are integrating 360 DF and leadership development, its advantage and purpose. Study includes review of literature and study of organizations through in-depth interview sessions.

METHODOLOGY

The relevant information for the present paper has been gathered from the literatures of 360 Degree Feedback, leadership and through in depth interview with people of NTPC,

Infosys among others to understand practical aspects of leadership development along with 360 degree feedback. Articles reviewed included articles written in academic referred journals and business magazines. These were located by entering the following words with no date restrictions leadership development, 360 degree feedback. Besides this personal discussions with people from industry and academia have helped to draw important inferences on the subject. After reviewing various authors' constructions of the concept and definition of current knowledge, an understanding has been developed to facilitate leadership development.

CONCEPTUAL FRAMEWORK

Over the last 25 years there has been considerable theoretical and empirical work conducted on organizational performance. One of the emerging areas within this work is the study of role of leadership in facilitating organizational performance. With the wider understanding of affect of leadership and leader's behaviour, it becomes relevant to focus on leadership development. Leadership development refers to any activity that enhances the quality of leadership within an individual or organization. Leadership development focuses on the development of leadership as a process, it includes the interpersonal relationships, social influence process, and the team dynamics between the

leader and his/her team at the dyad level. In the absence of leadership development, an organization faces leadership crises. Many of the leaders and top executives are truly unaware that how their behavior impedes functioning of their own and others' in their organization. The result is a serious gap between what many leaders say they do, and what they really do. Properly designed 360-degree feedback questionnaires can help by providing a tool to help leaders compare their self-perceptions with the observations of colleagues or others who know them well. Some surveys from literature review gives complete details of questionnaire and process of 360DF like Global Executive Leadership Inventory (GELI), IGLC 360° survey instruments and RSDQ Model (Rao, T. V. 2004). Researcher have linked 360 degree feedback to several positive outcomes like improved performance, better interpersonal Communication, smoother work relationships, etc. (Rai and Singh, 2005). 360 DF is a process in which an executive evaluates his or her performance on a set of criteria using a questionnaire administered on-line or in an e-mail or paper-and-pencil version. Questionnaires with questions based on the same criteria are also used by other respondents involved in the assessment, for example, the executive's boss or several bosses, peers, customers and direct reports.

Sometimes clients or suppliers, as well as former colleagues, friends or family members may participate in the exercise as respondents. Respondents are also given an opportunity to provide descriptive qualitative comments in addition to their quantitative assessments. Executives receive an individual report allowing them to conduct a gap analysis detailing how they perceive themselves versus how others perceive them. The findings from the report are used for self-analysis and subsequent discussions with a facilitator, instructor, executive coach, and, in some cases, peer coaches, such as other participants in the executive program. Based on the findings, executive may engage in further clarification of the data and/or its analysis to derive an action plan that takes into account feedback results.

It's being said that leader is a person others opt to follow to a place they would not have gone by themselves. For institutions, organizations, society and country it's important to have leaders who can take people where they would not have gone by themselves and bring innovation and success. Originally, multi-rater feedback instruments were used solely in the context of assessing behaviors or competencies directly related to the executive's job performance. The instruments used for feedback may be designed specifically to reflect the

competencies and/or behaviors that a specific organizations wants to develop in its executives. In this case, it's a company-specific tool reflecting the organization's leadership or competence model. If there are norms for comparison with other instrument-takers, they are based on results of other people from the same company. Recent developments in the field of executive development and leadership clearly indicate that multi-rater feedback methods can be used for providing executives with insight on their overall functioning as individuals (Vries, 2004). Result and output of 360DF can be used in understanding individual behavior and interpersonal relationship which may positively affects; leadership and followership in organizations. The concept of the Johari window illustrates the value of participating in 360-degree feedback. Johari window is a two-by-two matrix that describes how we perceive ourselves and how the world around us perceives us. With the help of the 360-degree feedback executives can narrow the "Unknown to self/Known to Others" area and, if necessary, choose to undertake action. They can also use the feedback as a starting point of expanding the "Known to Self/ Known to Others" area in the direction of what was previously unproductively hidden from the outside world.

GLOBAL EXECUTIVE LEADERSHIP INVENTORY (GELI)

The purpose of the GELI is to investigate what it means to be a world-class leader. It illustrates behavior and actions which make for leadership effectiveness. An important objective

Known to Self Known to Others	Known to Self Unknown to Others
Unknown to Self Known to Others	Unknown to Self Unknown to Others

Johari Window Source: Luft, Joseph (1969)

of the GELI is to combine an exploration of essential leadership dimensions in one 360° questionnaire. The GELI allows the test-taker to rate his or her own performance, and compare their personal rating with that of a group of observers. Observers who typically are *superiors, direct reports, co-workers* or *others* respond to the questionnaire anonymously, excepting the test-taker's superior(s). The GELI includes the following twelve dimensions: *IGLC 360° Survey Instruments* has following dimensions *Visioning, Empowering, Energizing Designing and aligning, Rewarding and giving feedback, Team-building, Outside stakeholder orientation, Global mindset, Tenacity, Emotional intelligence, Life balance: Resilience to stress*. The GELI includes a total of

100 questions in 12 dimensions. Questions similar to those in the GELI are like for envisioning, “I establish a sense of direction for the organization”, for life balance “I maintain a diversity of interests in my private life”.

THE LEADERSHIP ARCHETYPES QUESTIONNAIRE (LAQ)

Personality theorists recognize that certain constellations of character traits – archetypes – recur on a regular basis. A leadership archetype characterizes the way in which leaders deal with people and situations in an organizational context. These archetypes represent prototypes for ideas, a template for interpreting observed phenomena and understanding behavior. The eight leadership archetypes included in the LAQ are: *strategist, change-catalyst,*

transactor, builder, innovator, processor, coach and communicator (Vries, et al 2007). GLC 360° Survey Instruments scores of all the members of the organization participating in the test are then averaged and mapped on another spider-web grid evident in Figure I, where congruencies and discrepancies for a team as a whole become immediately visible. The example below (the scores of the other members of the team of the previous test-taker) shows the self and team average lines. At a glance, we see that this team lacks individuals with coaching skills. In particular, observers suggest that coaching is something that barely exists. This could signal future problems for such fast-growing organization. There doesn't appear to be enough leadership development taking place making evident less of thought been given to succession issues.

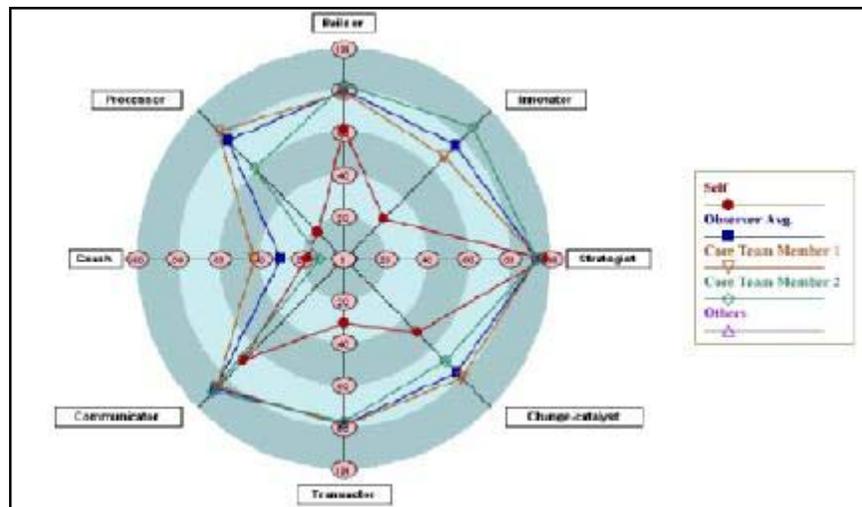


FIG I Leadership Archetype Personal Graph (Kets de Vries, M., 2005)

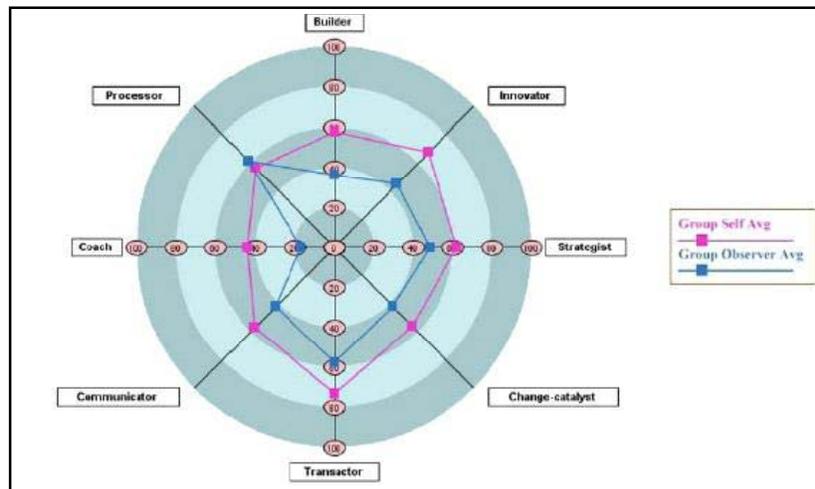


FIG II Leadership Archetype Group Average (Kets de Vries, M., 2005)

Furthermore, depending on the position of the individual in the organization and the type of organization, certain dimensions will be more relevant than others. For example, dimensions such as Global Mindset or Outside Orientation may be of less importance to some people. It should be remembered, too, that leadership must always be considered in the context of a specific situation. The socioeconomic and political environment in which a leader operates helps determine which leadership style is more appropriate in a given situation, as do the nature of the industry and the life stage of the company.

Infosys believes in meritocracy and has built a high performance work culture among its workers. With maturity in appraisal process 360 DF earlier opted for appraisal has gradually become

leadership development tool. 360 feedbacks in Infosys can be explained in four revolutionary stages start with Idealism Stage initiated in early 90's with the idea to bring change. One of the directors used to collect peer 360 data collections of the Management Council. A culture of transparency and openness to get feedback was encouraged. Mid 90's can be termed as feedback Stage, where coverage of 360Degree moved lower down. Multi point feedback from peers/ reverse was collected and hands-on report generation by HRD. Appraisal Stage in late 90's was more process and system driven with customized format. 360 reviews were connected just before regular performance appraisal. Currently Development Stage is based on clear, staged competency model. Feedback and development changes are

systemized, includes; collection of feedback from peers, customers and subordinates, workshop for appreciating and understanding the feedback, Ownership of feedback lies with individual, however manager and individual help develop PDP. Feedback is discussed in panel review of performance. This is hugely successful with most managers asking for their 360 and all nominated for leadership 360 ensuring their feedbacks. Highlights of the 360DF in Infosys are that it's an online system available from all locations, can be used by nay infoscion with managerial responsibilities. Although HR facilitates 360 feedback system once a year, units can conduct this whenever required. Is a decentralized system with tracking and follow-up facilities lying with the person seeking feedback. It normally comes with a numeric and targeted comments feedback facility. Also rater anonymity is ensured while the reports are shared. The items in the questionnaire have been arrived at on the basis of desired Leadership and Managerial Competencies established in the company, have been piloted and checked for face validity before release and is reviewed after every feedback cycle and fined tuned based on feedback, requirement etc. Raters are selected objectively mutually by the appraisee and his/her manager. It can be understood that 360 degree feedback has remained a credible

instrument over a decade and has evolved as a leadership development tool.

NTPC, the largest power Company in India recently introduced LEAD CIRCLE. It is a Leadership assessment and development system that has recently introduced in NTPC Ltd. Earlier in NTPC the feedback would come from subordinates, peers, and managers in the organizational hierarchy, as well as self-assessment, and in some cases external sources such as customers and suppliers or other interested stakeholders. The results from 360 degree feedback are often used by the person receiving the feedback to plan their training and development. The results are also used by organization for making promotional or pay decisions, which are sometimes called "360-degree review." This has gradually being today developed into LEAD Circle. In LEAD circle 360Df is used on the agreed competition necessary for leading at different stages of career. The focus of LEAD is to assess leadership potential and sub sequentially develops the same. It works in parallel with "Development Centers", which is to systematically diagnose the current and potential competency requirements of the employees with the objective of enhancing their development in a planned manner.

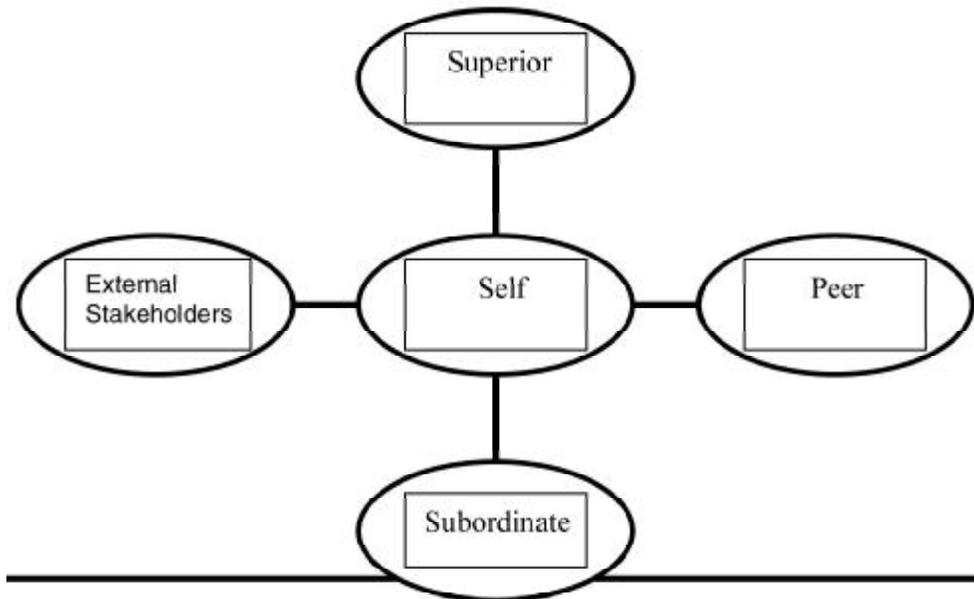


Fig III LEAD CIRCLE

BBC 360 DEGREE FEEDBACKS

Leadership Development

The BBC Making It Happen team, led by Greg Dyke, had identified the need to develop the BBC's leadership capability. The BBC needed to develop a performance culture and 360 degree feedback was seen as key to underpinning success. As part of the BBC Leadership Strategy Board, planning, development and roll-out of a bespoke 360 degree feedback system and process (BBC 360) happened. This involved leading my team to define the BBC Leadership Competency model (to support the Making it Happen "Lead More, Manage Well" team). Team developed an in-house and online bespoke 360 feedback system and trailed the approach around the BBC

with willing pilot groups to establish acceptance. The paperless data-collection approach (integrated into the BBC's e-mail and e-learning systems) facilitated very easy administration. They also trained around seventy BBC people to become facilitators around the corporation.

After initial reluctance and suspicion, BBC leaders have now widely accepted BBC 360 as part of the way they work. It was vitally important to ensure that data were kept confidential and every participant receives a one-to-one coaching session with a trained facilitator to get their results. Every BBC leader who attends the BBC Leadership Programme at Ashridge benefits from a feedback session that dovetails into a coaching relationship

(these number nearly 4,000 feedback sessions so far). 360 Degree Feedback is consistently reported as one of the most valuable aspects of the entire BBC Leadership Programme.

PROBLEMS WHILE IMPLEMENTING THE 360 DEGREE FEEDBACKS

Typical 360-degree feedback programs assess competencies that are not directly related to business results or are so broad that they aren't relevant to the average employee. The time and cost associated with 360-degree feedback also are stumbling blocks. Therefore when used for leadership development, it's important to understand cost associated with it. Also unless everyone participating in a 360-degree program is trained in the art of giving and receiving feedback, the process can lead to uncertainty and conflict among team members. There may be a gap between organization's business objectives and what 360-degree feedback programs measure. By trying to capture every nuance of a worker's performance, many 360-degree feedback programs have become so complex that they require a much greater investment in time and money than they can return. Therefore organizations need to understand competencies they seek in their leaders and design 360 degree feedback to measure the same. Important principles for effective implementation of 360 DF

and mitigate problems associated with 360 Degree feedback for leadership development are the Confidentiality Principle, the Exploration Principle and the Gratitude Principle. The principle of confidentiality means that the executive should not know who of his designated respondents gave him a specific rating or provided a particular comment. Quality feedback instruments are designed in such a way as to protect the anonymity of the ratings and comments. Usually the logical exception from this principle is the boss of the executive, as it is assumed that she or he should be in a position where protection of confidentiality is not necessary. If an in-house or company-specific instrument is used for 360-degree assessment, organization should provide exact confidentiality status of results. Thus it's important to reassure potential respondents about the confidentiality principle. Only if respondents feel psychologically safe they can give the information that can direct effective leadership development in the organization. The data that will eventually be received in 360-degree feedback is input for self-exploration and experimentation. As the answers of respondents may be influenced by a myriad of factors, they may not necessarily be the ultimate truth. Therefore, the data per se will not be sufficient for prospective leaders to come to any specific conclusions.

Exploration principles mean that the critical input comes from interpreting data with a coach, facilitator, peer, etc. In order to get the highest quality input, however, it may be advisable to seek feedback from relatively many people who may know you from a variety of perspectives. Providing feedback, if taken seriously, takes time and sometimes has an emotional toll on the respondents. It's also important to understand that at the end of the day these data can be used by prospective leader for their own growth. Therefore, feeling of gratitude for their willingness to help you in your leadership journey will establish trust and culture of effective feedback.

CONCLUSION

Leadership development has become indispensable need of today, with continuous talk of succession planning, talent management along with lack of talent at top. Leadership development is a continuous process in which 360 degree feedback can play an important role, if it's properly monitored and interlinked with leader's traits and characteristics required in particular organization. Paper explores the linkage of 360 degree feedback with leadership development process in organization. It generates hypothesis that effective 360DF positively influence leadership development in organizations which extends scope for further investigation on the subject.

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Case: *SUGAR FREE*: THE BRAND IMAGE MAKEOVER

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*The case- **Sugar Free: the Brand Image Makeover** describes the challenges of identity makeover of a brand to attract new segment of the market when the existing brand image might be a bottleneck to do so. Sugar Free, market leader in sugar substitutes market, tried to change its image from a sugar substitute product for diabetic patients to a lifestyle and fitness solution for health conscious consumers. Journey was not smooth because of the strong image it already had in the market. The case illustrates the underline agendas and strategies followed by Sugar Free to ensure a sustainable image makeover.*

A HEALTHY LIFESTYLE:

It had been seen that increased sugar intake increased the risk for developing diabetes, heart diseases, high blood sugar, and obesity. To minimize the risk, globally consumers were opted for sugar substitute products those helped to lower down calories intake. Sugar consumption in India, the largest sugar consuming country in Asia, was foreseen at 23.1 million tonnes, up from 22.4 million in 2006/07, buoyed by lower prices and strong economic growth¹ and the consumption of sugar in India had been growing at a steady rate of 3%, and was currently at 23.1

million tones, per capita consumption at 18 Kg (lower than world average of 22 Kg). Of late, in India also, there had been an increasing importance on preventive and holistic healthcare. This had led to a boom in the fitness and wellness industry. According to a FICCI-Ernst and Young study titled 'Wellness-Exploring the Untapped Potential', the Indian wellness services market, presently estimated at Rs 11,000 crore, would sustain an annual growth rate of about 30-35 per cent for the next five years due to favorable market demographics, consumerism, globalization, changing lifestyles,

increasing availability across categories and regions and rising awareness among people².

In India, 'sugar substitutes' market was in nascent stage and size was of Rs.60 crores and growing at 15% p.a. Globally, demand for sweetener-based low calorie products like diet soft drinks, confectionery, ice creams and frozen desserts and foods witnessed a higher growth whereas in India, direct usage of sweeteners (Table top sweeteners) accounted for over 90 % of the low calorie market. *Sugar Free* occupied 75% of the market share for sugar substitutes in India (Source: AC Nielsen Report). The brand recorded sales of ~\$ 17 Mio in FY 08-09 with a CAGR of 25% for last 3 years and the promoter of the brand, Cadila Healthcare earned 7% of total revenue from sale of consumer products with 27% annual growth rate in the segment. The product was available in different forms - powdered as well as pellets and different sizes and packages. Over the years a wide range of products launched like *Sugar Free Natura*, *Gold* and *Sugar Free D'lite*. 155 daily pellets consumption approved by WHO and it was also approved by US FDA, and 60 other countries' medical councils like those of Canada, Australia and the EU. Because of its non interference with the digestive system and effective functioning, the brand enjoyed high score on safety, quality and reliability.

THE BEGINNING & BOTTLENECKS:

Zydus Cadila, Ahmedabad based fast growing global pharmaceutical company, had product ranges from API to formulations, animal health products and cosmeceuticals. After anticipating the emerging and daily needs in diabetic and health foods Zydus Cadila's consumer products division, in 1988, ventured into sugar substitutes market with its brand '*Sugar Free*' to promote 'healthy living'. As part of restructuring, in FY 08-09, the consumer health division of Cadila Healthcare was transferred to ZWL and 4 equity shares (FV Rs 10 each) of ZWL were allotted for every 15 shares (FV Rs 5) held in Cadila Healthcare. This division named as Zydus Wellness Ltd (ZWL) had three different types of products in its portfolio viz. Sugar Free - Sugar Substitutes; EverYuth – Skin Care Cosmetics and Nutralite – Margarine, Cholesterol free table spread for butter and butter substitutes market. Zydus Wellness Ltd (ZWL) (previously known as Carnation Nutra Analogue Foods Ltd) is a company belonging to the Cadila Group. The Cadila Group acquired the shareholding of the old promoters and thereafter came out with an open offer in May 2006 at a price of Rs.150 per share³.

However, the journey was not cake walk for the brand. At that point of time sugar substitute products were

perceived as pharmaceutical products and they were part of pharmaceutical industry. The major task was to do the image makeover to position the brand in nutraceutical segment. It was first brand to enter the nutraceutical beverage market and initially the market communication aimed at diabetics patients. Market growth was not encouraging and the brand tried to explore opportunities to position it differently from just being the need of the diabetic to regularly use of *Sugar Free* as Sugar substitute.

The major ingredient of *Sugar Free*, *Aspartame*, was always in the midst of controversy and scanner since its initial approval by the US FDA (Food and Drug Administration) in 1974. Serious concerns had been raised about long-term impact of consumption of aspartame on human body. Aspartame was a non caloric sweetener made from a protein derivative (a combination of 3 amino acids namely phenylalanine, aspartic acid and methanol), approximately 200 times sweeter than sugar and used worldwide in a number of foodstuffs. In 1999, FDA reconfirmed the safety of aspartame and stated the product as “one of the most thoroughly tested and studied food additives the agency has ever approved”⁴.

As a part of reposition exercise, the company tried to understand consumer insight and socio-cultural changes. It

was revealed that heavy consumption of sweets was inherent in Indian culture where every event or festival was incomplete without sweets. Further to that, Indian consumers were catching up quickly with increased consumption of so called junk food like burgers, pizzas. Obesity problem was becoming grave and because of the work pressure and long working hours, people were not getting time to work out. Simultaneously it was also seen that, younger generations were becoming health conscious and as a result of peer pressure to stay healthy and fit, were trying to compensate for extra calories wherever they could. Consumers recognized the need for better health and prevention of specific medical conditions like obesity and diabetes but hectic lifestyles, irregular eating habits and busy work schedule put hindrance to take up the matter seriously and in a regular basis. The product was repositioned in 2002, targeting the segment of a health conscious, gregarious and time starved consumers. The key consumer insight of targeted segment identified as calorie and weight conscious individuals, trying to be young and healthy, affluent, knowledgeable and would not mind to spend extra for health.

COMPETITIVE LANDSCAPE

Sugar substitutes market in India witnesses growing competition over the years (Table 1). Major players

include Alembic's Zero, Splenda, and Equal. Other players include Sugar Rite, Steevi 0 Cal, Dr. Shugar, Kal-Tame, Originale, Sweetos, Sweet 'n' Healthy and Candrel. Despite being launched with fanfare in 2005, Alembic's Zero is not visible in major communication medias and still targeted at diabetics only. The product is positioned primarily as a sugar substitute to be used in tea. Splenda, in other-hand, aimed both B2C and B2B segment i.e health-conscious individuals in B2C market and in B2B

market, catering industry. The product is positioned as a lifestyle cooking medium product. Equal is positioned mainly as a sugar substitute for tea and aimed at the slightly older 40+ age group. As per competitive intensity, *Sugar Free* enjoys greater visibility vis-à-vis its competitors because of its market visibility. In spite of several new entrants, the brand enjoys high recall value because of its innovative marketing activities in terms of product and promotion.

COMPANY NAME	BRAND
Zydus Cadila	Sugar Free
Merisant	Equal Candarel
Alembic	Zero
Splenda (Imported by Mohit International)	Splenda
Hexagon Nutrition	Kal-Tame
Sunova	Dr. Shugar
Steevi	Steevi 0
Natural	Sugar Rite
ModiSugar Mills	Originale- Half Spoon
EnSigns Health Care	Sweetos
Wipro Consumer Care	Sweet 'n' Healthy

Table 1: Competitive landscape of Sugar Substitute products

IMAGE MAKEOVER:

In 2002, as a first step in its image makeover drive, *Sugar Free* was planned to reposition as a healthy alternative for regular sugar use. The proposed positioning had become that of a nutraceutical, away from the pharmaceutical image that it had earlier.

The company used '*lifestyle segmentation*' instead of '*benefit segmentation*' to market the product. Healthy lifestyle by way of managing weight, reduction in blood pressure and cholesterol was main 'repositioning idea'. Further to that, the product started pitching itself against sugar, promoting its use in everyday cooking

and trying to penetrate the general sugar market. In line of that, Cadila Health Care Ltd filed registered itself as an owner of trade mark *Sugar Free*. In 2009, it filed a suit in Delhi HC seeking an interim injunction restraining Dabur India Ltd. from using the expression "Sugar Free" on any of their products as Dabur was selling "CHYAWANPRAKASH", a tonic, under the mark "Sugar Free" in the market. The judgment was in the favor of Dabur and it was stated that the packaging of "CHYAWANPRAKASH" was different and the expression "Sugar Free" had been used in a descriptive sense indicating the characteristic or attribute of the product⁵.

From 2007 onwards Sugar Free shifted its focus from health to fitness platform. While both health and fitness cater to same need set, fitness is more appealing to a broader set of younger consumers as they were rubbing shoulders with their global counterpart where fitness was *mantra* of life. 'Freedom from Calories' catch line was coined to propagate the idea behind the product ranges. To address Aspartame controversy, Sugar Free banked upon Sucralose, the only non-caloric sweetener made from sugar. It was derived from Sucrose through a multi-step patented manufacturing process that selectively substitutes three atoms of chlorine for three hydroxyl groups on the sugar molecule. It was 600 times sweeter than sugar compared with

saccharin's 300 and aspartame's 200 times sweetness. Sugar Free with aspartame contained 0.4 calories per pellet, (which is equivalent to a teaspoon of sugar); Natura with sucralose contained zero calories (per pellet).

PRODUCT INITIATIVES

Zydus Cadila realized that that it had to change the perceptions of consumers about *Sugar Free* who felt that it was a pharmaceutical product and associated it for people suffering from diabetes. To change consumer perceptions, Zydus Cadila decided to focus on simple and contemporary style of attractive packaging using bright colors and used unique sought-after shape of human body as shape of the bottle to reinforce the idea of wellness. In 2005, the company launched innovative sucralose based products like: Sugar Substitutes- *Sugar Free Natura*, *Sugar Free Gold*; Sugar Free Drink Concentrates- *Sugar Free D'lite powdered concentrates*; Sugar Free Bottled Health Drinks- *Sugar Free D'lite*. A descriptive labeling mentioning comparison of calories one can obtain by using *Sugar Free* or regular Sugar was followed to make the product more convincing as a substitute of regular sugar. *Sugar Free Natura*, a zero calorie sweetener, was made from sucralose and positioned as a medium for cooking and baking. *Sugar Free Gold*, an aspartame based

product, approved by USFDA & WHO, positioned as tabletop application like tea, coffee, limbupani and desserts. Making a foray in the low calorie beverages market, *Sugar Free D'lite* (powdered concentrates) was launched. The product was enriched with energy boosters (electrolytes), antioxidants and vitamins for refreshment and ready to mix version was available in six different flavors namely Passion Fruit, Orange, Mango, Fruit Punch, Lemon and Ice Tea, contained 10 calories per serving. *Sugar Free D'lite*, bottled health drinks was 99% calorie free product equipped with electrolytes and required minerals and was available in different flavors like Lemon, Orange, Apple, Passion fruit and Peach.

ADVERTISING & PROMOTIONAL INITIATIVES

Marketing communication plays a vital role in overall branding strategy of a marketer. Through communication, marketers try to cement their brand name in the mind of the target consumers to increase intention to buy. The very first Sugar Free ads were aimed at diabetics. Zydus Cadila developed innovative advertisement and communication for development of identity of *Sugar Free*. In 2002, the company roped in celebrities like Raveena Tandon and Harsha Bhogle for endorsing the product to do away with the 'not-for-me' tag. "*Sugar Free, Indulge Guilt Free!*" was popularized

to provide a positive stimulus to the consumer. As a part of multi-pronged approach, outdoors, print, TV and in-film placement had been used. In 2007, a highly successful OOH advertisement was done by Rediffusion DYR, Bangalore (Exhibit 1) which was short-listed for the Promo Lions at Cannes. A 14"x19" poster was created and shapes in the form of a muffin or ice cream were made using syrup of Sugar Free and sweet lime and the ants were then set to work. In continuation, it launched campaigns to use *Sugar Free Natura* as an alternative for regular sugar used through brand ambassador Sanjeev Kapoor who was having great following among women, who were increasingly becoming the decision-makers in urban families. *Sugar Free Gold* campaign featured super model and actress Bipasha Basu (actress Simran in South) as its brand ambassador to get connected with fitness freak and wellness conscious consumers.

To address the need of time-starved, sedentary individuals, in recent past, the communication focused on passive exercisers-people who were health-conscious and wanted to remain fit, but might not necessarily have time for the same. In recent times, due to an over crowded competitive market and media clutter, consumers were slow to recognize and respond to communication through conventional media. To break the clutter, marketers

were trying alternative media to create a bond with their consumers. In 2005, ZWL published '*The Sugar Free Book of Desserts*', published by BPI India Pvt Ltd consisted of recipes for 24 popular Indian desserts from all over the country including sabudana kheer, pista rabri, mishti doi, shrikhand, mango kalakand, chocolate walnut burfi, phirni, puran poli and so on. To explore other existing alternatives, product placement in film and television program was tried out. The product was embedded in *Cheeni Kum*, a Hindi movie which even had the tagline 'A sugar-free romance'. In June 2009, as part of its experiential marketing initiative, ZWL in association with Serve & Volley had rolled out a pan India campaign for its *Sugar Free Natura* through all SpiceJet baggage tags followed by in-flight announcement, product sampling.

As target segment of *Sugar Free* is digital friendly, it tried to communicate with the segment in innovative manner through its website (Exhibit 2). Zydus Wellness made its product specific website sugarfreenatura.com interactive one to ensure customer involvement. 'Fitness & Lifestyle' section addressed wellness need of consumers by providing tips & guidelines for '*simple do-it-yourself exercises*', diet planner, managing lifestyle disorders like diabetes, obesity and cholesterol. 'Health Calculators' section had options for consumers to

check health status by using different calculators like Calorie Need Calculator, Body Mass Index Calculator, Body Fat Calculator, Calories Burnt Calculator, Ideal Weight Calculator, Nutritional Needs Calculator to make proper dietary plan. Further to that Zydus understood that in a family, female members took decision about ingredients to be used in the kitchen. To involve decision makers, it had 'Recipes' section where women could get mouth-watering recipes using '*Sugar Free Natura*' as an ingredient and also put up her 'own recipe' on the website. Another interactive website sugarfreegold.net also had sections like 'Recipes' (having recipes of refreshments like Iced Tea, Fresh Lime, Meethi Lassi, Mango Milk Shake, Cold Coffee and desserts like *Gajar Halwa*, *Seviyaan*) where 'Sugar Free Gold' might be used; Fitness & Lifestyle; Health Calculators. Another product website, sugarfreedlite.com had unique section like 'calorie calculator' other than regular features. Overall, communication enjoyed great recall value.

Along with innovative advertisement, *Sugar Free* also focused on promotional schemes to increase its sales (Table 2). Consumer promotions were predominantly of the Quantity Discounts type. Trade promotions were important part to move sales. *Sugar Free* usually followed trade promotions in the form of added margins in the

range of 4- 6%. Some of the major promotional schemes listed below. The responses of promotion schemes facilitate sales were good. Overall promotional schemes were effective in terms of product movement and visibility. In one of the sales promotion scheme, *Sugar Free Natura* sachets were offered in the welcome pouches for all passengers of King Fisher Airlines. This campaign was followed by ads in Hi-Blitz, the in-flight magazine of the airlines. Further to that, *Sugar Free* came up with some Recipe Book for delicacies which use *Sugar Free* products both for the B2B

segment- bakeries, catering houses, coffee chains, and B2C segment and also it offered free recipes of delicacies using *Sugar Free* products to made aware consumers about the uses of the products. However, offers as Super Saver Pack of 500 pellets might cannibalize 300 pellets pack market, as the price was too attractive to ignore Super Saver Pack. By giving trade promotion schemes in the form of extra margins to the retailer or pharmacy stores, the company ensured that the store owner had a personal interest in ensuring higher sales of the product and also increased shelf space to the brand.

Product	Specifications	Offer	Price (Rs.)
Gold	Sachets-25 x 1 gm.	40% extra free- 10 sachets free	35
	Pellets Dispenser- 300 pellets	20% extra free - 60 pellets free	130
	Pellets Dispenser- 500 pellets	Super Saver Pack	165
	Trial Pack	Trial	20
Natura	Powder Pet Bottle- 100 gm	Buy 1 Get 1 free	90
	Powder Pet Bottle- 100 gm	Measuring Spoon + Menu of delicacies free	90
	Pellets Dispenser- 200 pellets	NA	110
	Pellets Dispenser- 100 pellets	NA	60
	Sachets- 50 x 1 gm	NA	65
D'Lite Ready to Drink	Flavours (500 ml)- Cola Lemon	Buy 2 Get 1 free	25
D'Lite Powder Concentrate	Flavours (1 Box * 8 Sachets)- Passion Fruit Lemon	NA	40

Table 2: Popular Sales Promotion schemes of *Sugar Free*

Among competitors, Quantity Discounts type promotional schemes were very popular (Table: 3). In general, the schemes were effective in increasing the

sales of the products. The schemes were useful and had an impact depending upon the time upon which the promotion schemes are introduced.

Product		Specifications	Offer	Price (Rs.)
Equal		Pellets Dispenser- 100 pellets	10 pellets extra free	55
		Pellets Dispenser- 300 pellets	NA	130
		Pellets Dispenser- 500 pellets	Super Saver Pack	160
		Sachets – 25 x 1 gm	NA	33
		Sachets – 50 x 1 gm	NA	62
		Powder Pet Bottle- 45 gm	5 gm extra free	100
	Candrel		Granules- 75 gm jar	NA
Zero		Pellets Dispenser- 90 pellets	NA	60
		Pellets Dispenser- 150 pellets	NA	90
		Sachets – 25 x 1 gm	NA	40
		Pellets Dispenser- 100 pellets, 5. 5 gm pack	New Dispenser	240
Splenda		Granulated 75 gm pack	50% extra- 40 gm extra free	450
Originale	Half Spoon	Powder- 240 gm pack	Measuring Spoon free	60
	Lemon Flavoured Sugar	Sachets- 20 x 1 gm	NA	36
	Demerra Coffee Sugar Cubes	125 cubes pack	Buy 3 Get 1 Mug free	60
	Coffee Sugar Powder	Powder- 170 gm pack	5 gm sachets free	38
Kal-Tame		Pellets Dispenser- 120 pellets	NA	59
		Powder- 100 gm pack	NA	99
Dr. Shugar		Pellets Dispenser- 100 pellets	NA	60
Steevi 0		Pellets Dispenser- 100 pellets	NA	55
Sugar Rite		Pellets Dispenser- 100 pellets	NA	60

Table 3: Popular Sales Promotion schemes of Sugar Substitute products

DISTRIBUTION INITIATIVES

For the sake of image makeover of a true sugar substitute product for ‘health conscious’ individuals, Zydus Healthcare Limited also considered its distribution system. Zydus Healthcare Limited had its manufacturing units at three locations in the country namely Ahmedabad, Chandigarh and its new state of art facility at Solan, Baddi. It developed an efficient network of Clearing and Forwarding agents, typically one for each state or even more depending on the market size,

who in turn had their networks of stockists and retailers in the given state. The shelf life of *Sugar Free*, powder as well as pellet form was around 2 years where as the shelf life for *Sugar Free D’lite* was 6 months. The distributor typically had a commission of 2-3%. The stockist had a margin of 8-10 % and eventually another 8% margin for the retailer. Overall there was an 18-20% margin on the factory price of the *Sugar Free* products. Further to that, to reinforce new brand image, ZWL opened ‘*Sugar Free Boutique*’ in India.

In India, growing rate of obesity, type 2 diabetes, and heart diseases and growing concern for health and fitness helped sugar substitute industry to grow over the years. In present scenario, *Sugar Free's* new image helped the brand increase its market penetration and successfully positioned it in lifestyle and fitness segment. Positioned in the marketplace involved communication of unique advantage in the mind's of the consumer which was achieved through innovative product, promotion and distribution initiatives. The challenge ahead was to convince consumer about the usefulness of *Sugar Free* as wholesome cooking medium.

QUESTIONS FOR DISCUSSION

1. Analyze the strategic needs for new brand image of *Sugar Free*. Explain problems existed with brand image of *Sugar Free* before repositioning drive.
2. *Sugar Free's* new positioning was on lifestyle and fitness plank. With increasing degree of competition, how far *Sugar Free's* new positioning would help the company to retain market share?
3. Do you think *Sugar Free's* new image makeover drive would change successfully existing image of *Sugar Free*: an aspartame based sugar substitute product for diabetic patient?
4. Discuss the role played by all elements of marketing mix in *Sugar Free's* image makeover success.

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Exhibit 1: OOH advertisement of Sugar Free by Rediffusion DYR, Bangalore



Exhibit 2: www.sugarfree-india.com: official home page of Sugar Free

Book Review

Portfolio Theory and Performance Analysis – Noel Amenc and Veronique Le Sourd's Publisher - John Wiley & Sons Ltd. Hard Cover, 280 Pages, 6th Edition 2009

Price – \$145.

The book is comprehensive, easy to read and is apt for investment courses in MBA program. The book is well suited for practitioners as well as academicians. AIMR standards are referred through out the book and hence it will be well appreciated by the CFAs.

Chapter 1 describes the Portfolio Management Environment. The chapter starts with the explanation of portfolio management and highlights its relevance in practice. Various asset classes and alternative modes of investments are introduced first, before describing and reviewing passive and active modes of portfolio management. Security selection and strategies relating to asset allocation are covered under the investment management process. The chapter ends with a discussion on portfolio performance analysis and market efficiency. The highlight of the chapter can be attributed to the excellent literature review provided on performance analysis.

The main focus of Chapter 2 is on performance analysis. Calculations of both absolute and relative returns are explained vividly in this section. The chapter also addresses the conclusion made by Brinson et al 1986 and 1991 stating that the 90 % of the variations relating to portfolio returns is subjected to asset allocation. Portfolio Opportunity Distribution modeled by Surz is also introduced here with relevance to similar research carried out by Kritzman and Page, 2003. The study done by Brison et al fails to distinguish the importance of capital allocation and security selection. They highlight the investment behavior relative to capital market opportunities. In this framework Kritzman and Page measures the potential for dispersion to rate the importance of capital allocation and security selection. Furthermore Amnec and Le Sourd, in chapter 7 of their book highlight that 98% of the writers have misquoted the work of Brison. The primary usage of Portfolio Opportunity Distribution is to

distinguish manager's skill and luck. Measuring risk followed by Var and scenario analysis is discussed next in this chapter. The appendices of this chapter showcase the methods for return calculation and international market indices.

Markowitz Portfolio Theory (1952 model) and the basics of Capital Asset pricing Model (CAPM) are covered in Chapter 3. The chapter also discusses (i) critical line method, (ii) simplex model (Wolf 1959), (iii) single-index model (Sharpe 1963) and (iv) Treynor's ratio as highlighted by Elton, Gruber and Padburg, 1977. Lagrangian resolution of the efficient frontier (Merton 1972) is presented in the appendix of this chapter.

In chapter 4 CAPM is discussed in details. The major disappointment comes when Treynor 1962 is reported as Treynor 1961. The chapter also ignores Fama's 1968 study. Although the author highlights Linter's study from *Review of Economics and Statistics*, February 1968, they fail to showcase Linter's second exposition from *Journal of Finance*, December 1965. However, the chapter provides a vivid explanation of Sharpe, Treynor and Jenson's measure. The more recent portfolio performance measure criteria

relating to tracking error, M-squared, Morningstar's ranking system, VaR, Sortino ratio, information ratio and style analysis are also covered in this chapter. The various market timing models as studied by Grinblatt and Titman 1989, Henrickson 1984, Henrickson and Merton 1981 and Treynor-Mazuy 1966 are also discussed in this section of the book. Unfortunately though, the authors highlight the criticism of tests of CAPM by Roll's 1977 as a criticism against CAPM itself. A more detailed study of Roll's 1977 paper reveals that the author criticizes the test to support the model. The paper states that Black, Jensen and Scholes 1972 study supported Sharpe – Linter model unless they were profitable in selecting the market portfolio.

Chapter 5 covers portfolio performance measurement relating to conditional heteroscedastic models, ARCH, GARCH and ARMA models. The chapter then continues to explain conditional CAPM model, including conditional parameters beta and alpha. The authors also relate the performance measures to Jensen measure, Treynor and Mazuy, Henrickson and Merton Model. Cornell 1979 and Grinblatt and Titman 1989 and 1993 measures of

non-market models form the most notable part of this chapter.

Chapter 6 examines Arbitrage Pricing Theory model as stated by Ross 1976 and Roll and Ross 1980. The other models and procedures discussed in this chapter are Fama-MacBeth's 1973, Fama French 1993, Carhart 1997, and the Rosenberg and McKibben 1973 extended BARRA model. Factor modeling is also explained in this chapter highlighting maximum likelihood theory. The rest of the chapter deals with the application of BARRA, Quantal and Advanced Portfolio Technology to risk analysis of portfolio. Even though this section does not include Northfield model it explains Shape's 1992 and Roll's 1997 procedure of style analysis. The arbitrage valuation is derived in the appendix.

The portfolio construction procedure is covered in chapter 7. Among the various methods highlighted, some of them are Scherer 2002, Black and Litterman 1991 and 1992, Treynor and Black 1973 and Markowitz 1959. Although the authors provide a vivid description of the selectivity model (Fama's 1972) they fail to include the relationship of this model with Treynor

and Black's 1973 appraisal metric. The major difference in the inference is that Amnec and Le Sourd illustrated a case have positive net selectivity whereas Fama illustrated negative net selectivity. Brinson's 1986 model, multi period and global aspects relating to performance analysis are covered well in this section. Portfolio techniques stated by Engstrom 2001 and Grinblatt and Titman 1989 are briefly stated at the end of this chapter.

Chapter 8, the final chapter ends with a discussion on fixed income securities. Creation and analysis of bond portfolios including an introductory definition of various models relating to fixed income are covered in this chapter.

The bibliography included at the end of every chapter supplemented by a data sheet in a CD is highly appreciated. Amnec and Le Sourd have overall authored a well-researched and highly recommendable comprehensive book for the students and for the practitioners as well.

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